MOTORCAR PARTS AMERICA INC

FORM 10-K
(Annual Report)

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UNITED STATES 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, 2013

OR

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

For the transition period from ___________to _______________

Commission File No. 001-33861

MOTORCAR PARTS OF AMERICA, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ 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. ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of September 30, 2012, which was the last business day of the registrant's most recently completed fiscal second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $66,158,263 based on the closing sale price as reported on the NASDAQ Global Market.

There were 14,460,979 shares of common stock outstanding as of June 10, 2013.

DOCUMENTS INCORPORATED BY REFERENCE:

In accordance with General Instruction G(3) of Form 10-K, the information required by Part III hereof will either be incorporated into this Form 10-K by reference to the registrant's Definitive Proxy Statement for the registrant's next Annual Meeting of Stockholders filed within 120 days of March 31, 2013 or will be included in an amendment to this Form 10-K filed within 120 days of March 31, 2013.

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GLOSSARY

The following terms are frequently used in the text of this report and have the meanings indicated below.

“Used Core” — An automobile part which has been used in the operation of a vehicle. Generally, the Used Core is an original equipment (“OE”) automobile part installed by the vehicle manufacturer and subsequently removed for replacement. Used Cores contain salvageable parts which are an important raw material in the remanufacturing process. We obtain most Used Cores by providing credits to our customers for Used Cores returned to us under our core exchange program. Our customers receive these Used Cores from consumers who deliver a Used Core to obtain credit from our customers upon the purchase of a newly remanufactured automobile part. When sufficient Used Cores cannot be obtained from our customers, we will purchase Used Cores from core brokers, who are in the business of buying and selling Used Cores. The Used Cores purchased from core brokers or returned to us by our customers under the core exchange program, and which have been physically received by us, are part of our raw material or work in process inventory included in long-term core inventory.

“Remanufactured Core” — The Used Core underlying an automobile part that has gone through the remanufacturing process and through that process has become part of a newly remanufactured automobile part. The remanufacturing process takes a Used Core, breaks it down into its component parts, replaces those components that cannot be reused and reassembles the salvageable components of the Used Core and additional new components into a remanufactured automobile part. Remanufactured Cores are included in our on-hand finished goods inventory and in the remanufactured finished good product held for sale at customer locations. Used Cores returned by consumers to our customers but not yet returned to us continue to be classified as Remanufactured Cores until we physically receive these Used Cores. All Remanufactured Cores are included in our long-term core inventory or in our long-term core inventory deposit.

MOTORCAR PARTS OF AMERICA, INC.

Unless the context otherwise requires, all references in this Annual Report on Form 10-K to "the Company," "we," "us," " MPA " and "our" refer to Motorcar Parts of America, Inc. and its subsidiaries. This Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve risks and uncertainties. Our actual results may differ significantly from the results discussed in any forward-looking statements. Discussions containing such forward-looking statements may be found in the material set forth under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as within this Form 10-K generally.

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Our SEC filings are available free of charge to the public over the Internet at the SEC's website at *www.sec.gov* . Our SEC filings are also available free of charge on our website *www.motorcarparts.com.* You may also read and copy any document we file with the SEC at its Public Reference Room at 100 F. Street, NE, Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the operation of the Public Reference Room.

PART I

Item 1. Business

General

We are a leading manufacturer, remanufacturer, and distributor of aftermarket automobile parts. We have two reportable segments, rotating electrical and undercar product line.

Within the rotating electrical segment, we manufacture and remanufacture alternators and starters for import and domestic cars, light trucks, heavy duty, agricultural and industrial applications.

Within the undercar product line segment, Fenco (as defined herein) remanufactures and distributes new and remanufactured steering components including rack and pinion, pumps and gears, brake calipers, master cylinders, and hub assembly and bearings for virtually all passenger and truck vehicles.

The current population of vehicles in North America is approximately 247 million and the average age of these vehicles is approximately 10 years. We believe the market for replacement parts is primarily driven by the age of vehicles and the miles driven. While an aged vehicle population is favorable today, miles driven continues to fluctuate primarily based on fuel prices.

The aftermarket for automobile parts is divided into two markets. The first market is the do-it-yourself ("DIY") market, which is generally serviced by the large retail chain outlets. Consumers who purchase parts from the DIY channel generally install parts into their vehicles themselves. In most cases, this is a less expensive alternative than having the repair performed by a professional installer. The second market is the professional installer market, commonly known as the do-it-for-me ("DIFM") market. This market is serviced by the traditional warehouse distributors, the dealer networks, and the commercial divisions of retail chains. Generally, the consumer in this channel is a professional parts installer.

Our products are distributed to both the DIY and DIFM markets and are distributed predominantly throughout North America. We sell our products to the largest auto parts retail and traditional warehouse chains and to major automobile manufacturers for both their aftermarket programs and their warranty replacement programs ("OES"). Demand and replacement rates for aftermarket remanufactured automobile parts generally increase with the age of vehicles and increases in miles driven.

Historically, the largest share of our business was in the DIY market. While that is still the case, our DIFM business is now a significant part of our business. In difficult economic times, we believe consumers are more likely to purchase lower cost replacement parts in both the DIY and DIFM markets. We focus on supplying both these channels with the most cost efficient replacement parts for the consumer to purchase.

Within the rotating electrical segment, the DIFM market is an attractive opportunity for growth. We are positioned to benefit from this market opportunity in two ways: (1) our auto parts retail customers are expanding their efforts to target the DIFM market and (2) we sell our products under private label and our own brand names directly to suppliers that focus on professional installers. In addition, we sell our products to OE manufacturers for distribution to the professional installer both for warranty replacement and their general aftermarket channels. We have been successful in growing sales in our rotating electrical segment to this market.

Financial information regarding our operating segments is included under "Financial Statements and Supplementary Data" in Part II, Item 8 of this Annual Report on Form 10-K.

Recent Developments

In May 2011, we purchased (i) all of the outstanding equity of Fenwick Automotive Products Limited ("FAPL"), (ii) all of the outstanding equity of Introcan, Inc., a Delaware corporation ("Introcan"), and (iii) 1% of the outstanding equity of Fapco S.A. de C.V., a Mexican variable capital company ("Fapco") (collectively, "Fenco"). Since FAPL owned 99% of Fapco prior to these acquisitions, the Company now owns 100% of Fapco.

Since our acquisition of Fenco on May 6, 2011, we have been implementing our undercar product line turnaround plan and our top priority continued to be improvement of the financial performance of our undercar product line business. The implementation of our undercar product line turnaround plan has taken longer and cost more than initially anticipated. Revenues generated by our undercar product line segment have not been sufficient to enable us to meet our operating expenses and otherwise implement our undercar product line turnaround plan. Fenco has incurred net losses of $135,260,000 and $62,814,000 for the years ended March 31, 2013 and 2012, respectively, and has an accumulated deficit of approximately $198,074,000 at March 31, 2013. Fenco continues to face capital and liquidity concerns. The Parent Company Financing Agreement (as defined herein) only permitted the Company to invest up to an additional $20,000,000 in Fenco, which it had done as of December 31, 2012. As of March 31, 2013, the Company had invested in Fenco $4,946,000 of equity, $52,631,000 of debt, $27,382,000 of accounts receivable in connection with our March 2011 consignment arrangement to provide goods in order to maintain the service levels for Fenco's customers, and $1,782,000 of net inter-company balances. At March 31, 2013, the Company has established a specific charge-off accrual for the debt, accounts receivable and inter-company balances. Fenco has been unable to refinance its credit agreement or obtain additional sufficient capital to implement its turnaround plan. The report of our independent registered public accounting firm on our financial statements for the year ended March 31, 2013 contains an explanatory paragraph raising substantial doubt as to our ability to continue as a going concern.

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, we will likely deconsolidate the financial statements of Fenco from our consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, each of FAPL, Introcan and Introcan's subsidiaries, Flo-Pro Inc., LH Distribution Inc., Rafko Logistics Inc., Rafko Holdings Inc. and Rafko Enterprises Inc., filed a voluntary petition for relief under Chapter 7 of Title 11 of the United States Code (the "Bankruptcy Code") in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco's financial statements are included in the consolidated financial statements of the Company. Our consolidated financial statements are prepared assuming we will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

As a result of these challenges with Fenco, management has adjusted its focus. Going forward MPA's focus will not include Fenco but will continue to be on its rotating electrical business and evaluating other opportunities. The outlook for rotating electrical continues to be strong with over 240 million vehicles on the road with an average age of over 10 years. Vehicles older than 7 years generally experience higher replacement rates for the alternators and starters. As such these metrics indicate an ongoing growth opportunity for rotating electrical. MPA's rotating electrical business has continued to have strong liquidity which will be further enhanced by the tax benefits associated with the write-off of the Fenco investments.

Products

Our products are manufactured to meet or exceed OE manufacturer specifications. Remanufacturing generally creates a supply of parts at a lower cost to the end user than newly manufactured parts and makes available automotive parts which are no longer manufactured as new. Our remanufactured parts are sold at competitively lower prices than most new replacement parts.

We recycle nearly all materials in keeping with our focus of positively impacting the environment. Nearly all parts, including metal from the Used Cores, and corrugated packaging are recycled.

We remanufacture automobile parts for virtually all import and domestic vehicles sold in North America. We believe most of our automobile parts are non-elective replacement parts in all makes and models of vehicles because they are required for a vehicle to operate.

The increasing complexity of cars and light trucks and the number of different makes and models of these vehicles have resulted in a significant increase in the number of different alternators and starters required to service import and domestic cars and light trucks. We carry over 4,200 stock keeping units ("SKUs") for alternators and starters which cover applications for most import and domestic cars and light trucks and over 4,100 SKUs for heavy duty and a variety of agricultural and industrial applications. These products are sold under our customers' widely recognized private label brand names and our Quality-Built ®, Xtreme ®, Reliance™ and other brand names.

Prior to its bankruptcy filing, Fenco remanufactured and distributed new and remanufactured steering components including rack and pinion, pumps and gears, brake calipers, master cylinders, and hub assembly and bearings for virtually all passenger and truck vehicles. Fenco sold remanufactured products under the Fenco™ brand name and new products under the Dynapak ® brand name. Fenco carried over 16,000 SKUs for virtually all passenger and truck vehicles. We do not undertake to update any developments in the business of Fenco following its bankruptcy.

Customers: Customer Concentration

We serve all of the largest retail automotive chain stores including AutoZone, Advance, Genuine Parts (NAPA), O'Reilly, Pep Boys, with an aggregate of approximately 14,000 retail outlets as well as a diverse group of automotive warehouse distributors and OES customers.

While we continually seek to diversify our customer base, we currently derive, and have historically derived, a substantial portion of our sales from a small number of large customers. During fiscal 2013, 2012 and 2011, sales to our three largest customers constituted approximately 72%, 64% and 71%, respectively, of our consolidated net sales, and sales to our largest customer, AutoZone, constituted approximately 41%, 41% and 48%, respectively, of our consolidated net sales, including products in both our segments. Any meaningful reduction in the level of sales to any of these customers, deterioration of any customer's financial condition or the loss of a customer in our rotating electrical product line could have a materially adverse impact upon us.

Customer Arrangements; Impact on Working Capital

We have or are renegotiating long-term agreements with many of our major customers. Under these agreements, which in most cases have initial terms of at least four years, we are designated as the exclusive or primary supplier for specified categories of our products. Because of the very competitive nature of the market and the limited number of customers for these products, our customers have sought and obtained price concessions, significant marketing allowances and more favorable delivery and payment terms in consideration for our designation as a customer's exclusive or primary supplier. These incentives differ from contract to contract and can include (i) the issuance of a specified amount of credits against receivables in accordance with a schedule set forth in the relevant contract, (ii) support for a particular customer's research or marketing efforts provided on a scheduled basis, (iii) discounts granted in connection with each individual shipment of product, and (iv) other marketing, research, store expansion or product development support. These contracts typically require that we meet ongoing standards related to fulfillment, price, and quality. Our contracts with major customers expire at various dates through March 2019.

These longer-term agreements strengthen our customer relationships and business base. The increased demand for product as a result of entering into these longer-term agreements often requires that we increase our inventories, accounts payable and personnel. Customer demands that we purchase their Remanufactured Core inventory have also been a significant and an additional strain on our available working capital. The marketing and other allowances we typically grant our customers in connection with our new or expanded customer relationships adversely impact the near-term revenues, profitability and associated cash flows from these arrangements. However, we believe the investment we make in these new or expanded customer relationships will improve our overall liquidity and cash flow from operations over time.

Competition

The aftermarket automotive parts market is highly competitive. We compete with several large and medium sized remanufacturers and a large number of smaller regional and specialty remanufacturers. We also compete with overseas manufacturers, particularly those located in China, who are increasing their operations and could become a significant competitive force in the future.

We believe that the reputations for quality and customer service that a supplier provides are significant factors in our customers' purchase decisions. We believe that our ability to provide quality replacement automotive products, rapid and reliable delivery capabilities as well as promotional support distinguishes us from many of our competitors and provides a competitive advantage. In addition, we believe favorable price and extended payment terms are also very important competitive factors in customers' purchase decisions.

We seek to protect our proprietary processes and other information by relying on trade secret laws and non-disclosure and confidentiality agreements with certain of our employees and other persons who have access to that information.

Operations

Production Process. Our remanufacturing process begins with the receipt of Used Cores from our customers or core brokers. The Used Cores are evaluated for inventory control purposes and then sorted by part number. Each Used Core is completely disassembled into its fundamental components. The components are cleaned in a process that employs customized equipment and cleaning materials in accordance with the required specifications of the particular component. All components known to be subject to major wear and those components determined not to be reusable or repairable are replaced by new components. Non-salvageable components of the Used Core are sold as scrap.

After the cleaning process is complete, the salvageable components of the Used Core are inspected and tested as prescribed by our ISO TS 16949 approved quality control program, which is implemented throughout the production process. ISO TS 16949 is an internationally recognized, world class, automotive quality system. Upon passage of all tests, which are monitored by designated quality control personnel, all the component parts are assembled in a work cell into a finished product. Inspection and testing are conducted at multiple stages of the remanufacturing process, and each finished product is inspected and tested on equipment designed to simulate performance under operating conditions. Finished products are either stored in our warehouse facility or packaged for immediate shipment. To maximize remanufacturing efficiency, we store component parts ready for assembly in our warehousing facilities.

Our remanufacturing processes combine product families with similar configurations into dedicated factory work cells. This remanufacturing process, known as "lean manufacturing," replaced the more traditional assembly line approach we had previously utilized and eliminated a large number of inventory moves and the need to track inventory movement through the remanufacturing process. This lean manufacturing process has been fully implemented at all of our production facilities. This lean manufacturing approach enables us to significantly reduce the time it takes to produce a finished product. We continue to explore opportunities for improving efficiencies in our remanufacturing process.

Offshore Remanufacturing. The majority of our remanufacturing operations are now conducted at our facilities in Mexico and Malaysia. For our rotating electrical products, we continue to maintain production of certain remanufactured units that require specialized service and/or rapid turnaround in our U.S. facilities. We also operate technical centers within our U.S. facilities which provide recertification of finished goods returns, rework including testing, kitting and packaging, and some small scale production. In addition, we operate a shipping and receiving warehouse and testing facility in Singapore for our rotating electrical products.

Used Cores. The majority of our Used Cores are obtained from customers using our core exchange program. The core exchange program consists of the following steps:

- Our customers purchase from us a remanufactured unit to be sold to their consumer.
- Our customers offer their consumers a credit to exchange their used unit (Used Core) at the time the consumer purchases a remanufactured unit.
- We, in turn, offer our customers a credit to send us these Used Cores. The credit reduces our accounts receivable.

Our customers are not obligated to send us all the Used Cores exchanged by their consumers. We have historically purchased Used Cores in the open market from core brokers who specialize in buying and selling Used Cores. Although the open market is not a primary source of Used Cores, it is a critical source for meeting our raw material demands. Remanufacturing consumes, on average, more than one Used Core for each remanufactured unit produced since not all Used Cores are reusable. The yield rates depend upon both the product and customer specifications.

The price of a finished product sold to our customers is generally comprised of an amount for remanufacturing ("unit value") and an amount separately invoiced for the Remanufactured Core included in the product ("Remanufactured Core charge"). The Remanufactured Core charge is equal to the credit we offer to induce the customer to use our core exchange program and send back the Used Cores to us. The ability to obtain Used Cores, materials and components of the types and quantities we need is essential to our ability to meet demand.

Return Rights. Under our customer agreements and general industry practice, our customers are allowed stock adjustments when their inventory of certain product lines exceeds the inventory necessary to support sales to end-user consumers. Customers have various contractual rights for stock adjustments which are typically in the range of 3%-5% of total consolidated units sold. In some instances, we allow a higher level of returns in connection with a significant update order. In addition, we allow customers to return goods to us that their end-user consumers have returned to them. We allow this general right of return regardless of whether the returned item is defective. We seek to limit the aggregate of stock adjustment and other customer returns, including general right of return, to less than 20% of unit sales. Stock adjustment returns do not occur at any specific time during the year.

As is standard in the industry, we only accept returns from on-going customers. If a customer ceases doing business with us, we have no further obligation to accept additional product returns from that customer. Similarly, we accept product returns and grant appropriate credits from new customers from the time the new customer relationship is established. This obligation to accept returns from new customers does not result in decreased liquidity or increased expenses since we only accept one returned product for each unit sold to the new customer. In each case, the return must be received by us in the original box of the unit sold.

Supplier Relationships. We purchase new products from suppliers for resale, primarily by Fenco in our undercar product line segment. We have entered into a long-term strategic relationship with Wanxiang America Corporation (the "Supplier") wherein it has the right to supply new automotive parts and components required by Fenco from third party suppliers, provided that the Supplier matches or betters pricing and other material terms of third party suppliers for all parts of comparable quality that Fenco requires.

Sales, Marketing and Distribution. We have one of the widest varieties of automotive products available to the market, and we market and distribute our products throughout North America. Our products for the automotive retail chain market are primarily sold under our customers' widely recognized private labels. We have expanded our sales efforts beyond automotive retail chains to include warehouse distribution centers serving professional installers. We ship our products from our facilities and fee warehouses located in North America.

We publish, for print and electronic distribution, a catalog with part numbers and applications for our products along with a detailed technical glossary and informational database. We believe that we maintain one of the most extensive catalog and product identification systems available to the market.

Employees. We had 2,756 employees at March 31, 2013, compared to 3,340 employees at March 31, 2012. Of these 457 employees were located in the U.S., 56 in Canada, 1,998 in Mexico, and 245 at our Singapore and Malaysian facilities, at March 31, 2013. Approximately 298 of these employees were administrative personnel, of which 24 were engaged in sales. A union represents approximately 1,861 employees at our Mexico facilities. All other employees are non-union. We consider our relations with our employees to be satisfactory.

As of June 10, 2013, Fenco filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware and terminated employment of its 904 employees.

Governmental Regulation

Our 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. We believe that our businesses, 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. Potentially significant expenditures, however, 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.

Item 1A. Risk Factors

While we believe the risk factors described below are all the material risks currently facing our business, additional risks we are not presently aware of or that we currently believe are immaterial may also impair our business operations. Our financial condition or results of operations could be materially and adversely impacted by these risks, and the trading price of our common stock could be adversely impacted by any of these risks. In assessing these risks, you should also refer to the other information included in or incorporated by reference into this Form 10-K, including our consolidated financial statements and related notes thereto appearing elsewhere or incorporated by reference in this Form 10-K.

We rely on a few major customers for a significant majority of our business, and the loss of any of these customers, significant changes in the prices, marketing allowances or other important terms provided to any of our major customers or adverse developments with respect to the financial condition of any of our major customers would reduce our net income and operating results.

Our consolidated net sales are concentrated among a small number of large customers. During fiscal 2013, sales to our three largest customers constituted approximately 72% of our consolidated net sales, and sales to our largest customer constituted approximately 41% of our consolidated net sales. We are under ongoing pressure from our major customers to offer lower prices, extended payment terms, increased marketing allowances and other terms more favorable to these customers because our sales to these customers are concentrated, and the market in which we operate is very competitive. These customer demands have put continued pressure on our operating margins and profitability, resulted in periodic contract renegotiation to provide more favorable prices and terms to these customers and significantly increased our working capital needs. In addition, this customer concentration leaves us vulnerable to any adverse change in the financial condition of any of our major customers. The loss or significant decline of sales to any of our major customers could adversely affect our business, results of operations and financial condition.

The bankruptcy process relating to Fenco may disrupt our relationships with customers, which could harm our business.

We have attempted to minimize the adverse effect of the bankruptcy of Fenco on our relationships with our customers, some of whom are also customers of Fenco. Nonetheless, the full extent to which the bankruptcy process relating to Fenco will impact our relationships with our customers may not be known for some time. Our relationships with our customers may be adversely impacted, and our operations could be materially and adversely affected.

We may be required to issue shares of our common stock or pay cash pursuant to the terms of our guarantee of obligations to a supplier of Fenco, which could result in dilution or reduce our liquidity.

In August 2012, we entered into an agreement with a supplier of Fenco that provided credit up to $22,000,000 related to the purchase of automotive parts and components by Fenco. After July 1, 2014, the supplier has the right to exercise an option under which the supplier may settle up to $8,000,000 of Fenco's obligations in exchange, at our option, for (i) shares of our common stock valued at $7.75 per share, subject to certain adjustments, or (ii) cash in an amount equal to 135% of the amount of the outstanding obligations. The supplier also has the right to sell accrued interest to us for shares of our common stock at a price, subject to certain adjustments, that is the lower of (i) $7.75 per share and (ii) 105% of the market value of our common stock, which market value is defined in the terms of the guarantee. As a result of these obligations, we could be liable for up to $22,000,000 of cash and issue an aggregate of 2,604,600 shares of common stock. This liability could reduce our liquidity if we do not refinance it, and could also be dilutive to shareholders if such shares are issued. The principal amount is due under the Fenco credit agreement but payment is subordinated to the Parent Company Financing Agreement (as defined herein) .

Our offshore remanufacturing and logistic activities expose us to increased political and economic risks and place a greater burden on management to achieve quality standards.

Our overseas operations, especially our operations in Mexico, increase our exposure to political, criminal or economic instability in the host countries and to currency fluctuations. Risks are inherent in international operations, including:

- exchange controls and currency restrictions;
- currency fluctuations and devaluations;
- changes in local economic conditions;
- repatriation restrictions (including the imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries);
- global sovereign uncertainty and hyperinflation in certain foreign countries;
- laws and regulations relating to export and import restrictions;
- exposure to government actions; and
- exposure to local political or social unrest including resultant acts of war, terrorism or similar events.

These and other factors may have a material adverse effect on our offshore activities and on our business, results of operations and financial condition. Our overall success as a business depends, in part, upon our ability to manage our foreign operations. We may not continue to succeed in developing and implementing policies and strategies that are effective in each location where we do business, and failure to do so could adversely affect our business, results of operations and financial condition.

Interruptions or delays in obtaining component parts could impair our business and adversely affect our operating results.

In our remanufacturing processes, we obtain Used Cores, primarily through the core exchange program with our customers, and component parts from third-party manufacturers. Historically, the Used Cores returned from customers together with purchases from core brokers have provided us with an adequate supply of Used Cores. If there was a significant disruption in the supply of Used Cores, whether as a result of increased Used Core acquisitions by existing or new competitors or otherwise, our operating activities would be materially and adversely impacted. In addition, a number of the other components used in the remanufacturing process are available from a very limited number of suppliers. We are, as a result, vulnerable to any disruption in component supply, and any meaningful disruption in this supply would materially and adversely impact our operating results.

Increases in the market prices of key component raw materials could negatively impact our profitability.

In light of the long-term, continuous pressure on pricing which we have experienced from our major customers, we may not be able to recoup the higher prices which raw materials, particularly aluminum and copper, may command in the marketplace. We believe the impact of higher raw material prices, which is outside our control, is mitigated to some extent because we recover a substantial portion of our raw materials from Used Cores returned to us by our customers through the core exchange program. However, we are unable to determine what adverse impact, if any, sustained raw material price increases may have on our profitability.

Substantial and potentially increasing competition could reduce our market share and significantly harm our financial performance.

While we believe we are well-positioned in the aftermarket for remanufactured products, this market is very competitive. In addition, other overseas manufacturers, particularly those located in China, are increasing their operations and could become a significant competitive force in the future. We may not be successful competing against other companies, some of which are larger than us and have greater financial and other resources at their disposal. Increased competition could put additional pressure on us to reduce prices or take other actions which may have an adverse effect on our operating results.

Our financial results are affected by automotive parts failure rates that are outside our control.

Our operating results are affected by automotive parts failure rates. These failure rates are impacted by a number of factors outside our control, including product designs that have resulted in greater reliability, consumers driving fewer miles as a result of both high gasoline prices and the slowdown in the U.S. economy, and the average age of vehicles on the road. A reduction in the failure rates of automotive parts would adversely affect our sales and profitability.

Our operating results may continue to fluctuate significantly.

We have experienced significant variations in our annual and quarterly results of operations. These fluctuations have resulted from many factors, including shifts in the demand and pricing for our products and general economic conditions, including changes in prevailing interest rates. Our gross profit percentage fluctuates due to numerous factors, some of which are outside our control. These factors include the timing and level of marketing allowances provided to our customers, differences between the level of projected sales to a particular customer and the actual sales during the relevant period, pricing strategies, the mix of products sold during a reporting period, fluctuations in the level of Used Core returns during the period, and general market and competitive conditions.

Our lenders may not waive future defaults under our credit agreements.

Over the past several years, we have violated a number of the financial and other covenants contained in our credit agreements. To this point, our lenders have been willing to waive these covenant defaults and to do so without imposing any significant cost or penalty on us. If we fail to meet the financial covenants or the other obligations set forth in our credit agreements in the future, there is no assurance that our lenders will waive any such defaults.

Our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position.

Our indebtedness may increase substantially from time to time for various reasons, including fluctuations in operating results, marketing allowances provided to customers, capital expenditures and possible acquisitions. Our indebtedness could materially affect our business because (i) a portion of our cash flow must be used to service debt rather than finance our operations, (ii) it may eventually impair our ability to obtain financing in the future, and (iii) it may reduce our flexibility to respond to changes in business and economic conditions or take advantage of business opportunities that may arise.

Our stock price may be volatile and could decline substantially.

Our stock price may decline substantially as a result of the volatile nature of the stock market and other factors beyond our control. The stock market has, from time to time, experienced extreme price and volume fluctuations. Many factors may cause the market price for our common stock to decline, including (i) our operating results failing to meet the expectations of securities analysts or investors in any quarter, (ii) downward revisions in securities analysts' estimates, (iii) market perceptions concerning our future earnings prospects, (iv) public or private sales of a substantial number of shares of our common stock, and (v) adverse changes in general market conditions or economic trends. Our stock price has ranged from $3.96 to $15.86 per share since the acquisition of Fenco on May 6, 2011.

Unfavorable currency exchange rate fluctuations could adversely affect us.

We are exposed to market risk from material movements in foreign exchange rates between the U.S. dollar and the currencies of the foreign countries in which we operate. As a result of our extensive operations in Mexico, our primary risk relates to changes in the rates between the U.S. dollar and the Mexican peso. To mitigate this currency risk, we enter into forward foreign exchange contracts to exchange U.S. dollars for Mexican pesos. We also enter into forward foreign exchange contracts to exchange U.S. dollars for Chinese yuan in order to mitigate risk related to our purchases and payments to our Chinese vendors. The extent to which we use forward foreign exchange contracts is periodically reviewed in light of our estimate of market conditions and the terms and length of anticipated requirements. The use of derivative financial instruments allows us to reduce our exposure to the risk that the eventual net cash outflow resulting from funding the expenses of the foreign operations will be materially affected by changes in the exchange rates. We do not engage in currency speculation or hold or issue financial instruments for trading purposes. These contracts expire in a year or less. Any change in the fair value of foreign exchange contracts is accounted for as an increase or decrease to general and administrative expenses in current period earnings.

We may continue to make strategic acquisitions of other companies or businesses and these acquisitions introduce significant risks and uncertainties, including risks related to integrating the acquired businesses and achieving benefits from the acquisitions.

In order to position ourselves to take advantage of growth opportunities, we have made, and may continue to make, strategic acquisitions that involve significant risks and uncertainties. These risks and uncertainties include: (i) the difficulty in integrating newly-acquired businesses and operations in an efficient and effective manner, (ii) the challenges in achieving strategic objectives, cost savings and other benefits from acquisitions, (iii) the potential loss of key employees of the acquired businesses, (iv) the risk of diverting the attention of senior management from our operations, (v) risks associated with integrating financial reporting and internal control systems, (vi) difficulties in expanding information technology systems and other business processes to accommodate the acquired businesses, and (vii) future impairments of goodwill of an acquired business.

Continuing weakness in conditions in the global credit markets and macroeconomic factors could adversely affect our financial condition and results of operations.

The ongoing weakness in the financial condition of financial institutions has resulted in significant constraints on liquidity and availability in global credit markets and more stringent borrowing terms. Modest economic growth in most major industrial countries in the world and uncertain prospects for continued growth threaten to cause further tightening of the credit markets, more stringent lending standards and terms, and higher volatility in interest rates. The persistence of these conditions could have a material adverse effect on our borrowings and the availability, terms and cost of such borrowings. In addition, deterioration in the U.S. economy could adversely affect our corporate results, which could adversely affect our operating results.

Our reliance on foreign suppliers for certain automotive parts poses various risks .

A significant portion of certain automotive parts are imported from suppliers located outside the U.S., including various countries in Asia. As a result, we are subject to various risks of doing business in foreign markets and importing products from abroad, such as:

- significant delays in the delivery of cargo due to port security considerations;
- imposition of duties, taxes, tariffs or other charges on imports;
- imposition of new legislation relating to import quotas or other restrictions that may limit the quantity of our product that may be imported into the U.S. from countries or regions where we do business;
- financial or political instability in any of the countries in which our product is manufactured;
- potential recalls or cancellations of orders for any product that does not meet our quality standards;
- disruption of imports by labor disputes and local business practices;
- political or military conflict involving the U.S., which could cause a delay in the transportation of our products and an increase in transportation costs;
- heightened terrorism security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods;
- natural disasters, disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;
- inability of our non-U.S. suppliers to obtain adequate credit or access liquidity to finance their operations; and
- our ability to enforce any agreements with our foreign suppliers.

Any of the foregoing factors, or a combination of them, could increase the cost or reduce the supply of products available to us and adversely affect our business, financial condition, results of operations or liquidity.

In addition, because we depend on independent third parties to manufacture a significant portion of certain automotive products, we cannot be certain that we will not experience operational difficulties with such manufacturers, such as reductions in the availability of production capacity, errors in complying with merchandise specifications, insufficient quality controls and failure to meet production deadlines or increases in manufacturing costs.

We have identified a material weakness in our internal control over financial reporting resulting from our acquisition of Fenco and cannot assure that additional material weaknesses will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in material misstatements in our financial statements which could require us to restate financial statements, cause investors to lose confidence in our reported financial information and have a negative effective on our stock price.

Management has identified a material weakness in our internal control over financial reporting at Fenco that affected our financial statements for the first two quarters of fiscal 2013. This material weakness in our internal control over financial reporting was related to the following factors: the inadequacy of systems required to segregate and account for certain transactions accurately; the failure of financial policies and procedures at Fenco to provide for effective oversight and review of the reconciliation of accounts at month or quarter ends; and the inadequacy of the overall accounting skill set at Fenco for diligent and consistent performance of key accounting controls. These factors resulted in Fenco’s inability to complete the financial closing process on a timely and accurate basis. As a result of our failure to meet our periodic reporting obligations in a timely manner, we had received notices from the National Association of Securities Dealers Automated Quotation ("NASDAQ”) regarding our failure to maintain the listing standards for our common stock. We were in full compliance with the NASDAQ listing standards in connection with the filing of the quarterly report on Form 10-Q with the SEC for the second quarter of fiscal 2013 in December 2012.

We cannot assure that additional significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional significant deficiencies or material weaknesses, cause us to fail to meet our periodic reporting obligations (which may result in our failure to maintain the listing standards for our common stock) or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting required under Section 404 of the Sarbanes-Oxley Act of 2002 and the rules promulgated under Section 404. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to meet our reporting obligations (which may result in our failure to maintain the listing standards for our common stock) and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Impairment of charges relating to goodwill and long-lived assets may have a material adverse effect on our earnings and results of operations.

We regularly monitor our goodwill and long-lived assets for impairment indicators. In conducting our goodwill impairment testing, we compare the fair value of each our business segments to the related net book value. In conducting our impairment analysis of long-lived assets, we compare the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of our goodwill or long-lived assets. In the event that we determine our goodwill or long-lived assets are impaired, we may be required to record a significant charge to earnings in our financial statements that could have a material adverse effect on our results of operations. We may also incur charges in connection with the sale of assets or operations, or revaluations of assets as we change our operations.

As of March 31, 2013, we identified the following impairment indicators in our undercar product line segment: (i) continued losses from Fenco operations, (ii) lower forecasted future revenues, (iii) negative working capital position, (iv) additional financing needs, and (v) the anticipated filing for bankruptcy. As a result of the annual goodwill impairment analysis and intangible asset impairment analysis performed during the fourth quarter of fiscal 2013, we concluded that goodwill and intangible assets for our undercar product line segment were fully impaired, therefore, we recorded a non-cash goodwill and intangible asset impairment charge of $68,356,000 and $16,330,000 during fiscal 2013, respectively.

An increase in the cost or a disruption in the flow of our imported products may significantly decrease our sales and profits.

Merchandise manufactured overseas represents a part of our total product purchases. A disruption in the shipping or cost of such merchandise may significantly decrease our sales and profits. In addition, if imported merchandise becomes more expensive or unavailable, the transition to alternative sources may not occur in time to meet our demands. Merchandise from alternative sources may also be of lesser quality and more expensive than those we currently import. Risks associated with our reliance on imported merchandise include disruptions in the shipping and importation or increase in the costs of imported products. For example, common risks may be:

- raw material shortages;
- work stoppages;
- strikes and political unrest;
- problems with oceanic shipping, including shipping container shortages;
- increased customs inspections of import shipments or other factors causing delays in shipments;
- economic crises;
- international disputes and wars;
- loss of "most favored nation" trading status by the United States in relations to a particular foreign country;
- import duties;
- import quotas and other trade sanctions; and
- increases in shipping rates.

