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As filed with the Securities and Exchange Commission on January 10, 2007
Registration No. 333-138379

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2
TO
Form S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

U.S. Auto Parts Network, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**5531**	**68-0623433**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Number)**	**(I.R.S. Employer Identification No.)**

17150 South Margay Avenue
Carson, CA 90746
(310) 719-8666
(Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Michael J. McClane
Chief Financial Officer, Executive Vice President of Finance, Treasurer and Secretary
U.S. Auto Parts Network, Inc.
17150 South Margay Avenue
Carson, CA 90746
(310) 735-0085
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Ellen S. Bancroft, Esq.
Scott R. Santagata, Esq.
J.R. Kang, Esq.
Jason R. Wisniewski, Esq.
Dorsey & Whitney LLP
38 Technology Drive
Irvine, CA 92618
(949) 932-3600

Michael J. Sullivan, Esq.
Julia Vax, Esq.
David Tang, Esq.
Howard Rice Nemerovski Canady Falk
& Rabkin, A Professional Corporation
Three Embarcadero Center, Seventh Floor
San Francisco, CA 94111-4024
(415) 434-1600

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

(continued on next page)

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, $0.001 par value	$138,000,000	$14,766

(1) Includes the offering price attributable to shares that the Underwriters have the option to purchase solely to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(3) $10,700 was previously paid, and $4,066 is being submitted herewith.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated January 10, 2007

PROSPECTUS

10,000,000 Shares

Common Stock

This is U.S. Auto Parts Network, Inc.'s initial public offering. We are offering 8,000,000 shares of our common stock and 2,000,000 shares are being offered by the selling stockholders identified in this prospectus. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

We expect the public offering price to be between $10.00 and $12.00 per share. Currently, no public market exists for the shares. After pricing the offering, we expect that the common stock will be traded on the NASDAQ Global Market under the symbol "PRTS."

Investing in our common stock involves risks. See " Risk Factors" beginning on page 8.

PRICE $ PER SHARE

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Net proceeds, before expenses, to U.S. Auto Parts	$	$
Net proceeds, before expenses, to the selling stockholders	$	$

The underwriters may also purchase up to an additional 1,500,000 shares from the selling stockholders at the public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus to cover over-allotments, if any.

The underwriters expect to deliver the shares on or about , 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

RBC CAPITAL MARKETS **THOMAS WEISEL PARTNERS LLC**

PIPER JAFFRAY **JMP SECURITIES**

, 2007.

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You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you different or inconsistent information, you should not rely on it. We and the selling stockholders are offering to sell and seeking offers to buy shares of our common stock only in jurisdictions where offers or sales are permitted. The information in this prospectus is only accurate as of the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we nor any of the underwriters for the offering of our common stock have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about, and to observe any restrictions relating to, our offering and the distribution of this prospectus.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and may not contain all the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including the "Risk Factors" and the consolidated financial statements and related notes, before making an investment decision.

Our Business

Overview

We are a leading online provider of aftermarket auto parts, including body parts, engine parts, performance parts and accessories. Our network of websites provides individual consumers with a comprehensive selection of approximately 550,000 products, identified as stock keeping units or SKUs. We have developed a proprietary product database that maps our 550,000 SKUs to over 4.3 million product applications based on vehicle makes, models and years. Our flagship websites are located at *www.partstrain.com* and *www.autopartswarehouse.com*, and our corporate website is located at *www.usautoparts.net.*

Our online sales channel and relationships with suppliers enable us to eliminate several intermediaries in the traditional auto parts supply chain, allowing us to acquire many of our products directly from manufacturers and sell them to our customers. Additionally, as an online retailer, we do not incur many of the costs associated with operating brick and mortar stores. We believe that our ability to disintermediate the auto parts supply chain, combined with our efficient e-commerce platform, enables us to sell products at competitive prices while achieving higher operating margins and return on invested capital than many traditional automotive parts retailers.

Our business has grown consistently since we launched our first website in 2000. Net sales increased to $59.7 million and $83.5 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, from $40.7 million and $44.0 million for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. Net income decreased slightly to $6.8 million and $3.4 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, from $7.1 million and $4.8 million for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. Our Adjusted EBITDA increased to $8.8 million and $10.0 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, from $8.0 million and $6.1 million for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively.

In addition, we have experienced continued growth in the number of monthly unique visitors to our websites. In September 2006, approximately 6.8 million unique visitors viewed our websites. The number of orders placed through our e-commerce websites has also increased to approximately 288,000 and 505,000 for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, from approximately 201,000 and 207,000 for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. The average order value of purchases on our websites for the nine months ended September 30, 2006 was approximately $120.

Industry Overview

The United States automotive aftermarket industry is forecasted to be $204 billion in 2006 according to the Automotive Aftermarket Industry Association, or AAIA, an independent trade association. Our

addressable market is forecasted by AAIA to be approximately $91.3 billion, which consists of approximately $37.8 billion in sales to Do-It-Yourself, or DIY, customers, and approximately $53.5 billion in sales to Do-It-For-Me, or DIFM, customers. While the U.S. auto parts aftermarket is a large market characterized by modest growth, we believe there is an opportunity for e-commerce aftermarket auto parts retailers to grow faster than the overall market.

According to Forrester Research, an independent market research firm, online purchases by U.S. consumers are expected to grow from approximately $172 billion in 2005 to approximately $329 billion by 2010, representing a 13.9% compound annual growth rate. In 2006, the online and mail order portion of aftermarket auto part sales is forecasted to be $2.7 billion according to the AAIA. While the portion of online and mail order sales represents only 3% of our addressable market, we believe online penetration rates of aftermarket auto parts consumers will continue to increase and, as a result, sales for online aftermarket auto parts are expected to continue to grow at a faster rate than the overall auto parts market.

The auto parts market has traditionally been fragmented and inefficient, with multiple intermediaries, including importers, wholesalers, distributors and retailers, between manufacturers and consumers. Furthermore, auto parts retailers who operate brick and mortar stores generally stock only a small percentage of the products that are available for sale. The fragmented nature of the auto parts market has also meant an absence of a centralized database or a comprehensive, master catalog of products, which maps all aftermarket auto parts to all relevant applications for such parts. We believe this inadequacy of information leads to inefficiencies in the sale and purchase process for both the retailer and the consumer.

Our Solution

We believe our solution addresses the problems faced in the traditional auto parts market and provides additional benefits for our customers. The key components of our solution include:

- disintermediation of the traditional auto parts supply chain, which enables us to eliminate several intermediaries, allowing us to offer auto parts at competitive prices while maintaining higher profit margins;
- a leading network of aftermarket auto parts websites;
- a proprietary product catalog that maps our 550,000 SKUs to over 4.3 million product applications based on vehicle makes, models and years;
- flexible fulfillment methods that allow us to offer a broad selection of products, while effectively managing our inventory and enhancing our overall profitability;
- low-cost offshore and outsourced operations in the Philippines and India, which are responsible for a majority of the development and maintenance of our websites and product catalog and customer service and sales functions; and
- long-standing, strong supplier relationships with manufacturers and distributors located in Asia and the United States.

Benefits to Customers

We believe our solution provides multiple benefits to our customers, including:

- broad product selection and availability;
- competitive pricing;

- prompt order fulfillment;
- detailed product information; and
- an overall satisfying shopping experience and knowledgeable customer service.

Our Growth Strategy

Our primary objective is to continue our growth and to strengthen our position as a leading online provider of aftermarket auto parts. The key elements of our strategy are as follows:

- expand our product offering;
- cost-effectively increase the number of visitors to our websites;
- increase our visitor conversion rate;
- increase repeat customers;
- expand e-commerce distribution channels; and
- pursue strategic acquisitions that augment our business.

Corporate Information

We were formed as a California corporation in 1995 and reincorporated in Delaware in March 2006. Our executive offices are located at 17150 South Margay Avenue, Carson, California 90746, and our telephone number is (310) 719-8666. Our corporate website is located at *www.usautoparts.net.* Our flagship retail websites are located at *www.partstrain.com* and *www.autopartswarehouse.com.* The information contained in, or that can be accessed through, our websites does not constitute a part of this prospectus. Unless the context requires otherwise, as used in this prospectus, the terms "U.S. Auto Parts," "we," "us" and "our" refer to U.S. Auto Parts Network, Inc. and its subsidiaries, and the term "Partsbin" refers to All OEM Parts, Inc., ThePartsBin.com, Inc. and their affiliated companies, which we acquired in May 2006.

U.S. Auto Parts™, U.S. Auto Parts Network™, PartsTrain™, Partsbin™, Kool-Vue™ and Auto-Vend™ are our United States common law trademarks. All other trademarks and trade names appearing in this prospectus are the property of their respective owners.

The Offering

Common stock offered by us	8,000,000 shares
Common stock offered by the selling stockholders	2,000,000 shares
Common stock to be outstanding after this offering	29,832,927 shares
Use of proceeds	For repayment of approximately $33.0 million of indebtedness and for working capital and other general corporate purposes, including expanding our infrastructure and sales and marketing activities. In addition, we may use a portion of the net proceeds for acquisitions and investments in complementary businesses, technologies and strategic relationships. See “Use of Proceeds.”
Risk Factors	See “Risk Factors” and the other information included in this prospectus for a discussion of factors you should consider carefully before investing in shares of our common stock.
Proposed NASDAQ Global Market symbol	PRTS

The number of shares of common stock outstanding after this offering is based on 21,832,927 shares outstanding as of December 31, 2006, which assumes the conversion of all of our outstanding preferred stock into 6,633,255 shares of common stock immediately prior to the completion of this offering, and does not include 2,400,000 shares of common stock reserved for future grant or issuance under our 2007 Omnibus Incentive Plan adopted in January 2007, and does not include, as of December 31, 2006:

- 2,786,532 shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price of $9.04 per share;
- 716,309 shares of common stock reserved for future grant or issuance under our 2006 Equity Incentive Plan; and
- 84,332 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $7.29 per share.

Unless otherwise indicated, all information in this prospectus assumes:

- the underwriters will not exercise their over-allotment option to purchase up to 1,500,000 additional shares of common stock from the selling stockholders;
- no other person will exercise any other outstanding options or warrants;
- the initial public offering price will be $11.00 per share, which is the midpoint of the range set forth on the cover of this prospectus; and
- the effect of a 3-for-5 reverse stock split, which occurred in January 2007.

Summary Consolidated Financial Data

The following tables summarize our consolidated financial data for the periods presented and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this prospectus. The summary consolidated financial data for the years ended December 31, 2003, 2004 and 2005 are derived from our audited consolidated financial statements. We have also included data from our unaudited consolidated financial statements for the nine months ended September 30, 2005 and 2006.