Products manufactured overseas and imported into the U.S. and other countries are subject to import restrictions and duties.

Our auditors have included an explanatory paragraph expressing substantial doubt as to the ability of the consolidated companies (as defined herein) to continue as a going concern as of March 31, 2013 as a result of losses from its Fenco operations.

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, we will likely deconsolidate the financial statements of Fenco from our consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, Fenco filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco's financial statements are included in the consolidated financial statements of the Company. Our consolidated financial statements are prepared assuming we will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

As a result of these challenges with Fenco, management has adjusted its focus. Going forward MPA's focus will not include Fenco but will continue to be on its rotating electrical business and evaluating other opportunities. The outlook for rotating electrical continues to be strong with over 240 million vehicles on the road with an average age of over 10 years. Vehicles older than 7 years generally experience higher replacement rates for the alternators and starters. As such these metrics indicate an ongoing growth opportunity for rotating electrical. MPA's rotating electrical business has continued to have strong liquidity which will be further enhanced by the tax benefits associated with the write-off of the Fenco investments.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth the location, type of facility, square footage and ownership interest in each of our facilities.

Location	Type of Facility	Approx. Square Feet	Leased or Owned	Date of Lease Expiration
Rotating Electrical				
Torrance, CA	Remanufacturing, Warehouse, Administrative, and Office	231,000	Leased	March 2022
Tijuana, Mexico (1)	Remanufacturing, Warehouse, and Office	311,000	Leased	April 2015
Singapore & Malaysia	Remanufacturing, Warehouse, and Office	60,000	Leased	Various through November 2014
Shanghai, China	Warehouse and Office	27,000	Leased	March 2016
Undercar Product Line (2)				
Lock Haven, PA (1)	Warehouse and Distribution	320,000	Leased	November 2014
Lock Haven, PA	Technical Center	50,000	Owned	-
Monterrey, Mexico (1)	Industrial and Office	183,000	Leased	July 2021
Toronto, Canada	Office and Warehouse	45,000	Leased	December 2013

(1) We have an option to extend the lease term for two additional 5-year periods.

(2) During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, we will likely deconsolidate the financial statements of Fenco from our consolidated financial statements during the first quarter of fiscal 2014.

We believe the above mentioned facilities are sufficient to satisfy our foreseeable warehousing, production, distribution and administrative office space requirements for our current operations.

Item 3. Legal Proceedings

We are subject to various legal proceedings arising in the normal course of conducting business. Management does not believe that the outcome of these matters will have a material adverse impact on its financial position or future results of operations.

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, we will likely deconsolidate the financial statements of Fenco from our consolidated financial statements during the first quarter of fiscal 2014. (See Notes 1 and 23 of the Notes to Consolidated Financial Statements.)

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NASDAQ Global Select Market under the trading symbol MPAA. The following table sets forth the high and low sale prices for our common stock during fiscal 2013 and 2012.

	Fiscal 2013		Fiscal 2012	
	High	Low	High	Low
1st Quarter	$ 10.00	$ 4.04	$ 15.86	$ 12.95
2nd Quarter	$ 5.16	$ 3.96	$ 15.75	$ 8.12
3rd Quarter	$ 6.85	$ 4.22	$ 10.42	$ 6.70
4th Quarter	$ 7.30	$ 5.30	$ 10.10	$ 6.33

As of June 10, 2013, there were 14,460,979 shares of common stock outstanding held by 36 holders of record. We have never declared or paid dividends on our common stock. The declaration of any prospective dividends is at the discretion of the Board of Directors and will be dependent upon sufficient earnings, capital requirements and financial position, general economic conditions, state law requirements and other relevant factors. Additionally, our agreement with our lenders prohibits the payment of dividends, except stock dividends, without the lenders' prior consent.

Share Repurchase Program

In March 2010, our Board of Directors authorized a share repurchase program of up to $5,000,000 of our outstanding common stock from time to time in the open market and in private transactions at prices deemed appropriate by management. The program does not have an expiration date. Under this program, we have repurchased and retired a total of 67,347 shares at a total cost of approximately $389,000 up to the year ended March 31, 2013. Our credit agreements currently prohibit such repurchases.

Equity Compensation Plan Information

The following table summarizes our equity compensation plans as of March 31, 2013:

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securities holders	1,970,084(1)	$ 8.73	1,135,033(2)
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	1,970,084	$ 8.73	1,135,033

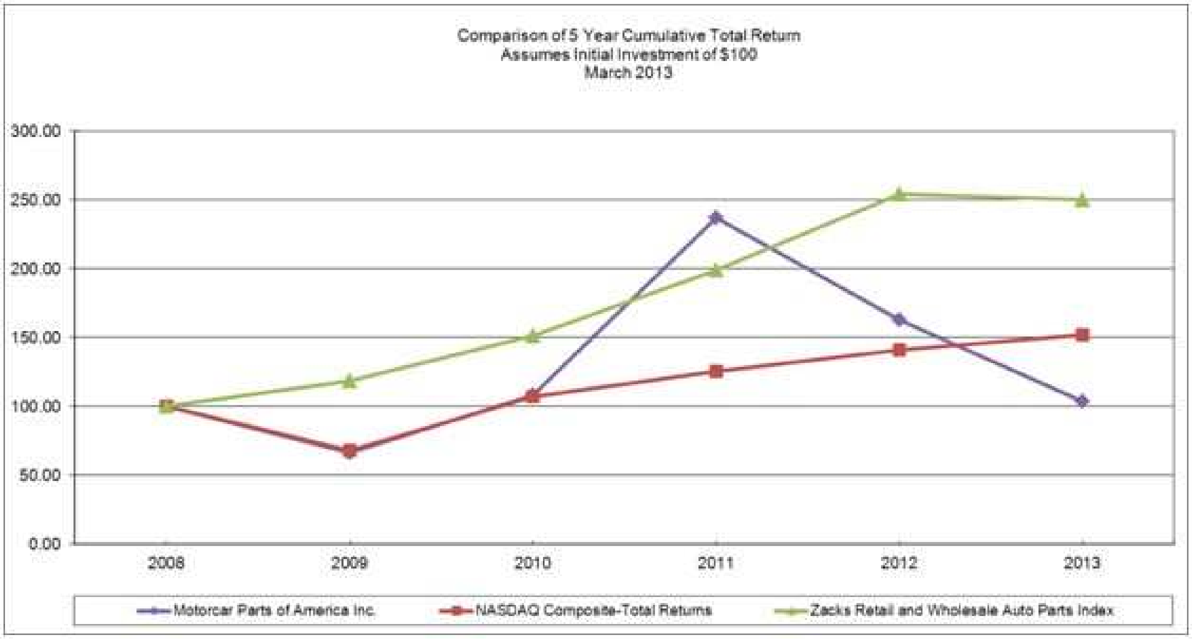
(1) Consists of options issued pursuant to our 1994 Employee Stock Option Plan, 1996 Employee Stock Option Plan, 1994 Non-Employee Director Stock Option Plan, 2003 Long-Term Incentive Plan, 2004 Non-Employee Director Stock Option Plan, and 2010 Incentive Award Plan.

(2) Consists of options available for issuance under our 2010 Incentive Award Plan and 2004 Non-Employee Director Stock Option Plan.

Performance Graph

The following graph compares the cumulative return to holders of our common stock for the five years ending March 31, 2013 with the NASDAQ Composite Index and the Zacks Retail and Wholesale Auto Parts Index. The comparison assumes $100 was invested at the close of business on March 31, 2008 in our common stock and in each of the comparison groups, and assumes reinvestment of dividends.

Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of $100
March 2013



Item 6. Selected Financial Data

The following selected historical consolidated financial information for the periods indicated below has been derived from and should be read in conjunction with our consolidated financial statements and related notes thereto. The acquisition of Fenco on May 6, 2011, has had a significant impact on the comparability of results.

	Fiscal Years Ended March 31,				
Income Statement Data	**2013**	**2012**	**2011**	**2010**	**2009**
Net sales	$ 406,266,000	$ 363,687,000	$ 161,285,000	$ 147,225,000	$ 134,866,000
Operating (loss) income	(88,825,000)	(27,487,000)	25,384,000	18,307,000	10,642,000
Net (loss) income	(91,511,000)	(48,514,000)	12,220,000	9,646,000	3,857,000
Basic net (loss) income per share	$ (6.39)	$ (3.90)	$ 1.01	$ 0.80	$ 0.32
Diluted net (loss) income per share	$ (6.39)	$ (3.90)	$ 0.99	$ 0.80	$ 0.32

	March 31,				
Balance Sheet Data	**2013**	**2012**	**2011**	**2010**	**2009**
Total assets	$ 367,074,000	$ 501,898,000	$ 191,865,000	$ 163,480,000	$ 159,588,000
Working capital	(67,142,000)	(2,188,000)	1,395,000	3,399,000	(3,569,000)
Revolving loan	-	48,884,000	-	-	21,600,000
Term loan	84,010,000	85,000,000	7,500,000	9,500,000	-
Capital lease obligations	398,000	662,000	834,000	1,398,000	3,022,000
Other long term liabilities	70,573,000	124,228,000	9,984,000	7,056,000	7,364,000
Shareholders' equity	$ (3,514,000)	$ 73,619,000	$ 117,177,000	$ 103,620,000	$ 93,083,000

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Disclosure Regarding Private Securities Litigation Reform Act of 1995

This report contains certain forward-looking statements with respect to our future performance 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 bankruptcy of Fenco, concentration of sales to certain customers, changes in our relationship with any of our major customers, the increasing customer pressure for lower prices and more favorable payment and other terms, the increasing demands on our working capital, the significant strain on working capital associated with large Remanufactured Core inventory purchases from customers, our ability to obtain any additional financing we may seek or require, our ability to achieve positive cash flows from operations, potential future changes in our previously reported results as a result of the identification and correction of errors in our accounting policies or procedures or the potential material weaknesses in our internal controls over financial reporting, lower revenues than anticipated from new and existing contracts, our failure to meet the financial covenants or the other obligations set forth in our credit agreements and the lenders' refusal to waive any such defaults, any meaningful difference between projected production needs and ultimate sales to our customers, increases in interest rates, changes in the financial condition of any of our major customers, the impact of high gasoline prices, the potential for changes in consumer spending, consumer preferences and general economic conditions, increased competition in the automotive parts industry, including increased competition from Chinese and other offshore manufacturers, difficulty in obtaining Used Cores and component parts or increases in the costs of those parts, political, criminal or economic instability in any of the foreign countries where we conduct operations, currency exchange fluctuations, unforeseen increases in operating costs, the strategic cooperation agreement, and other factors discussed herein and in our other filings with the SEC.

Management Overview

We are a leading manufacturer, remanufacturer, and distributor of aftermarket automobile parts. We have two reportable segments, rotating electrical and undercar product line.

Within the rotating electrical segment, we manufacture and remanufacture alternators and starters for import and domestic cars, light trucks, heavy duty, agricultural and industrial applications.

Within the undercar product line segment, Fenco remanufactures and distributes new and remanufactured steering components including rack and pinion, pumps and gears, brake calipers, master cylinders, and hub assembly and bearings for virtually all passenger and truck vehicles.

The current population of vehicles in North America is approximately 247 million and the average age of these vehicles is approximately 10 years. We believe the market for replacement parts is primarily driven by the age of vehicles and the miles driven. While an aged vehicle population is favorable today, miles driven continues to fluctuate primarily based on fuel prices.

The aftermarket for automobile parts is divided into two markets. The first market is the DIY market, which is generally serviced by the large retail chain outlets. Consumers who purchase parts from the DIY channel generally install parts into their vehicles themselves. In most cases, this is a less expensive alternative than having the repair performed by a professional installer. The second market is the professional installer market, commonly known as the DIFM market. This market is serviced by the traditional warehouse distributors, the dealer networks, and the commercial divisions of retail chains. Generally, the consumer in this channel is a professional parts installer.

Our products are distributed to both the DIY and DIFM markets and are distributed predominantly throughout North America. We sell our products to the largest auto parts retail and traditional warehouse chains and to major automobile manufacturers for both their aftermarket programs and their OES program. Demand and replacement rates for aftermarket remanufactured automobile parts generally increase with the age of vehicles and increases in miles driven.

Historically, the largest share of our business was in the DIY market. While that is still the case, our DIFM business is now a significant part of our business. In difficult economic times, we believe consumers are more likely to purchase lower cost replacement parts in both the DIY and DIFM markets. We focus on supplying both these channels with the most cost efficient replacement parts for the consumer to purchase.

Within the rotating electrical segment, the DIFM market is an attractive opportunity for growth. We are positioned to benefit from this market opportunity in two ways: (1) our auto parts retail customers are expanding their efforts to target the DIFM market and (2) we sell our products under private label and our own brand names directly to suppliers that focus on professional installers. In addition, we sell our products to OE manufacturers for distribution to the professional installer both for warranty replacement and their general aftermarket channels. We have been successful in growing sales in our rotating electrical segment to this market.

Recent Developments

Since our acquisition of Fenco on May 6, 2011, we have been implementing our undercar product line turnaround plan and our top priority continued to be improvement of the financial performance of our undercar product line business. The implementation of our undercar product line turnaround plan has taken longer and cost more than initially anticipated. Revenues generated by our undercar product line segment have not been sufficient to enable us to meet our operating expenses and otherwise implement our undercar product line turnaround plan. Fenco has incurred net losses of $135,260,000 and $62,814,000 for the years ended March 31, 2013 and 2012, respectively, and has an accumulated deficit of approximately $198,074,000 at March 31, 2013. Fenco continues to face capital and liquidity concerns. The Parent Company Financing Agreement only permitted the Company to invest up to an additional $20,000,000 in Fenco, which it had done as of December 31, 2012. As of March 31, 2013, the Company had invested in Fenco $4,946,000 of equity, $52,631,000 of debt, $27,382,000 of accounts receivable in connection with our March 2011 consignment arrangement to provide goods in order to maintain the service levels for Fenco's customers, and $1,782,000 of net inter-company balances. At March 31, 2013, the Company has established a specific charge-off accrual for the debt, accounts receivable and inter-company balances. Fenco has been unable to refinance its credit agreement or obtain additional sufficient capital to implement its turnaround plan. The report of our independent registered public accounting firm on our financial statements for the year ended March 31, 2013 contains an explanatory paragraph raising substantial doubt as to our ability to continue as a going concern.

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, we will likely deconsolidate the financial statements of Fenco from our consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, each of FAPL, Introcan and Introcan's subsidiaries, Flo-Pro Inc., LH Distribution Inc., Rafko Logistics Inc., Rafko Holdings Inc. and Rafko Enterprises Inc., filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco's financial statements are included in the consolidated financial statements of the Company. Our consolidated financial statements are prepared assuming we will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

As a result of these challenges with Fenco, management has adjusted its focus. Going forward MPA's focus will not include Fenco but will continue to be on its rotating electrical business and evaluating other opportunities. The outlook for rotating electrical continues to be strong with over 240 million vehicles on the road with an average age of over 10 years. Vehicles older than 7 years generally experience higher replacement rates for the alternators and starters. As such these metrics indicate an ongoing growth opportunity for rotating electrical. MPA's rotating electrical business has continued to have strong liquidity which will be further enhanced by the tax benefits associated with the write-off of the Fenco investments.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with generally accepted accounting principles, or GAAP, in the United States. Our significant accounting policies are discussed in detail below and in Note 2 in the Notes to Consolidated Financial Statements.

In preparing our consolidated financial statements, we use estimates and assumptions for matters that are inherently uncertain. We base our estimates on historical experiences and reasonable assumptions. Our use of estimates and assumptions affect the reported amounts of assets, liabilities and the amount and timing of revenues and expenses we recognize for and during the reporting period. Actual results may differ from our estimates.

Our remanufacturing operations require that we acquire Used Cores, a necessary raw material, from our customers and offer our customers marketing and other allowances that impact revenue recognition. These elements of our business give rise to accounting issues that are more complex than many businesses our size or larger. In addition, the relevant accounting standards and issues continue to evolve.

Segment Reporting

Pursuant to the guidance provided under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), we have two reportable segments, rotating electrical and undercar product line, based on the way we manage, evaluate and internally report our business activities.

Inventory

Non-core Inventory

Non-core inventory is comprised of non-core raw materials, the non-core value of work in process and the non-core value of finished goods. Used Cores, the Used Core value of work in process and the Remanufactured Core portion of finished goods are classified as long-term core inventory as described below under the caption "Long-term Core Inventory."

Non-core inventory is stated at the lower of cost or market. The cost of non-core inventory approximates average historical purchase prices paid, and is based upon the direct costs of material and an allocation of labor and variable and fixed overhead costs. The cost of non-core inventory is evaluated at least quarterly during the fiscal year and adjusted as necessary to reflect current lower of cost or market levels. These adjustments are determined for individual items of inventory within each of the three classifications of non-core inventory as follows:

- Non-core raw materials are recorded at average cost, which is based on the actual purchase price of raw materials on hand. The average cost is updated quarterly. This average cost is used in the inventory costing process and is the basis for allocation of materials to finished goods during the production process.

- Non-core work in process is in various stages of production and is valued at the average cost of materials issued to the open work orders. Historically, non-core work in process inventory has not been material compared to the total non-core inventory balance.

- Finished goods cost includes the average cost of non-core raw materials and allocations of labor and variable and fixed overhead. The allocations of labor and variable and fixed overhead costs are determined based on the average actual use of the production facilities over the prior twelve months which approximates normal capacity. This method prevents the distortion in allocated labor and overhead costs that would occur during short periods of abnormally low or high production. In addition, we exclude certain unallocated overhead such as severance costs, duplicative facility overhead costs, and spoilage from the calculation and expense these unallocated overhead as period costs. For the fiscal years ended March 31, 2013, 2012, and 2011, costs of approximately $1,561,000, $1,410,000, and $1,378,000, respectively, were considered unallocated overhead and thus excluded from the finished goods cost calculation and charged directly to cost of sales for our rotating electrical product line.

We record an allowance for potentially excess and obsolete inventory based upon recent sales history, the quantity of inventory on-hand, and a forecast of potential use of the inventory. We periodically review inventory to identify excess quantities and part numbers that are experiencing a reduction in demand. Any part numbers with quantities identified during this process are reserved for at rates based upon management's judgment, historical rates, and consideration of possible scrap and liquidation values which may be as high as 100% of cost if no liquidation market exists for the part.

The quantity thresholds and reserve rates are subjective and are based on management's judgment and knowledge of current and projected industry demand. The reserve estimates may, therefore, be revised if there are changes in the overall market for our products or market changes that in management's judgment, impact our ability to sell or liquidate potentially excess or obsolete inventory.

We record vendor discounts as reductions of inventories that are recognized as reductions to cost of sales as the inventories are sold.

Inventory Unreturned

Inventory unreturned represents our estimate, based on historical data and prospective information provided directly by the customer, of finished goods shipped to customers that we expect to be returned, under our general right of return policy, after the balance sheet date. Because all cores are classified separately as long-term assets, the inventory unreturned balance includes only the added unit value of a finished good. The return rate is calculated based on expected returns within the normal operating cycle of one year. As such, the related amounts are classified in current assets.

Inventory unreturned is valued in the same manner as our finished goods inventory.

Long-term Core Inventory

Long-term core inventory consists of:

- Used Cores purchased from core brokers and held in inventory at our facilities,

- Used Cores returned by our customers and held in inventory at our facilities,

- Used Cores returned by end-users to customers but not yet returned to us which are classified as Remanufactured Cores until they are physically received by us,

- Remanufactured Cores held in finished goods inventory at our facilities; and

- Remanufactured Cores held at customer locations as a part of the finished goods sold to the customer. For these Remanufactured Cores, we expect the finished good containing the Remanufactured Core to be returned under our general right of return policy or a similar Used Core to be returned to us by the customer, in each case, for credit.

Long-term core inventory is recorded at average historical purchase prices determined based on actual purchases of inventory on hand. The cost and market value of Used Cores for which sufficient recent purchases have occurred are deemed the same as the purchase price for purchases that are made in arm's length transactions.

Long-term core inventory recorded at average historical purchase prices is primarily made up of Used Cores for newer products related to more recent automobile models or products for which there is a less liquid market. We must purchase these Used Cores from core brokers because our customers do not have a sufficient supply of these newer Used Cores available for the core exchange program.

Used Cores obtained in core broker transactions are valued based on average purchase price. The average purchase price of Used Cores for more recent automobile models is retained as the cost for these Used Cores in subsequent periods even as the source of these Used Cores shifts to our core exchange program.

Long-term core inventory is recorded at the lower of cost or market value. In the absence of sufficient recent purchases, we use core broker price lists to assess whether Used Core cost exceeds Used Core market value on an item by item basis. The primary reason for the insufficient recent purchases is that we obtain most of our Used Core inventory from the customer core exchange program.

We classify all of our core inventories as long-term assets. The determination of the long-term classification is based on our view that the value of the cores is not consumed or realized in cash during our normal operating cycle, which is one year for most of the cores recorded in inventory. According to guidance provided under the FASB ASC, current assets are defined as "assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business." We do not believe that core inventories, which we classify as long-term, are consumed because the credits issued upon the return of Used Cores offset the amounts invoiced when the Remanufactured Cores included in finished goods were sold. We do not expect the core inventories to be consumed, and thus we do not expect to realize cash, until our relationship with a customer ends, a possibility that we consider remote based on existing long-term customer agreements and historical experience.

However, historically for a portion of finished goods sold, our customer will not send us a Used Core to obtain the credit we offer under our core exchange program. Therefore, based on our historical estimate, we derecognize the core value for these finished goods upon sale, as we believe they have been consumed and we have realized cash.

We realize cash for only the core exchange program shortfall. This shortfall represents the historical difference between the number of finished goods shipped to customers and the number of Used Cores returned to us by customers. We do not realize cash for the remaining portion of the cores because the credits issued upon the return of Used Cores offset the amounts invoiced when the Remanufactured Cores included in finished goods were sold. We do not expect to realize cash for the remaining portion of these cores until our relationship with a customer ends, a possibility that we consider remote based on existing long-term customer agreements and historical experience.

For these reasons, we concluded that it is more appropriate to classify core inventory as long-term assets.

Long-term Core Inventory Deposit

The long-term core inventory deposit account represents the value of Remanufactured Cores we have purchased from customers, which are held by the customers and remain on the customers' premises. The purchase is made through the issuance of credits against that customer's receivables either on a one time basis or over an agreed-upon period. The credits against the customer's receivable are based upon the Remanufactured Core purchase price previously established with the customer. At the same time, we record the long-term core inventory deposit for the Remanufactured Cores purchased at its cost, determined as noted under Long-term Core Inventory. The long-term core inventory deposit is stated at the lower of cost or market. The cost is established at the time of the transaction based on the then current cost, determined as noted under Long-term Core Inventory. The difference between the credit granted and the cost of the long-term core inventory deposit is treated as a sales allowance reducing revenue. When the purchases are made over an agreed-upon period, the long-term core inventory deposit is recorded at the same time the credit is issued to the customer for the purchase of the Remanufactured Cores.

At least annually, and as often as quarterly, reconciliations and confirmations are performed to determine that the number of Remanufactured Cores purchased, but retained at the customer locations, remains sufficient to support the amounts recorded in the long-term core inventory deposit account. At the same time, the mix of Remanufactured Cores is reviewed to determine that the aggregate value of Remanufactured Cores in the account has not changed during the reporting period. We evaluate the cost of Remanufactured Cores supporting the aggregate long-term core inventory deposit account each quarter. If we identify any permanent reduction in either the number or the aggregate value of the Remanufactured Core inventory mix held at the customer location, we will record a reduction in the long-term core inventory deposit account during that period.

Customer Core Returns Accrual

The estimated fair value of the customer core return liabilities assumed by us in connection with the Fenco acquisition is included in customer core returns accrual. We classify the portion of core liability related to the core inventory purchased and on the shelves of our customers as long-term liabilities. Upon the sale of a Remanufactured Core, a core liability is created to record the obligation to provide our customer with a credit upon the return of a like core by the customer. Since the return of a core is based on the sale of a remanufactured automobile part to an end user of our customer, the offset to this core liability generated by its return to us by our customer is usually followed by the sale of a replacement remanufactured auto part, and thus a portion of the core liability is continually outstanding and is recorded as long-term. The amount we have classified as long-term is the portion that management projects will remain outstanding for an uninterrupted period extending one year from the balance sheet date.

Revenue Recognition

We recognize revenue when our performance is complete, and all of the following criteria have been met:

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered,
- The seller’s price to the buyer is fixed or determinable, and
- Collectability is reasonably assured.

For products shipped free-on-board (“FOB”) shipping point, revenue is recognized on the date of shipment. For products shipped FOB destination, revenues are recognized on the estimated or actual date of delivery. We include shipping and handling charges in the gross invoice price to customers and classify the total amount as revenue. Shipping and handling costs are recorded in cost of sales.

Revenue Recognition; Net-of-Core-Value Basis

The price of a finished product sold to customers is generally comprised of separately invoiced amounts for the Remanufactured Core included in the product (“Remanufactured Core value”) and the unit value. The unit value is recorded as revenue based on our then current price list, net of applicable discounts and allowances. Based on our experience, contractual arrangements with customers and inventory management practices, a significant portion of the remanufactured automobile parts we sell to customers are replaced by similar Used Cores sent back for credit by customers under our core exchange program. In accordance with our net-of-core-value revenue recognition policy, we do not recognize the Remanufactured Core value as revenue when the finished products are sold. We generally limit the number of Used Cores sent back under the core exchange program to the number of similar Remanufactured Cores previously shipped to each customer.

Revenue Recognition and Deferral — Core Revenue

Full price Remanufactured Cores: When we ship a product, we invoice certain customers for the Remanufactured Core value portion of the product at full Remanufactured Core sales price but do not recognize revenue for the Remanufactured Core value at that time. For these Remanufactured Cores, we recognize core revenue based upon an estimate of the rate at which our customers will pay cash for Remanufactured Cores in lieu of sending back similar Used Cores for credits under our core exchange program.

Nominal price Remanufactured Cores: We invoice other customers for the Remanufactured Core value portion of product shipped at a nominal Remanufactured Core price. Unlike the full price Remanufactured Cores, we only recognize revenue from nominal Remanufactured Cores not expected to be replaced by a similar Used Core sent back under the core exchange program when we believe that we have met all of the following criteria:

- We have a signed agreement with the customer covering the nominally priced Remanufactured Cores not expected to be sent back under the core exchange program, and the agreement must specify the number of Remanufactured Cores our customer will pay cash for in lieu of sending back a similar Used Core under our core exchange program and the basis on which the nominally priced Remanufactured Cores are to be valued (normally the average price per Remanufactured Core stipulated in the agreement).

- The contractual date for reconciling our records and customer's records of the number of nominally priced Remanufactured Cores not expected to be replaced by similar Used Cores sent back under our core exchange program must be in the current or a prior period.

- The reconciliation must be completed and agreed to by the customer.

- The amount must be billed to the customer.

Deferral of Core Revenue . As noted previously, we have in the past and may in the future agree to buy back Remanufactured Cores from certain customers. The difference between the credit granted and the cost of the Remanufactured Cores bought back is treated as a sales allowance reducing revenue. As a result of the ongoing Remanufactured Core buybacks, we have now deferred core revenue from these customers until there is no expectation that sales allowances associated with Remanufactured Core buybacks from these customers will offset core revenues that would otherwise be recognized once the criteria noted above have been met.

Revenue Recognition; General Right of Return

We allow our customers to return goods to us that their end-user customers have returned to them, whether the returned item is or is not defective (warranty returns). In addition, under the terms of certain agreements with our customers and industry practice, our customers from time to time are allowed stock adjustments when their inventory of certain product lines exceeds the anticipated sales to end-user customers (stock adjustment returns). We seek to limit the aggregate of customer returns, including warranty and stock adjustment returns, to less than 20% of unit sales. In some instances, we allow a higher level of returns in connection with a significant update order.

We provide for such anticipated returns of inventory by reducing revenue and the related cost of sales for the units estimated to be returned.

Our allowance for warranty returns is established based on a historical analysis of the level of this type of return as a percentage of total unit sales. Stock adjustment returns do not occur at any specific time during the year, and the expected level of these returns cannot be reasonably estimated based on a historical analysis. Our allowance for stock adjustment returns is based on specific customer inventory levels, inventory movements and information on the estimated timing of stock adjustment returns provided by our customers.

Sales Incentives

We provide various marketing allowances to our customers, including sales incentives and concessions. Marketing allowances related to a single exchange of product are recorded as a reduction of revenues at the time the related revenues are recorded or when such incentives are offered. Other marketing allowances, which may only be applied against future purchases, are recorded as a reduction to revenues in accordance with a schedule set forth in the relevant contract. Sales incentive amounts are recorded based on the value of the incentive provided.

Goodwill

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not amortized, but rather is tested for impairment at least annually or more frequently if there are indicators of impairment present.

We perform the annual goodwill impairment analysis in the fourth quarter of each fiscal year. We evaluate whether goodwill has been impaired at the reporting unit level by first determining whether the estimated fair value of the reporting unit is less than its carrying value and, if so, by determining whether the implied fair value of goodwill within the reporting unit is less than the carrying value. As of March 31, 2013, we identified the following impairment indicators in our undercar product line segment: (i) continued losses from Fenco operations, (ii) lower forecasted future revenues, (iii) negative working capital position, (iv) additional financing needs, and (v) the anticipated filing for bankruptcy.

We determined the fair value of the undercar product line reporting unit using a liquidation scenario. For determining the fair value under the liquidation scenario, we used total assets minus estimated liquidation expenses to arrive to the proceeds available for senior secured creditors. Based on the results of the goodwill impairment test, the reporting unit's carrying value exceeded its fair value, indicating an impairment of goodwill at March 31, 2013. We determined that goodwill was fully impaired as the implied fair value of goodwill within the reporting unit was zero and recorded a non-cash goodwill impairment charge of $68,356,000 as disclosed in the consolidated statement of operations. After recording the impairment charge, the undercar product line segment had no goodwill remaining in the consolidated balance sheet at March 31, 2013.

Intangible Assets

Our intangible assets other than goodwill are finite–lived and amortized on a straight line basis over their respective useful lives, and are analyzed for impairment when and if indicators of impairment exist. As of March 31, 2013, there were no indicators of impairment for our rotating electrical product line. However, we noted impairment indicators for our undercar product line segment as described above. Therefore, we performed an impairment test of the undercar product line segment's intangible assets and concluded that such intangible assets were fully impaired as of March 31, 2013.

Income Taxes

We account for income taxes using the liability method, which measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax basis 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. A valuation allowance is provided to reduce deferred tax assets when it is more likely than not that a portion of the deferred tax asset will not be realized.

The primary components of our income tax provision (benefit) are (i) the current liability or refund due for federal, state and foreign income taxes and (ii) the change in the amount of the net deferred income tax asset, including the effect of any change in the valuation allowance.

Realization of deferred tax assets is dependent upon our ability to generate sufficient future taxable income. Management reviews the Company's deferred tax assets on a jurisdiction by jurisdiction basis to determine whether it is more likely than not that the deferred tax assets will be realized. As a result of Fenco's cumulative losses in certain jurisdictions, a determination was made to establish a valuation allowance against the related deferred tax assets as it is not more likely than not that such assets will be realized. For all other jurisdictions, management believes that it is more likely than not that future taxable income will be sufficient to realize the recorded deferred tax assets. In evaluating this ability, management considers long-term agreements and Remanufactured Core purchase obligations with our major customers that expire at various dates through March 2019. Management also periodically compares the forecasts to actual results. Even though there can be no assurance that the forecasted results will be achieved, the history of income in all other jurisdictions provides sufficient positive evidence that no valuation allowance is needed.

Financial Risk Management and Derivatives

We are exposed to market risk from material movements in foreign exchange rates between the U.S. dollar and the currencies of the foreign countries in which we operate. As a result of our significant operations in Mexico, our primary risk relates to changes in the rates between the U.S. dollar and the Mexican peso. To mitigate this currency risk, we enter into forward foreign exchange contracts to exchange U.S. dollars for Mexican pesos. We also enter into forward foreign exchange contracts to exchange U.S. dollars for Chinese yuan in order to mitigate risk related to our purchases and payments to our Chinese vendors. The extent to which we use forward foreign exchange contracts is periodically reviewed in light of our estimate of market conditions and the terms and length of anticipated requirements. The use of derivative financial instruments allows us to reduce our exposure to the risk that the eventual net cash outflow resulting from funding the expenses of the foreign operations will be materially affected by changes in the exchange rates. We do not engage in currency speculation or hold or issue financial instruments for trading purposes. These contracts generally expire in a year or less. Any changes in the fair value of foreign exchange contracts are accounted for as an increase or decrease to general and administrative expenses in current period earnings.

Share-based Payments

In accounting for share-based compensation awards, we follow the accounting guidance for equity-based compensation, which requires that we measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost associated with stock options is estimated using the Black-Scholes option-pricing model. The cost of equity instruments is recognized in the consolidated statement of operations on a straight-line basis (net of estimated forfeitures) over the period during which an employee is required to provide service in exchange for the award. Also, excess tax benefits realized are reported as a financing cash inflow.

New Accounting Pronouncements

Comprehensive Income

In June 2011, the FASB issued guidance which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. This guidance eliminates the option to present components of other comprehensive income as a part of the statement of equity. This guidance should be applied, retrospectively, for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. Other than the change in presentation, we have determined the changes from the adoption of this guidance on April 1, 2012 did not have an impact on our consolidated financial position and the results of operations.