	Years Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005	Pro Forma 2005(1)	2005	2006	Pro Forma 2006(1)
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in thousands, except share and per share data)						
Consolidated Statement of Income Data:							
Net sales	$31,657	$40,658	$59,698	$98,168	$43,979	$83,514	$107,366
Cost of sales	17,814	21,334	34,829	64,362	25,876	53,779	71,614
Gross profit	13,843	19,324	24,869	33,806	18,103	29,735	35,752
Operating expenses:							
General and administrative(2)	2,284	3,599	7,254	10,325	5,555	7,081	8,694
Marketing(2)	3,617	4,526	5,802	10,862	4,315	10,313	13,539
Fulfillment(2)	3,246	2,990	4,357	4,407	3,162	3,589	3,608
Technology(2)	405	776	868	1,431	596	992	1,305
Amortization of intangibles	—	8	17	8,176	13	3,037	6,174
Total operating expenses	9,552	11,899	18,298	35,201	13,641	25,012	33,320
Income (loss) from operations	4,291	7,425	6,571	(1,395)	4,462	4,723	2,432
Other income (expense), net	(42)	36	85	(1,852)	97	(800)	(1,529)
Income (loss) before income taxes	4,249	7,461	6,656	(3,247)	4,559	3,923	903
Income tax provision (benefit)	478	328	(163)	(195)	(199)	479	(259)
Net income (loss)	$3,771	$7,133	$6,819	$(3,052)	$4,758	$3,444	$1,162
Basic net income (loss) per share	$0.33	$0.54	$0.52	$(0.20)	$0.36	$0.24	$0.08
Diluted net income (loss) per share	$0.33	$0.54	$0.52	$(0.20)	$0.36	$0.18	$0.06
Shares used in computation of basic net income (loss) per share	11,276,876	13,200,000	13,200,000	15,183,315	13,200,000	14,180,869	15,190,687
Shares used in computation of diluted net income (loss) per share	11,276,876	13,200,000	13,200,000	15,183,315	13,200,000	19,362,189	20,372,007
Non-GAAP Financial Measures:							
EBITDA(3)	4,382	7,961	8,755	8,947	6,095	9,438	10,386
Adjusted EBITDA(3)	4,382	7,961	8,755	8,947	6,095	10,042	10,990
Unaudited Pro Forma Statement of Income Data(4):							
Income (loss) before income taxes	4,249	7,461	6,656	(3,247)	4,559	3,923	903
Pro forma provision (benefit) for income taxes	1,729	2,964	2,657	(1,301)	1,822	1,664	418
Pro forma net income (loss)	$2,520	$4,497	$3,999	$(1,946)	$2,737	$2,259	$485
Pro forma basic net income (loss) per share	$0.22	$0.34	$0.20	$(0.13)	$0.21	$0.11	$0.03
Pro forma diluted net income (loss) per share	$0.22	$0.34	$0.20	$(0.13)	$0.21	$0.11	$0.02
Shares used in computation of pro forma basic net income per share	11,276,876	13,200,000	19,833,255	15,183,315	13,200,000	20,814,124	15,190,687
Shares used in computation of pro forma diluted net income per share	11,276,876	13,200,000	19,833,255	15,183,315	13,200,000	20,844,345	20,372,007

(see footnotes on next page)

(footnotes to prior page)

(1) The pro forma financial information gives effect to the acquisition of Partsbin as if the acquisition occurred on January 1, 2005. See "Unaudited Pro Forma Combined Statement of Operations."

(2) Includes share-based compensation expense related to option grants, as follows:

	Years Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005	Pro Forma 2005(1)	2005	2006	Pro Forma 2006(1)
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(in thousands)			
General and administrative	$ —	$ —	$ —	$ —	$ —	$ 359	$ 359
Marketing	—	—	—	—	—	126	126
Fulfillment	—	—	—	—	—	16	16
Technology	—	—	—	—	—	103	103
	$ —	$ —	$ —	$ —	$ —	$ 604	$ 604

(3) EBITDA and Adjusted EBITDA are supplemental non-GAAP financial measures. GAAP means generally accepted accounting principles in the United States. EBITDA is equal to net income plus (a) interest expense, net; (b) income tax provision (benefit); (c) amortization of intangibles; and (d) depreciation and amortization. Our definition of Adjusted EBITDA is different from EBITDA because we further adjust EBITDA to exclude share-based compensation expense. A reconciliation of these non-GAAP financial measures to net income is set forth in the related table under "— Non-GAAP Financial Measures" below.

(4) Presents pro forma provision for income taxes and pro forma net income as if we operated as a C corporation in all periods presented. As part of this presentation, pro forma basic net income per share for the year ended December 31, 2005 and the nine months ended September 30, 2006 also give effect to the conversion of our Series A convertible preferred stock into common stock immediately prior to the closing of this offering. See Note 1 and Note 8 of the Notes to our Consolidated Financial Statements included elsewhere in this prospectus for an explanation of the unaudited pro forma statement of income data.

The pro forma as adjusted consolidated balance sheet data below give effect to the conversion of all of our outstanding preferred stock into 6,633,255 shares of our common stock immediately prior to the closing of this offering, as well as the receipt of the estimated proceeds from the sale of the 8,000,000 shares of common stock offered by us in this offering at an assumed initial offering price of $11.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the repayment after the closing of this offering of approximately $33.0 million of indebtedness incurred primarily in connection with our acquisition of Partsbin.

	As of September 30, 2006	
	Actual	Pro Forma As Adjusted
	(unaudited) (in thousands)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 3,287	$ 49,595
Working capital	(4,832)	47,990
Total assets	68,718	114,340
Total debt, including current portion, capital lease obligations and notes payable to stockholders	34,888	182
Stockholders' equity	20,138	108,138

Non-GAAP Financial Measures

Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. We provide "EBITDA" and "Adjusted EBITDA," which are non-GAAP financial measures, because we believe such measures are important supplemental information for investors. We calculate EBITDA as net income before (a) interest expense, net; (b) income tax provision (benefit); (c) amortization of intangibles; and (d) depreciation and amortization. Adjusted EBITDA further adjusts EBITDA to exclude share-based compensation expense related to our grant of stock options and other equity instruments. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business.

We use EBITDA and Adjusted EBITDA:

- as measurements of our operating performance because they assist us in comparing our operating performance on a consistent basis by removing the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal budget;
- to allocate resources to enhance the financial performance of our business;
- to evaluate the effectiveness of our operational strategies; and
- to evaluate our capacity to fund capital expenditures and expand our business.

We also believe that analysts and investors use EBITDA and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

Management strongly encourages investors to review our consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. For information about our financial results as reported in accordance with GAAP, see our consolidated financial statements and related notes included in this prospectus.

The table below reconciles net income (loss) to EBITDA and Adjusted EBITDA for the periods presented:

	Years Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005	Pro Forma 2005(1)	2005	2006	Pro Forma 2006(1)
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(in thousands)			
Net income (loss)	$3,771	$7,133	$6,819	$ (3,052)	$ 4,758	$ 3,444	$ 1,162
Interest expense, net	13	44	106	1,931	68	950	1,657
Income tax provision (benefit)	478	328	(163)	(195)	(199)	479	(259)
Amortization of intangibles	—	8	17	8,176	13	3,037	6,174
Depreciation and amortization	120	448	1,976	2,087	1,455	1,528	1,652
EBITDA	4,382	7,961	8,755	8,947	6,095	9,438	10,386
Share-based compensation	—	—	—	—	—	604	604
Adjusted EBITDA	$4,382	$7,961	$8,755	$ 8,947	$ 6,095	$ 10,042	$ 10,990

(1) The pro forma financial information gives effect to the acquisition of Partsbin as if the acquisition occurred on January 1, 2005.

RISK FACTORS

You should consider carefully the following risks before you decide to purchase our common stock. Additional risks and uncertainties not presently known to us or that we currently believe are not important may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our common stock could decline and you may lose all or part of your investment.

Risks Relating to Our Business

Purchasers of aftermarket auto parts may not choose to shop online, which would prevent us from acquiring new customers who are necessary to the growth of our business

The online market for aftermarket auto parts is less developed than the online market for many other business and consumer products. Our success will depend in part on our ability to attract new customers and customers who have historically purchased auto parts through traditional retail and wholesale operations. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures or price our products more competitively than we currently anticipate in order to attract additional online consumers to our websites and convert them into purchasing customers. Specific factors that could prevent prospective customers from purchasing from us include:

- concerns about buying auto parts without face-to-face interaction with sales personnel;
- the inability to physically handle, examine and compare products;
- delivery time associated with Internet orders;
- concerns about the security of online transactions and the privacy of personal information;
- delayed shipments or shipments of incorrect or damaged products; and
- the inconvenience associated with returning or exchanging items purchased online.

If the online market for auto parts does not gain widespread acceptance, our business and financial results may suffer.

We depend on search engines and other online sources to attract visitors to our websites, and if we are unable to attract these visitors and convert them into customers in a cost-effective manner, our business and results of operations will be harmed

Our success depends on our ability to attract online consumers to our websites and convert them into customers in a cost-effective manner. We are significantly dependent upon search engines, shopping comparison sites and other online sources for our website traffic. We are included in search results as a result of both paid search listings, where we purchase specific search terms that will result in the inclusion of our listing, and algorithmic searches that depend upon the searchable content on our sites. Algorithmic listings cannot be purchased and instead are determined and displayed solely by a set of formulas utilized by the search engine. We rely on both algorithmic and purchased listings to attract and direct consumers to our websites. Search engines, shopping comparison sites and other online sources revise their algorithms from time to time in an attempt to optimize their search results. If one or more of the search engines, shopping comparison sites or other online sources on which we rely for website traffic were to modify its general methodology for how it displays our websites, resulting in fewer consumers clicking through to our websites, our financial results could be adversely affected. In particular, Yahoo! has announced that it is changing the manner in which it handles paid search listings to an approach similar to the one used by Google. We believe this change will make it more difficult for us to ascertain what other companies are

bidding for specific key words. The adoption of this approach by Yahoo! and other paid search providers could significantly increase the cost of our Internet advertising. In addition, if any free search engine or shopping comparison site on which we rely begins charging fees for listing or placement, or if one or more of the search engines, shopping comparison sites and other online sources on which we rely for purchased listings, modifies or terminates its relationship with us, our expenses could rise, we could lose customers and traffic to our websites could decrease. In addition, our success in attracting visitors who convert to customers will depend in part upon our ability to identify and purchase relevant search terms, provide relevant content on our sites, and effectively target our other marketing programs such as e-mail campaigns and affiliate programs. If we are unable to attract visitors to our websites and convert them to customers in a cost-effective manner, then our business and financial results may be harmed.

We are dependent upon relationships with suppliers in Taiwan, China and the United States for the vast majority of our products

We acquire substantially all of our products from manufacturers and distributors located in Taiwan, China and the United States. Our top five suppliers represented approximately 47.4% of our total product purchases in 2005 and 55.5% for the nine months ended September 30, 2006. We do not have any long-term contracts or exclusive agreements with our suppliers that would ensure our ability to acquire the types and quantities of products we desire at acceptable prices and in a timely manner. In addition, our ability to acquire products from our suppliers in amounts and on terms acceptable to us is dependent upon a number of factors that could affect our suppliers and which are beyond our control. For example, financial or operational difficulties that some of our suppliers may face may increase the cost of the products we purchase from them. In addition, the trend towards consolidation among auto parts suppliers may disrupt or end our relationship with some suppliers, and could lead to less competition and, consequently, higher prices.

In addition, because many of our suppliers are outside of the United States, additional factors could interrupt our relationships or affect our ability to acquire the necessary products on acceptable terms, including:

- political, social and economical instability and the risk of war or other international incidents in Asia;
- fluctuations in foreign currency exchange rates that may increase our cost of products;
- tariffs and protectionist laws and business practices that favor local businesses;
- difficulties in complying with import and export laws, regulatory requirements and restrictions; and
- natural disasters and public health emergencies.

If we do not maintain our relationships with our existing suppliers or develop relationships with new suppliers on acceptable commercial terms, we may not be able to continue to offer a broad selection of merchandise at competitive prices and, as a result, we could lose customers and our sales could decline.

Challenges by OEMs to the validity of aftermarket auto parts and claims of infringement could adversely affect our business and the viability of the aftermarket auto parts industry

Original equipment manufacturers have attempted to use claims of intellectual property infringement against manufacturers and distributors of aftermarket auto parts to restrict or eliminate the sale of aftermarket auto parts that are the subject of the claims. We have received in the past, and we anticipate we may in the future receive, communications alleging that certain products we sell infringe third-party patents, copyrights, trademarks and trade names or other intellectual property rights. For example, in December 2005, Ford Global Technologies, LLC filed a complaint with the United States International

Trade Commission, or USITC, against us and five other named respondents, including four Taiwan-based manufacturers. Ford alleged in this action that we and the other respondents infringed 14 design patents (four of which were subsequently dropped from the investigation at Ford's request) that Ford claims cover eight parts for the 2004-2005 Ford F-150 truck (see "Business — Legal Proceedings"). Ford has asked the USITC to issue a permanent general exclusion order excluding from entry into the United States all auto parts that infringe the ten Ford design patents and that are imported into the United States, sold for importation in the United States, or sold within the United States after importation. Ford also seeks a permanent order directing us and the other respondents to cease and desist from, among other things, selling, marketing, advertising, distributing and offering for sale imported auto parts that infringe the design patents. The administrative law judge issued a preliminary ruling on December 4, 2006 upholding the validity of seven of the ten patents. The judge further ruled that the importation of automotive parts allegedly covered by these seven patents violates Section 337 of the Tariff Act of 1930, as amended. This ruling is subject to review by the USITC and will become final if adopted in whole or in part by the USITC. If it ultimately finds a violation of Section 337, the USITC may issue an order prohibiting further importation of the covered parts into the United States. To date, our sales of these parts have been minimal, but as the design for the 2004 model is incorporated into later year models of the F-150 and these trucks have been on the road longer, sales of aftermarket replacement parts for these trucks may increase substantially. Furthermore, if Ford continues to pursue, expands or escalates its claims against us, or if other OEMs commence similar actions, and any of them are successful in these actions, we could be restricted or prohibited from selling certain aftermarket products and the aftermarket auto parts industry could decline significantly, which could have a material adverse effect on our business, financial condition and results of operations.