Testing Goodwill for Impairment

In September 2011, the FASB issued an amendment which gives an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary. If an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then it is required to perform the first step of the two-step goodwill impairment test. If the carrying value of the reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted if an entity's financial statements for the most recent annual or interim period have not yet been issued. The adoption of this guidance on April 1, 2012 did not have any impact on our consolidated financial position and results of operations.

Subsequent Events

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, we will likely deconsolidate the financial statements of Fenco from our consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, Fenco filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco's financial statements are included in the consolidated financial statements of the Company. Our consolidated financial statements are prepared assuming we will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere herein. The acquisition of Fenco on May 6, 2011 has had a significant impact on the comparability of results as discussed below. As a result of this acquisition, we reassessed and revised our segment reporting to reflect two reportable segments, rotating electrical and undercar product line, based on the way we manage, evaluate and internally report our business activities.

The following table summarizes certain key operating data for the periods indicated:

Fiscal Years Ended March 31,	Rotating Electrical	Undercar Product Line	Consolidated
2013			
Gross profit percentage	32.5%	(7.0)%	13.7%
Cash flow used in operations	$ (4,969,000)	$ (26,092,000)	$ (31,061,000)
Finished goods turnover (1)	7.7	5.0	5.8
Return on equity (2)	-	-	(119.9)%
2012			
Gross profit percentage	31.8%	(16.0)%	7.6%
Cash flow provided by (used in) operations	$ 15,464,000	$ (53,952,000)	$ (38,488,000)
Finished goods turnover (1)	6.5	3.7	4.4
Return on equity (2)	-	-	(41.4)%
2011			
Gross profit percentage	31.9%	-	31.9%
Cash flow provided by operations	$ 10,735,000	$ -	$ 10,735,000
Finished goods turnover (1)	5.2	-	5.2
Return on equity (2)	-	-	11.8%

(1) Finished goods inventory turnover is calculated by dividing the cost of goods sold for the year by the average between beginning and ending non-core finished goods inventory values, for each fiscal year. We believe that this provides a useful measure of our ability to turn production into revenues.

(2) Return on equity is computed as net income for the fiscal year divided by shareholders’ equity at the beginning of the fiscal year and measures our ability to invest shareholders’ funds profitably.

Fiscal 2013 Compared to Fiscal 2012

Net Sales and Gross Profit

The following table summarizes net sales and gross profit by segment for fiscal 2013 and fiscal 2012:

Fiscal Years Ended March 31,	Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
2013				
Net sales to external customers	$ 213,151,000	$ 193,115,000	$ -	$ 406,266,000
Cost of goods sold	143,810,000	206,728,000	-	350,538,000
Gross profit (loss)	69,341,000	(13,613,000)	-	55,728,000
Cost of goods sold as a percentage of net sales	67.5%	107.0%	-	86.3%
Gross profit (loss) percentage	32.5%	(7.0)%	-	13.7%
2012				
Net sales	$ 178,551,000	$ 185,136,000	$ -	$ 363,687,000
Intersegment revenue, net of cost	1,853,000	-	(1,853,000)	-
Cost of goods sold	123,072,000	214,761,000	(1,853,000)	335,980,000
Gross profit (loss)	57,332,000	(29,625,000)	-	27,707,000
Cost of goods sold as a percentage of net sales	68.2%	116.0%	-	92.4%
Gross profit (loss) percentage	31.8%	(16.0)%	-	7.6%

Net Sales . Our consolidated net sales for fiscal 2013 increased by $42,579,000, or 11.7%, to $406,266,000 compared to consolidated net sales for fiscal 2012 of $363,687,000.

- *Rotating electrical product line*

The net sales in our rotating electrical product line segment increased by $34,600,000 or 19.4%, to $213,151,000 for fiscal 2013 compared to net sales of $178,551,000 for fiscal 2012. The increase in net sales in our rotating electrical product line segment was the result of (i) new business awarded by one of our major customers, (ii) certain new customers acquired during fiscal 2013, and (iii) overall increase in net sales to our other existing customers.

- *Undercar product line*

The net sales in our undercar product line segment increased by $7,979,000 or 4.3%, to $193,115,000 for fiscal 2013 compared to net sales of $185,136,000 for fiscal 2012. This increase in net sales was due entirely to the recognition of approximately $50,783,000 in revenue from the reduction in Fenco's obligation to provide a credit for a major customer's Remanufactured Cores. This increase was offset by (i) decreased sales resulting from the transition out of a certain customer relationship, (ii) vendor support allowances of $1,145,000, (iii) a $751,000 allowance Fenco provided to one of its major customers, (iv) $665,000 in allowances granted to a major customer as Fenco transitioned out of the relationship, and (v) a $355,000 allowance to a customer in connection with a return of certain products.

We also posted an accrual for $4,244,000 to accommodate the additional expense required based on the agreement with certain customers to evaluate their inventory offerings and, in partnership with them, develop a new mix of products to be offered by these customers. In addition, during the fourth quarter of fiscal year 2013, Fenco net sales were favorably impacted by $1,854,000 in connection with our general right of return accruals due to the transition out of a certain customer relationship.

Fill rate penalties during fiscal 2013 and 2012 were $1,671,000 and $4,795,000, respectively. The $1,671,000 fill rate penalty expense, however, was the result of actual fill rate fines of $3,212,000 offset by the reduction of $1,541,000 in the accrued fill rate fines related primarily to a major customer with whom Fenco discontinued its relationship during the quarter ending December 31, 2012.

Cost of Goods Sold/Gross Profit. Our consolidated cost of goods sold as a percentage of consolidated net sales decreased during fiscal 2013 to 86.3% from 92.4% for fiscal 2012, resulting in a corresponding increase in our consolidated gross profit percentage of 6.1% to 13.7% for fiscal 2013 from 7.6% for fiscal 2012.

- *Rotating electrical product line*

  The gross profit percentage in our rotating electrical product line during fiscal 2013 increased to 32.5% from 31.8% during fiscal 2012. This increase in gross profit percentage in our rotating electrical product line for fiscal 2013 is a result of lower per unit manufacturing costs, partially offset by $1,665,000 of marketing and certain other allowances made in connection with the purchase of inventory from a new customer we acquired in the first quarter of fiscal 2013.

- *Undercar product line*

  The gross profit percentage in our undercar product line was negative 7.0% and negative 16.0% for fiscal 2013 and 2012, respectively. Our gross profit for fiscal 2013 was positively impacted by the recognition of $19,134,000 gross profit related to the recognition of revenue and costs of goods sold from the reduction of Fenco's obligation to provide a credit for a major customer's Remanufactured Cores. This increase in our gross profit was partly offset by significant under-absorption of manufacturing, warehousing and distribution costs resulting from lower production levels due to the loss of a major customer in the third quarter of fiscal 2013.

  During the fiscal year ended March 31, 2013, we also had additional cost of goods sold of $2,285,000 related to the agreement with certain customers to evaluate their inventory offerings and, in partnership with them, develop a new mix of products to be offered by these customers.

  In addition, our gross profit in our undercar product line during fiscal 2013 was further impacted by (i) $13,208,000 of increased provision for inventory reserves, (ii) losses of $7,115,000 related to certain unprofitable product lines Fenco stopped selling and supporting, (iii) termination fees of $1,402,000 related to an agreement to terminate services with one of Fenco's third-party logistics service providers, (iv) severance costs related to Fenco's production workforce of $1,272,000, and (v) premium freight cost of $367,000.

Operating Expenses

The following table summarizes operating expenses by segment for the fiscal 2013 and 2012:

Fiscal Years Ended March 31,	Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
2013				
General and administrative	$ 107,602,000	$ 18,719,000	$ (81,795,000)	$ 44,526,000
Sales and marketing	7,290,000	5,423,000	-	12,713,000
Research and development	1,930,000	698,000	-	2,628,000
Impairment of goodwill and intangible assets	-	84,686,000	-	84,686,000
Percent of net sales				
General and administrative	50.5%	9.7%	-	11.0%
Sales and marketing	3.4%	2.8%	-	3.1%
Research and development	0.9%	0.4%	-	0.6%
Impairment of goodwill and intangible assets	-%	43.9%	-	20.8%
2012				
General and administrative	$ 20,621,000	$ 18,260,000	$ -	$ 38,881,000
Sales and marketing	7,659,000	5,145,000	-	12,804,000
Research and development	1,765,000	-	-	1,765,000
Impairment of plant and equipment	-	1,031,000	-	1,031,000
Acquisition costs	713,000	-	-	713,000
Percent of net sales				
General and administrative	11.5%	9.9%	-	10.7%
Sales and marketing	4.3%	2.8%	-	3.5%
Research and development	1.0%	-	-	0.5%
Impairment of plant and equipment	-	0.6%	-	0.3%
Acquisition costs	0.4%	-	-	0.2%

General and Administrative. Our consolidated general and administrative expenses for fiscal 2013 were $44,526,000, which represents an increase of $5,645,000, or 14.5%, from general and administrative expenses for fiscal 2012 of $38,881,000.

- *Rotating electrical product line*

  Our general and administrative expenses for rotating electrical product line segment increased from $20,621,000 in fiscal 2012 to $107,602,000 in fiscal 2013, which represents an increase of $86,981,000. This increase in our general and administrative expenses was due primarily to (i) the establishment of a $52,631,000 specific charge-off accrual for the long-term note receivable and accrued interest due from Fenco, (ii) the establishment of a $27,382,000 specific charge-off accrual for the receivable due from Fenco in connection with our March 2011 consignment agreement to provide goods in order to maintain the service levels for Fenco's customers, (iii) the establishment of a $1,782,000 specific charge-off accrual for the net inter-company receivable due from Fenco, and (iv) $350,000 in professional fees incurred in connection with the restructuring of Fenco. Our prior year general and administrative expenses included $1,292,000 of professional services and travel incurred in connection with our Fenco operations.

  In addition, our fiscal 2013 general and administrative expenses increased due to (a) $1,031,000 of increased share-based compensation expense, (b) $822,000 of increased legal fees, (c) $675,000 for liquidated damages paid in connection with our April 2012 private placement, (d) $658,000 of increased general and administrative expenses at our offshore locations, (e) $650,000 of accrual established related to the termination of our consulting agreement with Mel Marks, (f) $514,000 of increased salaries and wages, (g) $481,000 of increased consulting expenses primarily related to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, (h) $389,000 recorded due to the change in the fair value of the warrants during fiscal 2013, (i) $369,000 of increased expenses for work related to compliance with Section 404 of the Sarbanes-Oxley Act of 2002, (j) $332,000 of incentives paid to certain executives, and (k) $215,000 of increased expenses in connection with our income tax planning work. During fiscal 2013, we also recorded a gain of $804,000 due to the change in the value of the forward foreign currency exchange contracts subsequent to entering into the contracts compared to a loss of $476,000 recorded during fiscal 2012.

- *Undercar product line*

  Our general and administrative expenses for undercar product line segment increased from $18,260,000 in fiscal 2012 to $18,719,000 in fiscal 2013, which represents an increase of $459,000. This increase of $459,000 in general and administrative expenses was primarily attributable to (i) $1,812,000 of increased professional services fees and other consulting fees, (ii) $1,429,000 of severance incurred in connection with the reduction in workforce in the second quarter of fiscal 2013 at Fenco's office located in Canada, and (iii) $546,000 of increased bad debt expense. These increases in general and administrative expenses were partly offset by lower employee-related expenses and general office expenses due to the reduction in workforce at Fenco's office located in Canada.

During fiscal 2013, we changed a certain inter-segment allocation as described below.

During the third quarter of fiscal 2013, our general and administrative expenses for our rotating electrical segment were negatively impacted by $982,000 of expenses incurred in connection with the undercar product line segment's initial implementation work related to the Company's compliance with Section 404 of the Sarbanes-Oxley Act of 2002. These expenses were previously recorded by our undercar product line segment. This inter-segment allocation did not have any impact on our consolidated general and administrative expenses for fiscal 2013.

Sales and Marketing . Our consolidated sales and marketing expenses for fiscal 2013 decreased $91,000, or 0.7%, to $12,713,000 from $12,804,000 for fiscal 2012. The decrease of $369,000 from our rotating electrical product line was due primarily to (i) $238,000 of decreased travel and professional services incurred in connection with our Fenco operations and (ii) $114,000 of decreased employee-related expenses.

Sales and marketing expenses for our undercar product line increased $278,000 due primarily to $747,000 of severance due to the reduction in workforce, partly offset by $454,000 of decreased sales commissions and agent fees.

Research and Development . Our consolidated research and development expenses increased by $863,000, or 48.9%, to $2,628,000 for fiscal 2013 from $1,765,000 for fiscal 2012. The increase of $165,000 in research and development expenses from our rotating electrical product line was due primarily to increased employee-related expenses in fiscal 2013.

Research and development expenses for our undercar product line segment increased $698,000 due primarily to (i) $604,000 of increased employee-related expense and (ii) $54,000 of increased travel.

Impairment of goodwill and intangible assets. During fiscal 2013, our undercar product line segment recorded a non-cash goodwill and intangible asset impairment charge of $68,356,000 and $16,330,000, respectively. After recording the impairment charge, we had no goodwill or intangible assets attributable to our undercar product line segment remaining on our consolidated balance sheet at March 31, 2013.

Impairment of Plant and Equipment . During fiscal 2012, Fenco discontinued the CV axle product line and shut down the related facility located in Bedford, New Hampshire. As a result Fenco recorded an impairment loss of approximately $1,031,000, which represents the write-off of the carrying amount of plant and equipment.

Acquisition Costs . During fiscal 2012, we incurred $713,000 of legal and professional fees in connection with the acquisition of Fenco.

Interest Expense

Interest Expense. Our interest expense reflects our increased leverage as a result of the acquisition of Fenco and the increase in the size of our business, and net consolidated interest expense for fiscal 2013 increased $10,151,000, or 71.2%, to $24,406,000 from $14,255,000 for fiscal 2012. This increase in net interest expense was attributable to (i) increased outstanding loan balances and higher interest rates incurred primarily by the rotating electrical product line segment during fiscal 2013 as compared to fiscal 2012, (ii) a contingent fee payable in connection with the third amendment and waiver to the Parent Company Financing Agreement (the “Third Amendment”), (iii) interest expense in connection with the purchase of consignment inventory from the Supplier for Fenco, and (iv) interest on certain vendor payable balances owed by the undercar product line segment.

Provision for Income Taxes

Income Tax . Our income tax expense was ($21,720,000) and $6,772,000 during fiscal 2013 and 2012, respectively, an effective rate of 19% and (16%) for fiscal 2013 and 2012, respectively. The primary change in the effective tax rate was due to the tax benefits of the specific charge-off accrual for the debt, accounts receivable, and inter-company balances from Fenco. Income tax expense, excluding the net losses of the Fenco operations, reflect income tax rates higher than the federal statutory tax rates primarily due to state income taxes, which were partially offset by the benefit of lower statutory tax rates in other foreign taxing jurisdictions.

In addition, any potential future income tax benefits associated with the net loss we incurred from Fenco operations during fiscal 2013 was not recognized due primarily to our assessment of the recoverability of these tax benefits. We have provided a valuation allowance against these net operating loss carryforwards as we determined that it is not more likely than not that the deferred asset will be realized.

Fiscal 2012 Compared to Fiscal 2011

Net Sales and Gross Profit

The following table summarizes net sales and gross profit by segment for fiscal 2012 and fiscal 2011:

Fiscal Years Ended March 31,	Rotating Electrical	Under-the-Car Product Line	Eliminations	Consolidated
2012				
Net sales to external customers	$ 178,551,000	$ 185,136,000	$ -	$ 363,687,000
Intersegment revenue, net of cost	1,853,000	-	(1,853,000)	-
Cost of goods sold	123,072,000	214,761,000	(1,853,000)	335,980,000
Gross profit (loss)	57,332,000	(29,625,000)	-	27,707,000
Cost of goods sold as a percentage of net sales	68.2%	116.0%	-	92.4%
Gross profit (loss) percentage	31.8%	(16.0)%	-	7.6%
2011				
Net sales	$ 161,285,000	$ -	$ -	$ 161,285,000
Cost of goods sold	109,903,000	-	-	109,903,000
Gross profit	51,382,000	-	-	51,382,000
Cost of goods sold as a percentage of net sales	68.1%	-	-	68.1%
Gross profit percentage	31.9%	-	-	31.9%

Net Sales . Our consolidated net sales for fiscal 2012 increased by $202,402,000, or 125.5%, to $363,687,000 compared to consolidated net sales for fiscal 2011 of $161,285,000. The increase in consolidated net sales was due primarily to (i) our May 6, 2011 acquisition of Fenco which resulted in additional net sales of $185,136,000 or 114.8%, and (ii) an increase in sales to customers of $17,266,000 or 10.7%, primarily to the existing customers in our rotating electrical product line.

Cost of Goods Sold/Gross Profit. Our consolidated cost of goods sold as a percentage of consolidated net sales increased during fiscal 2012 to 92.4% from 68.1% for fiscal 2011, resulting in a corresponding decrease in our consolidated gross profit percentage of 24.3% to 7.6% for fiscal 2012 from 31.9% for fiscal 2011.

- *Rotating Electrical product line*

  The gross profit percentage in our rotating electrical product line remained relatively flat at 31.8% during fiscal 2012 compared to 31.9% during fiscal 2011.

- *Undercar product line*

  The gross profit percentage in our undercar product line was negative 16.0% for fiscal 2012 representing a negative gross profit of $29,625,000. This negative gross profit was due in part to low net sales prices and in part to higher production, warehousing and distribution costs. The net sales prices were lower primarily due to higher customer allowances and fill rate performance penalties. Higher production, warehousing and distribution costs were due to the increase in under-absorption of manufacturing overhead on lower sales and production levels and the additional premium purchase and freight costs expended in the improving of our fill rates and ability to service our customers.

  Our gross profit was also significantly impacted by our decision to discontinue the CV axle product line. We substantially reduced sales and support in December 2011, and closed the main production facility for this product line in February 2012. The negative gross profit impact of the discontinued line was $10,850,000 including (i) the negative contribution from the product line in the period of $5,332,000 and (ii) the recording of the additional reserve of $4,861,000 for the core and raw material inventory to reduce the cost to net realizable value.

  In addition, our gross profit during fiscal 2012, was further impacted by (i) negative contribution of $1,074,000 related to certain additional product lines we stopped selling and supporting in December 2011, (ii) additional costs of approximately $928,000 that were incurred in connection with the modification of a product for a new customer program, (iii) contractual customer penalties of $4,795,000, (iv) a one-time pricing allowance of $1,851,000, and (v) sales allowance associated with the buy-back of certain products of $1,283,000.

  We also incurred additional expenses that impacted our gross profit percentage as follows:

  - We replaced and trained a large number of personnel at Fenco’s production facilities at Monterrey, Mexico at an approximate cost of $4,198,000
  - We made certain inventory purchases above our normal cost for $2,519,000 for inventory that was sold during fiscal 2012, and we incurred increased inbound freight expenses of $785,000

  Finally, in connection with the Fenco acquisition, $3,746,000 was charged to cost of goods sold in our undercar product line related to the entire amount of fair value step-up of inventory acquired which was sold during the year ended March 31, 2012.

Operating Expenses

The following table summarizes operating expenses by segment for the fiscal 2012 and 2011:

Fiscal Years Ended March 31,	Rotating Electrical	Under-the-Car Product Line	Eliminations	Consolidated
2012				
General and administrative	$ 20,621,000	$ 18,260,000	$ -	$ 38,881,000
Sales and marketing	7,659,000	5,145,000	-	12,804,000
Research and development	1,765,000	-	-	1,765,000
Impairment of plant and equipment	-	1,031,000	-	1,031,000
Acquisition costs	713,000	-	-	713,000
Percent of net sales				
General and administrative	11.5%	9.9%	-	10.7%
Sales and marketing	4.3%	2.8%	-	3.5%
Research and development	1.0%	-%	-	0.5%
Impairment of plant and equipment	-%	0.6%	-	0.3%
Acquisition costs	0.4%	-%	-	0.2%
2011				
General and administrative	$ 17,033,000	$ -	$ -	$ 17,033,000
Sales and marketing	6,537,000	-	-	6,537,000
Research and development	1,549,000	-	-	1,549,000
Acquisition costs	879,000	-	-	879,000
Percent of net sales				
General and administrative	10.6%	-	-	10.6%
Sales and marketing	4.1%	-	-	4.1%
Research and development	1.0%	-	-	1.0%
Acquisition costs	0.5%	-	-	0.5%

General and Administrative. Our consolidated general and administrative expenses for fiscal 2012 were $38,881,000, which represents an increase of $21,848,000, or 128.3%, from general and administrative expenses for fiscal 2011 of $17,033,000. The increase of $3,588,000 in general and administrative expenses for our rotating electrical product line during fiscal 2012 was primarily due to (i) $1,292,000 of professional services and travel incurred in connection with our Fenco operations, (ii) $780,000 of incentive payments made to certain employees in connection with our Fenco acquisition, (iii) $393,000 of increased professional services , (iv) a loss of $476,000 recorded due to the changes in the fair value of forward foreign currency exchange contracts, compared to a loss of $162,000 recorded during fiscal 2011, and (v) $303,000 of decreased amortization of the deferred gain on sale-leaseback transactions.

General and administrative expenses for the undercar product line during fiscal 2012 were $18,260,000, and were primarily attributable to (i) $7,856,000 of employee-related expenses, (ii) $4,496,000 of professional services fees and other consulting fees, (iii) $1,965,000 of depreciation and amortization of intangible assets, (iv) $325,000 of bank financing charges, and (v) $97,000 for legal and professional fees incurred in connection with the Fenco Credit Agreement (as defined herein).

Sales and Marketing . Our consolidated sales and marketing expenses for fiscal 2012 increased $6,267,000, or 95.9%, to $12,804,000 from $6,537,000 fiscal 2011. The increase of $1,122,000 from our rotating electrical product line was due primarily to (i) $343,000 of increased commissions due to increased sales, (ii) $314,000 of increased employee-related expenses, (iii) $238,000 of increased travel and professional services incurred in connection with our Fenco operations, (iv) the benefit from the reversal of $193,000 of commission expenses during the prior year in connection with our August 2009 acquisition as certain sales thresholds were not met, and (v) $104,000 of increased trade show expense.

Sales and marketing expenses for the undercar product line were $5,145,000 and primarily include (i) $1,796,000 of employee-related expenses, (ii) $1,482,000 of advertising expenses, (iii) $980,000 of sales commissions and agent fees, and (iv) $873,000 of travel expenses.

Research and Development . Our consolidated research and development expenses increased by $216,000, or 13.9%, to $1,765,000 for fiscal 2012 from $1,549,000 for fiscal 2011. The increase in research and development expenses in our rotating electrical product line was due primarily to (i) $128,000 of increased supplies expense, (ii) $61,000 of increased travel, and (iii) $39,000 of increased employee-related expenses during fiscal 2012.

Impairment of Plant and Equipment . Represents the write-off of the carrying amount of fixed assets as we discontinued the CV axle product line and shut-down the related facility located in Bedford, New Hampshire during fiscal 2012.

Acquisition Costs . We incurred $713,000 of legal and professional fees in connection with the Fenco acquisition during fiscal 2012.

Interest Expense

Interest Expense. Reflecting our increased leverage as a result of the acquisition of Fenco and the increase in the size of our business, net consolidated interest expense for fiscal 2012 increased $8,900,000, or 166.2%, to $14,255,000 from $5,355,000 fiscal 2011. This increase in net interest expense was primarily attributable to (i) interest expense incurred on the outstanding loan balances and the cost of receivables being discounted under the receivable discount programs by the undercar product line since our acquisition on May 6, 2011 and (ii) increased outstanding loan balances and higher interest rates incurred by the rotating electrical product line during fiscal 2012.

Provision for Income Taxes

Income Tax . Our income tax expense was $6,772,000 and $7,809,000 during fiscal 2012 and 2011, respectively, an effective rate of (16%) and 39% for fiscal 2012 and 2011, respectively. The primary change in the effective tax rate was due to not recognizing income tax benefits related to the net losses of the Fenco operations. Income tax expense, excluding the net losses of the Fenco operations, reflect income tax rates higher than the federal statutory tax rates primarily due to state income taxes, which were partially offset by the benefit of lower statutory tax rates in other foreign taxing jurisdictions.

In addition, any potential future income tax benefits associated with the net loss we incurred from Fenco operations during fiscal 2012 were not recognized due primarily to our assessment of the recoverability of these tax benefits. We have provided a valuation allowance against these net operating loss carryforwards as we determined that it is not more likely than not that the deferred asset will be realized. During fiscal 2012, we recorded $165,000 of income tax expense specifically related to the Fenco subsidiaries located in Mexico, a separate tax jurisdiction.

Liquidity and Capital Resources

The following is a discussion of the Company on a consolidated basis, including Fenco. However, the Company has separate loan agreements and accounts payable and manages its cash for its rotating electrical segment separately from Fenco.

Overview

At March 31, 2013, we had consolidated negative working capital of $67,142,000, a ratio of current assets to current liabilities of 0.7:1, and cash of $19,434,000, compared to negative working capital of $2,188,000, a ratio of current assets to current liabilities of 1:1, and cash of $32,617,000 at March 31, 2012. At March 31, 2013, our rotating electrical segment had working capital of $32,676,000, a ratio of current assets to current liabilities of 1.5:1, and cash of $19,346,000 compared to working capital of $15,332,000, a ratio of current assets to current liabilities of 1.2:1, and cash of $32,379,000 at March 31, 2012.

During fiscal 2013, we used cash generated from the use of our receivable discount programs with certain of our major customers, from the private placement of our common stock, and our loans as our primary sources of liquidity. These sources were primarily used to pay down our accounts payable balances, towards the integration of our Fenco acquisition, and pay for the capital expenditure obligations.

For our rotating electrical business, we believe our cash on hand, short-term investments, use of receivable discount programs with certain of our major customers, amounts available under our credit agreement, and other sources are sufficient to satisfy our expected future working capital needs, repayment of the current portion of our term loans, capital lease commitments, and capital expenditure obligations over the next twelve months.

Recent Developments

Since our acquisition of Fenco on May 6, 2011, we have been implementing our undercar product line turnaround plan and our top priority continued to be improvement of the financial performance of our undercar product line business. The implementation of our undercar product line turnaround plan has taken longer and cost more than initially anticipated. Revenues generated by our undercar product line segment have not been sufficient to enable us to meet our operating expenses and otherwise implement our undercar product line turnaround plan. Fenco has incurred net losses of $135,260,000 and $62,814,000 for the years ended March 31, 2013 and 2012, respectively, and has an accumulated deficit of approximately $198,074,000 at March 31, 2013. Fenco continues to face capital and liquidity concerns. The Parent Company Financing Agreement only permitted the Company to invest up to an additional $20,000,000 in Fenco, which it had done as of December 31, 2012. As of March 31, 2013, the Company had invested in Fenco $4,946,000 of equity, $52,631,000 of debt, $27,382,000 of accounts receivable in connection with our March 2011 consignment arrangement to provide goods in order to maintain the service levels for Fenco’s customers, and $1,782,000 of net inter-company balances. At March 31, 2013, the Company has established a specific charge-off accrual for the debt, accounts receivable and inter-company balances. Fenco has been unable to refinance its credit agreement or obtain additional sufficient capital to implement its turnaround plan. The report of our independent registered public accounting firm on our financial statements for the year ended March 31, 2013 contains an explanatory paragraph raising substantial doubt as to our ability to continue as a going concern.

As of March 31, 2013, the undercar product line segment had cash of $88,000, accounts payable of $74,601,000, total debt and capital lease obligations of $59,461,000, a net working capital deficit of $104,502,000. As of March 31, 2013, the undercar product line segment had exceeded its borrowing capacity by $5,795,000 on the Fenco Credit Facility (as defined herein).

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, we will likely deconsolidate the financial statements of Fenco from our consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, Fenco filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco’s financial statements are included in the consolidated financial statements of the Company. Our consolidated financial statements are prepared assuming we will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

As a result of these challenges with Fenco, management has adjusted its focus. Going forward MPA’s focus will not include Fenco but will continue to be on its rotating electrical business and evaluating other opportunities. The outlook for rotating electrical continues to be strong with over 240 million vehicles on the road with an average age of over 10 years. Vehicles older than 7 years generally experience higher replacement rates for the alternators and starters. As such these metrics indicate an ongoing growth opportunity for rotating electrical. MPA’s rotating electrical business has continued to have strong liquidity which will be further enhanced by the tax benefits associated with the write-off of the Fenco investments.

Cash Flows

Net cash used in operating activities was $31,061,000 and $38,488,000 during fiscal 2013 and 2012, respectively. The rotating electrical segment used cash from operations of $4,969,000 during fiscal 2013 compared to cash provided from operations of $15,464,000 during fiscal 2012. The significant changes in our operating activities for the rotating electrical segment were due primarily to the pay-down of accounts payable balances incurred in connection with the inventory provided to Fenco in fiscal 2012 to provide goods in order to maintain the service levels for Fenco's customers, an increase in long-term core inventory due to higher sales, and a decrease in accounts receivable balances due to a higher balance of receivables discounted during fiscal 2013 compared to fiscal 2012 . The undercar product line segment used cash from operations of $26,092,000 and $53,952,000 during fiscal 2013 and 2012, respectively. The significant changes in our undercar product line segment were due primarily to decreases in non-core inventory as Fenco continued to normalize its operations and reduced its inventory levels. In addition, Fenco's core inventory levels and core returns accrual were decreased as it recognized approximately $50,783,000 in revenue from the reduction in it's obligation to provide a credit for a major customer's Remanufactured Cores which were previously recorded as a long-term core liability and $31,649,000 of the related long-term core inventory previously recorded in the consolidated balance sheet were recognized as cost of goods sold during fiscal 2013. Additionally, there was an increase in accounts receivables and a decrease in our accounts payable balances in our undercar product line segment.

Net cash used in investing activities was $4,069,000 and $1,591,000 during fiscal 2013 and 2012, respectively. Our capital expenditures for our rotating electrical segment during fiscal 2013 and 2012 were $2,330,000 and $1,010,000, respectively, primarily related to the purchase of equipment for our manufacturing facilities, improvements to our California facility, and software. Our capital expenditures for our undercar product line segment were $1,698,000 and $544,000 during fiscal 2013 and 2012, respectively, primarily related to the conversion of Fenco's financial and operating systems to the application used at our corporate headquarters in Torrance, California and purchase of equipment for Fenco facilities.

Net cash provided by financing activities was $21,902,000 and $70,182,000 during fiscal 2013 and 2012, respectively. The rotating electrical segment provided cash from financing activities of $21,639,000 and $61,060,000 during fiscal 2013 and 2012, respectively. This decrease was due to decreased borrowings compared to fiscal 2012 partly offset by the net proceeds received from our private placement during fiscal 2013. The net cash provided by financing activities was used primarily to finance Fenco. The undercar product line segment provided cash from financing activities of $263,000 and $9,122,000 during fiscal 2013 and 2012, respectively. The decrease is due primarily to borrowing $393,000 under the Fenco Revolving Facility (as defined herein) during fiscal 2013 compared to the repayment of amounts outstanding under the Fenco Revolving Facility and borrowing $10,000,000 under the Fenco Term Loan (as defined herein) during fiscal 2012.

Capital Resources

Debt

We have the following outstanding credit agreements.

<u>*Parent Company Credit Agreement*</u>

We have a financing agreement (the "Parent Company Financing Agreement") with a syndicate of lenders, Cerberus Business Finance, LLC, as collateral agent, and PNC Bank, National Association, as administrative agent (the "Parent Company Loans"). The Parent Company Loans consist of: (i) term loans aggregating $75,000,000 (the "Parent Company Term Loans") and (ii) revolving loans of up to $20,000,000, subject to borrowing base restrictions and a $10,000,000 sublimit for letters of credit (the "Parent Company Revolving Loans,"). The Parent Company Loans mature on January 17, 2017. The lenders hold a security interest in substantially all of the assets of our rotating electrical segment. The Parent Company Financing Agreement only permits us to invest up to $20,000,000 in Fenco, which we had done as of December 31, 2012.

In May 2012, we entered into a second amendment to the Parent Company Financing Agreement (the “Second Amendment”) and borrowed an additional $10,000,000, for an aggregate of $85,000,000 (the “Amended Parent Company Term Loans”) in term loans. The Second Amendment, among other things, modified the interest rates per annum applicable to the Amended Parent Company Term Loans. The Amended Parent Company Term Loans will bear interest at rates equal to, at our option, either LIBOR plus 8.5% or a base rate plus 7.5%. The Amended Parent Company Term Loans require quarterly principal payments of $250,000 beginning on October 1, 2012 and increase to $600,000 per quarter on April 1, 2013 and to $1,350,000 on October 1, 2013 until the final maturity date. Among other things, the Second Amendment provides for certain amended financial covenants, and requires that we maintain cash and cash equivalents of up to $10,000,000 in the aggregate until our obligations with respect to a significant supplier have ceased.

In connection with the Second Amendment, we issued a warrant (the “Cerberus Warrant”) to Cerberus Business Finance, LLC. Pursuant to the Cerberus Warrant, Cerberus Business Finance, LLC, may purchase up to 100,000 shares of our common stock for an initial exercise price of $17.00 per share for a period of five years. The exercise price is subject to adjustments, among other things, for sales of common stock by us at a price below the exercise price. As a result of the issuance of the Supplier Warrant (as defined herein) in August 2012 at an initial exercise price of $7.75 per share, the exercise price of the Cerberus Warrant was reduced to $7.75 per share. As the exercise price of the Cerberus Warrant was reduced, the number of shares of our common stock that may be purchased upon the exercise of the Cerberus Warrant was increased to 219,355 so that the aggregate exercise price of the Cerberus Warrant after the adjustment is the same as the aggregate exercise price prior to the adjustment. The fair value of the Cerberus Warrant using the Monte Carlo simulation model was $607,000 at May 24, 2012 and $375,000 at March 31, 2013. This amount was recorded as a warrant liability which is included in other liabilities in the consolidated balance sheet at March 31, 2013. During fiscal 2013, a gain of $232,000 was recorded in general and administrative expenses due to the change in the fair value of the Cerberus Warrant.