Future infringement claims could also result in increased costs of doing business arising from increased legal expenses, adverse judgments or settlements or changes to our business practices required to settle such claims or satisfy any judgments. Litigation could result in interpretations of the law that require us to change our business practices or otherwise increase our costs and harm our business. We do not maintain insurance coverage to cover the types of claims that could be asserted. If a successful claim were brought against us, it could expose us to significant liability.

We recently acquired Partsbin and the integration of our businesses may be time consuming and expensive and may not be immediately successful, if at all

In May 2006, we completed the acquisition of Partsbin, an online retailer of aftermarket auto parts. As a result of the acquisition, we added 47 employees, and our available SKUs and net sales increased significantly. The acquisition of Partsbin has involved significant costs, has resulted in challenges integrating the diverse technologies used by each company and has placed, and may continue to place, pressures on our operational and financial infrastructure. We cannot assure you that our current cost structure or infrastructure will be adequate for the combined companies. To successfully integrate Partsbin, we anticipate that we will need to improve our operational and financial systems, procedures and controls and maintain our cost structure at appropriate levels.

The Partsbin acquisition also expanded our product offerings, particularly in the area of engine parts and performance parts and accessories, and significantly increased our use of drop-ship as a method of fulfillment. We cannot assure you that we can effectively manage this new fulfillment model or address the market for these additional auto parts.

The integration of Partsbin may involve the consolidation of diverse business cultures, require substantial time and expenses, and distract management from other business matters. In addition, this acquisition may include significant intangible assets that are subject to periodic impairment testing which

could result in substantial accounting charges. If we are unable to integrate Partsbin in an efficient and timely manner, our business and operating results will be harmed.

We face intense competition and operate in an industry with limited barriers to entry, and some of our competitors may have greater resources than us and may be better positioned to capitalize on the growing e-commerce auto parts market

The auto parts industry is competitive and highly fragmented, with products distributed through multi-tiered and overlapping channels. We compete with both online and offline retailers who offer OEM and aftermarket auto parts to either the DIY or DIFM customer segments. Current or potential competitors include the following:

- national auto parts retailers such as Advance Auto Parts, AutoZone, CSK Auto, Napa Auto Parts, O'Reilly Automotive and Pep Boys;
- large online marketplaces such as Amazon.com and eBay;
- local independent retailers or niche auto parts online retailers; and
- wholesale auto parts distributors such as Keystone Automotive and LKQ Corporation.

Barriers to entry are low, and current and new competitors can launch websites at a relatively low cost. Many of our current and potential offline competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing, technical, management and other resources than we do. In addition, some of our competitors have used and may continue to use aggressive pricing tactics and devote substantially more financial resources to website and system development than we do. We expect that competition will further intensify in the future as Internet use and online commerce continue to grow worldwide. Increased competition may result in reduced operating margins, reduced profitability, loss of market share and diminished brand recognition.

We would also experience significant competitive pressure if any of our suppliers were to sell their products directly to customers. Since our suppliers have access to merchandise at very low costs, they could sell products at lower prices and maintain higher gross margins on their product sales than we can. In this event, our current and potential customers may decide to purchase directly from these suppliers. Increased competition from any supplier capable of maintaining high sales volumes and acquiring products at lower prices than us could significantly reduce our market share and adversely impact our financial results.

We rely on key personnel and may need additional personnel for the success and growth of our business

Our business is largely dependent on the personal efforts and abilities of key personnel including Mehran Nia, our Chief Executive Officer and President, and Michael McClane, our Chief Financial Officer, Executive Vice President of Finance, Treasurer and Secretary. Messrs. Nia and McClane, as well as any of our other key employees, can terminate their employment relationship with us at any time. We do not maintain key person life insurance on any officer or employee. Our performance also depends on our ability to identify, attract, retain and motivate highly skilled technical, managerial, merchandising, marketing and customer service personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such personnel. The loss of any key employee or our inability to attract or retain other qualified employees could harm our business and results of operations.

If our product catalog database is stolen or misappropriated or if a competitor is able to create a substantially similar catalog without infringing our rights, then we may lose an important competitive advantage

We have invested significant resources and time to build and maintain our product catalog, which is maintained in the form of an electronic database, and maps SKUs to relevant product applications based on vehicle makes, models and years. We believe that our product catalog provides us with an important competitive advantage in both driving traffic to our websites and converting that traffic to revenue by enabling customers to quickly locate the products they require. We cannot assure you that we can protect our product catalog from unauthorized copying or theft by a third party. In addition, it is possible that a competitor could develop a catalog or database that is similar to or more comprehensive than ours, without infringing our rights. In the event our product catalog is stolen, copied or otherwise replicated by a competitor, whether lawfully or not, we may lose an important competitive advantage and our business could be harmed.

Our future operating results may fluctuate and may fail to meet market expectations, which could adversely affect the market price of our common stock

We expect that our revenue and operating results will continue to fluctuate from quarter to quarter due to various factors, many of which are beyond our control. If our quarterly revenue or operating results fall below the expectations of investors or securities analysts, the price of our common stock could significantly decline. The factors that could cause our operating results to fluctuate include, but are not limited to:

- fluctuations in the demand for aftermarket auto parts;
- price competition on the Internet or among offline retailers for auto parts;
- our ability to attract visitors to our websites and convert those visitors into customers;
- our ability to maintain and expand our supplier and distribution relationships;
- the effects of seasonality on the demand for our products;
- our ability to accurately forecast demand for our products and maintain appropriate inventory levels;
- our ability to build and maintain customer loyalty;
- the success of our brand-building and marketing campaigns;
- government regulations related to use of the Internet for commerce, including the application of existing tax regulations to Internet commerce and changes in tax regulations;
- technical difficulties, system downtime or Internet brownouts; and
- the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure.

Economic conditions may have an adverse effect on the demand for aftermarket auto parts and could adversely affect our sales and operating results

We sell aftermarket auto parts consisting of body and engine parts used for repair and maintenance, performance parts used to enhance performance or improve aesthetics, and accessories that increase functionality or enhance a vehicle's features. Demand for our products may be adversely affected by general economic conditions. In declining economies, consumers often defer regular vehicle maintenance and may forego purchases of nonessential performance products, which can result in a decrease in demand for auto parts in general. In expanding economies, consumers may be more likely to purchase new vehicles instead

of repairing existing vehicles or they may be less price sensitive, leading to an increase in OEM parts sales at dealerships, either of which could also result in a decline in our sales. If such decreases in demand for our products are not offset by other factors, such as the deferral of new car purchases in declining economies, which may result in more required repairs for older vehicles, or the purchase of performance parts and accessories in expanding economies, our financial condition and results of operations would suffer.

If we are unable to manage the challenges associated with our international operations, the growth of our business could be limited and our business could suffer

We maintain business operations in the United States and the Philippines and outsourced call centers in both India and the Philippines. These international operations include development and maintenance of our websites, software development, enhancements of our online marketing technologies, and customer support services. We also operate a Canadian subsidiary to facilitate sales in Canada. We are subject to a number of risks and challenges that specifically relate to our international operations. Our international operations may not be successful if we are unable to meet and overcome these challenges, which could limit the growth of our business and may have an adverse effect on our business and operating results. These risks and challenges include:

- difficulties and costs of staffing and managing foreign operations;
- restrictions imposed by local labor practices and laws on our business and operations;
- exposure to different business practices and legal standards;
- unexpected changes in regulatory requirements;
- the imposition of government controls and restrictions;
- political, social and economic instability and the risk of war, terrorist activities or other international incidents;
- natural disasters and public health emergencies;
- potentially adverse tax consequences;
- the failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property; and
- fluctuations in foreign currency exchange rates.

If our fulfillment operations are interrupted for any significant period of time or are not sufficient to accommodate increased demand, our sales would decline and our reputation could be harmed

Our success depends on our ability to successfully receive and fulfill orders and to promptly deliver our products to our customers. The majority of orders for our other products are filled from our inventory through our distribution centers, where all our inventory management, packaging, labeling and product return processes are performed. Increased demand and other considerations may require us to expand our distribution centers or transfer our fulfillment operations to larger facilities in the future.

Our distribution centers are susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failures, terrorist attacks, acts of war, break-ins, earthquakes and similar events. We do not currently maintain back-up power systems at our fulfillment centers. We do not presently have a formal disaster recovery plan and our business interruption insurance may be insufficient to compensate us for losses that may occur in the event operations at our fulfillment center are interrupted. Any interruptions in our fulfillment operations for any significant period of time, including interruptions resulting from the

expansion of our existing facilities or the transfer of operations to a new facility, could damage our reputation and brand and substantially harm our business and results of operations. In addition, if we do not successfully expand our fulfillment capabilities in response to increases in demand, we may not be able to substantially increase our net sales.

We are dependent upon third parties for distribution and fulfillment operations with respect to many of our products

For a number of the products that we sell, we outsource the distribution and fulfillment operation and are dependent on our distributors to manage inventory, process orders and distribute those products to our customers in a timely manner. For the nine months ended September 30, 2006, we fulfilled 11.4% of our net sales through a single supplier. Our agreements with this supplier may be terminated at any time by either party, with 120 to 365 days' notice. In addition, we do not have definitive agreements with many of our primary international suppliers. If we do not maintain our existing relationships with our distributors on acceptable commercial terms, we will need to obtain other suppliers and may not be able to continue to offer a broad selection of merchandise at competitive prices, and our sales may decrease.

In addition, because we outsource to distributors a number of these traditional retail functions relating to those products, we have limited control over how and when orders are fulfilled. We also have limited control over the products that our distributors purchase or keep in stock, and our agreements with most of our distributors do not require them to set aside any amount of inventory to fulfill our orders or to give our orders priority over other resellers to whom they sell. Our distributors may not accurately forecast the products that will be in high demand or they may allocate popular products to other resellers, resulting in the unavailability of certain products for sale on our websites. Any inability to offer a broad array of products at competitive prices and any failure to deliver those products to our customers in a timely and accurate manner may damage our reputation and brand and could cause us to lose customers.

Our ability to sustain or increase our profitability will suffer if we fail to manage our growth effectively

In recent years we have experienced rapid growth that has placed, and will continue to place, pressures on our operational and financial infrastructure. Our workforce has increased from 114 employees as of December 31, 2003 to 434 employees as of September 30, 2006. Our net sales have increased from $31.7 million in 2003 to $83.5 million for the nine months ended September 30, 2006. Our recent expansion and planned growth have placed, and are expected to continue to place, a strain on our infrastructure, operations and managerial resources. We intend to further increase the size of our operations, and we expect our operating expenses to increase, as we, among other things:

- expand our domestic and international operations;
- increase our technology and development efforts to enhance and maintain our websites and technology infrastructure;
- hire additional personnel, including customer service specialists, sales and marketing professionals, and financial professionals;
- upgrade our operational and financial systems, procedures and controls; and
- assume the responsibilities and costs of being a public company.

Our success depends upon our ability to manage our operations and our growth effectively. To be successful, we will need to improve our operational and financial systems, procedures and controls, maintain our cost structure at appropriate levels, manage international operations, and hire additional

personnel. We cannot assure you that our efforts will be successful or that we can improve our systems, procedures and controls in a timely manner. Delays or problems associated with any improvements or expansion of our systems, procedures and controls could harm our business and operating results. In addition, we may fail to accurately estimate and assess our increased operating expenses as we grow. As our operating expenses increase, we will need to grow our revenue in order to maintain and increase our profitability.

If we fail to offer a broad selection of products and brands at competitive prices to meet our customers' demands, our revenue could decline

In order to expand our business, we must successfully offer, on a continuous basis, a broad selection of auto parts that meet the needs of our customers. Our auto parts are used by consumers for a variety of purposes, including repair, performance, improved aesthetics and functionality. In addition, to be successful, our product offerings must be broad and deep in scope, competitively priced, well-made, innovative and attractive to a wide range of consumers. We cannot predict with certainty that we will be successful in offering products that meet all of these requirements. If our product offerings fail to satisfy our customers' requirements or respond to changes in customer preferences, our revenue could decline.

Future acquisitions could disrupt our business and harm our financial condition

As part of our growth strategy, we expect that we will selectively pursue acquisitions of businesses, technologies or services in order to expand our capabilities, enter new markets or increase our market share. Integrating any newly acquired businesses, technologies or services is likely to be expensive and time consuming. For example, our recent acquisition of Partsbin has resulted in significant costs and a number of challenges, including integrating the diverse technologies and differing e-commerce platforms and accounting systems used by each company. If we are unable to successfully complete this integration, we may not realize the synergies from the acquisition, and our business and results of operations could suffer. To finance any future acquisitions, it may also be necessary for us to raise additional capital through public or private financings. Additional funds may not be available on terms that are favorable to us, and, in the case of equity financings, would result in dilution to our stockholders. Future acquisitions by us could also result in large and immediate write-offs, assumption of debt and unforeseen liabilities and significant adverse accounting charges, any of which could substantially harm our business, financial condition and results of operations. We have no current plans, agreements or commitments with respect to any acquisitions.

We may be subject to liability for sales and other taxes and penalties, which could have an adverse effect on our business

We currently collect sales or other similar taxes only on the shipment of goods to the states of California, New Jersey and Tennessee. The U.S. Supreme Court has ruled that vendors whose only connection with customers in a state is by common carrier or the U.S. mail are free from state-imposed duties to collect sales and use taxes in that state. However, states could seek to impose additional income tax obligations or sales tax collection obligations on out-of-state companies such as ours, which engage in or facilitate online commerce, based on their interpretation of existing laws, including the Supreme Court ruling, or specific facts relating to us. If sales tax obligations are successfully imposed upon us by a state or other jurisdiction, we could be exposed to substantial tax liabilities for past sales and penalties and fines for failure to collect sales taxes. We could also suffer decreased sales in that state or jurisdiction as the effective cost of purchasing goods from us increases for those residing in that state or jurisdiction.

In addition, a number of states, as well as the U.S. Congress, have been considering various initiatives that could limit or supersede the Supreme Court's apparent position regarding sales and use taxes on

Internet sales. If any of these initiatives are enacted, we could be required to collect sales and use taxes in additional states and our revenue could be adversely affected. Furthermore, the U.S. Congress has not yet extended a moratorium, which was first imposed in 1998 but has since expired, on state and local governments' ability to impose new taxes on Internet access and Internet transactions. The imposition by state and local governments of various taxes upon Internet commerce could create administrative burdens for us as well as substantially impair the growth of e-commerce and adversely affect our revenue and profitability. Since our service is available over the Internet in multiple states, these jurisdictions may require us to qualify to do business in these states. If we fail to qualify in a jurisdiction that requires us to do so, we could face liabilities for taxes and penalties.

We could be liable for breaches of security on our websites

A fundamental requirement for e-commerce is the secure transmission of confidential information over public networks. Anyone who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. Although we have developed systems and processes that are designed to protect consumer information and prevent fraudulent credit card transactions and other security breaches, failure to mitigate such fraud or breaches may adversely affect our operating results. We may be required to expend significant capital and other resources to protect against potential security breaches or to alleviate problems caused by any breach. We rely on licensed encryption and authentication technology to provide the security and authentication necessary for secure transmission of confidential information, including credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may result in a compromise or breach of the algorithms that we use to protect customer transaction data. In the event someone circumvents our security measures, it could seriously harm our business and reputation and we could lose customers. Security breaches could also expose us to a risk of loss or litigation and possible liability for failing to secure confidential customer information.

The success of our business depends on the continued growth of the Internet as a retail marketplace and the related expansion of the Internet infrastructure

Our future success depends upon the continued and widespread acceptance and adoption of the Internet as a vehicle to purchase products. If customers or manufacturers are unwilling to use the Internet to conduct business and exchange information, our business will fail. The commercial acceptance and use of the Internet may not continue to develop at historical rates, or may not develop as quickly as we expect. The growth of the Internet, and in turn the growth of our business, may be inhibited by concerns over privacy and security, including concerns regarding "viruses" and "worms," reliability issues arising from outages or damage to Internet infrastructure, delays in development or adoption of new standards and protocols to handle the demands of increased Internet activity, decreased accessibility, increased government regulation, and taxation of Internet activity. In addition, our business growth may be adversely affected if the Internet infrastructure does not keep pace with the growing Internet activity and is unable to support the demands placed upon it, or if there is any delay in the development of enabling technologies and performance improvements.

If we do not respond to technological change, our websites could become obsolete and our financial results and conditions could be adversely affected

We maintain a network of websites which requires substantial development and maintenance efforts and entails significant technical and business risks. To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our websites. The Internet and the e-commerce industry are characterized by rapid technological change, the emergence of new industry

standards and practices and changes in customer requirements and preferences. Therefore, we may be required to license emerging technologies, enhance our existing websites, develop new services and technology that address the increasingly sophisticated and varied needs of our current and prospective customers, and adapt to technological advances and emerging industry and regulatory standards and practices in a cost-effective and timely manner. Our ability to remain technologically competitive may require substantial expenditures and lead time and our failure to do so may harm our business and results of operations.

System failures, including failures due to natural disasters or other catastrophic events, could prevent access to our websites, which could reduce our net sales and harm our reputation

Our sales would decline and we could lose existing or potential customers if they are not able to access our websites or if our websites, transaction processing systems or network infrastructure do not perform to our customers' satisfaction. Any Internet network interruptions or problems with our websites could:

- prevent customers from accessing our websites;
- reduce our ability to fulfill orders or bill customers;
- reduce the number of products that we sell;
- cause customer dissatisfaction; or
- damage our brand and reputation.

We have experienced brief computer system interruptions in the past, and we believe they will continue to occur from time to time in the future. Our systems and operations are also vulnerable to damage or interruption from a number of sources, including a natural disaster or other catastrophic event such as an earthquake, typhoon, volcanic eruption, fire, flood, terrorist attack, power loss, telecommunications failure, physical and electronic break-ins and other similar events. For example, our headquarters and the majority of our infrastructure, including some of our servers, are located in Southern California, a seismically active region. We also maintain offshore and outsourced operations in the Philippines, an area that was recently subjected to a typhoon and a volcanic eruption. In addition, California has in the past experienced power outages as a result of limited electrical power supplies. Such outages, natural disasters and similar events may recur in the future and could disrupt the operation of our business. Our technology infrastructure is also vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. Although the critical portions of our systems are redundant and back up copies are maintained offsite, not all of our systems and data are fully redundant. We do not presently have a formal disaster recovery plan in effect and may not have sufficient insurance for losses that may occur from natural disasters or catastrophic events. Any substantial disruption of our technology infrastructure could cause interruptions or delays in our business and loss of data or render us unable to accept and fulfill customer orders or operate our websites in a timely manner, or at all.

Capacity constraints on our technology infrastructure would harm our business, prospects, results of operations and financial condition

If the volume of traffic on our websites or the number of purchases made by customers increases substantially, we may need to further expand and upgrade our technology, transaction processing systems and network infrastructure. Capacity constraints can cause unanticipated system disruptions, slower response times, degradation in levels of customer service, impaired quality and delays in reporting accurate financial information.

We may be unable to project accurately the rate or timing of traffic increases or successfully and cost-effectively upgrade our systems and infrastructure in time to accommodate future traffic levels on our

websites. Any such upgrades to our systems and infrastructure will require substantial expenditures. In addition, we may be unable to upgrade and expand our transaction processing systems in an effective and timely manner or to integrate any newly developed or purchased functionality with our existing systems. Any inability to efficiently upgrade our systems and infrastructure in a timely manner to account for such growth and integrations may cause unanticipated system disruptions, slower response times, degradation in levels of customer service, impaired quality, delayed order fulfillment, any of which could result in a decline in our sales and harm our reputation.

We depend on third-party delivery services to deliver our products to our customers on a timely and consistent basis, and any deterioration in our relationship with any one of these third parties or increases in the fees that they charge could adversely affect our business and financial condition

We rely on third parties for the shipment of our products, but because we do not have written long-term agreements with any of these third parties, we cannot be sure that these relationships will continue on terms favorable to us, or at all. Increases in shipping costs could harm our business, prospects, financial condition and results of operations by increasing our costs of doing business and resulting in reduced gross margins. In addition, if our relationships with these third parties are terminated or impaired, or if these third parties are unable to deliver products for us, whether through labor shortage, slow down or stoppage, deteriorating financial or business condition, responses to terrorist attacks or for any other reason, we would be required to use alternative carriers for the shipment of products to our customers. Changing carriers could have a negative effect on our business and operating results due to reduced visibility of order status and package tracking and delays in order processing and product delivery, and we may be unable to engage alternative carriers on a timely basis, upon terms favorable to us, or at all.

We face exposure to product liability lawsuits

The automotive industry in general has been subject to a large number of product liability claims due to the nature of personal injuries that result from car accidents or malfunctions. As a distributor of auto parts, we could be held liable for the injury or damage caused if the products we sell are defective or malfunction. While we carry insurance against product liability claims, if the damages in any given action were high or we were subject to multiple lawsuits, the damages and costs could exceed the limits of our insurance coverage. If we were required to pay substantial damages as a result of these lawsuits, it may seriously harm our business and financial condition. Even defending against unsuccessful claims could cause us to incur significant expenses and result in a diversion of management's attention. In addition, even if the money damages themselves did not cause substantial harm to our business, the damage to our reputation and the brands offered on our websites could adversely affect our future reputation and our brand, and could result in a decline in our net sales and profitability.

Existing or future government regulation could expose us to liabilities and costly changes in our business operations and could reduce customer demand for our products and services

We are subject to federal and state consumer protection laws and regulations, including laws protecting the privacy of customer non-public information and regulations prohibiting unfair and deceptive trade practices, as well as laws and regulations governing businesses in general and the Internet and e-commerce. Additional laws and regulations may be adopted with respect to the Internet, the effect of which on e-commerce is uncertain. These laws may cover issues such as user privacy, spyware and the tracking of consumer activities, marketing e-mails and communications, other advertising and promotional practices, money transfers, pricing, content and quality of products and services, taxation, electronic contracts and other communications, intellectual property rights, and information security. Furthermore, it is not clear

how existing laws such as those governing issues such as property ownership, sales and other taxes, trespass, data mining and collection, and personal privacy apply to the Internet and e-commerce. To the extent we expand into international markets, we will be faced with complying with local laws and regulations, some of which may be materially different than U.S. laws and regulations. Any such foreign law or regulation, any new U.S. law or regulation, or the interpretation or application of existing laws and regulations to the Internet or other online services, may have a material adverse effect on our business, prospects, financial condition and results of operations by, among other things, impeding the growth of the Internet, subjecting us to fines, penalties, damages or other liabilities, requiring costly changes in our business operations and practices, and reducing customer demand for our products and services. We do not maintain insurance coverage to cover the types of claims or liabilities that could arise as a result of such regulation.