In August 2012, we entered into the Third Amendment which, among other things, (i) permitted us to enter into the Fenco Credit Line, (ii) to make additional investments in Fenco in an aggregate amount not to exceed $20,000,000 at any time outstanding, (iii) added additional reporting requirements regarding financial reports and material notices under the Fenco Credit Line, and (iv) removed the Second Amendment requirement that we maintain cash and cash equivalents of up to $10,000,000.

In December 2012, we entered into a fourth amendment to the Parent Company Financing Agreement which, among other things, permitted us to repurchase shares pursuant to the stock repurchase agreement with Mel Marks, our founder, a member of our Board of Directors and consultant to the Company, and Melmarks Enterprises LLLP, a limited liability limited partnership controlled by Mr. Marks.

In connection with the option purchase agreement, we entered into a fifth amendment to the Parent Company Financing Agreement, which among other things, permitted us to purchase Mr. Joffe’s stock options pursuant to the option purchase agreement.

On June 14, 2013, we entered into a sixth amendment to the Parent Company Financing Agreement (the “Sixth Amendment”), under the terms of which the agents and lenders agreed to waive any event of default that would otherwise arise under the Parent Company Financing Agreement due to the qualification in the opinion by the Company’s certified public accountants with respect to the financial statements for the fiscal year ended March 31, 2013. In addition, the Sixth Amendment (i) added a reporting requirement with respect to the Company’s liquidity levels and certain inventory purchases and (ii) added a financial covenant under which the Company must maintain the following levels of liquidity on the following dates unless otherwise consented to by the lenders: on June 28, 2013, an aggregate amount of at least $25,000,000, subject to certain adjustments; on July 31, 2013, an aggregate amount of at least $26,000,000, subject to certain adjustments; and on August 30, 2013, an aggregate amount of at least $27,000,000, subject to certain adjustments.

The Parent Company Financing Agreement, as amended, among other things, requires us to maintain certain financial covenants including a maximum senior leverage ratio, a minimum fixed charge coverage ratio, and minimum consolidated EBITDA. We were in compliance with all financial covenants and reporting requirements under the Parent Company Financing Agreement, as amended, as of March 31, 2013.

The following table summarizes the financial covenants required under the Parent Company Financing Agreement as of March 31, 2013:

	Calculation as of March 31, 2013	Financial covenants required per the Parent Company Financing Agreement
Maximum senior leverage ratio	2.10	3.05
Minimum fixed charge coverage ratio	1.53	1.15
Minimum consolidated EBITDA	$ 40,243,000	$ 29,750,000

There was no outstanding balance on the Parent Company Revolving Loans at March 31, 2013 and 2012. As of March 31, 2013, $18,878,000 was available under the Parent Company Revolving Loans. We had reserved $626,000 of the Parent Company Revolving Loans for standby letters of credit for workers' compensation insurance and $1,179,000 for commercial letters of credit as of March 31, 2013.

Fenco Credit Agreement

Our wholly-owned subsidiaries, FAPL and Introcan, as borrowers (the "Fenco Borrowers"), entered into an amended and restated credit agreement, dated May 6, 2011 (the "Fenco Credit Agreement") with Manufacturers and Traders Trust Company as lead arranger, M&T Bank as lender and administrative agent and the other lenders from time to time party thereto (the "Fenco Lenders"). Pursuant to the Fenco Credit Agreement, the Fenco Lenders have made available to the Fenco Borrowers a revolving credit facility in the maximum principal amount of $50,000,000 (the "Fenco Revolving Facility") and a term loan in the principal amount of $10,000,000 (the "Fenco Term Loan"). The availability of the Fenco Revolving Facility is subject to a borrowing base calculation consisting of eligible accounts receivable and eligible inventory.

In August 2012, Fenco entered into a second amendment to the Fenco Credit Agreement with the Fenco Lenders which, among other things, (i) extended the maturity date to October 6, 2014, (ii) amended the maximum amount of the Fenco Revolving Facility to (y) $55,000,000 for the period up to and including December 31, 2012 and (z) $50,000,000 for the period on or after January 1, 2013 through October 6, 2014, (iii) replaced the repayment schedule and the amounts for the Fenco Term Loan to require quarterly principal payments of $500,000 beginning on June 30, 2013 and increasing to $1,000,000 per quarter beginning December 31, 2013 through September 30, 2014, with the remaining unpaid principal amount being due on the final maturity date, (iv) provided for certain mandatory prepayments of the Fenco Term Loan, and (v) revised certain financial covenants regarding minimum EBITDA, minimum fixed charge coverage, unused borrowing availability under the Fenco Revolving Credit Facility, and maximum capital expenditures. The maturity dates may be accelerated upon the occurrence of an insolvency event or event of default under the Fenco Credit Agreement.

In February 2013, Fenco entered into a third amendment to the Fenco Credit Agreement with the Fenco lenders which, among other things, (i) amended the maximum amount of the revolving facility available after February 1, 2013 from $50,000,000 to $50,712,000, (ii) removed the excess availability requirement, and (iii) amended the revolving facility margin limit.

The outstanding balance on the Fenco Revolving Facility was $49,277,000 and $48,884,000 at March 31, 2013 and 2012, respectively. As of March 31, 2013, approximately $712,000 was reserved for standby commercial letters of credit and $118,000 was reserved for certain expenses. In addition, $300,000 of this Fenco Revolving Facility was reserved for Canadian operations use. As of March 31, 2013, Fenco had exceeded its borrowing capacity by $5,795,000 on the Fenco Credit Facility. The Fenco Lenders hold a security interest in substantially all of the assets of Fenco.

The Fenco Borrowers may receive advances under the Fenco Revolving Facility by any one or more of the following options: (i) swingline advances in Canadian or US dollars; (ii) Canadian dollar prime-based loans; (iii) US dollar base rate loans; (iv) LIBOR loans; or (v) letters of credits.

The Fenco Term Loan bears interest at the LIBOR plus an applicable margin. Outstanding advances under the Fenco Revolving Facility bear interest as follows:

(i) in respect of swingline advances in Canadian dollars and Canadian dollar prime-based loans, at the reference rate announced by the Royal Bank of Canada plus an applicable margin;
(ii) in respect of swingline advances in US dollars and US dollar base rate loans, at a base rate (which shall be equal to the highest of (x) M&T Bank's prime rate, (y) the Federal Funds Rate plus ½ of 1%, or (z) the one month LIBOR) plus an applicable margin;
(iii) in respect of LIBOR loans, at the LIBOR plus an applicable margin.

The Fenco Credit Agreement, among other things, requires the Fenco Borrowers to maintain a minimum EBITDA of not less than $6,100,000 for the period from September 1, 2012 to March 31, 2013. As of March 31, 2013, the Fenco Borrowers were not in compliance with this financial covenant under the Fenco Credit Agreement. As a result, the Fenco Revolving Facility and the Fenco Term Loan have been classified as debt in default within current liabilities in the consolidated balance sheet at March 31, 2013.

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, we will likely deconsolidate the financial statements of Fenco from our consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, Fenco filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco's financial statements are included in the consolidated financial statements of the Company. Our consolidated financial statements are prepared assuming we will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Neither the Parent Company Financing Agreement nor the Fenco Credit Agreement contain any cross default provisions with respect to the other agreement.

Strategic Cooperation Agreement

In August 2012, we entered into a revolving agreement (the "Agreement") with the Supplier and Fenco. Under the terms of the Agreement, the Supplier agreed to provide a revolving credit line for purchases of automotive parts and components by Fenco in an aggregate amount not to exceed $22,000,000 (the "Fenco Credit Line") of which $2,000,000 would only be available for accrued interest and other amounts payable (the "Obligation"). Payment for all purchases would be due and payable 120 days after the date of the bill of lading. Any amounts remaining unpaid following the due date would bear interest at a rate of 1% per month. The Fenco Credit Line will mature on July 31, 2017. Among other things, the Agreement requires that Fenco on an annual basis, purchase at least approximately $33,000,000 of new automotive parts and components. After July 1, 2014, the Supplier has the right to exercise the Receivable Sale Option under which the Supplier may settle up to $8,000,000 (the "Receivable Sale Option") of our outstanding Obligations in exchange, at our option, for (i) shares of our common stock valued at $7.75 per share, subject to certain adjustments, or (ii) cash in an amount equal to 135% of the amount of the outstanding Obligations sold to us. Any outstanding Obligations settled by the Supplier would reduce the Fenco Credit Line. The Obligations under the Agreement are guaranteed by us and certain of our subsidiaries. As of March 31, 2013, we had approximately $19,000,000 outstanding under the Fenco Credit Line which was recorded in accounts payable in the consolidated balance sheet at March 31, 2013. Under the terms of the guarantee, the Supplier also has the right to sell accrued interest to us for shares of our common stock (the "Unpaid Interest Sale Option") at a price, subject to certain adjustments, that is the lower of (i) $7.75 per share and (ii) 105% of the market value of our common stock, which market value is defined in the terms of the guarantee.

In connection with this Agreement, we also issued a warrant (the "Supplier Warrant") to the Supplier to purchase up to 516,129 shares of our common stock for an initial exercise price of $7.75 per share exercisable at any time after two years from August 22, 2012 and on or prior to September 30, 2017. The exercise price is subject to adjustments, among other things, for sales of common stock by us at a price below the exercise price. Any outstanding Obligations settled by the Supplier will reduce the Fenco Credit Line. We are obligated to issue no more than an aggregate of 1,032,258 shares of our common stock in connection with the Receivable Sale Option and Supplier Warrant, and no more than an aggregate of 1,572,342 shares of our common stock in connection with the Unpaid Interest Sale Option. The Obligations under this Agreement are subordinated to our obligations under the Parent Company Financing Agreement. The fair value of the Supplier Warrant using the Monte Carlo simulation model was $1,018,000 at August 22, 2012, and $1,639,000 at March 31, 2013. This amount was recorded as a warrant liability which is included in other liabilities in the consolidated balance sheet at March 31, 2013. During fiscal 2013, a loss of $621,000 was recorded in general and administrative expenses due to the change in the fair value of the Supplier Warrant.

Our ability to comply in future periods with the financial covenants in the Parent Company Financing Agreement will depend on our ongoing financial and operating performance, which, in turn, will be subject to economic conditions and to financial, business and other factors, many of which are beyond our control and will be substantially dependent on the selling prices and demand for our products, customer demands for marketing allowances and other concessions, raw material costs, and our ability to successfully implement our overall business strategy. If a violation of any of the covenants in the Parent Company Financing Agreement occurs in the future, we would attempt to obtain a waiver or an amendment from our lenders. No assurance can be given that we would be successful in this regard.

Investment in Fenco

As of March 31, 2013, we had invested in Fenco $4,946,000 of equity, $52,631,000 of debt, $27,382,000 of accounts receivable in connection with our March 2011 consignment arrangement to provide goods in order to maintain the service levels for Fenco's customers, and $1,782,000 of net inter-company balances. All of the debt and intercompany balances owed by Fenco to us are subordinated to the Fenco Revolving Facility, which is secured. We do not expect to recover any of this investment as a result of the Fenco bankruptcy. At March 31, 2013, we had established a specific charge-off accrual for the debt, accounts receivable and inter-company balances.

Receivable Discount Programs

We use receivable discount programs with certain customers and their respective banks. Under these programs, we have options to sell those customers' receivables to those banks at a discount to be agreed upon at the time the receivables are sold. These discount arrangements allow us to accelerate collection of customers' receivables. While these arrangements have reduced our working capital needs, there can be no assurance that these programs will continue in the future. Interest expense resulting from these programs would increase if interest rates rise, if utilization of these discounting arrangements expands or if the discount period is extended to reflect more favorable payment terms to customers. There can be no assurance that we will be able to continue these receivable discount programs with Fenco's customers.

The following is a summary of the consolidated receivable discount programs:

	Years Ended March 31,	
	2013	**2012**
Receivables discounted	$ 289,529,000	$ 280,278,000
Weighted average days	319	313
Weighted average discount rate	2.7%	2.9%
Amount of discount as interest expense	$ 6,914,000	$ 7,072,000

Off-Balance Sheet Arrangements

At March 31, 2013, we had no off-balance sheet financing or other arrangements with unconsolidated entities or financial partnerships (such as entities often referred to as structured finance or special purpose entities) established for purposes of facilitating off-balance sheet financing or other debt arrangements or for other contractually narrow or limited purposes.

Multi-year Customer Agreements

We have or are renegotiating long-term agreements with many of our major customers. Under these agreements, which in most cases have initial terms of at least four years, we are designated as the exclusive or primary supplier for specified categories of remanufactured alternators and starters. In consideration for our designation as a customer's exclusive or primary supplier, we typically provide the customer with a package of marketing incentives. These incentives differ from contract to contract and can include (i) the issuance of a specified amount of credits against receivables in accordance with a schedule set forth in the relevant contract, (ii) support for a particular customer's research or marketing efforts provided on a scheduled basis, (iii) discounts granted in connection with each individual shipment of product, and (iv) other marketing, research, store expansion or product development support. These contracts typically require that we meet ongoing standards related to fulfillment, price, and quality. Our contracts with major customers expire at various dates through March 2019.

The longer-term agreements both reflect and strengthen our customer relationships and business base. However, they also result in a continuing concentration of our revenue sources among a few key customers and require a significant increase in our use of working capital to build inventory and increase production. This increased production causes significant increases in our inventories, accounts payable and employee base, and customer demands that we purchase their Remanufactured Core inventory can be a significant strain on our available capital. In addition, the marketing and other allowances that we typically grant to our customers in connection with these new or expanded relationships adversely impact the near-term revenues and associated cash flows from these arrangements. However, we believe this incremental business will improve our overall liquidity and cash flow from operations over time.

Share Repurchase Program

In March 2010, our Board of Directors authorized a share repurchase program of up to $5,000,000 of our outstanding common stock from time to time in the open market and in private transactions at prices deemed appropriate by management. The program does not have an expiration date. Under this program, we have repurchased and retired a total of 67,347 shares at a total cost of approximately $389,000 up to the year ended March 31, 2013. Our credit agreements currently prohibit such repurchases.

Capital Expenditures and Commitments

Our capital expenditures were $4,028,000 during fiscal 2013. A significant portion of these expenditures relate to the purchase of equipment for our manufacturing and warehousing facilities and improvements to our California facility and software. We expect our fiscal 2014 capital expenditure for our current operations to be in the range of approximately $2,000,000 to $3,000,000. We expect to use our working capital and incur additional capital lease obligations to finance these capital expenditures.

Contractual Obligations

Rotating Electrical Product Line

The following summarizes our contractual obligations and other commitments as of March 31, 2013 for our rotating electrical product line and the effect such obligations could have on the cash flows of our rotating electrical product line in future periods:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**2 to 3 years**	**4 to 5 years**	**More than 5 years**
Capital Lease Obligations (1)	$ 217,000	$ 186,000	$ 16,000	$ 15,000	$ -
Operating Lease Obligations (2)	13,058,000	2,855,000	3,974,000	2,054,000	4,175,000
Term Loan	84,500,000	3,900,000	10,800,000	69,800,000	-
Other Long-Term Obligations (3)	43,177,000	14,956,000	14,105,000	8,375,000	5,741,000
Total	$ 140,952,000	$ 21,897,000	$ 28,895,000	$ 80,244,000	$ 9,916,000

(1) Capital Lease Obligations represent amounts due under capital leases for various types of machinery and computer equipment.

(2) Operating Lease Obligations represent amounts due for rent under our leases for office and warehouse facilities in North America and Asia and for our Company automobile.

(3) Other Long-Term Obligations represent commitments we have with certain customers to provide marketing allowances in consideration for long-term agreements to provide products over a defined period. We are not obligated to provide these marketing allowances should our business relationships end with these customers.

We are unable to reliably estimate the timing of future payments related to uncertain tax positions; therefore, $1,116,000 of income taxes payable has been excluded from the table above. However, future tax payment accruals related to uncertain tax positions are included in our balance sheets, reduced by the associated federal deduction for state taxes.

Undercar Product Line

The following summarizes our contractual obligations and other commitments as of March 31, 2013 for our undercar product line, and the effect such obligations could have on the cash flows of our undercar product line in future periods:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**2 to 3 years**	**4 to 5 years**	**More than 5 years**
Capital Lease Obligations (1)	$ 206,000	$ 93,000	$ 65,000	$ 48,000	$ -
Operating Lease Obligations (2)	9,874,000	1,670,000	2,339,000	2,109,000	3,756,000
Revolving Loan	49,277,000	49,277,000	-	-	-
Term Loan	10,000,000	10,000,000	-	-	-
Other Long-Term Obligations (3)	503,000	341,000	162,000	-	-
Total	$ 69,860,000	$ 61,381,000	$ 2,566,000	$ 2,157,000	$ 3,756,000

(1) Capital Lease Obligations represent amounts due under capital leases for various types of machinery and computer equipment.

(2) Operating Lease Obligations represent amounts due for rent under Fenco's leases for office and warehouse facilities in North America and for Fenco's Company automobiles.

(3) Other Long-Term Obligations represent commitments we have with certain customers to provide marketing allowances in consideration for long-term agreements to provide products over a defined period. Fenco is not obligated to provide these marketing allowances should its business relationships end with these customers.

We are unable to reliably estimate the timing of future payments related to uncertain tax positions; therefore, $1,480,000 of income taxes payable has been excluded from the table above. However, future tax payment accruals related to uncertain tax positions are included in our balance sheets, reduced by the associated federal deduction for state taxes.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk relates to changes in interest rates and foreign currency exchange rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes. As our overseas operations expand, our exposure to the risks associated with foreign currency fluctuations will continue to increase.

Interest rate risk

We are exposed to changes in interest rates primarily as a result of our borrowing and receivable discount programs, which have interest costs that vary with interest rate movements. Our credit facilities bear interest at variable base rates, plus an applicable margin. At March 31, 2013, our consolidated debt obligations totaled $143,287,000. If interest rates were to increase 1%, our net annual interest expense would have increased by approximately $1,433,000. In addition, for each $10,000,000 of accounts receivable we discount over a period of 180 days, a 1% increase in interest rates would increase our interest expense by $50,000.

Foreign currency risk

We are exposed to foreign currency exchange risk inherent in our anticipated purchases and expenses denominated in currencies other than the U.S. dollar. We transact business in the following foreign currencies; Mexican pesos, Malaysian ringit, Singapore dollar, Chinese yuan, and the Canadian dollar. Our primary currency risk results from fluctuations in the value of the Mexican peso. To mitigate this risk, we enter into forward foreign currency exchange contracts to exchange U.S. dollars for Mexican pesos. The Company also enters into forward foreign currency exchange contracts to exchange U.S. dollars for Chinese yuan in order to mitigate the risk related to its purchases and payments to its Chinese vendors. The extent to which we use forward foreign currency exchange contracts is periodically reviewed in light of our estimate of market conditions and the terms and length of anticipated requirements. The use of derivative financial instruments allows us to reduce our exposure to the risk that the eventual net cash outflow resulting from funding the expenses of the foreign operations will be materially affected by changes in exchange rates. These contracts generally expire in a year or less. Any changes in the fair values of our forward foreign currency exchange contracts are reflected in current period earnings. Based upon our forward foreign currency exchange contracts related to these currencies, an increase of 10% in exchange rates at March 31, 2013 would have increased our general and administrative expenses by approximately $1,657,000. During fiscal 2013 and 2012, a gain of $804,000 and a loss of $476,000, respectively, were recorded in general and administrative expenses due to the change in the value of the forward foreign currency exchange contracts subsequent to entering into the contracts.

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors as appropriate to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of management, including our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, we have conducted an evaluation of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(b) and 15d-15(e). Based on this evaluation – and that the Company has remediated the prior year material weakness in internal control over financial reporting described below under Changes in Internal Control Over Financial Reporting – our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer concluded that the MPA's disclosure controls and procedures were effective as of March 31, 2013.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) .

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

Internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Under the supervision and with the participation of management, including our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation – and that the Company has remediated the prior year material weakness in internal control over financial reporting described below under Changes in Internal Control Over Financial Reporting –- management concluded that the Company's internal control over financial reporting was effective as of March 31, 2013 .

The effectiveness of our internal control over financial reporting as of March 31, 2013 has been audited by the Company's independent registered public accounting firm, Ernst & Young LLP. Their assessment is included in the accompanying Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting.

Changes in Internal Control Over Financial Reporting

Other than the items noted immediately below, there were no changes in MPA's internal control over financial reporting during the fourth quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, MPA's internal control over financial reporting.

Initial Assessment of Acquired Business

On May 6, 2011, MPA acquired Fenco, a privately-owned Toronto-based manufacturer, remanufacturer and distributor of new and remanufactured aftermarket auto parts. As permitted by SEC guidance, which allows for a one-year integration period, management excluded the operations related to Fenco from its assessment of MPA internal control over financial reporting as of March 31, 2012.
Over the course of fiscal year 2013, the execution of Fenco's internal control over financial reporting was completed and the initial annual assessment of internal controls over financial reporting was conducted.

Accounting Application Conversion and Centralization

On October 1, 2012, the Fenco financial and operating systems were converted to the applications used at MPA. In conjunction with this system conversion, Fenco accounting was also centralized at MPA headquarters in Torrance, California.

Remediation of Prior Year Material Weakness

During the fiscal year ended March 31, 2012, the Company reported the existence of a material weakness in its internal control over financial reporting relating to Fenco, a business acquired by MPA on May 6, 2011.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements would not be prevented or detected on a timely basis.

Since the acquisition of Fenco, we were unable to timely file our Quarterly Reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the second, third and fourth quarters of our fiscal year 2012, and first and second quarters of our fiscal year 2013. As a result, we concluded that our internal control over financial reporting was not effective because of the existence of a material weakness in our financial statement close process at Fenco. In response to the material weakness, we conducted a review of the internal control over financial reporting at Fenco and began putting in place appropriate oversight and remediating controls. These changes were expected to permit more timely reporting of consolidated financial results going forward.

For additional information regarding the material weakness and remediating controls, refer to Item 9A, Controls and Procedures in the Company's report on Form 10-K for the fiscal year ended March 31, 2012, and Item 4, Controls and Procedures in the Company's subsequent quarterly reports on Form 10-Q for the fiscal 2013 quarters ended June 30, 2012, September 30, 2012, and December 31, 2012.

Over the course of fiscal year 2013, the aforementioned remediating controls were evaluated as part of the initial assessment of internal controls over financial reporting for the acquired business. The results of that assessment are reported above in Management's Report on Internal Control Over Financial Reporting, which found no material weakness in our financial statement close process at Fenco .

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Definitive Proxy Statement in connection with our next Annual Meeting of Stockholders (“ the Proxy Statement”).

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Proxy Statement.

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

The information required by this item is incorporated by reference to the Proxy Statement.

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

The information required by this item is incorporated by reference to the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

a. Documents filed as part of this report:

(1) Index to Consolidated Financial Statements:

(2) Schedules:

(3) 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 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	Incorporated by reference to Exhibit 3.3 to the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 1997 (the “1997 Form 10-K”).
3.4	Amendment to Certificate of Incorporation of the Company	Incorporated by reference to Exhibit 3.4 to the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 1998 (the “1998 Form 10-K”).
3.5	Amendment to Certificate of Incorporation of the Company	Incorporated by reference to Exhibit C to the Company’s proxy statement on Schedule 14A filed with the SEC on November 25, 2003.
3.6	Amended and Restated By-Laws of the Company	Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on August 24, 2010.
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 stock purchase warrant	Incorporated by reference to 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.

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	1996 Stock Option Plan	Incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-2 (No. 333-37977) declared effective on November 18, 1997 (the "1997 Registration Statement").
4.7	2003 Long Term Incentive Plan	Incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed with the SEC on April 2, 2004.
4.8	2004 Non-Employee Director Stock Option Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A for the 2004 Annual Shareholders Meeting.
4.9	Registration Rights Agreement among the Company and the investors identified on the signature pages thereto, dated as of May 18, 2007	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on May 18, 2007.
4.10	Form of Warrant to be issued by the Company to investors in connection with the May 2007 Private Placement	Incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed on May 18, 2007.
4.11	2010 Incentive Award Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed on December 15, 2010.
4.12	Amended and Restated 2010 Incentive Award Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed on March 5, 2013.
10.1	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.
10.2	Lease Agreement, dated September 19, 1995, by and between Golkar Enterprises, Ltd. and the Company relating to the Company's facility located in Torrance, California	Incorporated by reference to Exhibit 10.18 to the 1995 Registration Statement.
10.3	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	Incorporated by reference to Exhibit 10.22 to the 1997 Form 10-K.
10.4	Form of Indemnification Agreement for officers and directors	Incorporated by reference to Exhibit 10.25 to the 1997 Registration Statement.

Number	Description of Exhibit	Method of Filing
10.5	Second Amendment to Lease, dated March 15, 2002, between Golkar Enterprises, Ltd. and the Company relating to property in Torrance, California	Incorporated by reference to Exhibit 10.44 to the 2003 10-K.
10.6*	Addendum to Vendor Agreement, dated May 8, 2004, between AutoZone Parts, Inc. and the Company	Incorporated by reference to Exhibit 10.15 to the 2004 10-K.
10.7	Form of Orbian Discount Agreement between the Company and Orbian Corp.	Incorporated by reference to Exhibit 10.17 to the 2004 10-K.
10.8	Form of Standard Industrial/Commercial Multi-Tenant Lease, dated May 25, 2004, between the Company and Golkar Enterprises, Ltd for property located at 530 Maple Avenue, Torrance, California	Incorporated by reference to Exhibit 10.18 to the 2004 10-K.
10.9	Build to Suit Lease Agreement, dated October 28, 2004, among Motorcar Parts de Mexico, S.A. de CV, the Company and Beatrix Flourie Geoffroy	Incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed on November 2, 2004.
10.10	Amendment No. 3 to Pay-On-Scan Addendum, dated August 22, 2006, between AutoZone Parts, Inc. and the Company	Incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed on August 30, 2006.
10.11*	Amendment No. 1 to Vendor Agreement, dated August 22, 2006, between AutoZone Parts, Inc. and Motorcar Parts of America, Inc.	Incorporated by reference to Exhibit 99.2 to Current Report on Form 8-K filed on August 30, 2006.
10.12	Lease Agreement Amendment, dated October 12, 2006, between the Company and Beatrix Flourie Geffroy	Incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed on October 20, 2006.
10.13	Third Amendment to Lease Agreement, dated as of November 20, 2006, between Motorcar Parts of America, Inc. and Golkar Enterprises, Ltd.	Incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed on November 27, 2006.
10.14	Securities Purchase Agreement among the Company and the investors identified on the signature pages thereto, dated as of May 18, 2007	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 18, 2007.
10.15	Amended and Restated Employment Agreement, dated as of December 31, 2008, by and between the Company and Selwyn Joffe	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed January 7, 2009.
10.16*	Vendor Agreement dated as of March 31, 2009, between the Company and AutoZone Parts, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed May 5, 2009.

Number	Description of Exhibit	Method of Filing
10.17*	Core Amendment to Vendor Agreement, dated as of March 31, 2009, between the Company and AutoZone Parts, Inc.	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed May 5, 2009.
10.18 *	Vendor Agreement Addendum, dated as of March 31, 2009, between the Company and AutoZone Parts, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K/A filed on December 23, 2009.
10.19 *	Core Amendment to Vendor Agreement Addendum, dated as of March 31, 2009, between the Company and AutoZone Parts, Inc.	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K/A filed on December 23, 2009.
10.20 *	Master Vendor Agreement, dated as of April 1, 2009, between the Company and O'Reilly Automotive, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on January 13, 2010.
10.21 *	Letter Agreement, dated as of April 1, 2009, between the Company and O'Reilly Automotive, Inc.	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on January 13, 2010.
10.22 *	Vendor Agreement Addendum, dated as of April 1, 2009 between the Company and O'Reilly Automotive, Inc.	Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on January 13, 2010.
10.23	Debenture, dated August 24, 2010, issued by Fenwick Automotive Products Limited to Motorcar Parts of America, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on August 30, 2010.
10.24	Addendum to Unanimous Shareholders Agreement, dated August 24, 2010, between Motorcar Parts of America, Inc., Fenwick Enterprises Inc., Escal Holdings Inc., Fencity Holdings Inc., Jofen Holdings Inc., Gordon Fenwick, Paul Fenwick, Joel Fenwick, Stanley Fenwick, Karen Fenwick, Jack Shuster and FAPL Holdings Inc.	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on August 30, 2010.
10.25	Amended and Restated Debenture, dated December 15, 2010, issued by Fenwick Automotive Products Limited to Motorcar Parts of America, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on December 21, 2010.
10.26	Amended and Restated Addendum to Unanimous Shareholders Agreement, dated December 15, 2010, between Motorcar Parts of America, Inc., Fenwick Enterprises Inc., Jack Shuster, Gordon Fenwick, Paul Fenwick, Joel Fenwick, FAPL, Fenwick Automotive Products Limited, Introcan Inc., Escal Holdings Inc., Fencity Holdings Inc. and Jofen Holdings Inc.	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on December 21, 2010.

Number	Description of Exhibit	Method of Filing
10.27*	Consignment Agreement, dated as of March 1, 2011, among Motorcar Parts of America, Inc., Rafko Logistics Inc., Fenwick Automotive Products Limited and FAPL Holdings Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on March 7, 2011.
10.28	Purchase Agreement, dated May 6, 2011, by and among Motorcar Parts of America, Inc., FAPL Holdings Inc., Jack Shuster, Gordon Fenwick, Paul Fenwick and Joel Fenwick	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 12, 2011.
10.29	Hold Agreement, dated May 6, 2011, between Motorcar Parts of America, Inc. and FAPL Holdings Inc.	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on May 12, 2011.
10.30	Escrow Agreement, dated May 6, 2011, by and among Motorcar parts of America, Inc., FAPL Holdings Inc., Jack Shuster, Gordon Fenwick, Paul Fenwick, Joel Fenwick and Strikeman Elliott LLP	Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on May 12, 2011.
10.31	Amended and Restated Credit Agreement, dated May 6, 2011, by and among Fenwick Automotive Products Limited, Introcan Inc., Manufactures and Traders Trust Company, M&T Bank and such other lenders from time to time as may become a party thereto	Incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed on May 12, 2011.
10.32	Core Amendment No. 3 to Vendor Agreement, dated as of May 31, 2011, by and between Motorcar Parts of America, Inc. and AutoZone Parts, Inc.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on June 16, 2011.
10.33	Core Amendment No. 4 to Vendor Agreement, dated as of May 31, 2011, by and between Motorcar Parts of America, Inc. and AutoZone Parts, Inc.	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on June 16, 2011.
10.34	Addendum No. 2 to Amendment No. 1 to Vendor Agreement, dated as of May 31, 2011, by and between Motorcar Parts of America, Inc. and AutoZone Parts, Inc.	Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on June 16, 2011.
10.35	Purchase Agreement, dated May 6, 2011, by and among Motorcar Parts of America, Inc., FAPL Holdings Inc., Jack Shuster, Gordon Fenwick, Paul Fenwick and Joel Fenwick	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 12, 2011.
10.36	Hold Agreement, dated May 6, 2011, between Motorcar Parts of America, Inc. and FAPL Holdings Inc.	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on May 12, 2011.

Number	Description of Exhibit	Method of Filing
10.37	Escrow Agreement, dated May 6, 2011, by and among Motorcar Parts of America, Inc., FAPL Holdings Inc., Jack Shuster, Gordon Fenwick, Paul Fenwick, Joel Fenwick and Stikeman Elliott LLP	Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on May 12, 2011.
10.38	Amended and Restated Credit Agreement, dated May 6, 2011, by and among Fenwick Automotive Products Limited, Introcan Inc., Manufacturers and Traders Trust Company, M&T Bank and such other lenders from time to time as may become a party thereto	Incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed on May 12, 2011.
10.39	Fifth Amendment, dated as of November 17, 2011, to that certain Standard Industrial Commercial Single Tenant Lease-Gross, dated as of September 19, 1995, between Golkar Enterprises, Ltd and Motorcar Parts of America, Inc., as amended	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on November 25, 2011.
10.40	Financing Agreement, dated as of January 18, 2012,among Motorcar Parts of America, Inc., each lender from time to time party thereto, Cerberus Business Finance, LLC, as collateral agent, and PNC Bank, National Association, as administrative agent	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on January 24, 2012.
10.41	Subscription Agreement, dated April 20, 2012	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on April 23, 2012.
10.42	Registration Rights Agreement, dated April 20, 2012	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on April 23, 2012.
10.43	Right of First Refusal Agreement, dated May 3, 2012	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 7, 2012.
10.44	Employment Agreement, dated as of May 18, 2012, between Motorcar Parts of America, Inc., and Selwyn Joffe	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 24, 2012.
10.45	Second Amendment to the Financing Agreement, dated as of May 24, 2012, among Motorcar Parts of America, Inc., each lender from time to time party thereto, Cerberus Business Finance, LLC, as collateral agent, and PNC Bank, National Association, as administrative agent	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 31, 2012.