If we are unable to protect our intellectual property rights, our reputation and brand could be impaired and we could lose customers

We regard our trademarks, trade secrets and similar intellectual property as important to our success. We rely on trademark and copyright law, and trade secret protection, and confidentiality and/or license agreements with employees, customers, partners and others to protect our proprietary rights. We cannot be certain that we have taken adequate steps to protect our proprietary rights, especially in countries where the laws may not protect our rights as fully as in the United States. In addition, third parties may infringe or misappropriate our proprietary rights, and we could be required to incur significant expenses to preserve them. We have common law trademarks, as well as pending federal trademark registrations for several marks. Even if we obtain approval of such pending registrations, the resulting registrations may not adequately cover our inventions or protect us against infringement by others. Effective trademark, service mark, copyright, patent and trade secret protection may not be available in every country in which our products and services may be made available online. We also currently own or control a number of Internet domain names, including *www.usautoparts.net*, *www.partstrain.com* and *www.autopartswarehouse.com*. We may be unable to protect these domain names or acquire or maintain relevant domain names in the United States and in other countries. If we are not able to protect our trademarks, domain names or other intellectual property, we may experience difficulties in achieving and maintaining brand recognition and customer loyalty.

Our e-commerce system is dependent on open-source software, which exposes us to uncertainty and potential liability

We utilize open-source software such as Linux, Apache, MySQL, PHP, Fedora and Perl throughout our web properties and supporting infrastructure. Open-source software is maintained and upgraded by a general community of software developers under various open-source licenses, including the GNU General Public License, or GPL. These developers are under no obligation to maintain, enhance or provide any fixes or updates to this software in the future. Additionally, under the terms of the GPL and other open-source licenses, we may be forced to release to the public source-code internally developed by us pursuant to such licenses. Furthermore, if any of these developers contribute any code of others to any of the software that we use, we may be exposed to claims and liability for intellectual property infringement. A number of lawsuits are currently pending against third parties over the ownership rights to the various components within some open-source software that we use. If the outcome of these lawsuits is unfavorable, we may be held liable for intellectual property infringement based on our use of these open-source software components. We may also be forced to implement changes to the code-base for this software or replace this software with internally developed or commercially licensed software.

We rely on bandwidth and data center providers and other third parties to provide products to our customers, and any failure or interruption in the services provided by these third parties could disrupt our business and cause us to lose customers

We rely on third-party vendors, including data center and bandwidth providers. Any disruption in the network access or co-location services, which are the services that house and provide Internet access to our servers, provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could significantly harm our business. Any financial or other difficulties our providers face may have negative effects on our business, the nature and extent of which we cannot predict. We exercise little control over these third-party vendors, which increases our vulnerability to problems with the services they provide. We also license technology and related databases from third parties to facilitate elements of our e-commerce platform. We have experienced and expect to continue to experience interruptions and delays in service and availability for these elements. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies could negatively impact our relationship with our customers and adversely affect our business.

Our systems also heavily depend on the availability of electricity, which also comes from third-party providers. If we were to experience a major power outage, we would have to rely on back-up generators. These back-up generators may not operate properly through a major power outage, and their fuel supply could also be inadequate during a major power outage. Information systems such as ours may be disrupted by even brief power outages, or by the fluctuations in power resulting from switches to and from backup generators. This could disrupt our business and cause us to lose customers.

The United States government may substantially increase border controls and impose restrictions on cross-border commerce that may substantially harm our business

We purchase a substantial portion of our products from foreign manufacturers and other suppliers who source products internationally. Restrictions on shipping goods into the United States from other countries pose a substantial risk to our business. Particularly since the terrorist attacks on September 11, 2001, the United States government has substantially increased border surveillance and controls. If the United States were to impose further border controls and restrictions, impose quotas, tariffs or import duties, increase the documentation requirements applicable to cross border shipments or take other actions that have the effect of restricting the flow of goods from other countries to the United States, we may have greater difficulty acquiring our inventory in a timely manner, experience shipping delays, or incur increased costs and expenses, all of which would substantially harm our business and results of operations.

Risks Relating to this Offering and Ownership of Our Common Stock

No public market for our common stock currently exists and an active trading market may not develop or be sustained following this offering

No public market for our common stock currently exists, and we cannot be certain that an active trading market for our common stock will develop or be sustained following this offering. Further, we cannot be certain that the market price of our common stock will not decline below the initial public offering price. The initial public offering price was determined by negotiation among us and the underwriters based upon several factors and may not be indicative of future market prices for our common stock.

Our stock price may be volatile, which may result in losses to our stockholders

The market prices of technology and e-commerce companies generally have been extremely volatile and have recently experienced sharp share price and trading volume changes. The trading price of our common stock is likely to be volatile and could fluctuate widely in response to, among other things, the risk factors described in this prospectus and other factors beyond our control such as fluctuations in the operations or valuations of companies perceived by investors to be comparable to us and conditions or trends in the Internet or auto parts industries.

The stock markets have historically experienced significant price and trading volume fluctuations. These fluctuations, as well as general economic and political conditions unrelated to our performance, may adversely affect the price of our common stock. In particular, following initial public offerings, the market prices for stocks of Internet and technology-related companies often reach levels that bear no established relationship to the operating performance of these companies. These market prices are generally not sustainable and could vary widely. In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation has often been initiated. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

We have broad discretion as to the use of proceeds from this offering and may not use the proceeds effectively

We estimate the net proceeds of this offering to be approximately $79.3 million. Approximately $33.0 million of the net proceeds will be used to repay outstanding indebtedness, which will become due and payable in full upon the closing of an initial public offering. Our management will retain broad discretion as to the allocation of the remaining proceeds and may spend these proceeds in ways in which our stockholders may not agree. The failure of our management to apply these funds effectively could result in unfavorable returns and uncertainty about our prospects, each of which could cause the price of our common stock to decline.

Our executive officers and directors own a significant percentage of our stock and will continue to have significant control of our management and affairs after this offering

Upon completion of this offering, our executive officers and directors and entities that are affiliated with them will beneficially own approximately 57.2% of our outstanding shares of common stock. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. Also, these stockholders, acting together, will be able to control our management and affairs and matters requiring stockholder approval including the election of our entire board of directors and certain significant corporate actions such as mergers, consolidations or the sale of substantially all of our assets. As a result, this concentration of ownership could delay, defer or prevent others from initiating a potential merger, takeover or other change in our control, even if these actions would benefit our other stockholders and us.

A large number of additional shares may be sold into the public market in the near future, which may cause the market price of our common stock to decline significantly, even if our business is doing well

Sales of a substantial amount of common stock in the public market, or the perception that these sales may occur, could adversely affect the market price of our common stock. After this offering, we will have outstanding 29,832,927 shares of common stock. This includes the 10,000,000 shares we and the selling stockholders are selling in this offering, which may be resold in the public market immediately. The

remaining shares outstanding after the offering are all subject to lock-up agreements. Of these remaining shares, 6,649,618 shares will become available for resale in the public market 180 days after the date of this prospectus and 13,183,309 shares will become available for resale in the public market one year after the date of this prospectus, all subject to extension in certain circumstances. However, the underwriters can waive this restriction and allow these stockholders to sell their shares at any time, subject to applicable securities law and limitations. As restrictions on resale end, the market price could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. For a more detailed description, see "Shares Eligible for Future Sale."

New stockholders will incur substantial and immediate dilution as a result of this offering

The initial public offering price is substantially higher than the book value per share of our outstanding common stock. As a result, investors purchasing common stock in this offering will incur substantial and immediate dilution. At the assumed initial public offering price of $11.00 per share, purchasers in this public offering will experience immediate and substantial dilution of approximately $9.28 per share, representing the difference between our historical net tangible book value per share after giving effect to this offering and the initial public offering price. In addition, purchasers of common stock in this offering will have contributed approximately 83.3% of the aggregate price paid by all purchasers of our stock but will own only approximately 24.5% of our common stock outstanding after this offering. In addition, we have issued options to acquire common stock at prices significantly below the public offering price. To the extent such options are ultimately exercised, there will be further dilution to investors in this offering.

If we fail to maintain an effective system of internal control over financial reporting or are not able to adequately address certain identified significant deficiencies in our system of internal controls or comply with Section 404 of the Sarbanes-Oxley Act of 2002, we may not be able to accurately report our financial results or prevent fraud, and our stock price could decline

Our auditors have identified certain significant deficiencies in our system of internal control over financial reporting that are primarily related to our need to hire additional financial and accounting employees, as well as our need to upgrade our accounting systems and improve the documentation of our key assumptions, estimates, accounting policies and procedures. If we fail to adequately address these significant deficiencies and are not able to staff our accounting and finance department with the appropriate complement of experienced employees, we may not be able to improve our system of internal control over financial reporting to comply with the reporting requirements applicable to a public companies in the United States. Furthermore, it is possible that our auditors will identify material weaknesses or additional significant deficiencies in the future in our system of internal control over financial reporting. Our failure to address any deficiencies or weaknesses in our internal control over financial reporting or to properly maintain an effective system of internal control over financial reporting could impact our ability to prevent fraud or to issue our financial statements in a timely manner that present fairly our financial condition and results of operations. The existence of any such deficiencies or weaknesses, even if cured, may also lead to the loss of investor confidence in the reliability of our financial statements, could harm our business and negatively impact the trading price of our common stock. Such deficiencies or material weaknesses may also subject us to lawsuits, investigations and other penalties.

In addition, Section 404 of the Sarbanes-Oxley Act of 2002 will require us to evaluate and report on our internal control over financial reporting and have our independent auditors attest to our evaluation, beginning with our Annual Report on Form 10-K for the year ending December 31, 2008. We have prepared an internal plan of action for compliance with Section 404 and for strengthening and testing our

system of internal control to provide the basis for our report, but we cannot assure you that this plan of action will be sufficient to meet the rigorous requirements of Section 404, and our independent auditors may issue an adverse opinion regarding management's assessment of Section 404 compliance. It is also possible that our independent auditors may not be in a position to adequately assess our compliance with Section 404 on a timely basis, which could lead to our inability to comply with our reporting requirements under the Exchange Act of 1934, as amended (the "Exchange Act"). Our failure to comply with Section 404 or our reporting requirements would reduce investors' confidence in our financial statements and harm our stock price and could subject us to a variety of administrative sanctions, including the suspension or delisting of our common stock from the NASDAQ Global Market and the inability of registered broker/dealers to make a market in our common stock, which could also reduce our stock price.

We will incur increased costs and compliance risks as a result of being a public company

As a public company, we expect to incur significant legal, accounting and other expenses that we did not incur as a private company. These expenses are associated with our public company reporting requirements and certain corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and the new rules implemented by the SEC and the NASDAQ Stock Market. We expect that compliance with these rules and regulations, in particular Section 404 of the Sarbanes-Oxley Act of 2002, will substantially increase our legal and financial compliance costs and will likely require us to hire additional personnel and/or consultants. Like many smaller public companies, we expect to face a significant impact from required compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The process of strengthening our internal control and complying with Section 404 will be expensive and time consuming, and will require significant time and attention from our management team. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

We also expect these new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers.

We do not intend to pay dividends on our common stock

We currently intend to retain any future earnings and do not expect to pay any cash dividends on our capital stock for the foreseeable future.

Our charter documents could deter a takeover effort, which could inhibit your ability to receive an acquisition premium for your shares

Provisions in our certificate of incorporation and bylaws could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. Such provisions include the following:

- our board of directors will be authorized, without prior stockholder approval, to create and issue preferred stock which could be used to implement anti-takeover devices;
- advance notice will be required for director nominations or for proposals that can be acted upon at stockholder meetings;
- our board of directors will be classified such that not all members of our board are elected at one time, which may make it more difficult for a person who acquires control of a majority of our outstanding voting stock to replace all or a majority of our directors;

- stockholder action by written consent will be prohibited;
- special meetings of the stockholders will be permitted to be called only by the chairman of our board of directors, our chief executive officer or by a majority of our board of directors;
- stockholders will not be permitted to cumulate their votes for the election of directors; and
- stockholders will be permitted to amend our bylaws only upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

For a more detailed discussion of these provisions, see "Description of Capital Stock — Anti-Takeover Provisions."

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" and similar expressions intended to identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We discuss many of these risks in this prospectus in greater detail under the heading "Risk Factors." Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

USE OF PROCEEDS

The net proceeds from our sale of 8,000,000 shares of common stock in this offering are estimated to be approximately $79.3 million based on an assumed initial public offering price of $11.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares by the selling stockholders.

We presently intend to use the net proceeds of this offering as follows:

- Approximately $28.0 million will be used to repay our outstanding indebtedness under two term loans for approximately $18.0 million and $10.0 million, payable to our commercial lender. These loans bear interest at LIBOR plus 1.75% per annum and LIBOR plus 1.50% per annum (except during the first year in which the rate is 4.58%), respectively, and are due and payable beginning June 30, 2007 and March 31, 2007, respectively. Both loans have four year terms with the principal payable monthly over three years. However, the loans become due and payable in full upon the closing of an initial public offering. The proceeds of the loans borrowed were used to fund the acquisition of Partsbin, to fund the stockholder distribution made in connection with the March 2006 recapitalization, and for general working capital needs.
- Approximately $5.0 million will be used to repay our outstanding indebtedness under certain promissory notes payable to the former stockholders of Partsbin. The notes bear interest at LIBOR and are due and payable in equal quarterly installments beginning in the quarter ending June 30, 2007, with the final payment due in the quarter ending March 31, 2008. However, the notes become due and payable in full upon the closing of an initial public offering. The amounts outstanding under these promissory notes were used to fund the acquisition of Partsbin.
- The remainder of the net proceeds will be used for working capital and for general corporate purposes, including the introduction of new product categories, the expansion of existing product categories and expansion into complementary businesses.

We may also use a portion of the net proceeds of this offering to acquire or invest in complementary businesses, products, websites or technologies, or to enter into strategic marketing relationships with third parties. From time to time, in the ordinary course of business, we expect to evaluate potential acquisitions of these businesses, services or technologies and strategic relationships. Currently, we do not have any understandings, commitments or agreements with respect to any such acquisitions.

As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering, and the amounts we actually spend could be outside of the ranges set forth above. The amounts actually expended for the purposes listed above will depend upon a number of factors, including the growth of our sales and customer base, the type of efforts we make to build our brand and competitive developments in e-commerce. Accordingly, our management will retain broad discretion in the allocation of the net proceeds of this offering. Pending their use, we anticipate that the net proceeds of this offering will be invested in short-term, interest-bearing, investment-grade securities.

DIVIDEND POLICY

Concurrently with our recapitalization and termination of our S corporation status in March 2006, we paid a cash distribution to our stockholders in an aggregate amount of $51.7 million, which included our final S corporation distribution in the amount of $1.7 million. We currently intend to retain any future earnings to finance the growth and development of our business, and we do not anticipate that we will declare or pay any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements, restrictions under any existing indebtedness and other factors the board of directors deems relevant. Our bank loan documents currently prohibit us from paying any cash dividends on our common stock without the prior written consent of our lender.

CAPITALIZATION

The following table indicates our capitalization at September 30, 2006:

- on an actual basis;
- on a pro forma basis to reflect the conversion of all of our outstanding preferred stock into an aggregate of 6,633,255 shares of common stock immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (a) the conversion of all of our outstanding preferred stock into an aggregate of 6,633,255 shares of common stock immediately prior to the completion of this offering; (b) the issuance of 8,000,000 shares of common stock at an assumed initial public offering price of $11.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us; and (c) the repayment after the offering of $33.0 million of indebtedness incurred in connection with the Partsbin acquisition.

This table should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	September 30, 2006		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited)	
	(in thousands, except share data)		
Total debt, including current portion and capital lease obligations and notes payable to stockholders	$ 34,888	$ 34,888	$ 182
Stockholders' equity :			
Preferred stock, $0.001 par value; 11,100,000 shares authorized; 11,055,425 shares issued and outstanding, actual; no shares issued and outstanding, pro forma as adjusted	11	—	—
Common stock, $0.001 par value; 50,000,000 shares authorized; 15,199,678 shares issued and outstanding, actual; 21,832,933 shares issued and outstanding, pro forma; 29,832,927 shares issued and outstanding, pro forma as adjusted	15	26	34
Additional paid-in capital, excluding share-based compensation	67,875	67,875	155,867
Share-based compensation	604	604	604
Accumulated other comprehensive income	6	6	6
Accumulated deficit	(48,373)	(48,373)	(48,373)
Total stockholders' equity	20,138	20,138	108,138
Total capitalization	$ 55,026	$ 55,026	$ 108,320

The table above excludes, as of September 30, 2006:

- 2,416,536 shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price of $8.20 per share;
- 186,305 shares of common stock reserved for future grant or issuance under our stock option plans; and
- 84,332 shares of common stock issuable upon the exercise of warrants outstanding at a weighted average exercise price of $7.29 per share.

For additional information regarding our capital structure, see "Management — Employee Benefit Plans," "Description of Capital Stock" and Note 5 of the Notes to the Consolidated Financial Statements of U.S. Auto Parts.

DILUTION

Our pro forma net tangible book value as of September 30, 2006 was approximately $(29.4) million, or $(1.34) per share of common stock. Pro forma tangible book value per share represents our total tangible assets less total liabilities divided by the number of shares of common stock outstanding as of September 30, 2006 after giving effect to the conversion of all of our outstanding preferred stock into common stock immediately prior to the closing of this offering. After giving effect to (a) the conversion of all of our outstanding preferred stock into common stock immediately prior to the closing of this offering; (b) our sale of 8,000,000 shares of common stock offered by this prospectus at an assumed offering price of $11.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us; and (c) the repayment of $33.0 million of our indebtedness upon completion of this offering, our pro forma net tangible book value as of September 30, 2006 would have been $51.2 million, or $1.72 per share of common stock. This represents an immediate increase in pro forma net tangible book value of $3.06 per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $9.28 per share to investors purchasing common stock in this offering.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		$11.00
Pro forma net tangible book value per share as of September 30, 2006	$(1.34)	
Increase per share attributable to new investors	$ 3.06	
Pro forma net tangible book value per share after this offering		$ 1.72
Dilution per share to new investors		$ 9.28

The following table summarizes, on an as adjusted basis as of September 30, 2006, the difference between the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing stockholders and by new investors, assuming an initial public offering price of $11.00 per share and before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders	21,832,927	73.2%	$ 17,655	16.7%	$ 0.81
New investors	8,000,000	26.8	88,000	83.3	11.00
Total	29,832,927	100.0%	105,655	100.0%	

The foregoing discussion and tables assume no exercise of any stock options or warrants outstanding as of September 30, 2006. To the extent that these options are exercised, new investors will experience further dilution. As of December 31, 2006, options to purchase 2,786,532 shares of common stock were outstanding at a weighted average exercise price of $9.04 per share and warrants to purchase 84,332 shares of common stock were outstanding at a weighted average exercise price of $7.29 per share. Assuming all of our outstanding options and warrants are exercised, new investors will own approximately 24.5% of our outstanding shares while contributing approximately 66.9% of the total amount paid to fund our company.

SELECTED CONSOLIDATED FINANCIAL DATA OF U.S. AUTO PARTS

The consolidated statement of income data of U.S. Auto Parts for the years ended December 31, 2003, 2004 and 2005 and the consolidated balance sheet data as of December 31, 2004 and 2005 have been derived from, and are qualified by reference to, our audited consolidated financial statements included in this prospectus. The consolidated statement of operations data for the year ended December 31, 2002 and the consolidated balance sheet data as of December 31, 2002 and 2003 have been derived from our audited consolidated financial statements that are not included in this prospectus. The consolidated statement of operations data for the nine months ended September 30, 2005 and 2006 and the consolidated balance sheet data as of September 30, 2006 have been derived from, and are qualified by reference to, our unaudited consolidated financial statements that are included in this prospectus. The consolidated statement of operations data for the year ended December 31, 2001 and the consolidated balance sheet data as of December 31, 2001 have been derived from our unaudited consolidated financial statements that are not included in this prospectus. The unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, that management considers necessary for the fair presentation of the information for the unaudited periods. Historical results are not necessarily indicative of future results. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Years Ended December 31,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(unaudited)					(unaudited)	
	(in thousands, except share and per share data)						
Consolidated Statement of Income:							
Net sales	$ 9,473	$ 17,936	$ 31,657	$ 40,658	$ 59,698	$ 43,979	$ 83,514
Cost of sales	6,202	12,275	17,814	21,334	34,829	25,876	53,779
Gross profit	3,271	5,661	13,843	19,324	24,869	18,103	29,735
Operating expenses:							
General and administrative(1)	1,528	1,090	2,284	3,599	7,254	5,555	7,081
Marketing(1)	467	1,685	3,617	4,526	5,802	4,315	10,313
Fulfillment(1)	934	2,473	3,246	2,990	4,357	3,162	3,589
Technology(1)	111	259	405	776	868	596	992
Amortization of intangibles	—	—	—	8	17	13	3,037
Total operating expenses	3,040	5,507	9,552	11,899	18,298	13,641	25,012
Income from operations	231	154	4,291	7,425	6,571	4,462	4,723
Other income (expense):							
Loss from disposition of assets	(4)	—	(62)	—	—	—	(5)
Other income	6	85	33	80	191	165	155
Interest expense, net	(44)	(21)	(13)	(44)	(106)	(68)	(950)
Other income (expense), net	(42)	64	(42)	36	85	97	(800)
Income before income taxes	189	218	4,249	7,461	6,656	4,559	3,923
Income tax provision (benefit)	3	3	478	328	(163)	(199)	479
Net income	$ 186	$ 215	$ 3,771	$ 7,133	$ 6,819	$ 4,758	$ 3,444
Basic net income per share	$ 0.02	$ 0.02	$ 0.33	$ 0.54	$ 0.52	$ 0.36	$ 0.24
Diluted net income per share	$ 0.02	$ 0.02	$ 0.33	$ 0.54	$ 0.52	$ 0.36	$ 0.18
Shares used in computation of basic net income per share	10,999,560	10,999,560	11,276,876	13,200,000	13,200,000	13,200,000	14,180,869
Shares used in computation of diluted net income per share	10,999,560	10,999,560	11,276,876	13,200,000	13,200,000	13,200,000	19,362,189
EBITDA(2)	$ 274	$ 333	$ 4,382	$ 7,961	$ 8,755	$ 6,095	$ 9,438
Adjusted EBITDA(2)	$ 274	$ 333	$ 4,382	$ 7,961	$ 8,755	$ 6,095	$ 10,042

(see footnotes on next page)

(footnotes to prior page)

(1) Includes share-based compensation expense related to option grants, as follows:

	Years Ended December 31,						Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	Pro Forma 2005(1)	2005	2006
				(in thousands)		(unaudited)	(unaudited)	
General and administrative	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 359
Marketing	—	—	—	—	—	—	—	126
Fulfillment	—	—	—	—	—	—	—	16
Technology	—	—	—	—	—	—	—	103
	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 604

(2) EBITDA and Adjusted EBITDA are supplemental non-GAAP financial measures. EBITDA is equal to net income plus (a) interest expense, net; (b) income tax provision (benefit); (c) amortization of intangibles; and (d) depreciation and amortization. Our definition of Adjusted EBITDA is different from EBITDA because we further adjust EBITDA to exclude share-based compensation expense. See "— Non-GAAP Financial Measures" for a table that reconciles these non-GAAP financial measures to net income.