Number	Description of Exhibit	Method of Filing
10.46	Warrant to Purchase Common Stock, dated May 24, 2012, issued by Motorcar Parts of America, Inc. to Cerberus Business Finance, LLC in connection with the Second Amendment to the Financing Agreement	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on May 31, 2012.
10.47	Revolving Credit/Strategic Cooperation Agreement, dated as of August 22, 2012, by and among Motorcar Parts of America, Inc. (solely for purposes of provisions specified thereto), Fenwick Automotive Products Limited and Wanxiang America Corporation	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on August 28, 2012.
10.48	Guaranty, dated as of August 22, 2012, by Motorcar Parts of America, Inc. for the benefit of Wanxiang America Corporation	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on August 28, 2012.
10.49	Warrant to Purchase Common Stock, dated as of August 22, 2012, issued by Motorcar Parts of America, Inc. to Wanxiang America Corporation	Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on August 28, 2012.
10.50	Third Amendment and Waiver to the Financing Agreement, dated as of August 22, 2012, among Motorcar Parts of America, Inc., each lender from time to time party thereto, Cerberus Business Finance, LLC, as collateral agent, and PNC Bank, National Association as administrative agent	Incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed on August 28, 2012.
10.51	Amendment No. 2 to the Amended and Restated Credit Agreement, dated as of August 22, 2012, by and among Fenwick Automotive Products Limited, Introcan Inc., Manufacturers and Traders Trust Company, as lead arranger, and M&T Bank, as administrative agent and a lender	Incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K filed on August 28, 2012.
10.52	Stock Repurchase Agreement, dated as of December 3, 2012, by and among Motorcar Parts of America, Inc., Mel Marks and Melmarks Enterprises LLLP	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on December 6, 2012.
10.53	Fourth Amendment to Financing Agreement, dated as of December 3, 2012, among Motorcar Parts of America, Inc., each lender from time to time party thereto, Cerberus Business Finance, LLC, as collateral agent, and PNC Bank, National Association, as administrative agent	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on December 6, 2012.

Number	Description of Exhibit	Method of Filing
10.54	Option Purchase Agreement, dated as of January 16, 2013, by and between Motorcar Parts of America, Inc. and Selwyn Joffe	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on January 17, 2013.
10.55	Fifth Amendment to Financing Agreement, dated as of January 16, 2013, among Motorcar Parts of America, Inc., each lender from time to time party thereto, Cerberus Business Finance, LLC, as collateral agent, and PNC Bank, National Association, as administrative agent	Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on January 17, 2013.
10.56	Amendment No. 3 to the Amended and Restated Credit Agreement, dated as of February 13, 2013, by and among Fenwick Automotive Products Limited, Introcan Inc., Manufacturers and Traders Trust Company, as lead arranger, and M&T Bank, as administrative agent and a lender	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on February 20, 2013.
10.57	Mel Marks Agreement, dated and effective as of March 31, 2013, among Motorcar Parts of America, Inc., Mel Marks and Mel Marks Enterprises LLLP	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 16, 2013.
10.58	Sixth Amendment to Financing Agreement, dated as of June 14, 2013, among Motorcar Parts of America, Inc., each lender from time to time party thereto, Cerberus Business Finance, LLC, as collateral agent, and PNC Bank, National Association, as administrative agent	Filed herewith.
14.1	Code of Business Conduct and Ethics	Incorporated by reference to Exhibit 10.48 to the 2003 Form 10-K.
21.1	List of Subsidiaries	Filed herewith.
23.0	Consent of Independent Registered Public Accounting Firm Ernst & Young LLP	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Filed herewith.
31.3	Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Filed herewith.

Number	Description of Exhibit	Method of Filing
32.1	Certifications of Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002	Filed herewith.
101.1	The following financial information from Motorcar Parts of America, Inc.'s Annual Report on Form 10-K for the fiscal year ended March 31, 2013, formatted in Extensible Business Reporting Language ("XBRL") and furnished electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive (Loss) Income, (iv) the Consolidated Statement of Shareholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements	Furnished herewith.

* Portions of this exhibit have been granted confidential treatment by the SEC.

SIGNATURES

Pursuant to the requirements of Section 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.

MOTORCAR PARTS OF AMERICA, INC.

Dated: June 17, 2013	By: /s/ David Lee David Lee Chief Financial Officer
Dated: June 17, 2013	By: /s/ Kevin Daly Kevin Daly Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

/s/ Selwyn Joffe Selwyn Joffe	Chief Executive Officer and Director (Principal Executive Officer)	June 17, 2013
/s/ David Lee David Lee	Chief Financial Officer (Principal Financial Officer)	June 17, 2013
/s/ Kevin Daly Kevin Daly	Chief Accounting Officer (Principal Accounting Officer)	June 17, 2013
/s/ Mel Marks Mel Marks	Director	June 17, 2013
/s/ Scott Adelson Scott Adelson	Director	June 17, 2013
/s/ Rudolph Borneo Rudolph Borneo	Director	June 17, 2013
/s/ Philip Gay Philip Gay	Director	June 17, 2013
/s/ Duane Miller Duane Miller	Director	June 17, 2013
/s/ Jeffrey Mirvis Jeffrey Mirvis	Director	June 17, 2013

MOTORCAR PARTS OF AMERICA, INC.
AND SUBSIDIARIES

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Motorcar Parts of America, Inc.

We have audited Motorcar Parts of America, Inc. and subsidiaries' internal control over financial reporting as of March 31, 2013 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Motorcar Parts of America, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Motorcar Parts of America, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2013, based on COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Motorcar Parts of America, Inc. and subsidiaries as of March 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended March 31, 2013 and our report dated June 17, 2013 expressed an unqualified opinion thereon that included an explanatory paragraph regarding Motorcar Parts of America, Inc. and subsidiaries' ability to continue as a going concern.

/s/ Ernst & Young LLP

Los Angeles, California
June 17, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Motorcar Parts of America, Inc.

We have audited the accompanying consolidated balance sheets of Motorcar Parts of America, Inc. and subsidiaries (the “Company” or “Consolidated Companies”) as of March 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended March 31, 2013. Our audits also included the financial statement schedule listed in the index at Item 15(a)(2). 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 the standards of the Public Company Accounting Oversight Board (United States). 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 referred to above present fairly, in all material respects, the consolidated financial position of Motorcar Parts of America, Inc. and subsidiaries at March 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that Motorcar Parts of America, Inc. and subsidiaries will continue as a going concern. As more fully described in Note 1 to the financial statements, the Company’s wholly owned subsidiary Fenwick Automotive Products Limited (“Fenco”) has recurring operating losses since the date of acquisition and has a working capital and an equity deficiency. In addition, Fenco has not complied with certain covenants of its loan agreements with its bank. These conditions relating to Fenco coupled with the significance of Fenco to the Consolidated Companies, raise substantial doubt about the Consolidated Companies’ ability to continue as a going concern. Management’s plans in regard to these matters also are described in Note 1. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Motorcar Parts of America, Inc.'s internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 17, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
June 17, 2013

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
March 31,

	2013	2012
ASSETS		
Current assets:		
Cash	$ 19,434,000	$ 32,617,000
Short-term investments	411,000	342,000
Accounts receivable — net	14,311,000	20,036,000
Inventory— net	61,090,000	95,071,000
Inventory unreturned	12,150,000	9,819,000
Deferred income taxes	34,885,000	3,793,000
Prepaid expenses and other current assets	10,350,000	6,553,000
Total current assets	152,631,000	168,231,000
Plant and equipment — net	14,083,000	12,738,000
Long-term core inventory — net	158,476,000	194,406,000
Long-term core inventory deposits	27,610,000	26,939,000
Long-term deferred income taxes	2,546,000	1,857,000
Goodwill	-	68,356,000
Intangible assets — net	3,983,000	22,484,000
Other assets	7,745,000	6,887,000
TOTAL ASSETS	$ 367,074,000	$ 501,898,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 113,753,000	$ 126,100,000
Accrued liabilities	14,856,000	19,379,000
Customer finished goods returns accrual	24,978,000	21,695,000
Other current liabilities	3,009,000	2,745,000
Current portion of term loan	3,900,000	500,000
Revolving loan - in default	49,277,000	-
Term loan - in default	10,000,000	-
Total current liabilities	219,773,000	170,419,000
Term loan, less current portion	80,110,000	84,500,000
Revolving loan	-	48,884,000
Deferred core revenue	12,014,000	9,775,000
Customer core returns accrual	50,414,000	113,702,000
Other liabilities	8,277,000	999,000
Total liabilities	370,588,000	428,279,000
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; par value $.01 per share, 5,000,000 shares authorized; none issued	-	-
Series A junior participating preferred stock; par value $.01 per share, 20,000 shares authorized; none issued	-	-
Common stock; par value $.01 per share, 20,000,000 shares authorized; 14,460,979 and 12,533,821 shares issued; 14,460,979 and 12,519,421 outstanding at March 31, 2013 and 2012, respectively	145,000	125,000
Treasury stock, at cost, none at March 31, 2013 and 14,400 shares of common stock at March 31, 2012	-	(89,000)
Additional paid-in capital	114,737,000	98,627,000
Additional paid-in capital-warrant	-	1,879,000
Accumulated other comprehensive loss	(846,000)	(884,000)
Accumulated deficit	(117,550,000)	(26,039,000)
Total shareholders' (deficit) equity	(3,514,000)	73,619,000
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 367,074,000	$ 501,898,000

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

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended March 31,

	2013	2012	2011
Net sales	$ 406,266,000	$ 363,687,000	$ 161,285,000
Cost of goods sold	350,538,000	335,980,000	109,903,000
Gross profit	55,728,000	27,707,000	51,382,000
Operating expenses:			
General and administrative	44,526,000	38,881,000	17,033,000
Sales and marketing	12,713,000	12,804,000	6,537,000
Research and development	2,628,000	1,765,000	1,549,000
Impairment of goodwill and intangible assets	84,686,000	-	-
Impairment of plant and equipment	-	1,031,000	-
Acquisition costs	-	713,000	879,000
Total operating expenses	144,553,000	55,194,000	25,998,000
Operating (loss) income	(88,825,000)	(27,487,000)	25,384,000
Interest expense, net	24,406,000	14,255,000	5,355,000
(Loss) income before income tax (benefit) expense	(113,231,000)	(41,742,000)	20,029,000
Income tax (benefit) expense	(21,720,000)	6,772,000	7,809,000
Net (loss) income	$ (91,511,000)	$ (48,514,000)	$ 12,220,000
Basic net (loss) income per share	$ (6.39)	$ (3.90)	$ 1.01
Diluted net (loss) income per share	$ (6.39)	$ (3.90)	$ 0.99
Weighted average number of shares outstanding:			
Basic	14,327,310	12,442,684	12,042,428
Diluted	14,327,310	12,442,684	12,334,331

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

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive (Loss) Income
Years Ended March 31,

	2013	2012	2011
Net (loss) income	$ (91,511,000)	$ (48,514,000)	$ 12,220,000
Other comprehensive (loss) income, net of tax:			
Unrealized gain (loss) on short-term investments	162,000	70,000	(3,000)
Foreign currency translation	(124,000)	(605,000)	1,080,000
Total other comprehensive income (loss), net of tax	38,000	(535,000)	1,077,000
Comprehensive (loss) income	$ (91,473,000)	$ (49,049,000)	$ 13,297,000

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

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Consolidated Statement of Shareholders' Equity
For the Years Ended March 31,

	Common Stock		Treasury Stock						
	Shares	Amount	Shares	Amount	Additional Paid-in Capital Common Stock	Additional Paid-in Capital Warrants	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
Balance at March 31, 2010	12,026,021	$120,000	-	$ -	$ 92,792,000	$ 1,879,000	$ (1,426,000)	$ 10,255,000	$103,620,000
Compensation recognized under employee stock plans	-	-	-	-	59,000	-	-	-	59,000
Exercise of options	52,250	1,000	-	-	199,000	-	-	-	200,000
Tax benefit from employee stock options exercised	-	-	-	-	123,000	-	-	-	123,000
Impact of tax benefit on APIC pool	-	-	-	-	(33,000)	-	-	-	(33,000)
Repurchase of common stock including fees	-	-	(14,400)	(89,000)	-	-	-	-	(89,000)
Unrealized gain on investments, net of tax	-	-	-	-	-	-	(3,000)	-	(3,000)
Foreign currency translation	-	-	-	-	-	-	1,080,000	-	1,080,000
Net income	-	-	-	-	-	-	-	12,220,000	12,220,000
Balance at March 31, 2011	12,078,271	$121,000	(14,400)	$ (89,000)	$ 93,140,000	$ 1,879,000	$ (349,000)	$ 22,475,000	$117,177,000
Compensation recognized under employee stock plans	-	-	-	-	52,000	-	-	-	52,000
Exercise of options	95,550	1,000		-	320,000	-	-	-	321,000
Tax benefit from employee stock options exercised	-	-	-	-	255,000	-	-	-	255,000
Impact of tax benefit on APIC pool	-	-	-	-	(83,000)	-	-	-	(83,000)
Common stock issued as consideration for acquisition	360,000	3,000	-	-	4,943,000	-	-	-	4,946,000
Unrealized gain on investments, net of tax	-	-	-	-	-	-	70,000	-	70,000
Foreign currency translation	-	-	-	-	-	-	(605,000)	-	(605,000)
Net loss	-	-	-	-	-	-	-	(48,514,000)	(48,514,000)
Balance at March 31, 2012	12,533,821	$125,000	(14,400)	$ (89,000)	$ 98,627,000	$ 1,879,000	$ (884,000)	$ (26,039,000)	$ 73,619,000
Compensation recognized under employee stock plans	-	-	-	-	752,000	-	-	-	752,000
Common stock issued under stock plans, net of shares withheld for employee taxes	52,530	1,000			241,000				242,000
Repurchase of options granted					(455,000)				(455,000)
Tax benefit from employee stock options exercised	-	-	-	-	171,000	-	-	-	171,000
Impact of tax benefit on APIC pool	-	-	-	-	(70,000)	-	-	-	(70,000)

Expired unexercised warrants					1,879,000	(1,879,000)			-
Repurchase of common stock including fees			(52,947)	(300,000)					(300,000)
Cancellation of treasury stock	(67,347)	(1,000)	67,347	389,000	(388,000)				-
Common stock issued in connection with PIPE	1,936,000	20,000	-	-	14,985,000	-	-	-	15,005,000
Stock issuance costs	-	-	-	-	(1,034,000)	-			(1,034,000)
Common stock issued in lieu of cash for PIPE liquidated damages	5,975	-	-	-	29,000				29,000
Unrealized gain on investments, net of tax	-	-	-	-	-	-	162,000	-	162,000
Foreign currency translation	-	-	-	-	-	-	(124,000)	-	(124,000)
Net loss	-	-	-	-	-	-	-	(91,511,000)	(91,511,000)
Balance at March 31, 2013	14,460,979	$145,000	-	$ -	$114,737,000	$ -	$ (846,000)	$ (117,550,000)	$ (3,514,000)

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

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended March 31,

	2013	2012	2011
Cash flows from operating activities:			
Net (loss) income	$ (91,511,000)	$ (48,514,000)	$ 12,220,000
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation	3,114,000	5,321,000	3,126,000
Amortization of intangible assets	2,171,000	2,029,000	774,000
Amortization of deferred gain on sale-leaseback	-	-	(307,000)
Amortization of deferred financing costs	1,702,000	576,000	86,000
Amortization of finished goods inventory step-up valuation	-	3,746,000	-
Loss due to change in fair value of warrant liability	389,000	-	-
Provision for inventory reserves	17,383,000	3,012,000	1,804,000
Provision for customer payment discrepencies	2,035,000	270,000	850,000
Net (recovery of) provision for doubtful accounts	659,000	(16,000)	(38,000)
Deferred income taxes	(26,611,000)	1,328,000	2,358,000
Share-based compensation expense	1,083,000	52,000	59,000
Impact of tax benefit on APIC pool from stock options exercised	70,000	83,000	33,000
(Gain) loss on redemption of short-term investment	-	-	(25,000)
Impairment of goodwill and intangible assets	84,686,000	-	-
Impairment of plant and equipment	-	1,031,000	-
Loss on disposal of assets	40,000	14,000	37,000
Changes in current assets and liabilities:			
Accounts receivable	3,032,000	5,517,000	(5,894,000)
Inventory	25,186,000	(6,342,000)	1,305,000
Inventory unreturned	(2,331,000)	5,276,000	(1,107,000)
Prepaid expenses and other current assets	(4,242,000)	2,921,000	(3,527,000)
Other assets	(343,000)	(234,000)	(245,000)
Accounts payable and accrued liabilities	(17,115,000)	10,259,000	8,885,000
Customer finished goods returns accrual	3,283,000	(4,692,000)	1,707,000
Income tax payable	464,000	(454,000)	(381,000)
Deferred core revenue	2,239,000	1,046,000	2,668,000
Long-term core inventory	27,341,000	(17,045,000)	(13,885,000)
Long-term core inventory deposits	(671,000)	(955,000)	(216,000)
Customer core returns accrual	(63,288,000)	(1,388,000)	-
Other liabilities	174,000	(1,329,000)	448,000
Net cash (used in) provided by operating activities	(31,061,000)	(38,488,000)	10,735,000
Cash flows from investing activities:			
Purchase of plant and equipment	(4,028,000)	(1,554,000)	(1,566,000)
Purchase of businesses	-	-	(464,000)
Long-term note receivable	-	-	(4,863,000)
Change in short term investments	(41,000)	(37,000)	170,000
Net cash used in investing activities	(4,069,000)	(1,591,000)	(6,723,000)
Cash flows from financing activities:			
Borrowings under revolving loan	85,106,000	151,679,000	46,200,000
Repayments under revolving loan	(84,713,000)	(152,339,000)	(46,200,000)
Proceeds from term loan	10,000,000	85,000,000	-
Repayments of term loan	(500,000)	(7,500,000)	(2,000,000)
Deferred financing costs	(799,000)	(6,560,000)	(16,000)
Payments on capital lease obligations	(419,000)	(591,000)	(975,000)
Exercise of stock options	73,000	320,000	199,000
Excess tax benefit from employee stock options exercised	171,000	255,000	123,000
Impact of tax benefit on APIC pool from stock options exercised	(70,000)	(83,000)	(33,000)
Cash used to net share settle equity awards	(163,000)	-	-
Repurchase of common stock and options, including fees	(755,000)	-	(89,000)
Proceeds from issuance of common stock	15,005,000	1,000	1,000
Stock issuance costs	(1,034,000)	-	-
Net cash provided by (used in) financing activities	21,902,000	70,182,000	(2,790,000)
Effect of exchange rate changes on cash	45,000	37,000	45,000
Net (decrease) increase in cash	(13,183,000)	30,140,000	1,267,000
Cash — Beginning of year	32,617,000	2,477,000	1,210,000
Cash — End of year	$ 19,434,000	$ 32,617,000	$ 2,477,000

Supplemental disclosures of cash flow information:

Cash paid during the period for:						
Interest, net	$	22,923,000	$	11,905,000	$	5,270,000
Income taxes, net of refunds		8,128,000		3,036,000		8,073,000
Non-cash investing and financing activities:						
Property acquired under capital lease	$	155,000	$	-	$	351,000
Warrants issued in connection with debt		1,625,000		-		-
Common stock issued in business combination		-		4,946,000		-

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

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Company Background and Organization

Overview

Motorcar Parts of America, Inc. and its subsidiaries (the “Company”, “Consolidated Companies” or “MPA”) is a leading manufacturer, remanufacturer, and distributor of aftermarket automobile parts. These replacement parts are sold for use on vehicles after initial vehicle purchase. These automotive parts are sold to automotive retail chain stores and warehouse distributors throughout North America and to major automobile manufacturers.

The Company obtains used automobile parts, commonly known as Used Cores, primarily from its customers under the Company’s core exchange program. It also purchases Used Cores from vendors (core brokers). The customers grant credit to the consumer when the used part is returned to them, and the Company in turn provides a credit to the customers upon return to the Company. These Used Cores are an essential material needed for the remanufacturing operations.

The Company has remanufacturing, warehousing and shipping/receiving operations for automobile parts in North America and Asia. In addition, the Company utilizes various third party warehouse distribution centers in North America.

Basis of Presentation and Going Concern

On May 6, 2011, the Company purchased (i) all of the outstanding equity of Fenwick Automotive Products Limited (“FAPL”), (ii) all of the outstanding equity of Introcan, Inc., a Delaware corporation (“Introcan”), and (iii) 1% of the outstanding equity of Fapco S.A. de C.V., a Mexican variable capital company (“Fapco”) (collectively, “Fenco”). Since FAPL owned 99% of Fapco prior to these acquisitions, the Company now owns 100% of Fapco.

The accompanying consolidated financial statements have been prepared assuming that Motorcar Parts of America, Inc. and subsidiaries will continue as a going concern. The Company’s wholly owned subsidiary Fenwick Automotive Products Limited (“Fenco”) has incurred operating losses of $135,260,000 and $62,814,000 and negative cash flows from operations of $26,092,000 and $53,952,000 for the years ended March 31, 2013 and 2012, respectively. Fenco has a working capital deficiency and an accumulated deficit of approximately $99,818,000 and $198,074,000 at March 31, 2013, respectively. In addition, under the Fenco Credit Agreement, the Company has an outstanding term loan and revolving debt of $10,000,000 and $49,277,000 at March 31, 2013, respectively. The Fenco Credit Agreement, among other things, requires Fenco to maintain a minimum EBITDA of not less than $6,100,000 for the period from September 1, 2012 to March 31, 2013. As of March 31, 2013, Fenco was not in compliance with this financial covenant under the Fenco Credit Agreement.

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, the Company will likely deconsolidate the financial statements of Fenco from its consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, each of FAPL, Introcan and Introcan’s subsidiaries, Flo-Pro Inc., LH Distribution Inc., Rafko Logistics Inc., Rafko Holdings Inc. and Rafko Enterprises Inc. filed a voluntary petition for relief under Chapter 7 of Title 11 of the United States Code (the “Bankruptcy Code”) in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco’s financial statements are included in the consolidated financial statements of the Company.

These conditions relating to Fenco coupled with the significance of Fenco to the Consolidated Companies raise substantial doubt about the Consolidated Companies’ ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

Segment Reporting

Pursuant to the guidance provided under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), the Company has two reportable segments, rotating electrical and undercar product line, based on the way the Company manages, evaluates and internally reports its business activities.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Motorcar Parts of America, Inc. and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated. The assets and liabilities of the Company's undercar product line segment, which filed for bankruptcy on June 10, 2013, are included in the Company's consolidated financial statements as the Company had effective control of this subsidiary as of and during the year ended March 31, 2013. (See Note 23 Subsequent Events)

Reclassifications

Certain items in the consolidated balance sheet for the fiscal year ended March 31, 2012 have been reclassified to conform to fiscal 2013 classifications.

Cash and Cash Equivalents

Cash primarily consists of cash on hand and bank deposits. Cash equivalents consist of money market funds. The Company considers all highly liquid investments purchased with an original or remaining maturity of less than three months at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained with various financial institutions.

Accounts Receivable

The allowance for doubtful accounts is developed based upon several factors including customer credit quality, historical write-off experience and any known specific issues or disputes which exist as of the balance sheet date. Accounts receivable are written off only when all collection attempts have failed. The Company does not require collateral for accounts receivable.

The Company has receivable discount programs that have been established with certain customers and their respective banks. Under these programs, the Company has the option to sell those customers' receivables to those banks at a discount to be agreed upon at the time the receivables are sold. Once the customer chooses which outstanding invoices are going to be made available for discounting, the Company can accept or decline the bundle of invoices provided. The receivable discount programs are non-recourse, and funds cannot be reclaimed by the customer or its bank after the related invoices have been discounted.

Inventory

Non-core Inventory

Non-core inventory is comprised of non-core raw materials, the non-core value of work in process and the non-core value of finished goods. Used Cores, the Used Core value of work in process and the Remanufactured Core portion of finished goods are classified as long-term core inventory as described below under the caption "Long-term Core Inventory."

Non-core inventory is stated at the lower of cost or market. The cost of non-core inventory approximates average historical purchase prices paid, and is based upon the direct costs of material and an allocation of labor and variable and fixed overhead costs. The cost of non-core inventory is evaluated at least quarterly during the fiscal year and adjusted as necessary to reflect current lower of cost or market levels. These adjustments are determined for individual items of inventory within each of the three classifications of non-core inventory as follows:

- Non-core raw materials are recorded at average cost, which is based on the actual purchase price of raw materials on hand. The average cost is updated quarterly. This average cost is used in the inventory costing process and is the basis for allocation of materials to finished goods during the production process.

- Non-core work in process is in various stages of production and is valued at the average cost of materials issued to open work orders. Historically, non-core work in process inventory has not been material compared to the total non-core inventory balance.

- Finished goods cost includes the average cost of non-core raw materials and allocations of labor and variable and fixed overhead. The allocations of labor and variable and fixed overhead costs are determined based on the average actual use of the production facilities over the prior twelve months which approximates normal capacity. This method prevents the distortion in allocated labor and overhead costs that would occur during short periods of abnormally low or high production. In addition, the Company excludes certain unallocated overhead such as severance costs, duplicative facility overhead costs, and spoilage from the calculation and expenses these unallocated overhead as period costs. For the fiscal years ended March 31, 2013, 2012, and 2011, costs of approximately $1,561,000, $1,410,000, and $1,378,000, respectively, were considered unallocated overhead and thus excluded from the finished goods cost calculation and charged directly to cost of sales for the Company's rotating electrical product line.

The Company records an allowance for potentially excess and obsolete inventory based upon recent sales history, the quantity of inventory on-hand, and a forecast of potential use of the inventory. The Company periodically reviews inventory to identify excess quantities and part numbers that are experiencing a reduction in demand. Any part numbers with quantities identified during this process are reserved for at rates based upon management's judgment, historical rates, and consideration of possible scrap and liquidation values which may be as high as 100% of cost if no liquidation market exists for the part.

The quantity thresholds and reserve rates are subjective and are based on management's judgment and knowledge of current and projected industry demand. The reserve estimates may, therefore, be revised if there are changes in the overall market for the Company's products or market changes that in management's judgment, impact its ability to sell or liquidate potentially excess or obsolete inventory. The Company had recorded $24,993,000 and $11,308,000 for excess and obsolete inventory at March 31, 2013 and 2012, respectively. This increase was primarily recorded in the Company's undercar product line segment in connection with a major customer with whom Fenco discontinued its relationship during the third quarter of fiscal 2013.

The Company records vendor discounts as a reduction of inventories that are recognized as a reduction to cost of sales as the inventories are sold.

Inventory Unreturned

Inventory unreturned represents the Company's estimate, based on historical data and prospective information provided directly by the customer, of finished goods shipped to customers that the Company expects to be returned after the balance sheet date. Because all cores are classified separately as long-term assets, the inventory unreturned balance includes only the added unit value of finished goods. The return rate is calculated based on expected returns within the normal operating cycle of one year. As such, the related amounts are classified in current assets.

Inventory unreturned is valued in the same manner as the Company's finished goods inventory.

Long-term Core Inventory

Long-term core inventory consists of:

- Used Cores purchased from core brokers and held in inventory at the Company's facilities,

- Used Cores returned by the Company's customers and held in inventory at the Company's facilities,

- Used Cores returned by end-users to customers but not yet returned to the Company are classified as Remanufactured Cores until they are physically received by the Company,
- Remanufactured Cores held in finished goods inventory at the Company's facilities; and
- Remanufactured Cores held at customer locations as a part of finished goods sold to the customer. For these Remanufactured Cores, the Company expects the finished good containing the Remanufactured Core to be returned under the Company's general right of return policy or a similar Used Core to be returned to the Company by the customer, in each case, for credit.

Long-term core inventory is recorded at average historical purchase prices determined based on actual purchases of inventory on hand. The cost and market value of Used Cores for which sufficient recent purchases have occurred are deemed the same as the purchase price for purchases that are made in arm's length transactions.

Long-term core inventory recorded at average historical purchase prices is primarily made up of Used Cores for newer products related to more recent automobile models or products for which there is a less liquid market. The Company must purchase these Used Cores from core brokers because its customers do not have a sufficient supply of these newer Used Cores available for the core exchange program.

Used Cores obtained in core broker transactions are valued based on average purchase price. The average purchase price of Used Cores for more recent automobile models is retained as the cost for these Used Cores in subsequent periods even as the source of these Used Cores shifts to the core exchange program.

Long-term core inventory is recorded at the lower of cost or market value. In the absence of sufficient recent purchases, the Company uses core broker price lists to assess whether Used Core cost exceeds Used Core market value on an item by item basis. The primary reason for the insufficient recent purchases is that the Company obtains most of its Used Core inventory from the customer core exchange program.

The Company classifies all of its core inventories as long-term assets. The determination of the long-term classification is based on its view that the value of the cores is not consumed or realized in cash during the Company's normal operating cycle, which is one year for most of the cores recorded in inventory. According to guidance provided under the FASB ASC, current assets are defined as "assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business." The Company does not believe that core inventories, which the Company classifies as long-term, are consumed because the credits issued upon the return of Used Cores offset the amounts invoiced when the Remanufactured Cores included in finished goods were sold. The Company does not expect the core inventories to be consumed, and thus the Company does not expect to realize cash, until its relationship with a customer ends, a possibility that the Company considers remote based on existing long-term customer agreements and historical experience.

However, historically for certain finished goods sold, the Company's customer will not send the Company a Used Core to obtain the credit the Company offers under its core exchange program. Therefore, based on the Company's historical estimate, the Company derecognizes the core value for these finished goods upon sale, as the Company believes they have been consumed and the Company has realized cash.

The Company realizes cash for only the core exchange program shortfall. This shortfall represents the historical difference between the number of finished goods shipped to customers and the number of Used Cores returned to the Company by customers. The Company does not realize cash for the remaining portion of the cores because the credits issued upon the return of Used Cores offset the amounts invoiced when the Remanufactured Cores included in finished goods were sold. The Company does not expect to realize cash for the remaining portion of these Remanufactured Cores until its relationship with a customer ends, a possibility that the Company considers remote based on existing long-term customer agreements and historical experience.

For these reasons, the Company concluded that it is more appropriate to classify core inventory as long-term assets.

Long-term Core Inventory Deposit

The long-term core inventory deposit account represents the value of Remanufactured Cores the Company purchased from customers, which are held by the customers and remain on the customers' premises. The purchase is made through the issuance of credits against that customer's receivables either on a one-time basis or over an agreed-upon period. The credits against the customer's receivable are based upon the Remanufactured Core purchase price previously established with the customer. At the same time, the Company records the long-term core inventory deposit for the Remanufactured Cores purchased at its cost, determined as noted under Long-term Core Inventory. The long-term core inventory deposit is stated at the lower of cost or market. The cost is established at the time of the transaction based on the then current cost, determined as noted under Long-term Core Inventory. The difference between the credit granted and the cost of the long-term core inventory deposit is treated as a sales allowance reducing revenue. When the purchases are made over an agreed-upon period, the long-term core inventory deposit is recorded at the same time the credit is issued to the customer for the purchase of the Remanufactured Cores.

At least annually, and as often as quarterly, reconciliations and confirmations are performed to determine that the number of Remanufactured Cores purchased, but retained at the customer locations, remains sufficient to support the amounts recorded in the long-term core inventory deposit account. At the same time, the mix of Remanufactured Cores is reviewed to determine that the aggregate value of Remanufactured Cores in the account has not changed during the reporting period. The Company evaluates the cost of cores supporting the aggregate long-term core inventory deposit account each quarter. If the Company identifies any permanent reduction in either the number or the aggregate value of the Remanufactured Core inventory mix held at the customer location, the Company will record a reduction in the long-term core inventory deposit account resulting in a corresponding increase to cost of sales during that period.

Customer Core Returns Accrual

The estimated fair value of the customer core return liabilities assumed by the Company in connection with the Fenco acquisition is included in customer core returns accrual. The Company classifies the portion of core liability related to the core inventory purchased and on the shelves of its customers as long-term liabilities. Upon the sale of a Remanufactured Core, a core liability is created to record the obligation to provide its customer with a credit upon the return of a like core by the customer. Since the return of a core is based on the sale of a remanufactured automobile part to an end user of its customer, the offset to this core liability generated by its return to the Company by its customer is usually followed by the sale of a replacement remanufactured auto part, and thus a portion of the core liability is continually outstanding and is recorded as long-term. The amount the Company has classified as long-term is the portion that management projects will remain outstanding for an uninterrupted period extending one year from the balance sheet.

Income Taxes

The Company accounts for income taxes using the liability method, which measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax basis 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. A valuation allowance is provided to reduce deferred tax assets when it is more likely than not that a portion of the deferred tax asset will not be realized.

The primary components of the Company's income tax provision are (i) the current liability or refund due for federal, state and foreign income taxes and (ii) the change in the amount of the net deferred income tax asset, including the effect of any change in the valuation allowance.

Realization of deferred tax assets is dependent upon the Company's ability to generate sufficient future taxable income. Management reviews the Company's deferred tax assets on a jurisdiction by jurisdiction basis to determine whether it is more likely than not that the deferred tax assets will be realized. As a result of Fenco's cumulative losses in certain jurisdictions, a determination was made to establish a valuation allowance against the related deferred tax assets as it is not more likely than not that such assets will be realized. For all other jurisdictions, management believes that it is more likely than not that future taxable income will be sufficient to realize the recorded deferred tax assets. In evaluating this ability, management considers the Company's long-term agreements and Remanufactured Core purchase obligations with each of its major customers that expire at various dates through March 2019. Management periodically compares its forecasts to actual results. Even though there can be no assurance that the forecasted results will be achieved, the history of income in all other jurisdictions provides sufficient positive evidence that no valuation allowance is needed.

Plant and Equipment

Plant and equipment are stated at cost, less accumulated depreciation and amortization. The cost of additions and improvements are capitalized, while maintenance and repairs are charged to expense when incurred. Depreciation and amortization are provided on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Machinery and equipment are amortized over a range from five to ten years. Office equipment and fixtures are amortized over a range from three to ten years. Buildings are amortized over 20 years. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the leasehold improvements, whichever is shorter. Amortization of assets recorded under capital leases is included in depreciation expense.

Goodwill

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not amortized, but rather is tested for impairment at least annually or more frequently if there are indicators of impairment present.

The Company performs the annual goodwill impairment analysis in the fourth quarter of each fiscal year. The Company evaluates whether goodwill has been impaired at the reporting unit level by first determining whether the estimated fair value of the reporting unit is less than its carrying value and, if so, by determining whether the implied fair value of goodwill within the reporting unit is less than the carrying value. As of March 31, 2013, the Company identified the following impairment indicators related to the undercar product line reporting unit: (i) continued losses from Fenco operations, (ii) lower forecasted future revenues, (iii) negative working capital position, (iv) additional financing needs, and (v) the anticipated filing for bankruptcy.

The Company determined the fair value of the undercar product line reporting unit using a liquidation scenario. For determining the fair value under the liquidation scenario, the Company used total assets minus estimated liquidation expenses to arrive to the proceeds available for senior secured creditors. Based on the results of the goodwill impairment test, the reporting unit’s carrying value exceeded its fair value, indicating an impairment of goodwill at March 31, 2013. The Company determined that goodwill was fully impaired as the implied fair value of goodwill within the reporting unit was zero and recorded a non-cash goodwill impairment charge of $68,356,000 as disclosed in the consolidated statement of operations. After recording the impairment charge, the undercar product line segment had no goodwill remaining in the consolidated balance sheet at March 31, 2013.

Intangible Assets

The Company’s intangible assets other than goodwill are finite–lived and amortized on a straight line basis over their respective useful lives, and are analyzed for impairment when and if indicators of impairment exist. As of March 31, 2013, there were no indicators of impairment for the Company’s rotating electrical product line. However, the Company noted impairment indicators for its undercar product line segment as described above. Therefore, the Company performed an impairment test of the undercar product line segment’s intangible assets and concluded that such intangible assets were fully impaired as of March 31, 2013.

Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain financing. These fees and costs are amortized using the straight-line method over the terms of the related loans and are included in interest expense in the Company’s consolidated statements of operations.

Foreign Currency Translation

For financial reporting purposes, the functional currency of the foreign subsidiaries is the local currency with the exception of the Company's subsidiary in Canada for which the U.S. dollar is the functional currency since a substantial portion of the purchases and sales are denominated in U.S. dollars. The assets and liabilities of foreign operations for which the local currency is the functional currency are translated into the U.S. dollar at the exchange rate in effect at the balance sheet date, while revenues and expenses are translated at average exchange rates during the year. The accumulated foreign currency translation adjustment is presented as a component of comprehensive income or loss in the consolidated statement of shareholders' equity. For the Company's subsidiary in Canada, for which the U.S. dollar is the functional currency, monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date and nonmonetary items are translated at historical rates. Revenue and expenses are translated at average rates in effect during the year, except for depreciation and cost of product sales which are translated at historical rates. Gains and losses from changes in exchange rates are recognized in income in the year of occurrence.

Revenue Recognition

The Company recognizes revenue when performance by the Company is complete and all of the following criteria have been met:

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered,
- The seller's price to the buyer is fixed or determinable, and
- Collectability is reasonably assured.

For products shipped free-on-board ("FOB") shipping point, revenue is recognized on the date of shipment. For products shipped FOB destination, revenues are recognized on the estimated or actual date of delivery. The Company includes shipping and handling charges in its gross invoice price to customers and classifies the total amount as revenue. Shipping and handling costs are recorded as cost of sales.

The price of a finished product sold to customers is generally comprised of separately invoiced amounts for the Remanufactured Core included in the product ("Remanufactured Core value") and for the value added by remanufacturing ("unit value"). Unit value revenue is recorded based on the Company's price list, net of applicable discounts and allowances. The Company allows customers to return slow moving and other inventory. The Company provides for such returns of inventory by reducing revenue and cost of sales for the unit value of goods sold that are expected to be returned based on a historical return analysis and information obtained from customers about current stock levels.

The Company accounts for revenues and cost of sales on a net-of-core-value basis. Management has determined that the Company's business practices and contractual arrangements result in a significant portion of the remanufactured automobile parts sold being replaced by similar Used Cores sent back for credit by customers under the Company's core exchange program. Accordingly, the Company excludes the value of Remanufactured Cores from revenue.

When the Company ships a product, it recognizes an obligation to accept a similar Used Core sent back under the core exchange program by recording a contra receivable account based upon the Remanufactured Core price agreed upon by the Company and its customer. Upon receipt of a Used Core, the Company grants the customer a credit based on the Remanufactured Core price billed and restores the Used Core to on-hand inventory.

When the Company ships a product, it invoices certain customers for the Remanufactured Core portion of the product at full Remanufactured Core sales price. For these Remanufactured Cores, the Company recognizes core revenue based upon an estimate of the rate at which the Company's customers will pay cash for Remanufactured Cores in lieu of sending back similar Used Cores for credits under the Company's core exchange program.

In addition, the Company recognizes revenue related to Remanufactured Cores originally sold at a nominal price and not expected to be replaced by a similar Used Core under the core exchange program. Unlike the full price Remanufactured Cores, the Company only recognizes revenue from nominally priced Remanufactured Cores not expected to be replaced by a similar Used Core sent back under the core exchange program when the Company believes it has met all of the following criteria:

- The Company has a signed agreement with the customer covering the nominally priced Remanufactured Cores not expected to be replaced by a similar Used Core sent back under the core exchange program. This agreement must specify the number of Remanufactured Cores its customer will pay cash for in lieu of sending back a similar Used Core and the basis on which the nominally priced Remanufactured Cores are to be valued (normally the average price per Remanufactured Core stipulated in the agreement).

- The contractual date for reconciling the Company's records and customer's records of the number of nominally priced Remanufactured Cores not expected to be replaced by a similar Used Core sent back under the core exchange program must be in the current or a prior period.

- The reconciliation of the nominally priced Remanufactured Cores must be completed and agreed to by the customer.

- The amount must be billed to the customer.

The Company has agreed in the past and may in the future agree to buy back Remanufactured Cores. The difference between the credit granted and the cost of the Remanufactured Cores bought back is treated as a sales allowance reducing revenue. As a result of the increasing level of Remanufactured Core buybacks, the Company now defers core revenue from these customers until there is no expectation that the sales allowances associated with Remanufactured Core buybacks from these customers will offset Remanufactured Core revenues that would otherwise be recognized once the criteria noted above have been met. At March 31, 2013 and 2012, Remanufactured Core revenue of $12,014,000 and $9,775,000, respectively, was deferred.

Marketing Allowances

The Company records the cost of all marketing allowances provided to its customers. Such allowances include sales incentives and concessions. Voluntary marketing allowances related to a single exchange of product are recorded as a reduction of revenues at the time the related revenues are recorded or when such incentives are offered. Other marketing allowances, which may only be applied against future purchases, are recorded as a reduction to revenues in accordance with a schedule set forth in the relevant contract. Sales incentive amounts are recorded based on the value of the incentive provided. See "Commitments and Contingencies" note for a description of all marketing allowances.

Advertising Costs

The Company expenses all advertising costs as incurred. Advertising expenses for the fiscal years ended March 31, 2013, 2012 and 2011 were $1,331,000, $1,678,000 and $368,000, respectively.

Net (Loss) Income Per Share

Basic net (loss) income per share is computed by dividing net (loss) income by the weighted average number of shares of common stock outstanding during the period. Diluted net (loss) income per share includes the effect, if any, from the potential exercise or conversion of securities, such as stock options and warrants, which would result in the issuance of incremental shares of common stock.

The following presents a reconciliation of basic and diluted net (loss) income per share.

	Years Ended March 31,		
	2013	2012	2011
Net (loss) income	$ (91,511,000)	$ (48,514,000)	$ 12,220,000
Basic shares	14,327,310	12,442,684	12,042,428
Effect of dilutive stock options and warrants	-	-	291,903
Diluted shares	14,327,310	12,442,684	12,334,331
Net (loss) income per share:			
Basic	$ (6.39)	$ (3.90)	$ 1.01
Diluted	$ (6.39)	$ (3.90)	$ 0.99

The effect of dilutive options and warrants excludes (i) 1,549,683 shares subject to options and 735,484 shares subject to warrants with exercise prices ranging from $1.80 to $15.06 per share for the year ended March 31, 2013, (ii) 1,447,284 shares subject to options and 546,283 shares subject to warrants with exercise prices ranging from $1.80 to $15.06 per share for the year ended March 31, 2012, and (iii) 771,084 shares subject to options and 546,283 shares subject to warrants with exercise prices ranging from $9.90 to $15.00 per share for the year ended March 31, 2011— all of which were anti-dilutive.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. On an on-going basis, the Company evaluates its estimates, including those related to the carrying amount of plant and equipment; valuation of goodwill and acquisition-related intangible assets, impairment of long-lived assets, including goodwill and acquisition-related intangible assets, valuation and return allowances for receivables, inventories, and deferred income taxes; accrued liabilities; share-based compensation, and litigation and disputes.

The Company uses significant estimates in the calculation of sales returns. These estimates are based on the Company’s historical return rates and an evaluation of estimated sales returns from specific customers.

The Company uses significant estimates in the calculation of the lower of cost or market value of long-term core inventory.

The Company’s calculation of inventory reserves involves significant estimates. The basis for the inventory reserve is a comparison of inventory on hand to historical production usage or sales volumes.

The Company records its liability for self-insured workers’ compensation by including an estimate of the liability associated with total claims incurred and reported as well as an estimate of the liabilities associated with incurred, but not reported, claims determined by applying the Company’s historical claims development factor to its estimate of the liabilities associated with incurred and reported claims.

The Company uses significant estimates in the calculation of its income tax provision or benefit by using forecasts to estimate whether it will have sufficient future taxable income to realize its deferred tax assets. There can be no assurances that the Company’s taxable income will be sufficient to realize such deferred tax assets.

The Company uses significant estimates in the ongoing calculation of potential liabilities from uncertain tax positions that are more likely than not to occur.

A change in the assumptions used in the estimates for sales returns, inventory reserves and income taxes could result in a difference in the related amounts recorded in the Company’s consolidated financial statements.

Financial Instruments

The carrying amounts of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments. The carrying amounts of the revolving loans, term loans and other long-term liabilities approximate their fair value based on current rates for instruments with similar characteristics.

Stock Options and Share-Based Payments

In accounting for share-based compensation awards, the Company follows the accounting guidance for equity-based compensation, which requires that the Company measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost associated with stock options is estimated using the Black-Scholes option-pricing model. The cost of equity instruments is recognized in the consolidated statements of operations on a straight-line basis (net of estimated forfeitures) over the period during which an employee is required to provide service in exchange for the award. Also, excess tax benefits realized are reported as a financing cash inflow.

The Black-Scholes option pricing model requires the input of subjective assumptions including the expected volatility of the underlying stock and the expected holding period of the option. These subjective assumptions are based on both historical and other information. Changes in the values assumed and used in the model can materially affect the estimate of fair value. Options to purchase 635,800, 15,000 and 18,000 shares of common stock were granted during the years ended March 31, 2013, 2012 and 2011, respectively.

The table below summarizes the Black-Scholes option pricing model assumptions used to derive the weighted average fair value of the stock options granted during the periods noted.

	Years Ended March 31,		
	2013	**2012**	**2011**
Weighted average risk free interest rate	1.17%	1.74%	2.09%
Weighted average expected holding period (years)	6.60	6.29	5.73
Weighted average expected volatility	44.25%	40.28%	38.87%
Weighted average expected dividend yield	-	-	-
Weighted average fair value of options granted	$ 2.92	$ 4.21	$ 3.82

Credit Risk

The majority of the Company’s sales are to leading automotive aftermarket parts suppliers. Management believes the credit risk with respect to trade accounts receivable is limited due to the Company’s credit evaluation process and the nature of its customers. However, should the Company’s customers experience significant cash flow problems, the Company’s financial position and results of operations could be materially and adversely affected, and the maximum amount of loss that would be incurred would be the outstanding receivable balance, Used Cores expected to be returned by customer, and the value of the Remanufactured Cores held at customers location at March 31, 2013.

Deferred Compensation Plan

The Company has a deferred compensation plan for certain members of management. The plan allows participants to defer salary, bonuses and commissions. The assets of the plan are held in a trust and are subject to the claims of the Company’s general creditors under federal and state laws in the event of insolvency. Consequently, the trust qualifies as a Rabbi trust for income tax purposes. The plan’s assets consist primarily of mutual funds and are classified as “available for sale.” The investments are recorded at market value, with any unrealized gain or loss recorded as other comprehensive income or loss in shareholders’ equity. Adjustments to the deferred compensation obligation are recorded in operating expenses. The Company did not redeem any of its short-term investments for the payment of deferred compensation liabilities during the years ended March 31, 2013 and 2012. The carrying value of plan assets was $411,000 and $342,000, and deferred compensation obligation was $411,000 and $342,000 at March 31, 2013 and 2012, respectively. During the years ended March 31, 2013 and 2012 an expense of $8,000 was recorded for each year related to the deferred compensation plan.

Comprehensive Income or Loss

Comprehensive income or loss is defined as the change in equity during a period resulting from transactions and other events and circumstances from non-owner sources. The Company's total comprehensive income or loss consists of net unrealized income or loss from foreign currency translation adjustments and unrealized gains or losses on short-term investments.

New Accounting Pronouncements

Comprehensive Income

In June 2011, the FASB issued guidance which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. This guidance eliminates the option to present components of other comprehensive income as a part of the statement of equity. This guidance should be applied, retrospectively, for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. Other than the change in presentation, the Company has determined the changes from the adoption of this guidance on April 1, 2012 did not have an impact on its consolidated financial position and the results of operations.

Testing Goodwill for Impairment

In September 2011, the FASB issued an amendment which gives an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary. If an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then it is required to perform the first step of the two-step goodwill impairment test. If the carrying value of the reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance on April 1, 2012 did not have any impact on the Company's consolidated financial position and the results of operations.

3. Acquisition

On May 6, 2011, the Company acquired Fenco. The unaudited pro forma information presented is for illustrative purposes only and is not necessarily indicative of the results of operations that would have been realized if the acquisition had been completed on the date indicated, nor is it indicative of future operating results. The following historical financial information has been adjusted to give effect to pro forma events that are (i) directly attributable to the acquisition, (ii) factually supportable, and (iii) with respect to statements of operations, expected to have a continuing impact on the combined results, including the amortization of the fair value of the identifiable intangible assets and the cost of goods sold impact related to the fair value step-up of inventory acquired. The unaudited pro forma information does not reflect any operating changes, associated cost savings or additional costs that the Company may achieve or incur with respect to the combined companies.

The unaudited pro forma financial information presented below for the years ended March 31, 2012 and 2011 assumes the acquisition had occurred on April 1, 2011 and 2010, respectively.

	Years Ended March 31,	
	2012	2011
Net sales	$ 390,221,000	$ 363,142,000
Operating (loss) income	(29,131,000)	6,282,000
Loss before income tax expense	(44,179,000)	(9,270,000)
Net loss	(51,158,000)	(22,791,000)
Basic net loss per share	$ (4.11)	$ (1.84)
Diluted net loss per share	$ (4.11)	$ (1.84)

4. Intangible Assets

Rotating Electrical Product Line

The following is a summary of the intangible assets attributable to the Company's rotating electrical product line segment subject to amortization at March 31, 2013 and 2012.

		March 31, 2013		March 31, 2012	
	Weighted Average Amortization Period	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Intangible assets subject to amortization					
Trademarks	9 years	$ 553,000	$ 337,000	$ 553,000	$ 262,000
Customer relationships	12 years	6,464,000	2,743,000	6,464,000	2,096,000
Non-compete agreements	4 years	257,000	211,000	257,000	160,000
Total	11 years	$ 7,274,000	$ 3,291,000	$ 7,274,000	$ 2,518,000

Undercar Product Line

The following is a summary of the undercar product line segment's intangible assets subject to amortization at March 31, 2013 and 2012.

		March 31, 2013			March 31, 2012	
	Weighted Average Amortization Period	Gross Carrying Value	Accumulated Amortization	Impairment	Gross Carrying Value	Accumulated Amortization
Intangible assets subject to amortization						
Trademarks	20 years	$ 11,159,000	$ 1,058,000	$ 10,101,000	$ 11,159,000	$ 500,000
Customer relationships	10 years	7,680,000	1,459,000	6,221,000	7,680,000	691,000
Non-compete agreements	2 years	144,000	136,000	8,000	144,000	64,000
Total	16 years	$ 18,983,000	$ 2,653,000	$ 16,330,000	$ 18,983,000	$ 1,255,000

Consolidated amortization expense and impairment charge for acquired intangible assets for the years ended March 31, 2013, 2012, and 2011 is as follows:

	Years Ended March 31,		
	2013	2012	2011
Amortization expense	$ 2,171,000	$ 2,029,000	$ 774,000
Impairment of intangible assets	16,330,000	-	-

The consolidated aggregate estimated future amortization expense for intangible assets subject to amortization is as follows:

Year Ending March 31,	
2014	$ 738,000
2015	670,000
2016	349,000
2017	266,000
2018	266,000
Thereafter	1,694,000
Total	$ 3,983,000

5. Short-Term Investments

The short-term investments account contains the assets of the Company's deferred compensation plan. The plan's assets consist primarily of mutual funds and are classified as available for sale. The Company did not redeem any short-term investments for the payment of deferred compensation liabilities during the year ended March 31, 2013. As of March 31, 2013 and 2012, the fair market value of the short-term investments was $411,000 and $342,000, and the liability to plan participants was $411,000 and $342,000, respectively.

6. Accounts Receivable — Net

Included in accounts receivable — net are significant offset accounts related to customer allowances earned, customer payment discrepancies, customer fill rate penalties, returned goods authorizations ("RGA") issued for in-transit unit returns, estimated future credits to be provided for Used Cores returned by the customers and potential bad debts. Due to the forward looking nature and the different aging periods of certain estimated offset accounts, they may not, at any point in time, directly relate to the balances in the open trade accounts receivable.

Accounts receivable — net is comprised of the following at March 31:

	2013	2012
Accounts receivable — trade (1)	$ 76,700,000	$ 83,937,000
Allowance for bad debts	(1,590,000)	(968,000)
Customer allowances earned (1)	(22,878,000)	(25,322,000)
Customer payment discrepancies	(2,550,000)	(280,000)
Customer fill rate penalties (1)	(6,776,000)	(7,827,000)
Customer returns RGA issued	(7,373,000)	(5,875,000)
Customer core returns accruals	(21,222,000)	(23,629,000)
Less: total accounts receivable offset accounts	(62,389,000)	(63,901,000)
Total accounts receivable — net	$ 14,311,000	$ 20,036,000

(1) Amounts shown above as customer allowances earned and customer fill rate penalties include $9,072,000 and $7,827,000, respectively, at March 31, 2012 which have been reclassified from accounts receivable – trade to conform to the fiscal 2013 presentation.

Warranty Returns

The Company allows its customers to return goods to the Company that their end-user customers have returned to them, whether the returned item is or is not defective (warranty returns). The Company accrues an estimate of its exposure to warranty returns based on a historical analysis of the level of this type of return as a percentage of total unit sales. Amounts charged to expense for these warranty returns are considered in arriving at the Company's net sales. At March 31, 2013, the warranty return accrual of $4,214,000 on the credits issued for the returns received was included under the customer returns RGA issued in the above table of accounts receivable – net and the warranty return estimate of $7,344,000 was included in customer finished goods returns accrual in the consolidated balance sheets.

Change in the Company's warranty return accrual is as follows at March 31:

	2013	2012
Balance at beginning of period	$ 9,023,000	$ 8,969,000
Charged to expense (1)	63,315,000	67,048,000
Amounts processed (1)	(60,780,000)	(66,994,000)
Balance at end of period	$ 11,558,000	$ 9,023,000

(1) Amounts shown above as warranty claims processed and charged to expense for the year ended March 31, 2012 have been reclassified to conform to the current year presentation.

7. Inventory

Non-core inventory, Inventory unreturned, Long-term core inventory, and Long-term core inventory deposit is comprised of the following at March 31:

	2013	2012
Non-core inventory		
Raw materials	$ 29,246,000	$ 31,560,000
Work-in-process	626,000	153,000
Finished goods	47,676,000	72,171,000
	77,548,000	103,884,000
Less allowance for excess and obsolete inventory	(16,458,000)	(8,813,000)
Total	$ 61,090,000	$ 95,071,000
Inventory unreturned	$ 12,150,000	$ 9,819,000
Long-term core inventory		
Used cores held at the Company's facilities	$ 40,778,000	$ 47,206,000
Used cores expected to be returned by customers	5,147,000	5,542,000
Remanufactured cores held in finished goods	22,170,000	25,751,000
Remanufactured cores held at customers' locations	98,916,000	118,402,000
	167,011,000	196,901,000
Less allowance for excess and obsolete inventory	(8,535,000)	(2,495,000)
Total	$ 158,476,000	$ 194,406,000
Long-term core inventory deposits	$ 27,610,000	$ 26,939,000

8. Plant and Equipment

Plant and equipment, at cost, are as follows at March 31:

	2013	2012
Machinery and equipment	$ 26,991,000	$ 30,802,000
Office equipment and fixtures	9,780,000	8,251,000
Leasehold improvements	8,912,000	7,761,000
Land and buildings	633,000	626,000
	46,316,000	47,440,000
Less accumulated depreciation and amortization	(32,233,000)	(34,702,000)
Total	$ 14,083,000	$ 12,738,000

Plant and equipment located in the foreign countries where the Company has production facilities, net of accumulated depreciation, totaled $6,233,000 and $6,320,000 at March 31, 2013 and 2012, respectively. These assets constitute substantially all the long-lived production assets of the Company located outside of the United States.

9. Capital Lease Obligations

The Company leases various types of machinery and computer equipment under agreements accounted for as capital leases and included in plant and equipment as follows at March 31:

	2013	2012
Cost	$ 863,000	$ 1,606,000
Less: accumulated amortization	(466,000)	(776,000)
Total	$ 397,000	$ 830,000

Future minimum lease payments at March 31, 2013 for the capital leases are as follows:

Year Ending March 31,	
2014	$ 279,000
2015	46,000
2016	35,000
2017	35,000
2018	28,000
Total minimum lease payments	423,000
Less amount representing interest	(25,000)
Present value of future minimum lease payment	398,000
Less current portion	(266,000)
	$ 132,000

10. Debt

The Company has the following outstanding credit agreements.

Parent Company Credit Agreement

The Company has a financing agreement (the “Parent Company Financing Agreement”) with a syndicate of lenders, Cerberus Business Finance, LLC, as collateral agent, and PNC Bank, National Association, as administrative agent (the “Parent Company Loans”). The Parent Company Loans consist of: (i) term loans aggregating $75,000,000 (the “Parent Company Term Loans”) and (ii) revolving loans of up to $20,000,000, subject to borrowing base restrictions and a $10,000,000 sublimit for letters of credit (the “Parent Company Revolving Loans,”). The Parent Company Loans mature on January 17, 2017. The lenders hold a security interest in substantially all of the assets of the Company’s rotating electrical segment. The Parent Company Financing Agreement only permits the Company to invest up to $20,000,000 in Fenco, which it had done as of December 31, 2012.

In May 2012, the Company entered into a second amendment to the Parent Company Financing Agreement (the "Second Amendment") and borrowed an additional $10,000,000, for an aggregate of $85,000,000 (the "Amended Parent Company Term Loans") in term loans. The Second Amendment, among other things, modified the interest rates per annum applicable to the Amended Parent Company Term Loans. The Amended Parent Company Term Loans will bear interest at rates equal to, at the Company's option, either LIBOR plus 8.5% or a base rate plus 7.5%.

The Amended Parent Company Term Loans require quarterly principal payments of $250,000 beginning on October 1, 2012 and increase to $600,000 per quarter on April 1, 2013 and to $1,350,000 on October 1, 2013 until the final maturity date. Among other things, the Second Amendment provides for certain amended financial covenants, and requires that the Company maintain cash and cash equivalents of up to $10,000,000 in the aggregate until its obligations with respect to a significant supplier have ceased.

In August 2012, the Company entered into a third amendment and waiver to the Parent Company Financing Agreement (the "Third Amendment") which, among other things, (i) permitted the Company to enter into the Fenco Credit Line (as defined herein) described below, (ii) to make additional investments in Fenco in an aggregate amount not to exceed $20,000,000 at any time outstanding, (iii) added additional reporting requirements regarding financial reports and material notices under the Fenco Credit Line described below, and (iv) removed the Second Amendment requirement that the Company maintain cash and cash equivalents of up to $10,000,000.

In December 2012, the Company entered into a fourth amendment to the Parent Company Financing Agreement, which, among other things, permitted the Company to repurchase shares pursuant to the stock repurchase agreement with Mel Marks, the Company's founder, a member of the Board of Directors of the Company and consultant to the Company, and Melmarks Enterprises LLLP, a limited liability limited partnership controlled by Mr. Marks.

In connection with the option purchase agreement, the Company entered into a fifth amendment to the Parent Company Financing Agreement, which among other things, permitted the Company to purchase Mr. Joffe's stock options pursuant to the option purchase agreement.

On June 14, 2013, the Company entered into a sixth amendment to the Parent Company Financing Agreement (the "Sixth Amendment"), under the terms of which the agents and lenders agreed to waive any event of default that would otherwise arise under the Parent Company Financing Agreement due to the qualification in the opinion by the Company's certified public accountants with respect to the financial statements for the fiscal year ended March 31, 2013. In addition, the Sixth Amendment (i) added a reporting requirement with respect to the Company's liquidity levels and certain inventory purchases and (ii) added a financial covenant under which the Company must maintain the following levels of liquidity on the following dates unless otherwise consented to by the lenders: on June 28, 2013, an aggregate amount of at least $25,000,000, subject to certain adjustments; on July 31, 2013, an aggregate amount of at least $26,000,000, subject to certain adjustments; and on August 30, 2013, an aggregate amount of at least $27,000,000, subject to certain adjustments.

During the fourth quarter of fiscal 2013, the lenders under the Parent Company Financing Agreement consented to the purchase by the Company of up to an aggregate of $4,000,000 of inventory for Fenco from the Supplier and the sale of that inventory to Fenco from time to time on a cash-on-delivery basis.

The Parent Company Financing Agreement, as amended, among other things, requires the Company to maintain certain financial covenants including a maximum senior leverage ratio, a minimum fixed charge coverage ratio, and minimum consolidated earnings before interest, income tax, depreciation and amortization expenses ("EBITDA"). The Company was in compliance with all financial covenants and reporting requirements under the Parent Company Financing Agreement, as amended, as of March 31, 2013.

There was no outstanding balance on the Parent Company Revolving Loans at March 31, 2013 and 2012. As of March 31, 2013, $18,878,000 was available under the Parent Company Revolving Loans. The Company had reserved $626,000 of the Parent Company Revolving Loans for standby letters of credit for workers' compensation insurance and $1,179,000 for commercial letters of credit as of March 31, 2013.

In connection with the Second Amendment, the Company issued a warrant (the "Cerberus Warrant") to Cerberus Business Finance, LLC. Pursuant to the Cerberus Warrant, Cerberus Business Finance, LLC, may purchase up to 100,000 shares of the Company's common stock for an initial exercise price of $17.00 per share for a period of five years. The exercise price is subject to adjustments, among other things, for sales of common stock by the Company at a price below the exercise price. As a result of the issuance of the Supplier Warrant (as defined herein) in August 2012 (as described below) at an initial exercise price of $7.75 per share, the exercise price of the Cerberus Warrant was reduced to $7.75 per share. As the exercise price of the Cerberus Warrant was reduced, the number of shares of the Company's common stock that may be purchased upon the exercise of the Cerberus Warrant was increased to 219,355 so that the aggregate exercise price of the Cerberus Warrant after the adjustment is the same as the aggregate exercise price prior to the adjustment. The fair value of the Cerberus Warrant using the Monte Carlo simulation model was $607,000 at May 24, 2012 and $375,000 at March 31, 2013. This amount was recorded as a warrant liability which is included in other liabilities in the consolidated balance sheet at March 31, 2013. During the year ended March 31, 2013, a gain of $232,000 was recorded in general and administrative expenses due to the change in the fair value of the warrant liability.

Fenco Credit Agreement

The Company's wholly-owned subsidiaries, FAPL and Introcan, as borrowers (the "Fenco Borrowers"), entered into an amended and restated credit agreement, dated May 6, 2011 (the "Fenco Credit Agreement") with Manufacturers and Traders Trust Company as lead arranger, M&T Bank as lender and administrative agent and the other lenders from time to time party thereto (the "Fenco Lenders"). Pursuant to the Fenco Credit Agreement, the Fenco Lenders have made available to the Fenco Borrowers a revolving credit facility in the maximum principal amount of $50,000,000 (the "Fenco Revolving Facility") and a term loan in the principal amount of $10,000,000 (the "Fenco Term Loan"). The availability of the Fenco Revolving Facility is subject to a borrowing base calculation consisting of eligible accounts receivable and eligible inventory.

In August 2012, Fenco entered into a second amendment to the Fenco Credit Agreement with the Fenco lenders which, among other things, (i) extended the maturity date to October 6, 2014, (ii) amended the maximum amount of the revolving facility to (y) $55,000,000 for the period up to and including December 31, 2012 and (z) $50,000,000 for the period on or after January 1, 2013 through October 6, 2014, (iii) replaced the repayment schedule and the amounts for the term loan to require quarterly principal payments of $500,000 beginning on June 30, 2013 and increasing to $1,000,000 per quarter beginning December 31, 2013 through September 30, 2014, with the remaining unpaid principal amount being due on the final maturity date, (iv) provided for certain mandatory prepayments of the term loan, and (v) revised certain financial covenants regarding minimum EBITDA, minimum fixed charge coverage, unused borrowing availability under the Fenco revolving credit facility, and maximum capital expenditures. The maturity date may be accelerated upon the occurrence of an insolvency event or event of default under the Fenco Credit Agreement.

In February 2013, Fenco entered into a third amendment to the Fenco Credit Agreement with the Fenco lenders which, among other things,(i) amended the maximum amount of the revolving facility available after February 1, 2013 from $50,000,000 to $50,712,000, (ii) removed the excess availability requirement, and (iii) amended the revolving facility margin limit.

The outstanding balance on the Fenco Revolving Facility was $49,277,000 and $48,884,000 at March 31, 2013 and 2012, respectively. As of March 31, 2013, approximately $712,000 was reserved for standby commercial letters of credit and $118,000 was reserved for certain expenses. In addition, $300,000 of this Fenco Revolving Facility was reserved for Canadian operations use. As of March 31, 2013, the Fenco Borrowers exceeded the borrowing capacity by $5,795,000 under the Fenco Revolving Facility. The Fenco Lenders hold a security interest in substantially all of the assets of the undercar product line segment.

The Fenco Borrowers may receive advances under the Fenco Revolving Facility by any one or more of the following options: (i) swingline advances in Canadian or US dollars; (ii) Canadian dollar prime-based loans; (iii) US dollar base rate loans; (iv) LIBOR loans; or (v) letters of credits.

The Fenco Term Loan bears interest at the LIBOR plus an applicable margin. Outstanding advances under the Revolving Facility bear interest as follows:

- (i) in respect of swingline advances in Canadian dollars and Canadian dollar prime-based loans, at the reference rate announced by the Royal Bank of Canada plus an applicable margin;
- (ii) in respect of swingline advances in US dollars and US dollar base rate loans, at a base rate (which shall be equal to the highest of (x) M&T Bank's prime rate, (y) the Federal Funds Rate plus ½ of 1%, or (z) the one month LIBOR) plus an applicable margin;
- (iii) in respect of LIBOR loans, at the LIBOR plus an applicable margin.

The Fenco Credit Agreement, among other things, requires the Fenco Borrowers to maintain a minimum EBITDA of not less than $6,100,000 for the period from September 1, 2012 to March 31, 2013. As of March 31, 2013, the Fenco Borrowers were not in compliance with this financial covenant under the Fenco Credit Agreement. As a result of this noncompliance, the Fenco Revolving Facility and the Fenco Term Loan of $49,277,000 and $10,000,000, respectively, have been classified as debt in default within current liabilities in the consolidated balance sheet at March 31, 2013.

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, the Company will likely deconsolidate the financial statements of Fenco from its consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, Fenco filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco's financial statements are included in the consolidated financial statements of the Company. The Company's consolidated financial statements are prepared assuming the Company will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Neither the Parent Company Financing Agreement nor the Fenco Credit Agreement contain any cross default provisions with respect to the other agreement.

Strategic Cooperation Agreement

In August 2012, the Company entered into a revolving credit agreement (the "Agreement") with Wanxiang America Corporation (the "Supplier") and Fenco. Under the terms of the Agreement, the Supplier agreed to provide a revolving credit line for purchases of automotive parts and components by Fenco in an aggregate principal amount not to exceed $22,000,000 (the "Fenco Credit Line"), of which $2,000,000 would only be available for accrued interest and other amounts payable (the "Obligations"). Payment for all purchases would be due and payable 120 days after the date of the bill of lading. Any amounts remaining unpaid following the due date would bear interest at a rate of 1% per month. The Fenco Credit Line will mature on July 31, 2017. Among other things, the Agreement requires that Fenco, on an annual basis, purchase at least approximately $33,000,000 of new automotive parts and components. After July 1, 2014, the Supplier has the right to settle up to $8,000,000 (the "Receivable Sale Option") of the Company's outstanding Obligations in exchange, at the Company's option, for (i) shares of the Company's common stock valued at $7.75 per share, subject to certain adjustments, or (ii) cash in an amount equal to 135% of the amount of the outstanding Obligations sold to the Company. Any outstanding Obligations settled by the Supplier would reduce the Fenco Credit Line. The Obligations under the Agreement are guaranteed by the Company and certain of its subsidiaries. Under the terms of the guarantee, the Supplier also has the right to sell accrued interest to the Company for shares of the Company's common stock (the "Unpaid Interest Sale Option") at a price, subject to certain adjustments, that is the lower of (i) $7.75 per share and (ii) 105% of the market value of the Company's common stock, which market value is defined in the terms of the guarantee.

In connection with this Agreement, the Company also issued a warrant (the "Supplier Warrant") to the Supplier to purchase up to 516,129 shares of the Company's common stock for an initial exercise price of $7.75 per share exercisable at any time after two years from August 22, 2012 and on or prior to September 30, 2017. The exercise price is subject to adjustments, among other things, for sales of common stock by the Company at a price below the exercise price. Any outstanding Obligations settled by the Supplier will reduce the Fenco Credit Line. The Company is obligated to issue no more than an aggregate of 1,032,258 shares of its common stock in connection with the Receivable Sale Option and Supplier Warrant, and no more than an aggregate of 1,572,342 shares of the Company's common stock in connection with the Unpaid Interest Sale Option. The Obligations under this Agreement are subordinated to the Company's obligations under the Parent Company Financing Agreement. The fair value of the Supplier Warrant using the Monte Carlo simulation model was $1,018,000 at August 22, 2012, and $1,639,000 at March 31, 2013. This amount was recorded as a warrant liability which is included in other liabilities in the consolidated balance sheet at March 31, 2013. During the year ended March 31, 2013, a loss of $621,000 was recorded in general and administrative expenses due to the change in the fair value of the warrant liability.