	December 31,					September 30,
	2001	2002	2003	2004	2005	2006
	(unaudited)					(unaudited)
				(in thousands)		
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 281	$ 252	$ 2,117	$ 2,130	$ 1,353	$ 3,287
Working capital	1,091	744	3,391	1,662	3,136	(4,832)
Total assets	2,963	4,290	8,289	13,111	14,484	68,718
Long-term debt (excluding notes payable to stockholders and current portion)	205	408	80	83	357	25,437
Notes payable to stockholders	—	—	—	—	—	5,000
Stockholders' equity	1,027	1,142	4,543	5,960	5,239	20,138

Non-GAAP Financial Measures

Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. We provide "EBITDA" and "Adjusted EBITDA," which are non-GAAP financial measures, because we believe such measures are important supplemental information for investors. We calculate EBITDA as net income before (a) interest expense, net; (b) income tax provision (benefit); (c) amortization of intangibles; and (d) depreciation and amortization. Adjusted EBITDA further adjusts EBITDA to exclude share-based compensation expense related to our grant of stock options and other equity instruments. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business.

We use EBITDA and Adjusted EBITDA:

- as measurements of our operating performance because they assist us in comparing our operating performance on a consistent basis by removing the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal budget;
- to allocate resources to enhance the financial performance of our business;
- to evaluate the effectiveness of our operational strategies; and
- to evaluate our capacity to fund capital expenditures and expand our business.

We also believe that analysts and investors use EBITDA and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

Management strongly encourages investors to review our consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. For information about our financial results as reported in accordance with GAAP, see our consolidated financial statements and related notes included in this prospectus.

The table below reconciles net income to EBITDA and Adjusted EBITDA for the periods presented:

	Years Ended December 31,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
Consolidated Statement of Operations Data:	(unaudited)	(in thousands)				(unaudited)	
Net income	$ 186	$ 215	$ 3,771	$ 7,133	$ 6,819	$ 4,758	$ 3,444
Interest expense, net	44	21	13	44	106	68	950
Income tax provision (benefit)	3	3	478	328	(163)	(199)	479
Amortization of intangibles	—	—	—	8	17	13	3,037
Depreciation and amortization	41	94	120	448	1,976	1,455	1,528
EBITDA	274	333	4,382	7,961	8,755	6,095	9,438
Share-based compensation	—	—	—	—	—	—	604
Adjusted EBITDA	$ 274	$ 333	$ 4,382	$ 7,961	$ 8,755	$ 6,095	$10,042

SELECTED COMBINED FINANCIAL DATA OF PARTSBIN

The combined statement of operations data of All OEM Parts, Inc., ThePartsBin.com, Inc. and their affiliated companies (collectively, "Partsbin") for the years ended December 31, 2003, 2004 and 2005 and the combined balance sheet data as of December 31, 2004 and 2005 have been derived from, and are qualified by reference to, the audited combined financial statements of Partsbin that are included in this prospectus. The combined balance sheet data as of December 31, 2002 and 2003 and the combined statement of operations data for the year ended December 31, 2002 have been derived from Partsbin's audited combined financial statements that are not included in this prospectus. The combined statement of operations data for the three months ended March 31, 2005 and 2006 and the combined balance sheet data as of March 31, 2006 have been derived from, and are qualified by reference to, Partsbin's unaudited combined financial statements that are included in this prospectus. The combined balance sheet data as of December 31, 2001 and the combined statement of operations data for the year then ended have been derived from Partsbin's unaudited combined financial statements that are not included in this prospectus. The unaudited combined financial statements of Partsbin have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for the fair presentation of the information for the unaudited periods. Historical results are not necessarily indicative of future results. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the combined financial statements and related notes included elsewhere in this prospectus.

	Years Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005	2005	2006
	(unaudited)					(unaudited)	
				(in thousands)			
Combined Statement of Operations Data:							
Net sales	$ 3,627	$ 10,636	$ 17,763	$ 23,679	$ 38,295	$ 7,470	$ 13,665
Cost of sales	2,771	8,409	13,596	18,148	29,398	5,746	10,255
Gross profit	856	2,227	4,167	5,531	8,897	1,724	3,410
Operating expenses:							
General and administrative	632	904	1,189	1,480	3,111	665	998
Marketing	226	1,278	2,417	3,804	5,172	1,077	1,332
Fulfillment	—	10	31	36	50	13	11
Technology	44	345	318	319	563	113	238
Total operating expenses	902	2,537	3,955	5,639	8,896	1,868	2,579
Income (loss) from operations	(46)	(310)	212	(108)	1	(144)	831
Other income (expense):							
Loss from disposition of assets	—	(3)	(9)	—	—	—	—
Interest income	—	1	2	2	2	—	—
Interest expense	—	—	(1)	(2)	(11)	(1)	(6)
Other income (expense), net	—	(2)	(8)	—	(9)	(1)	(6)
Income (loss) before income taxes	(46)	(312)	204	(108)	(8)	(145)	825
Income tax provision	—	—	—	—	—	—	—
Net income (loss)	$ (46)	$ (312)	$ 204	$ (108)	$ (8)	$ (145)	$ 825
EBITDA(1)	$ (30)	$ (276)	$ 238	$ (42)	$ 123	$ (120)	$ 865

(see footnotes on next page)

(footnotes to prior page)

(1) EBITDA is a supplemental non-GAAP financial measure. EBITDA is equal to net income (loss) plus (a) interest expense, net; (b) income tax provision (benefit); (c) amortization of intangibles; and (d) depreciation and amortization. See "Selected Consolidated Financial Data of U.S. Auto Parts — Non-GAAP Financial Measures" for additional information regarding our use of this non-GAAP financial measure. This non-GAAP financial measure should not be relied upon to the exclusion of GAAP financial measures.

The table below reconciles net income (loss) to EBITDA for the periods presented:

	Years Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005	2005	2006
	(unaudited)					(unaudited)	
				(in thousands)			
Net income (loss)	$ (46)	$ (312)	$ 204	$ (108)	$ (8)	$ (145)	$ 825
Interest expense, net	—	(1)	(1)	—	9	1	6
Income tax provision	—	—	—	—	—	—	—
Amortization of intangibles	—	—	—	—	—	—	—
Depreciation and amortization	16	37	35	66	122	24	34
EBITDA	$ (30)	$ (276)	$ 238	$ (42)	$ 123	$ (120)	$ 865

	December 31,					March 31, 2006
	2001	2002	2003	2004	2005	
	(unaudited)					(unaudited)
				(in thousands)		
Combined Balance Sheet Data:						
Cash and cash equivalents	$ 11	$ 308	$ 436	$ 558	$ 328	$ 1,061
Working capital (deficiency)	(120)	(357)	(442)	(964)	(1,705)	(892)
Total assets	191	462	962	1,569	2,366	3,220
Long-term debt	4	—	21	21	355	353
Stockholders'/members' equity (deficiency)	(48)	(357)	(151)	(239)	(498)	327

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

The following unaudited pro forma combined financial information reflects the acquisition of Partsbin on May 19, 2006, which was accounted for as a purchase business combination as defined by SFAS No. 141, "*Business Combinations*." The following unaudited pro forma combined statements of operations for the year ended December 31, 2005 and for the nine months ended September 30, 2006 give effect to the acquisition of Partsbin as if it occurred on January 1, 2005.

The unaudited pro forma combined financial information includes certain reclassifications to conform the presentation of the historical results of operations of Partsbin to our historical results of operations and do not reflect any adjustments for the effect of non-recurring items or operating synergies that we may realize as a result of the acquisition. The unaudited pro forma combined financial information does not purport to represent the actual results of operation that would have been achieved if the acquisition had taken place on January 1, 2005, and are not necessarily indicative of the results of operations that may be achieved in the future.

The unaudited pro forma adjustments made in preparing the pro forma combined statements of operations are based on the preliminary purchase price allocations and on certain management judgments. These preliminary allocations are based on an analysis of the estimated fair values of assets acquired and liabilities assumed, including identifiable tangible and intangible assets, deferred tax assets and liabilities, and estimates of the useful lives of tangible and amortizable intangible assets.

	Year Ended December 31, 2005			
	U.S. Auto Parts	Partsbin	Pro Forma Adjustments(1)	Pro Forma Combined
			(unaudited)	
	(in thousands, except share and per share data)			
Consolidated Statement of Income Data:				
Net sales	$ 59,698	$ 38,295	$ 175(h)	$ 98,168
Cost of sales	34,829	29,398	135(h)	64,362
Gross profit	24,869	8,897	40	33,806
Operating expenses:				
General and administrative	7,254	3,111	(40)(f)(g)	10,325
Marketing	5,802	5,172	(112)(a)	10,862
Fulfillment	4,357	50	—	4,407
Technology	868	563	—	1,431
Amortization of intangibles	17	—	8,159(b)	8,176
Total operating expenses	18,298	8,896	8,007	35,201
Income (loss) from operations	6,571	1	(7,967)	(1,395)
Other income (expense):				
Other income	191	—	(112)(a)	79
Interest expense, net	(106)	(9)	(1,816)(c)(g)	(1,931)
Other income (expense), net	85	(9)	(1,928)	(1,852)
Income (loss) before income taxes	6,656	(8)	(9,895)	(3,247)
Income tax benefit	(163)	—	(32)(e)	(195)
Net income (loss)	$ 6,819	$ (8)	$ (9,863)	$ (3,052)
Basic and diluted net income per share	$ 0.52			$ (0.20)
Shares used in computation of basic and diluted net income per share	13,200,000		1,983,315(d)	15,183,315

(see footnotes on next page)

(footnotes to prior page)

(1) The pro forma adjustments reflect (a) the elimination of commission income received from Partsbin for website licensing fees (which was recorded as an expense in Partsbin's statement of operations) prior to the business combination; (b) the assumed amortization related to the acquired Partsbin intangibles as if the Partsbin acquisition occurred on January 1, 2005; (c) the assumed interest expense related to the notes payable obtained as part of the acquisition (includes interest related to the $22.0 million secured debt, the $5.0 million notes payable to the former stockholders of Partsbin, and the warrants issued to the lender); (d) the assumed number of shares that would have been issued to the former Partsbin stockholders if the Partsbin acquisition occurred on January 1, 2005; (e) taxes as if both companies operated as a combined S corporation subject to California franchise taxes as of January 1, 2005; (f) the conforming of Partsbin's accounting policies related to the depreciation and amortization of fixed assets as if we had amortized these assets using straight line amortization rather than according to Partsbin's double declining balance method and had estimated lives in accordance with our accounting policies; (g) the exclusion of the operations of TPB Real Estate, LLC, which we did not acquire as part of the Partsbin acquisition and was insignificant to Partsbin; and (h) the conforming of Partsbin's accounting policy of revenue recognition to F.O.B. shipping point terms.

	Nine Months Ended September 30, 2006			
	U.S. Auto Parts	Partsbin(1)	Pro Forma Adjustments(2)	Pro Forma Combined
	(unaudited) (in thousands, except share and per share data)			
Consolidated Statement of Income Data:				
Net sales	$ 83,514	$ 23,646	$ 206(i)	$ 107,366
Cost of sales	53,779	17,690	145(i)	71,614
Gross profit	29,735	5,956	61	35,752
Operating expenses:				
General and administrative	7,081	1,594	19(e)(g)(h)	8,694
Marketing	10,313	3,419	(193)(a)(e)	13,539
Fulfillment	3,589	19	—	3,608
Technology	992	413	(100)(e)	1,305
Amortization of intangibles	3,037	—	3,137(b)	6,174
Total operating expenses	25,012	5,445	2,863	33,320
Income from operations	4,723	511	(2,802)	2,432
Other income (expense):				
Other income (expense)	150	1	(23)(a)	128
Interest expense, net	(950)	(2)	(705)(c)	(1,657)
Other income (expense), net	(800)	(1)	(728)	(1,529)
Income before income taxes	3,923	510	(3,530)	903
Income tax provision (benefit)	479	—	(738)(f)	(259)
Net income (loss)	$ 3,444	$ 510	$ (2,792)	$ 1,162
Basic net income per share	$ 0.26			$ 0.08
Diluted net income per share	$ 0.19			$ 0.06
Shares used in computation of basic net income per share	13,207,372		1,983,315(d)	15,190,687
Shares used in computation of diluted net income per share	18,388,692		1,983,315(d)	20,372,007

(1) The Partsbin data reflects the period from January 1, 2006 through May 19, 2006, the effective date of the Partsbin acquisition.