11. Accounts Receivable Discount Programs

The Company has established receivable discount programs with certain customers and their respective banks. Under these programs, the Company may sell those customers' receivables to those banks at a discount to be agreed upon at the time the receivables are sold. These discount arrangements allow the Company to accelerate collection of customers' receivables.

	Years Ended March 31,	
	2013	2012
Receivables discounted	$ 289,529,000	$ 280,278,000
Weighted average days	319	313
Weighted average discount rate	2.7%	2.9%
Amount of discount as interest expense	$ 6,914,000	$ 7,072,000

12. Financial Risk Management and Derivatives

Purchases and expenses denominated in currencies other than the U.S. dollar, which are primarily related to the Company's facilities overseas, expose the Company to market risk from material movements in foreign exchange rates between the U.S. dollar and the foreign currency. The Company's primary risk exposure is from changes in the rate between the U.S. dollar and the Mexican peso related to the operation of the Company's facilities in Mexico. The Company enters into forward foreign currency exchange contracts to exchange U.S. dollars for Mexican pesos in order to mitigate this risk. The Company also enters into forward foreign currency exchange contracts to exchange U.S. dollars for Chinese yuan in order to mitigate the risk related to its purchases and payments to its Chinese vendors. The extent to which forward foreign currency exchange contracts are used is modified periodically in response to management's estimate of market conditions and the terms and length of specific purchase requirements to fund those overseas facilities and purchases.

The Company enters into forward foreign currency exchange contracts in order to reduce the impact of foreign currency fluctuations and not to engage in currency speculation. The use of derivative financial instruments allows the Company to reduce its exposure to the risk that the eventual cash outflow resulting from funding the expenses of the foreign operations and purchases will be materially affected by changes in exchange rates. The Company does not hold or issue financial instruments for trading purposes. The forward foreign currency exchange contracts are designated for forecasted expenditure requirements to fund foreign operations and purchases.

The Company had forward foreign currency exchange contracts with a U.S. dollar equivalent notional value of $17,543,000 and $13,494,000 at March 31, 2013 and 2012, respectively. These contracts generally expire in a year or less, at rates agreed at the inception of the contracts. The counterparty to this derivative transaction is a major financial institution with investment grade or better credit rating; however, the Company is exposed to credit risk with this institution. The credit risk is limited to the potential unrealized gains (which offset currency fluctuations adverse to the Company) in any such contract should this counterparty fail to perform as contracted. Any changes in the fair values of forward foreign currency exchange contracts are reflected in current period earnings and accounted for as an increase or offset to general and administrative expenses.

The following table shows the effect of the Company's derivative instruments on its consolidated statements of operations:

Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized within General and Administrative Expenses Years Ended March 31, 2013	2012	2011
Forward foreign currency exchange contracts	$ 804,000	$ (476,000)	$ (162,000)

The fair value of the forward foreign currency exchange contracts of $683,000 is included in prepaid expenses and other current assets in the consolidated balance sheet at March 31, 2013. The fair value of the forward foreign currency exchange contracts of $121,000 is included in other current liabilities in the consolidated balance sheet at March 31, 2012.

13. Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses a three-tier valuation hierarchy based upon observable and unobservable inputs:

- Level 1 — Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 — Valuation is based upon unobservable inputs that are significant to the fair value measurement.

The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following table sets forth by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at March 31, 2013 and 2012, according to the valuation techniques the Company used to determine their fair values.

	March 31, 2013				March 31, 2012			
		Fair Value Measurements Using Inputs Considered as				Fair Value Measurements Using Inputs Considered as		
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets								
Short-term investments								
Mutual funds	$ 411,000	$ 411,000	-	-	$ 342,000	$ 342,000	-	-
Prepaid expenses and other current assets								
Forward foreign currency exchange contracts	683,000	-	$ 683,000	-	-	-	-	-
Liabilities								
Other current liabilities								
Deferred compensation	411,000	411,000	-	-	342,000	342,000	-	-
Forward foreign currency exchange contracts	-	-	-	-	121,000	-	$ 121,000	-
Other liabilities								
Warrant liability	2,014,000	-	-	$ 2,014,000	-	-	-	-

The Company's short-term investments, which fund its deferred compensation liabilities, consist of investments in mutual funds. These investments are classified as Level 1 as the shares of these mutual funds trade with sufficient frequency and volume to enable the Company to obtain pricing information on an ongoing basis.

The forward foreign currency exchange contracts are primarily measured based on the foreign currency spot and forward rates quoted by the banks or foreign currency dealers and classified as Level 2. During the fiscal years ended March 31, 2013 and 2012, a gain of $804,000 and a loss of $476,000, respectively, were recorded in general and administrative expenses due to the change in the value of the forward foreign currency exchange contracts subsequent to entering into the contracts.

The Company estimates the fair value of the warrant liability using level 3 inputs and the Monte Carlo simulation model at each balance sheet date. This amount is recorded as a warrant liability which is included in other liabilities in the consolidated balance sheet at March 31, 2013. Any subsequent changes in the fair value of the warrant liability will be recorded in current period earnings as a general and administrative expense. During the year ended March 31, 2013, a loss of $389,000 was recorded in general and administrative expenses due to the change in the fair value of the warrant liability.

The assumptions used to determine the fair value of the Cerberus Warrant and the Supplier Warrant recorded as warrant liability were:

	March 31, 2013	
	Cerberus Warrant	**Supplier Warrant**
Risk free interest rate	0.60%	0.67%
Expected life in years	4.15	4.50
Expected volatility	43.94%	54.66%
Dividend yield	-	-
Probability of future financing	0%	0%

The risk free interest rate used was based on U.S. treasury-note yields with terms commensurate with the remaining term of the warrants. The expected life is based on the remaining contractual term of the warrants and the expected volatility is based on the Company's daily historical volatility over a period commensurate with the remaining term of the warrants.

A summary of the change to the Company's warrant liability, as measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is presented below:

	Year Ended March 31, 2013
Beginning balance	$ -
Newly issued	1,625,000
Total (gain) loss included in net loss	389,000
Warrants exercised	-
Net transfers in (out) of Level 3	-
Ending balance	$ 2,014,000

As a result of the annual goodwill impairment analysis and intangible asset impairment analysis performed during the fourth quarter of fiscal 2013, the Company concluded that goodwill and intangible assets for its undercar product line segment were fully impaired and the Company recorded a pre-tax, non-cash goodwill impairment charge and intangible asset impairment charge of $68,356,000 and $16,330,000, respectively, as disclosed in the consolidated statements of operations. After recording the impairment charge, the Company had no goodwill or intangible assets attributable to its undercar product line reporting unit remaining on its consolidated balance sheet at March 31, 2013.

Description	Year Ended March 31, 2013	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3	Total Gains (Losses)
Goodwil	$ -	-	-	$ -	$ (68,356,000)
Intangible assets	-	-	-	-	(16,330,000)

During the fiscal years ended March 31, 2013 and 2012, the Company had no other significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments. The carrying amounts of the revolving loans, term loans and other long-term liabilities approximate their fair value based on current rates for instruments with similar characteristics.

14. Commitments and Contingencies

Operating Lease Commitments

The Company leases various office and warehouse facilities in North America and Asia under operating leases expiring through 2021. The Company also has short term contracts of one year or less covering its third party warehouses that provide for contingent payments based on the level of sales that are processed through the third party warehouse.

At March 31, 2013, the remaining future minimum rental payments under the above operating leases are as follows:

Year Ending March 31,	
2014	$ 4,525,000
2015	4,139,000
2016	2,173,000
2017	2,056,000
2018	2,108,000
Thereafter	7,931,000
Total minimum lease payments	$ 22,932,000

During fiscal years 2013, 2012 and 2011, the Company incurred total operating lease expenses of $5,122,000, $4,852,000 and $2,889,000, respectively.

Commitments to Provide Marketing Allowances under Long-Term Customer Contracts

The Company has or is renegotiating long-term agreements with many of its major customers. Under these agreements, which typically have initial terms of at least four years, the Company is designated as the exclusive or primary supplier for specified categories of remanufactured alternators and starters. In consideration for the Company’s designation as a customer’s exclusive or primary supplier, the Company typically provides the customer with a package of marketing incentives. These incentives differ from contract to contract and can include (i) the issuance of a specified amount of credits against receivables in accordance with a schedule set forth in the relevant contract, (ii) support for a particular customer’s research or marketing efforts provided on a scheduled basis, (iii) discounts granted in connection with each individual shipment of product, and (iv) other marketing, research, store expansion or product development support. These contracts typically require that the Company meet ongoing standards related to fulfillment, price, and quality. The Company’s contracts with major customers expire at various dates through March 2019.

The Company typically grants its customers marketing allowances in connection with these customers' purchase of goods. The Company records the cost of all marketing allowances provided to its customers. Such allowances include sales incentives and concessions and typically consist of: (i) allowances which may only be applied against future purchases and are recorded as a reduction to revenues in accordance with a schedule set forth in the long-term contract, (ii) allowances related to a single exchange of product that are recorded as a reduction of revenues at the time the related revenues are recorded or when such incentives are offered, and (iii) allowances that are made in connection with the purchase of inventory from a customer.

The following table presents the breakout of allowances discussed above, recorded as a reduction to revenues in the years ended March 31:

	Years Ended March 31,		
	2013	**2012**	**2011**
Allowances incurred under long-term customer contracts	$ 13,831,000	$ 11,830,000	$ 13,988,000
Allowances related to a single exchange of product	33,491,000	30,998,000	17,552,000
Allowances related to core inventory purchase obligations	2,615,000	3,030,000	1,455,000
Total customer allowances recorded as a reduction of revenues	$ 49,937,000	$ 45,858,000	$ 32,995,000

The following table presents the commitments to incur allowances, excluding allowances related to a single exchange of product, which will be recognized as a charge against revenue, and customer Remanufactured Core purchase obligations which will be recognized in accordance with the terms of the relevant long-term customer contracts:

Year Ending March 31,	
2014	$ 15,297,000
2015	9,626,000
2016	4,641,000
2017	4,484,000
2018	3,891,000
Thereafter	5,741,000
Total marketing allowances	$ 43,680,000

Workers Compensation Insurance

Effective January 1, 2007 through the current fiscal year, the Company's workers compensation insurance policy has been written on a guaranteed cost basis (first dollar payment of claims with no deductibles). For each of the five years prior to January 1, 2007, the Company purchased workers compensation insurance on a large deductible plan. The Company was, and still is, liable for the first $250,000 of each claim until all claims are settled (essentially self-insured). The Company records an estimate of its liability for the self-insured portion of its workers' compensation policy by including an estimate of the total claims incurred and reported as well as an estimate of incurred, but not reported, claims by applying the Company's historical claims development factor to its estimate of incurred and reported claims.

15. Major Customers and Suppliers

The Company's largest customers accounted for the following total percentage of net sales and accounts receivable — trade:

	Years Ended March 31,		
Sales	**2013**	**2012**	**2011**
Customer A	41%	41%	48%
Customer B	15%	9%	18%
Customer C (1)	16%	14%	5%

Accounts receivable - trade	**2013**	**2012**
Customer A	35%	31%
Customer B	6%	8%
Customer C (1)	4%	21%

(1) The Company discontinued supplying its undercar products to customer C but has retained the rotating electrical product line sales to this customer. The percentage of net sales for this customer for the year ended March 31, 2013 excludes the recognition of approximately $50,783,000 in revenue from the reduction in the Company's obligation to provide a credit for this major customer's Remanufactured Cores.

The Company's largest supplier accounted for the following total percentage of raw materials purchases:

	Years Ended March 31,		
Significant supplier purchases	**2013**	**2012**	**2011**
Supplier A	-	2%	13%
Supplier B	12%	12%	-

16. Income Taxes

The income tax (benefit) expense for the years ended March 31 is as follows:

	Years Ended March 31,		
	2013	**2012**	**2011**
Current tax expense			
Federal	$ 3,987,000	$ 4,476,000	$ 4,797,000
State	256,000	379,000	718,000
Foreign	480,000	448,000	267,000
Total current tax expense	4,723,000	5,303,000	5,782,000
Deferred tax expense (benefit)			
Federal	(24,119,000)	1,039,000	1,206,000
State	(2,535,000)	494,000	821,000
Foreign	211,000	(64,000)	-
Total deferred tax expense (benefit)	(26,443,000)	1,469,000	2,027,000
Total income tax (benefit) expense	$ (21,720,000)	$ 6,772,000	$ 7,809,000

Deferred income taxes consist of the following at March 31:

	2013	2012
Assets		
Accounts receivable valuation	$ 4,690,000	$ 4,465,000
Allowance for customer incentives	1,216,000	626,000
Inventory obsolescence reserve	962,000	839,000
Stock options	1,551,000	1,239,000
Property and equipment, net	468,000	492,000
Intangibles, net	701,000	-
Estimate for returns	10,831,000	-
Deferred core revenue	10,255,000	14,524,000
Claims payable	174,000	288,000
Acquisition cost	-	35,000
Accrued compensation	1,820,000	1,310,000
Net operating losses	32,214,000	29,195,000
Other	1,892,000	1,165,000
Total deferred tax assets	$ 66,774,000	$ 54,178,000
Liabilities		
Prepaid expenses	$ (639,000)	$ (363,000)
Intangibles, net	-	(3,812,000)
Cancellation for indebtedness	(1,412,000)	-
Estimate for returns	-	(3,287,000)
Other	(2,253,000)	(496,000)
Total deferred tax liabilities	$ (4,304,000)	$ (7,958,000)
Less valuation allowance	$ (30,296,000)	$ (40,716,000)
Net deferred tax assets	$ 32,174,000	$ 5,504,000
Net current deferred income tax asset	$ 34,711,000	$ 3,647,000
Net long-term deferred income tax assets	(2,537,000)	1,857,000
Total	$ 32,174,000	$ 5,504,000

At March 31, 2013 and 2012, current deferred income tax liabilities of $145,000 and $146,000, respectively, are included in other current liabilities in the consolidated balance sheet.

At March 31, 2013, the Company had federal, state and Canadian net operating loss carryforwards of $63,400,000, $11,500,000, and $119,900,000, respectively. The utilization of these net operating loss carryforwards may be permanently limited due to Internal Revenue Code Section 382 in the Unites States and similar regulations in Canada. Prior to the utilization of such losses, the Company will perform further analysis to determine the amount subject to limitation. Additionally, in certain states the suspension of the usage of the net operating losses may apply. The net operating loss carryforwards expire between 2020 and 2032.

Realization of the Company's deferred tax assets is dependent upon the Company’s ability to generate sufficient taxable income. Management reviews the Company's deferred tax assets on a jurisdiction by jurisdiction basis to determine whether it is more likely than not that the deferred tax assets will be realized. As a result of Fenco’s cumulative losses in certain jurisdictions, a determination was made to establish a valuation allowance against the related deferred tax assets as it is not more likely than not that such assets will be realized. For all other jurisdictions, management believes that it is more likely than not that future taxable income will be sufficient to realize the recorded deferred tax assets. In evaluating this ability, management considers long-term agreements and Remanufactured Core purchase obligations with the Company’s major customers that expire at various dates through March 2019. Management also periodically compares its forecasts to actual results. Even though there can be no assurance that the forecasted results will be achieved, the history of income in all other jurisdictions provides sufficient positive evidence that no valuation allowance is needed .

Fenco is in a net deferred tax asset position. However, realization of the deferred tax assets is dependent on Fenco's ability to generate sufficient taxable income. Based on the Company's history of losses, management believes that it is not more likely than not that future taxable income will be sufficient to realize Fenco's recorded deferred tax assets. As a result, the Company has recorded a full valuation allowance of $30,296,000 on the deferred taxes of Fenco.

For the years ended March 31, 2013, 2012, and 2011, the primary components of the Company's income tax provision were (i) the current liability due to federal, state and foreign income taxes, (ii) foreign income taxed at rates that are different from the federal statutory rate, and (iii) a valuation allowance established against deferred tax assets when it is more likely than not that the asset or any portion thereof will not be realized. Additionally, during fiscal 2013, the Company impaired goodwill that is not deductible for tax purposes.

The difference between the income tax expense at the federal statutory rate and the Company's effective tax rate is as follows:

	Years Ended March 31,		
	2013	**2012**	**2011**
Statutory federal income tax rate	34%	34%	34%
State income tax rate, net of federal benefit	1%	(1)%	3%
Change in deferred tax rate	-%	-%	2%
Foreign income taxed at different rates	(9)%	(12)%	(1)%
Goodwill impairment	(16)%	-%	-%
Valuation allowance	9%	(36)%	-%
Other income tax	-%	(1)%	1%
	19%	(16)	39%

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions with varying statutes of limitations. At March 31, 2013, the Company is under examination in the United States by the Internal Revenue Service for fiscal 2012 and by the State of California for the fiscal years 2008 through 2010. The Company is not under examination in any other jurisdiction. The Company believes no significant changes in the unrecognized tax benefits will occur within the next 12 months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows at March 31:

	2013	**2012**	**2011**
Balance at beginning of period	$ 3,613,000	$ 576,000	$ 711,000
Additions based on tax positions related to the current year	227,000	116,000	128,000
Additions for tax positions of prior year	57,000	2,997,000	298,000
Reductions for tax positions of prior year	(440,000)	(76,000)	(561,000)
Settlements	-	-	-
Balance at end of period	$ 3,457,000	$ 3,613,000	$ 576,000

At March 31, 2013, 2012 and 2011, there are $1,780,000, $1,783,000 and $389,000 of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as part of income tax expense. During the years ended March 31, 2013, 2012 and 2011, the Company recognized approximately $36,000, $160,000, and $(4,000) in interest and penalties. The Company had approximately $460,000 and $424,000 for the payment of interest and penalties accrued at March 31, 2013 and 2012, respectively.

17. Defined Contribution Plans

The Company has a 401(k) plan covering all employees who are 21 years of age with at least six months of service. The plan permits eligible employees to make contributions up to certain limitations, with the Company matching 25% of each participating employee's contribution up to the first 6% of employee compensation. Employees are immediately vested in their voluntary employee contributions and vest in the Company's matching contributions ratably over five years. The Company's matching contribution to the 401(k) plan was $117,000, $102,000 and $92,000 for the fiscal years ended March 31, 2013, 2012 and 2011, respectively.

The Company also offers retirement savings plan (the "Plan") to all its Canadian-based employees with at least one-year of continuous service. The Company's contribution to the Plan ranges from 3% to10% of the employees' base salary. The Company's contribution percentage is dependent on the position of the employee and the number of years of service with the Company. The Company's contribution vests two years from the date of enrollment into the Plan. The Company's contribution to the Plan was $255,000 and $343,000 for the fiscal years ended March 31, 2013 and 2012, respectively.

18. Stock Options

In January 1994, the Company adopted the 1994 Stock Option Plan (the "1994 Plan"), under which it was authorized to issue non-qualified stock options and incentive stock options to key employees, directors and consultants. After a number of shareholder-approved increases to this plan, at March 31, 2002 the aggregate number of stock options approved was 960,000 shares of the Company's common stock. The term and vesting period of options granted is determined by a committee of the Board of Directors with a term not to exceed ten years. At the Company's Annual Meeting of Shareholders held on November 8, 2002, the 1994 Plan was amended to increase the authorized number of shares issued to 1,155,000. As of March 31, 2013 and 2012, options to purchase 95,750 and 223,750 shares of common stock, respectively, were outstanding under the 1994 Plan and no options were available for grant.

At the Company's Annual Meeting of Shareholders held on December 17, 2003, the shareholders approved the Company's 2003 Long-Term Incentive Plan ("Incentive Plan") which had been adopted by the Company's Board of Directors on October 31, 2003. Under the Incentive Plan, a total of 1,200,000 shares of the Company's common stock were reserved for grants of Incentive Awards and all of the Company's employees are eligible to participate. The 2003 Incentive Plan will terminate on October 31, 2013, unless terminated earlier by the Company's Board of Directors. As of March 31, 2013 and 2012, options to purchase 1,035,534 shares of common stock were outstanding under the Incentive Plan. As of March 31, 2013 and 2012 no options were available for grant. In January 2011, this Incentive Plan was replaced and the Company will not make any further grants of awards under this plan.

In November 2004, the Company's shareholders approved the 2004 Non-Employee Director Stock Option Plan (the "2004 Plan") which provides for the granting of options to non-employee directors. At the Company's Annual Meeting of Shareholders held on February 25, 2010, the Company's shareholders approved an amendment to the 2004 Plan that increased the number of shares of common stock reserved for grant under the 2004 Plan from 175,000 to 275,000. As of March 31, 2013 and 2012, options to purchase 218,000 and 203,000 shares of common stock, respectively, were issued, and 57,000 and 72,000 shares of common stock were available for grant.

In January 2011, the Company's shareholders approved the 2010 Incentive Award Plan (the" 2010 Plan") which replaced the 2003 Long-term Incentive Plan. At the Company's Annual Meeting of Shareholders held on March 28, 2013, the Company's shareholders approved an amendment to the 2010 Plan that increased the number of shares of common stock reserved for grant under the 2010 Plan from 750,000 to 1,750,000. Under the 2010 Plan, shares of the Company's common stock were reserved for grants of incentive awards and all of the Company's employees are eligible to participate. As of March 31, 2013, options to purchase 620,800 shares of common stock were issued and 1,078,033 shares of common stock were available for grant. No awards were issued under the 2010 Plan as of March 31, 2012.

The shares of common stock issued upon exercise of a previously granted stock option are considered new issuances from shares reserved for issuance upon adoption of the various plans. The Company requires that the option holders provide a written notice of exercise to the stock plan administrator and payment for the shares prior to issuance of the shares.

A summary of stock option transactions follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2010	1,628,334	$ 8.45
Granted	18,000	$ 9.61
Exercised	(52,250)	$ 3.83
Cancelled	(3,000)	$ 11.00
Outstanding at March 31, 2011	1,591,084	$ 8.61
Granted	15,000	$ 10.04
Exercised	(95,550)	$ 3.36
Cancelled	(48,250)	$ 3.15
Outstanding at March 31, 2012	1,462,284	$ 9.15
Granted	635,800	$ 6.47
Exercised	(128,000)	$ 2.28
Cancelled	-	$ -
Outstanding at March 31, 2013	1,970,084	$ 8.73

Based on the market value of the Company's common stock at March 31, 2013, 2012 and 2011, the pre-tax intrinsic value of options exercised was $493,000, $598,000 and $530,000 respectively.

The followings table summarizes information about the options outstanding at March 31, 2013:

	Options Outstanding				Options Exercisable		
Range of Exercise price	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
$ 1.800 to $6.345	178,750	$ 5.82	3.00	$ 55,412	176,750	$ 5.84	$ 51,258
$ 6.460 to $7.450	716,800	6.57	8.99	-	302,399	6.71	-
$ 8.700 to $9.900	300,200	9.12	1.35	-	298,200	9.11	-
$ 10.010 to $11.900	359,334	10.21	2.82	-	359,334	10.21	-
$ 12.000 to $15.060	415,000	$ 12.14	3.53	-	413,000	$ 12.13	-
	1,970,084			$ 55,412	1,549,683		$ 51,258

The aggregate intrinsic values in the above table represent the pre-tax value of all in-the-money options if all such options had been exercised on March 31, 2013 based on the Company's closing stock price of $6.13 as of that date.

Options to purchase 1,549,683, 1,447,284 and 1,576,084 shares of common stock were exercisable as of March 31, 2013, 2012 and 2011, respectively. The weighted average exercise price of options exercisable was $9.33, $9.14 and $8.61 as of March 31, 2013, 2012 and 2011, respectively.

A summary of changes in the status of non-vested stock options during the fiscal year ended March 31, 2013 is presented below.

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at March 31, 2012	15,000	$ 4.18
Granted	635,800	$ 2.92
Vested	(230,399)	$ 2.98
Non-vested at March 31, 2013	420,401	$ 2.93

Effective April 1, 2006, the Company began using the modified prospective application method of transition for all its stock-based compensation plans. The Company did not modify the terms of any previously granted options in anticipation of the adoption of this guidance. At March 31, 2013, there was $1,059,000 of total unrecognized compensation expense from stock-based compensation granted under the plans, which is related to non-vested shares. The compensation expense is expected to be recognized over a weighted average vesting period of 2.1 years.

19. Shareholders' Equity Transactions

Share Repurchase Program

In March 2010, the Company's Board of Directors authorized a share repurchase program of up to $5,000,000 of the Company's outstanding common stock from time to time in the open market and in private transactions at prices deemed appropriate by management. There is no expiration date governing the period over which the Company can repurchase shares under this program. Under this plan, the Company repurchased and retired 67,347 shares at a total cost of approximately $389,000. The Company's credit agreements currently prohibit such repurchases.

Private Placement

In April 2012, the Company entered into a Subscription Agreement and a Registration Rights Agreement to raise approximately $15,004,000 in gross proceeds and net proceeds of $13,970,000 after expenses through a private placement of its common stock. Pursuant to the terms of the Subscription Agreement, certain accredited investors purchased an aggregate of 1,936,000 shares of common stock in a private placement exempt from registration under the Securities Act in reliance upon Rule 506 of Regulation D, for a purchase price of $7.75 per share. The Company used the proceeds to enhance the integration of its Fenco acquisition and for general corporate purposes.

Pursuant to the Registration Rights Agreement, the Company agreed to file a registration statement with the SEC to register for resale the common stock sold in the private placement not later than 45 days after the closing of the private placement and to use commercially reasonable efforts to cause such registration statement to be declared effective, subject to certain exceptions, within 60 days of closing (or 120 days in the event of an SEC review). Failure to meet these deadlines and certain other events resulted in the Company's payment to the purchasers of liquidated damages in the amount of 1.0% of the purchase price per 30-day period pending filing of the registration statement, effectiveness of the registration statement or other events, as applicable. On June 12, 2012, the Company filed a registration statement under the Securities Act of 1933 to register the shares of common stock; however, the registration statement was not declared effective in accordance with the deadlines in the Registration Rights Agreement and the Company began accruing liquidated damages starting on August 25, 2012. Liquidated damages could be settled either in cash or, at the option of the purchaser, in shares of the Company's common stock. During fiscal 2013, the Company recorded $675,000 of general and administrative expense for the settlement of these liquidated damages. The Registration Statement was declared effective in time under applicable securities laws on January 7, 2013.

20. Litigation

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

21. Related Party Transactions

The Company has arrangements or entered into agreements with three members of its Board of Directors, Messrs. Mel Marks, Philip Gay and Selwyn Joffe.

In August 2000, the Company's Board of Directors agreed to engage Mr. Mel Marks to provide consulting services to the Company. Mr. Marks was paid an annual consulting fee of $350,000 per year under this arrangement. Mr. Marks was paid $350,000 during each of the years ended March 31, 2013, 2012, and 2011. In March 2013, the Company entered into an agreement with Mr. Marks whereby Mr. Marks will no longer serve as a consultant to the Company. Pursuant to this agreement, the Company agreed to pay a one-time fee of $350,000 and an additional compensation of $300,000 to be paid ratably on a monthly basis during the term.

On May 3, 2012, the Company entered into the Right of First Refusal Agreement with Mr. Marks and Melmarks Enterprises LLLP, a limited liability limited partnership controlled by Mr. Marks (the "Shareholders"), which, among other things, provides the Company with the right to purchase any or all shares of common stock that the Shareholders propose to sell or transfer, subject to certain exceptions. Pursuant to the Right of First Refusal Agreement, the Company has 30 days after notice of a proposed sale or transfer to exercise its right to purchase such shares, and may do so at a price that is 10% below the average daily closing price per share of its common stock for the five consecutive trading days immediately preceding the date of such notice. The Right of First Refusal Agreement has a term of three years.

In December 2012, the Company entered into a stock repurchase agreement (the "Stock Repurchase Agreement") with the Shareholders, which, among other things, provides the Shareholders with the option to sell up to $300,000 of the Company's common stock held by the Shareholders (the "Shares"), on or prior to February 28, 2013, at a purchase price that is 10% below the average daily closing price per share of its common stock for the five consecutive trading days immediately preceding the date of the notice of sale. During fiscal 2013, the Company repurchased and retired 52,947 Shares at a total cost of approximately $300,000.

The Company agreed to pay Mr. Gay $90,000 per year for serving on the Company's Board of Directors, and for being Chairman of the Company's Audit and Ethics Committees.

On May 18, 2012, the Company entered into a new employment agreement (the "New Employment Agreement") with Mr. Joffe, which terminates and supersedes Mr. Joffe's previous employment agreement that was to expire on August 31, 2012. The New Employment Agreement provides for Mr. Joffe to serve as the Company's Chairman, President and Chief Executive Officer for a term expiring on August 31, 2015, unless extended or earlier terminated. Pursuant to the New Employment Agreement, Mr. Joffe will receive a base salary of $600,000 per year, which will be reviewed from time to time in accordance with the Company's established procedures for adjusting salaries for similarly situated employees. Mr. Joffe will be eligible to participate in the Company's Annual Incentive Plan adopted and amended from time to time by the Board (the "Annual Incentive Plan"), with a target bonus equal to 100% of Mr. Joffe's salary (the "Annual Incentive Bonuses"). In addition to the Annual Incentive Bonuses, the Company paid Mr. Joffe a one-time bonus of $250,000 upon the signing of the New Employment Agreement and awarded Mr. Joffe a guaranteed bonus of $500,000, which is payable in three annual installments: $168,000 on May 18, 2012; $166,000 on May 18, 2013; and $166,000 on May 18, 2014.

Pursuant to Mr. Joffe's previous employment agreement, he was entitled to receive a transaction fee of 1.0% of the "total consideration" of any transaction, including any transaction resulting in a change of control, his efforts brought to the Company. In lieu of this transaction fee, pursuant to the New Employment Agreement, the Company granted pursuant to its 2010 Plan (i) a fully-vested option to purchase 109,100 shares of the Company's common stock equal to $250,000 based on the Black-Scholes valuation method and (ii) 51,167 shares of fully vested restricted stock with a fair value of $331,000 in December 2012. The Company withheld 25,137 shares based upon the Company's closing stock price on the vesting date to settle Mr. Joffe's minimum statutory obligation for the applicable income and other employment taxes. The Company then remitted cash to the appropriate taxing authorities. Total payment for this tax obligation to the taxing authorities was $163,000 and is reflected as a financing activity within the consolidated statements of cash flows. These net-share settlements had the effect of share repurchases by the Company as they reduced and retired the number of shares that would have otherwise been issued as a result of the vesting and did not represent an expense to the Company.

Pursuant to the New Employment Agreement, Mr. Joffe will also be eligible to receive annual awards under the 2010 Plan in such amounts as are determined by the Compensation Committee as administrator of the 2010 Plan in its sole and absolute discretion (the "Annual Awards"). Such awards may be in the form of options, restricted stock, restricted stock units, performance shares, performance units or such other form of award as determined by the Compensation Committee as administrator of the 2010 Plan in its sole and absolute discretion.

In January 2013, the Company entered into an option purchase agreement (the "Option Purchase Agreement") with Mr. Joffe. Pursuant to this agreement, among other things, the Company purchased Mr. Joffe's options to purchase 101,500 shares of the Company's common stock granted under the Company's 1994 Stock Option Plan at a net purchase price of $454,675. This payment represents the difference per share of common stock between $6.87, the average closing price of the Company's common stock for the five consecutive trading days preceding, and including the date of the Option Purchase Agreement, and the exercise price of the respective stock options, discounted five percent and multiplied by the total number of shares under Mr. Joffe's stock options.

Other Related Party Transactions

During fiscal 2013, the Company paid Houlihan Lokey Howard & Zukin Capital, Inc. $350,000 in connection with the restructuring of Fenco. Scott J. Adelson, a member of the Company's Board of Directors, is a Senior Managing Director for Houlihan Lokey Howard & Zukin Capital Inc.

22. Segment Information

The Company has two reportable segments, the rotating electrical segment and the undercar product line segment, based on the way the Company manages, evaluates and internally reports its business activities.

The rotating electrical segment is comprised of the Company's alternator and starter business. This segment manufactures, remanufactures, and distributes alternators and starters for import and domestic cars, light trucks, heavy duty, agricultural and industrial applications. These replacement parts are sold for use on vehicles after initial vehicle purchase.

The undercar product line segment remanufactures and distributes new and remanufactured aftermarket auto parts, including steering components, brake calipers, master cylinders, hub assembly and bearings, for virtually all passenger and truck vehicles.

The Company's products are sold to automotive retail chain stores, warehouse distributors, and to major automobile manufacturers throughout North America.

The results of operations of Fenco have been included from the date of acquisition on May 6, 2011. Financial information relating to the Company's reportable segments is as follows:

	Year Ended March 31, 2013			
Selected statement of operations data	**Rotating Electrical**	**Undercar Product Line**	**Eliminations**	**Consolidated**
Net sales to external customers	$ 213,151,000	$ 193,115,000	$ -	$ 406,266,000
Gross profit (loss)	69,341,000	(13,613,000)	-	55,728,000
Operating loss	(47,481,000)	(123,139,000)	81,795,000	(88,825,000)
Net loss	(38,046,000)	(135,260,000)	81,795,000	(91,511,000)

Selected statement of operations data	Year Ended March 31, 2012 Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
Net sales to external customers	$ 178,551,000	$ 185,136,000	$ -	$ 363,687,000
Intersegment revenue, net of cost	1,853,000	-	(1,853,000)	-
Gross profit (loss)	57,332,000	(29,625,000)	-	27,707,000
Operating income (loss)	26,574,000	(54,061,000)	-	(27,487,000)
Net income (loss)	14,300,000	(62,814,000)	-	(48,514,000)

Selected statement of operations data	Year Ended March 31, 2011 Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
Net sales to external customers	$ 161,285,000	$ -	$ -	$ 161,285,000
Gross profit	51,382,000	-	-	51,382,000
Operating income	25,384,000	-	-	25,384,000
Net income	12,220,000	-	-	12,220,000

Selected balance sheet data	March 31, 2013 Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
Current assets	$ 102,031,000	$ 54,024,000	$ (3,424,000)	$ 152,631,000
Non-current assets	175,055,000	44,334,000	(4,946,000)	214,443,000
Total assets	$ 277,086,000	$ 98,358,000	$ (8,370,000)	$ 367,074,000
Current liabilities	$ 68,716,000	$ 183,645,000	$ (32,588,000)	$ 219,773,000
Non-current liabilities	95,605,000	107,841,000	(52,631,000)	150,815,000
Total liabilities	164,321,000	291,486,000	(85,219,000)	370,588,000
Equity (deficit)	112,765,000	(193,128,000)	76,849,000	(3,514,000)
Total liabilities and equity	$ 277,086,000	$ 98,358,000	$ (8,370,000)	$ 367,074,000

Selected balance sheet data	March 31, 2012 Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
Current assets	$ 115,451,000	$ 81,778,000	$ (28,998,000)	$ 168,231,000
Non-current assets	179,167,000	186,896,000	(32,396,000)	333,667,000
Total assets	$ 294,618,000	$ 268,674,000	$ (61,394,000)	$ 501,898,000
Current liabilities	$ 72,987,000	$ 126,430,000	$ (28,998,000)	$ 170,419,000
Non-current liabilities	85,201,000	200,112,000	(27,453,000)	257,860,000
Total liabilities	158,188,000	326,542,000	(56,451,000)	428,279,000
Equity (deficit)	136,430,000	(57,868,000)	(4,943,000)	73,619,000
Total liabilities and equity	$ 294,618,000	$ 268,674,000	$ (61,394,000)	$ 501,898,000

Selected cash flow data	Year Ended March 31, 2013 Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
Net cash used in operating activities	$ (4,969,000)	$ (26,092,000)	$ -	$ (31,061,000)
Net cash used in investing activities	(2,371,000)	(1,698,000)	-	(4,069,000)
Net cash provided by financing activities	21,639,000	263,000		21,902,000
Effect of exchange rate changes on cash	45,000	-		45,000
Cash — Beginning of period	32,379,000	238,000		32,617,000
Cash — End of period	19,346,000	88,000	-	19,434,000
Additional selected financial data				
Depreciation and amortization	$ 2,849,000	$ 2,436,000	$ -	$ 5,285,000
Capital expenditures	2,330,000	1,698,000	-	4,028,000

Selected cash flow data	Year Ended March 31, 2012 Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 15,464,000	$ (53,952,000)	$ -	$ (38,488,000)
Net cash used in investing activities	(1,047,000)	(544,000)	-	(1,591,000)
Net cash provided by financing activities	61,060,000	9,122,000	-	70,182,000
Effect of exchange rate changes on cash	37,000	-	-	37,000
Cash — Beginning of period	2,477,000	-	-	2,477,000
Cash — End of period	32,379,000	238,000	-	32,617,000
Additional selected financial data				
Depreciation and amortization	$ 3,466,000	$ 3,884,000	$ -	$ 7,350,000
Capital expenditures	1,010,000	544,000	-	1,554,000

Selected cash flow data	Year Ended March 31, 2011 Rotating Electrical	Undercar Product Line	Eliminations	Consolidated
Net cash provided by operating activities	$ 10,735,000	$ -	$ -	$ 10,735,000
Net cash used in investing activities	(6,723,000)	-	-	(6,723,000)
Net cash used in financing activities	(2,790,000)	-	-	(2,790,000)
Effect of exchange rate changes on cash	45,000	-	-	45,000
Cash — Beginning of period	1,210,000	-	-	1,210,000
Cash — End of period	2,477,000	-	-	2,477,000
Additional selected financial data				
Depreciation and amortization	$ 3,900,000	$ -	$ -	$ 3,900,000
Capital expenditures	1,566,000	-	-	1,566,000

23. Subsequent Events

During May 2013, Fenco appointed a new board of independent directors, hired an independent chief restructuring officer and all its previously existing officers resigned from FAPL. As a result of the loss of control of Fenco, the Company will likely deconsolidate the financial statements of Fenco from its consolidated financial statements during the first quarter of fiscal 2014. On June 10, 2013, Fenco filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. As of March 31, 2013, Fenco’s financial statements are included in the consolidated financial statements of the Company. The Company’s consolidated financial statements are prepared assuming the Company will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

24. Unaudited Quarterly Financial Data

The following table summarizes selected quarterly financial data for the fiscal year ended March 31, 2013 .

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 89,023,000	$ 111,632,000	$ 116,275,000	$ 89,336,000
Cost of goods sold	76,909,000	94,911,000	92,232,000	86,486,000
Gross profit	12,114,000	16,721,000	24,043,000	2,850,000
Operating expenses:				
General and administrative	11,564,000	11,193,000	12,779,000	8,990,000
Sales and marketing	3,539,000	3,904,000	2,687,000	2,583,000
Research and development	436,000	461,000	807,000	924,000
Impairment of goodwill and intangible assets	-	-	-	84,686,000
Total operating expenses	15,539,000	15,558,000	16,273,000	97,183,000
Operating (loss) income	(3,425,000)	1,163,000	7,770,000	(94,333,000)
Other expense:				
Interest expense	5,084,000	6,162,000	5,889,000	7,271,000
(Loss) income before income tax expense (benefit)	(8,509,000)	(4,999,000)	1,881,000	(101,604,000)
Income tax expense (benefit)	1,353,000	3,934,000	946,000	(27,953,000)
Net (loss) income	$ (9,862,000)	$ (8,933,000)	$ 935,000	$ (73,651,000)
Basic net (loss) income per share	$ (0.71)	$ (0.62)	$ 0.06	$ (5.09)
Diluted net (loss) income per share	$ (0.71)	$ (0.62)	$ 0.06	$ (5.09)

The following table summarizes selected quarterly financial data for the fiscal year ended March 31, 2012 including the Fenco operations from the date of acquisition on May 6, 2011:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 70,510,000	$ 107,616,000	$ 84,097,000	$ 101,464,000
Cost of goods sold	63,477,000	92,637,000	85,678,000	94,188,000
Gross profit (loss)	7,033,000	14,979,000	(1,581,000)	7,276,000
Operating expenses:				
General and administrative	8,309,000	11,309,000	10,155,000	9,108,000
Sales and marketing	2,453,000	3,197,000	3,369,000	3,785,000
Research and development	416,000	401,000	453,000	495,000
Impairment of plant and equipment	-	-	1,031,000	-
Acquisition costs	404,000	309,000	-	-
Total operating expenses	11,582,000	15,216,000	15,008,000	13,388,000
Operating loss	(4,549,000)	(237,000)	(16,589,000)	(6,112,000)
Other expense:				
Interest expense	1,914,000	3,389,000	3,262,000	5,690,000
Loss before income tax expense	(6,463,000)	(3,626,000)	(19,851,000)	(11,802,000)
Income tax expense	1,842,000	1,813,000	1,976,000	1,141,000
Net loss	$ (8,305,000)	$ (5,439,000)	$ (21,827,000)	$ (12,943,000)
Basic net loss per share	$ (0.68)	$ (0.44)	$ (1.74)	$ (1.03)
Diluted net loss per share	$ (0.68)	$ (0.44)	$ (1.74)	$ (1.03)

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year shown elsewhere in the Annual Report on Form 10-K.

Schedule II — Valuation and Qualifying Accounts

Accounts Receivable — Allowance for doubtful accounts

Years Ended March 31,	Description	Balance at beginning of period	Charge to (recovery of) bad debts expense	Amounts written off	Balance at end of period
2013	Allowance for doubtful accounts	$ 968,000	$ 659,000	$ 37,000	$ 1,590,000
2012	Allowance for doubtful accounts (1)	$ 1,049,000	$ (16,000)	$ 65,000	$ 968,000
2011	Allowance for doubtful accounts	$ 1,141,000	$ (38,000)	$ 77,000	$ 1,026,000

1) Includes $23,000 of allowance for doubtful accounts established in the opening balance sheet in connection with the Company's May 6, 2011 acquisition.

Accounts Receivable — Allowance for customer-payment discrepancies

Years Ended March 31,	Description	Balance at beginning of period	Charge to discrepancies expense	Amounts Processed	Balance at end of period
2013	Allowance for customer-payment discrepancies	$ 280,000	$ 2,035,000	$ (235,000)	$ 2,550,000
2012	Allowance for customer-payment discrepancies	$ 648,000	$ 270,000	$ 638,000	$ 280,000
2011	Allowance for customer-payment discrepancies	$ 553,000	$ 850,000	$ 755,000	$ 648,000

Inventory — Allowance for excess and obsolete inventory

Years Ended March 31,	Description	Balance at beginning of period	Provision for excess and obsolete inventory	Amounts written off	Balance at end of period
2013	Allowance for excess and obsolete inventory	$ 11,308,000	$ 17,383,000	$ 3,698,000	$ 24,993,000
2012	Allowance for excess and obsolete inventory (1)	$ 14,736,000	$ 3,012,000	$ 6,440,000	$ 11,308,000
2011	Allowance for excess and obsolete inventory	$ 2,480,000	$ 1,804,000	$ 1,685,000	$ 2,599,000

1) Includes $12,137,000 of allowance for excess and obsolete inventory established in the opening balance sheet in connection with the Company's May 6, 2011 acquisition.

Exhibit 10.58

SIXTH AMENDMENT AND WAIVER TO FINANCING AGREEMENT

SIXTH AMENDMENT AND WAIVER, dated as of June 14, 2013 (this " Sixth Amendment "), to the Financing Agreement, dated as of January 18, 2012 (as amended by First Amendment to Financing Agreement, dated as of March 18, 2012, Second Amendment to Financing Agreement, dated as of May 24, 2012, Third Amendment to Financing Agreement, dated as of August 22, 2012, Fourth Am endment to Financing Agreement, dated as of December 3, 2012, Fifth Amendment to Financing Agreement, dated as of January 16, 2013, and as further amended, restated, supplemented, modified or otherwise changed from time to time, the " Financing Agreement "), by and among Motorcar Parts of America, Inc., a New York corporation (the " Borrower "), the lenders from time to time party thereto (each a " Lender " and collectively, the " Lenders "), Cerberus Business Finance, LLC, a Delaware limited liability company (" Cerberus "), as collateral agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the " Collateral Agent "), and PNC Bank, National Association (" PNC "), as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the " Administrative Agent " and together with the Collateral Agent, each an " Agent " and collectively, the " Agents ").

WHEREAS, the Borrower, the Agents and the Lenders wish to amend certain terms and provisions of the Financing Agreement as hereafter set forth.

WHEREAS, Section 7.01(a)(iii) of the Financing Agreement requires, among other things, delivery of financial statements and other reports for the Fiscal Year ended March 31, 2013 accompanied by a report and an unqualified opinion of independent certified public accountants of the Borrower (which opinion shall be without (i) a "going concern" or like qualification or exception, (ii) any qualification or exception as to the scope of such audit, or (iii) any qualification which relates to the treatment or classification of any item and which, as a condition to the removal of such qualification, would require an adjustment to such item, the effect of which would be to cause any noncompliance with the provisions of Section 7.03 of the Financing Agreement).

WHEREAS, the Borrower has been advised by its certified public accountants that its opinion will be subject to a "going concern" qualification as a result of (i) Fenwick's recurring operating losses, (ii) Fenwick's working capital and equity deficiency, (iii) Fenwick's failure to comply with certain financial covenants under its loan agreement with M&T Bank and (iv) Fenwick's filing of an Insolvency Proceeding in the U.S. Bankruptcy Court for the District of Delaware on June 10, 2013 (the " Fenwick Insolvency Proceeding " and collectively, the " Fenwick–Related Events ").

WHEREAS, the Borrower has requested that the Agents and the Lenders waive any Event of Default that would otherwise arise under Section 9.01 of the Financing Agreement as a result of the Borrower's failure to deliver to the Agents and the Lenders an unqualified opinion of its certified public accountants for the Fiscal Year ended March 31, 2013 as required under Section 7.01(a)(iii) of the Financing Agreement, and the Agents and the Lenders are willing to do so on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto hereby agree as follows:

1. Defined Terms . Any capitalized term used herein and not defined shall have the meaning assigned to it in the Financing Agreement.

2. Amendments .

(a) New Definitions . Section 1.01 of the Financing Agreement is hereby amended by adding the following definitions, in appropriate alphabetical order:

"" Fenwick Restructuring Costs " has the meaning specified therefor in the definition of Consolidated EBITDA."

"" Liquidity " means Availability plus Qualified Cash (calculated without giving effect to (a) any receipt of tax refunds by the Borrower and its Subsidiaries and (b) any cash receipts attributable to the Borrower's wheel hubs and bearings business)."

"" Sixth Amendment " means the Sixth Amendment to this Agreement, dated as of June 14, 2013, among the Borrower, the Agents and the Lenders."

"" Sixth Amendment Effective Date " means the date on which the Sixth Amendment shall become effective in accordance with its terms."

"" Specified Costs " means (a) any start-up costs incurred by the Borrower in connection with its wheel hubs and bearings business (including, the purchase by the Borrower of certain Inventory from Fenwick or other vendors) as approved in writing by the Required Lenders and (b) any Fenwick Restructuring Costs."

(b) Existing Definitions .

(i) Clause (b)(v) of the definition of "Consolidated EBITDA" in Section 1.01 of the Financing Agreement is hereby amended and restated in its entirety to read as follows:

"(v) the amount of all costs, fees and expenses incurred in connection with (A) the Transactions, including with respect to the write-off of deferred fees and expenses related to the Existing Credit Facility, (B) the Third Amendment and the Wanxiang Transaction Documents, (C) the Sixth Amendment and (D) liquidating Fenwick in an aggregate amount not to exceed $300,000 and as approved in writing by the Required Lenders (including, without limitation, costs, fees and expenses of Houlihan Lokey and Latham & Watkins LLP) (such costs described in this clause (D), " Fenwick Restructuring Costs ")"

(ii) The definition of "Excess Cash Flow" in Section 1.01 of the Financing Agreement is hereby amended by (A) deleting "and" immediately following clause (b)(viii) thereof, (B) deleting the period immediately following clause (b)(ix) thereof and (C) inserting the following immediately following clause (b)(ix) thereof:

", and (x) all Fenwick Restructuring Costs to the extent paid in cash during such period, if any."

(iii) Clause (b)(ii) of the definition of "Fixed Charge Coverage Ratio" in Section 1.01 of the Financing Agreement is hereby amended and restated in its entirety to read as follows:

" (ii) Consolidated Net Interest Expense of such Person and its Subsidiaries for such period (excluding (A) the non-cash portions of Consolidated Net Interest Expense and (B) any fees payable in connection with (1) the Third Amendment pursuant to the Fee Letter, (2) the letter agreement, dated as of February 4, 2013, by the Borrower and acknowledged by the Collateral Agent, and (3) the letter agreement, dated as of March 13, 2013, by the Borrower and acknowledged by the Collateral Agent)"

(c) Section 7.01(a) (Reporting Requirements) . Section 7.01(a)(xvii) of the Financing Agreement is hereby amended by deleting "and" at the end of such Section. Section 7.01(a)(xviii) is hereby amended and restated to read as follows, and the following new Sections 7.01(a)(xix) and 7.01(a)(xx) of the Financing Agreement are hereby inserted immediately following Section 7.01(a)(xviii) of the Financing Agreement:

"(xviii) within 15 days after each of the dates set forth in Section 7.03(d), a certificate of an Authorized Officer of the Borrower, in form and substance reasonably satisfactory to the Agents, attaching a schedule showing the calculation of Availability and Qualified Cash;

(xix) at least 2 Business Days (or such shorter period as shall be agreed to by the Agents) prior to submitting any filing relating to the purchase by the Borrower of any Inventory of Fenwick in connection with the Fenwick Insolvency Proceeding, copies of such filing and other related documents as any Agent may reasonably request;

(xx) promptly upon request, such other information concerning the condition or operations, financial or otherwise, of any Loan Party or any Excluded Subsidiary as any Agent may from time to time may reasonably request."

(d) Section 7.03(d) (Liquidity) . Article VII of the Financing Agreement is hereby amended by adding the following immediately after Section 7.03(c) of the Financing Agreement:

"(d) Liquidity . Permit Liquidity on the dates set forth below to be less than the amount set forth opposite such date:

Date	Minimum Liquidity
June 28, 2013	$25,000,000 minus to the extent Specified Costs paid in cash during the period from the Sixth Amendment Effective Date to June 28, 2013 exceed cash receipts from the Borrower's wheel hubs and bearings business during such period, the amount equal to the lesser of such excess and $8,000,000
July 31, 2013	$26,000,000 minus to the extent Specified Costs paid in cash during the period from the Sixth Amendment Effective Date to July 31, 2013 exceed cash receipts from the Borrower's wheel hubs and bearings business during such period, the amount equal to the lesser of such excess and $8,000,000
August 30, 2013	$27,000,000 minus to the extent Specified Costs paid in cash during the period from the Sixth Amendment Effective Date to August 30, 2013 exceed cash receipts from the Borrower's wheel hubs and bearings business during such period, the amount equal to the lesser of such excess and $8,000,000"

(e) Section 9.01(c)(i) (Events of Default). Section 9.01(c)(i) of the Financing Agreement is hereby amended and restated in its entirety to read as follows:

> "(i) clauses (a)(i), (a)(ii), (a)(iii), (a)(iv), (a)(v), (a)(vi), (a)(xvii), (a)(xviii), (a) (xix), (b), (c), (d), (f), (h), (l), (n), (o), (p) or (q) of Section 7.01, Section 7.02, Section 7.03 or Article VIII of this Agreement, Sections 6(f), 6(g), 6(h), 6 (j), 6(m), 6(n) and 7 of the Security Agreement and clauses (c), (f), (h), (i), (j), (k) and (l) of Article Sixth of the Pledge Agreement;"

(f) Schedule 6.01(l) (Nature of Business). Schedule 6.01(l) of the Financing Agreement is hereby amended and restated to read as follows:

"Motorcar Parts of America, Inc. remanufactures and resells alternators, starters, wheel hubs and bearings for import and domestic cars, light trucks, heavy duty, agricultural and industrial applications. Our products are distributed predominantly throughout the United States and Canada and sold to the largest auto parts retail chains in the United States and Canada, including Advance, AutoZone, Genuine Parts (NAPA), O'Reilly Automotive and Pep Boys. In addition, our products are sold to various traditional warehouses for professional installers and to major automobile manufacturers for both their aftermarket programs and their warranty replacement programs."

3. Waiver.

(a) Pursuant to the request of the Borrower and in reliance upon the representations of the Borrower described herein, the Agents and the Lenders hereby waive any Event of Default that would otherwise arise under Section 9.01 of the Financing Agreement solely as a result of the Borrower's failure to deliver to the Agents and the Lenders an unqualified opinion of its certified public accountants for the Fiscal Year ended March 31, 2013 as required under Section 7.01(a)(iii) of the Financing Agreement; provided that the Borrower shall deliver to the Agents and the Lenders the financial statements and all other reports required under Section 7.01(a)(iii) of the Financing Agreement for the Fiscal Year ended March 31, 2013 (including, without limitation, an opinion of the Borrower's certified public accountants (which opinion (i) may be subject to "a going concern" qualification as a result of the Fenwick-Related Events and (ii) shall be without (A) any qualification or exception as to the scope of such audit, or (B) any qualification which relates to the treatment or classification of any item and which, as a condition to the removal of such qualification, would require an adjustment to such item, the effect of which would be to cause any noncompliance with the provisions of Section 7.03 of the Financing Agreement)) on or prior to July 1, 2013.

(b) The waiver in this Section 3 shall be effective only in this specific instance and for the specific purpose set forth herein and does not allow for any other or further departure from the terms and conditions of the Financing Agreement or any other Loan Document, which terms and conditions shall continue in full force and effect.

4. Conditions to Effectiveness. The effectiveness of this Sixth Amendment is subject to the fulfillment, in a manner satisfactory to the Agents, of each of the following conditions precedent (the date such conditions are fulfilled or waived by the Agents is hereinafter referred to as the "Sixth Amendment Effective Date"):

(a) Representations and Warranties; No Event of Default. The following statements shall be true and correct: (i) the representations and warranties contained in this Sixth Amendment, ARTICLE VI of the Financing Agreement and in each other Loan Document, certificate or other writing delivered to any Agent or any Lender pursuant hereto or thereto on or prior to the Sixth Amendment Effective Date are true and correct on and as of the Sixth Amendment Effective Date as though made on and as of such date, except to the extent that any such representation or warranty expressly relates solely to an earlier date (in which case such representation or warranty shall be true and correct on and as of such earlier date) and (ii) no Default or Event of Default shall have occurred and be continuing on the Sixth Amendment Effective Date or would result from this Sixth Amendment becoming effective in accordance with its terms.

(b) Execution of Amendment. The Agents and the Lenders shall have executed this Sixth Amendment and shall have received a counterpart to this Sixth Amendment, duly executed by each Loan Party.

(c) Payment of Fees, Etc. The Borrower shall have paid on or before the Sixth Amendment Effective Date all fees and invoiced costs and expenses then payable by the Borrower pursuant to the Loan Documents, including, without limitation, Sections 2.06 and 12.04 of the Financing Agreement.

(d) Delivery of Documents. The Collateral Agent shall have received on or before the Sixth Amendment Effective Date the following, each in form and substance reasonably satisfactory to the Collateral Agent and, unless indicated otherwise, dated the Sixth Amendment Effective Date:

(i) a copy of the resolutions of each Loan Party, certified as of the Sixth Amendment Effective Date by an Authorized Officer thereof, authorizing the execution, delivery and performance by such Loan Party of this Sixth Amendment, the performance of the Loan Documents as amended thereby, and the execution and delivery of the other documents to be delivered by such Loan Party in connection herewith and therewith;

(ii) a certificate of an Authorized Officer of each Loan Party, certifying as to the matters set forth in subsection (a) of this Section 4; and

(iii) such other agreements, instruments, approvals, opinions and other documents, each satisfactory to the Agents in form and substance, as any Agent may reasonably request.

5. Representations and Warranties. Each Loan Party represents and warrants as follows:

(a) Organization, Good Standing, Etc. Each Loan Party (i) is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of the state or jurisdiction of its organization, (ii) has all requisite power and authority to conduct its business as now conducted and as presently contemplated, and to execute and deliver this Sixth Amendment, and to consummate the transactions contemplated hereby and by the Financing Agreement, as amended hereby, and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary, except (solely for the purposes of this subclause (iii)) where the failure to be so qualified or in good standing could not reasonably be expected to result in a Material Adverse Effect.

(b) Authorization, Etc. The execution, delivery and performance by each Loan Party of this Sixth Amendment, and the performance of the Financing Agreement, as amended hereby, (i) have been duly authorized by all necessary action, (ii) do not and will not contravene any of its Governing Documents or any applicable Requirement of Law in any material respect or any material Contractual Obligation binding on or otherwise affecting it or any of its properties, (iii) do not and will not result in or require the creation of any Lien (other than pursuant to any Loan Document) upon or with respect to any of its properties, and (iv) do not and will not result in any default, noncompliance, suspension, revocation, impairment, forfeiture or nonrenewal of any permit, license, authorization or approval applicable to its operations or any of its properties.

(c) Governmental Approvals . No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required in connection with the due execution, delivery and performance of this Sixth Amendment by the Loan Parties, and the performance of the Financing Agreement, as amended hereby.

(d) Enforceability of the Sixth Amendment . This Sixth Amendment and the Financing Agreement, as amended hereby, when delivered hereunder, will be a legal, valid and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with the terms thereof, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally.

(e) Representations and Warranties; No Event of Default . The following statements shall be true and correct: (i) the representations and warranties contained in this Sixth Amendment, ARTICLE VI of the Financing Agreement and in each other Loan Document, certificate or other writing delivered to any Agent or any Lender pursuant hereto or thereto on or prior to the Sixth Amendment Effective Date are true and correct on and as of the Sixth Amendment Effective Date as though made on and as of such date, except to the extent that any such representation or warranty expressly relates solely to an earlier date (in which case such representation or warranty shall be true and correct on and as of such earlier date) and (ii) no Default or Event of Default has occurred and is continuing on the Sixth Amendment Effective Date or would result from this Sixth Amendment becoming effective in accordance with its terms.

6. Release . Each Loan Party hereby acknowledges and agrees that: (a) neither it nor any of its Affiliates has any claim or cause of action against any Agent or any Lender (or any of their respective Affiliates, officers, directors, employees, attorneys, consultants or agents) and (b) each Agent and each Lender has heretofore properly performed and satisfied in a timely manner all of its obligations to the Loan Parties and their Affiliates under the Financing Agreement and the other Loan Documents that are required to have been performed on or prior to the date hereof. Notwithstanding the foregoing, the Agents and the Lenders wish (and the Loan Parties agree) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of the Agents' and the Lenders' rights, interests, security and/or remedies under the Financing Agreement and the other Loan Documents. Accordingly, for and in consideration of the agreements contained in this Sixth Amendment and other good and valuable consideration, each Loan Party (for itself and its Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the " Releasors ") does hereby fully, finally, unconditionally and irrevocably release and forever discharge each Agent, each Lender and each of their respective Affiliates, officers, directors, employees, attorneys, consultants and agents (collectively, the " Released Parties ") from any and all debts, claims, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done on or prior to the Sixth Amendment Effective Date directly arising out of, connected with or related to this Sixth Amendment, the Financing Agreement or any other Loan Document, or any act, event or transaction related or attendant thereto, or the agreements of any Agent or any Lender contained therein, or the possession, use, operation or control of any of the assets of any Loan Party, or the making of any Loans or other advances, or the management of such Loans or advances or the Collateral.

7. Reaffirmation. The Borrower hereby confirms its grant of a security interest and other obligations under and subject to the terms of the Security Agreement, and agrees that, notwithstanding the effectiveness of this Sixth Amendment or any of the transactions contemplated hereby, such grant of security interest and other obligations are not impaired or adversely affected in any manner whatsoever and shall continue to be in full force and effect and shall continue to secure all the Secured Obligations (as defined in the Security Agreement), as amended, increased and/or extended pursuant to this Sixth Amendment.

8. Miscellaneous.

(a) Continued Effectiveness of the Financing Agreement and the Other Loan Documents. Except as otherwise expressly provided herein, the Financing Agreement and the other Loan Documents are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects, except that on and after the Sixth Amendment Effective Date (i) all references in the Financing Agreement to "this Agreement", "hereto", "hereof", "hereunder" or words of like import referring to the Financing Agreement shall mean the Financing Agreement as amended by this Sixth Amendment, and (ii) all references in the other Loan Documents to the "Financing Agreement", "thereto", "thereof", "thereunder" or words of like import referring to the Financing Agreement shall mean the Financing Agreement as amended by this Sixth Amendment. To the extent that the Financing Agreement or any other Loan Document purports to pledge to the Collateral Agent, or to grant to the Collateral Agent, a security interest or lien, such pledge or grant is hereby ratified and confirmed in all respects. Except as expressly provided herein, the execution, delivery and effectiveness of this Sixth Amendment shall not operate as an amendment or waiver of any right, power or remedy of the Agents and the Lenders under the Financing Agreement or any other Loan Document, nor constitute an amendment or waiver of any provision of the Financing Agreement or any other Loan Document, nor constitute a waiver of, or consent to, any Default or Event of Default now existing or hereafter arising under the Financing Agreement or any other Loan Document, and Agents and the Lenders expressly reserve all of their rights and remedies under the Financing Agreement and the other Loan Documents, under applicable law or otherwise.

(b) Counterparts. This Sixth Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Sixth Amendment by telefacsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Sixth Amendment.

(c) Headings. Section headings herein are included for convenience of reference only and shall not constitute a part of this Sixth Amendment for any other purpose.

(d) Costs and Expenses. The Borrower agrees to pay on demand all fees, costs and expenses of the Agents and the Lenders in connection with the preparation, execution and delivery of this Sixth Amendment.

(e) Sixth Amendment as Loan Document. Each Loan Party hereby acknowledges and agrees that this Sixth Amendment constitutes a "Loan Document" under the Financing Agreement. Accordingly, it shall be an Event of Default under the Financing Agreement if (i) any representation or warranty made by any Loan Party under or in connection with this Sixth Amendment, which representation or warranty is (A) subject to a materiality or a Material Adverse Effect qualification, shall have been incorrect in any respect when made or deemed made, or (B) not subject to a materiality or a Material Adverse Effect qualification, shall have been incorrect in any material respect when made or deemed made or (ii) any Loan Party shall fail to perform or observe any term, covenant or agreement contained in this Sixth Amendment.

(f) Severability. Any provision of this Sixth Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(g) Governing Law. This Sixth Amendment shall be governed by the laws of the State of New York.

(h) Waiver of Jury Trial. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS SIXTH AMENDMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.

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IN WITNESS WHEREOF , the parties hereto have caused this Sixth Amendment to be executed and delivered by their respective duly authorized officers as of the date first written above.

BORROWER :

MOTORCAR PARTS OF AMERICA, INC.

By: /s/ Selwyn Joffe
Selwyn Joffe
Chief Executive Officer

COLLATERAL AGENT :

CERBERUS BUSINESS FINANCE, LLC

By: /s/ Daniel Wolf
Daniel Wolf
President

ADMINISTRATIVE AGENT AND LENDER :

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Fred Kiehne
Fred Kiehne
Senior Vice President

LENDER :

ABLECO FINANCE LLC

By: /s/ Daniel Wolf
Daniel Wolf
President

LENDER :

A5 FUNDING L.P.

By: A5 Fund Management LLC
Its: General Partner

By: /s/ Daniel Wolf
Daniel Wolf
President

LENDER :

CERBERUS OFFSHORE LEVERED I L.P.

By: COL I GP Inc.
Its: General Partner

By: /s/ Daniel Wolf
Daniel Wolf
Vice President

LENDER :

CERBERUS N-1 FUNDING LLC

By: /s/ Daniel Wolf
Daniel Wolf
Vice President

LENDER :

CERBERUS LEVERED LOAN OPPORTUNITIES FUND I, L.P.

By: Cerberus Levered Opportunities GP, LLC
Its: General Partner

By: /s/ Daniel Wolf
Daniel Wolf
Managing Director

LENDER :

CERBERUS ONSHORE LEVERED II LLC

By: /s/ Daniel Wolf
Daniel Wolf
Vice President

LENDER :

CERBERUS OFFSHORE LEVERED II LP

By: COL II GP Inc.
Its: General Partner

By: /s/ Daniel Wolf
Daniel Wolf
Vice President

LENDER :

CERBERUS AUS LEVERED LP

By: CAL I GP LLC
Its: General Partner

By: /s/ Daniel Wolf
Daniel Wolf
Vice President

LENDER :

CERBERUS ASRS FUNDING LLC

By: /s/ Daniel Wolf
Daniel Wolf
Vice President

Exhibit 21.1

List of Subsidiaries

MVR Products Pte. Limited, a company organized under the laws of Singapore

Unijoh Sdn. Bhd., a company organized under the laws of Malaysia

Motorcar Parts de Mexico, S.A. de C.V., a company organized under the laws of Mexico

Motorcar Parts of Canada, Inc., a company organized under the laws of Canada

Central Auto Parts Co., Ltd, a company organized under the laws of China

Fenwick Automotive Products Limited, a company organized under the laws of Canada

Introcan, Inc., a company organized under the laws of Delaware

Fapco S.A. de C.V., a company organized under the laws of Mexico

Exhibit 23.0

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 No.'s 333-114169, 333-103313, and 333-144883) pertaining to the Long Term Incentive Plan, 1994 Stock Option Plan, and 2004 Non-Employee Director Stock Option Plan, respectively, of Motorcar Parts of America, Inc. of our reports dated June 17, 2013, with respect to the consolidated financial statements and schedule of Motorcar Parts of America, Inc. and the effectiveness of internal control over financial reporting of Motorcar Parts of America, Inc. included in this Annual Report (Form 10-K) for the year ended March 31, 2013.

/s/ Ernst & Young LLP

Los Angeles, CA
June 17, 2013

Exhibit 31.1

CERTIFICATIONS

I, Selwyn Joffe, certify that:

1. I have reviewed this report on Form 10-K of Motorcar Parts of America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused, such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 17, 2013

/s/ Selwyn Joffe
Selwyn Joffe
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, David Lee, certify that:

1. I have reviewed this report on Form 10-K of Motorcar Parts of America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused, such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 17, 2013

/s/ David Lee
David Lee
Chief Financial Officer

Exhibit 31.3

CERTIFICATIONS

I, Kevin Daly, certify that:

1. I have reviewed this report on Form 10-K of Motorcar Parts of America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused, such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 17, 2013	/s/ Kevin Daly
	Kevin Daly
	Chief Accounting Officer

EXHIBIT 32.1

CERTIFICATE OF CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND CHIEF ACCOUNTING OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Motorcar Parts of America, Inc. (the "Company") on Form 10-K for the year ended March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Selwyn Joffe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Selwyn Joffe
Selwyn Joffe
Chief Executive Officer
June 17, 2013

In connection with the Annual Report of Motorcar Parts of America, Inc. (the "Company") on Form 10-K for the year ended March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, David Lee, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Lee
David Lee
Chief Financial Officer
June 17, 2013

In connection with the Annual Report of Motorcar Parts of America, Inc. (the "Company") on Form 10-K for the year ended March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Kevin Daly, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin Daly
Kevin Daly
Chief Accounting Officer
June 17, 2013

The foregoing certifications are being furnished to the Securities and Exchange Commission as part of the accompanying report on Form 10-K. A signed original of each of these statements has been provided to Motorcar Parts of America, Inc. and will be retained by Motorcar Parts of America, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.