(2) The pro forma adjustments reflect (a) the elimination of commission income received from Partsbin for website licensing fees (which was recorded as an expense in Partsbin's statement of operations) prior to the business combination; (b) the assumed amortization related to the acquired Partsbin intangibles as if the Partsbin acquisition occurred on January 1, 2005; (c) the assumed interest expense related to the notes payable obtained as part of the acquisition (includes interest related to the $22.0 million secured debt, the $5.0 million notes payable to the former stockholders of Partsbin, and the warrants issued to the lender); (d) the assumed number of shares that would have been issued to the former Partsbin stockholders if the Partsbin acquisition occurred on January 1, 2005; (e) the deal related bonus paid to Partsbin employees on May 18, 2006; (f) taxes as if both companies operated as a combined S corporation subject to California franchise taxes as of January 1, 2005 and operated as a C corporation subsequent to March 3, 2006; (g) the exclusion of the operations of TPB Real Estate, LLC, which we did not acquire as part of the Partsbin acquisition and was insignificant to Partsbin; (h) the conforming of Partsbin's accounting policies related to depreciation and amortization of fixed assets as if we had amortized such costs using straight-line amortization rather than according to Partsbin's double declining balance method and had estimated lives in accordance with our accounting policies; and (i) the conforming of Partsbin's accounting policy of revenue recognition to F.O.B. shipping point terms.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with our selected consolidated financial data and the consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under the section entitled "Risk Factors" and elsewhere in this prospectus, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We are a leading online provider of aftermarket auto parts, including body parts, engine parts and performance parts and accessories. Our user-friendly websites provide customers with a broad selection of approximately 550,000 SKUs, with detailed product descriptions and photographs. Our proprietary product database maps our 550,000 SKUs to over 4.3 million product applications based on vehicle makes, models and years. We principally sell our products to individual consumers through our network of websites and online marketplaces. Our flagship websites are located at *www.partstrain.com* and *www.autopartswarehouse.com*. We believe our strategy of disintermediating the traditional auto parts supply channels and selling products directly to customers over the Internet allows us to more efficiently deliver products to our customers while generating higher margins.

Our History. We were formed in 1995 as a distributor of aftermarket auto parts and launched our first website in 2000. We rapidly expanded our online operations, increasing the number of SKUs sold through our e-commerce network, adding additional websites, improving our Internet marketing proficiency and commencing sales in online marketplaces. As a result, our business has grown consistently since 2000, generating net sales of $59.7 million for the year ended December 31, 2005 and $83.5 million for the nine months ended September 30, 2006.

Recent Acquisition. In May 2006, we completed the acquisition of Partsbin. As a result of this acquisition, we expanded our product offering and product catalog to include performance parts and accessories and additional engine parts, enhanced our ability to reach more customers and added a complementary, drop-ship order fulfillment method. Partsbin also expanded our international operations by adding two outsourced call centers in the Philippines and in India, as well as a Canadian subsidiary to facilitate sales in Canada. We also augmented our technology platform and expanded our management team. The purchase price for Partsbin consisted of $25.0 million in cash, promissory notes in the aggregate principal amount of $5.0 million payable to the former stockholders of Partsbin and 1,983,315 shares of our common stock. The acquisition of Partsbin did not result in a new operating segment for financial reporting purposes. Upon completion of this offering, we may pursue selective acquisition opportunities to increase our share of the aftermarket auto parts market and expand our product offerings.

Recent Initiatives. We have recently made several new investments to enhance the value of our business. Since June 30, 2005, we have hired additional key employees, including our Chief Financial Officer, Chief Operating Officer and Chief Information Officer, as well as additional sales and marketing, technology and operations personnel. During 2006, we upgraded our accounting system and made significant software development efforts on our operational systems to support our expected future growth. We have added additional space to our distribution facilities to accommodate the stocking of additional products. We have also modified our product catalog to increase the number of applications available on our websites and have reformatted the catalog to more easily integrate with the Partsbin catalog.

International Operations. In addition to the call center capability in the Philippines and in India that we acquired in connection with the Partsbin acquisition, we own a Philippine subsidiary, which provides us

with software development, Internet marketing, customer service and sales functions. We believe the cost advantages of our offshore operations provide us with the ability to grow our business in a cost-effective manner, and we expect to continue to add headcount to our offshore operations. We also acquired a Canadian subsidiary in connection with our acquisition of Partsbin to facilitate sales of our products in Canada.

Industry Issues. Certain industry issues could have an adverse impact on our future operating results. First, Ford Global Technologies, LLC has filed a complaint with the USITC alleging that we and certain other parties in the aftermarket auto part distribution chain have infringed certain of Ford's design patents. If Ford is successful in this litigation and other OEMs commence similar actions, we could be precluded from selling certain parts, our costs could increase and the aftermarket auto parts industry in general could be adversely effected. The second issue relates to certain changes in the paid search market. In particular, Yahoo! recently announced that it is changing the manner in which it handles paid search advertising to an approach similar to the one used by Google. We believe this change will make it more difficult for us to ascertain what other companies are bidding for specific key words. The adoption of this approach by Yahoo! and other paid search providers could significantly increase the cost of our Internet advertising.

Basis of Presentation

Net Sales. E-commerce, online marketplaces and wholesale sales represent different sales channels for our products. We generate net sales primarily through the sale of auto parts to individual consumers through our network of e-commerce websites and online marketplaces. E-commerce sales are derived from our network of websites, which are company owned and operated. E-commerce and online marketplace sales also include inbound telephone sales through our call center that supports these sales channels. Online marketplaces consist primarily of sales of our products on online auction websites, where we sell through auctions as well as through storefronts that we maintain on these third-party owned websites. Our wholesale channel represents our distribution of products directly to commercial customers by selling auto parts to auto body shops and collision repair shops located in Southern California. Our wholesale channel also includes the distribution of our Kool-Vue mirror line to auto parts distributors nationwide. To understand revenue generation through our network of e-commerce websites, we monitor several key business metrics, including the following:

- *Unique Visitors.* A unique visitor to a particular website represents a user with a distinct IP address that visits that particular website. We define the total number of unique visitors in a given month as the sum of unique visitors to each of our websites during that month. We measure unique visitors to understand the volume of traffic to our websites and to track the effectiveness of our online marketing efforts. The number of unique visitors has historically varied based on a number of factors, including our marketing activities and seasonality. We believe an increase in unique visitors to our websites will result in an increase in the number of orders. We seek to increase the number of unique visitors to our websites by attracting repeat customers and improving search engine marketing and other Internet marketing activities.
- *Total Number of Orders.* We closely monitor the total number of orders as an indicator of revenue trends. We recognize revenue associated with an order when the products have been shipped, consistent with our revenue recognition policy discussed in "Critical Accounting Policies" below. Orders are typically processed and shipped within one business day after a customer places an order.
- *Average Order Value.* Average order value represents our net sales for a given period of time divided by the total number of orders recorded during the same period of time. We seek to increase the average order value as a means of increasing net sales. Average order values vary depending upon a number of factors, including the components of our product offering, the order volume in certain online sales channels and the general level of competition online.

Cost of Sales. Cost of sales consists of the direct costs associated with procuring parts from suppliers and delivering products to customers. These costs include product costs offset by purchase discounts, freight and shipping costs and warehouse supplies.

General and Administrative Expense. General and administrative expense consists primarily of administrative payroll and related expenses, credit card and other transaction processing fees, legal and professional fees, amortization of software and other administrative costs.

Marketing Expense. Marketing expense consists of Internet marketing costs and fees, Internet commerce facilitator fees and other advertising costs, as well as payroll and related expenses associated with our marketing and customer service personnel, including the call centers. These costs are generally variable and are typically a function of net sales.

Fulfillment Expense. Fulfillment expense consists primarily of payroll and related costs associated with our warehouse employees, facility rent, building maintenance, depreciation and other costs associated with inventory management and our wholesale operations.

Technology Expense. Technology expense consists primarily of payroll and related expenses of our information technology personnel, the cost of hosting our servers, communications expenses and Internet connectivity costs, computer support and software development.

Amortization of Intangibles. Amortization of intangibles consists primarily of the amortization expense associated with certain intangibles recorded as a result of the Partsbin acquisition, in addition to the amortization expense of our capitalized domain names.

Other Income (Expense), Net. Other income (expense), net consists primarily of interest expense on our outstanding loan balances and capital leases.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales, costs and expenses, as well as the disclosure of contingent assets and liabilities and other related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of our assets and liabilities that are not readily apparent from other sources. In many instances, we could have reasonably used different accounting estimates. Actual results could differ from those estimates, and we include any revisions to our estimates in our results for the period in which the actual amounts become known.

We believe the critical accounting policies described below affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our historical consolidated financial condition and results of operations:

Revenue Recognition. We recognize revenue from product sales when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, delivery has occurred (to the common carrier), the selling price is fixed or determinable and collectibility is reasonably assured.

We evaluate the criteria of EITF 99-19, "*Reporting Revenue Gross as a Principal Versus Net as an Agent*," in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When we are the primary party obligated in a transaction,

are subject to inventory risk, have latitude in establishing prices and selecting suppliers or have several but not all of these indicators, revenue is recorded gross.

Product sales and shipping revenues, net of promotional discounts and return allowances, are recorded when the products are shipped and title passes to customers. Retail items sold to customers are made pursuant to terms and conditions that provide for transfer of both title and risk of loss upon our delivery to the carrier. Return allowances, which reduce product revenue by our best estimate of expected product returns, are estimated using historical experience. We generally require payment by credit card at the point of sale. Amounts received prior to when we ship goods to customers are recorded as deferred revenue.

We periodically provide incentive offers to our customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off of current purchases and other similar offers. Current discount offers, when accepted by our customers, are treated as a reduction to the purchase price of the related transaction. Current discount offers and inducement offers are classified as an offsetting amount in "Net sales."

Inventory. Inventory consists of finished goods available-for-sale and is stated at the lower of cost or market value, determined using the first in, first out ("FIFO") method. We purchase inventory from suppliers both domestically and internationally, primarily in Taiwan and China. We believe that our products are generally available from more than one supplier, and we maintain multiple sources for many of our products, both internationally and domestically. We offer a broad line of auto parts for automobiles from model years 1965 to 2006. Because of the continued demand for our products, we primarily purchase products in bulk quantities to take advantage of quantity discounts and to ensure inventory availability. Inventory is reported net of inventory reserves for slow moving, obsolete or scrap product, which are established based on specific identification of slow moving items and the evaluation of overstock considering anticipated sales levels. If actual market conditions are less favorable than those anticipated by management, additional reserves may be required. Historically, our recorded reserve for returns has been adequate to provide for actual returns.

Website and Software Development Costs. We capitalize certain costs associated with software developed for internal use according to EITF No. 00-2, "*Accounting for Website Development Costs*" ("EITF 00-2") and Statement of Position 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*" ("SOP 98-1"). Under the provisions of EITF 00-2 and SOP 98-1, we capitalize costs associated with website development and software developed for internal use when both the preliminary project design and testing stage are completed and management has authorized further funding for the project, which it deems probable of completion and to be used for the function intended. Capitalized costs include amounts directly related to website development and software development such as payroll and payroll-related costs for employees who are directly associated with, and who devote time to, the internal-use software project. Capitalization of these costs ceases when the project is substantially complete and ready for its intended use.

Long-Lived Assets and Intangibles. We have adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "*Goodwill and Other Intangible Asset"* ("SFAS No. 142"). Under SFAS No. 142, intangible assets with indefinite useful lives are subject to reduction only when their carrying amounts exceed their estimated fair values based on impairment tests established by SFAS No. 142 that must be made at least annually. Capitalized amounts are amortized on a straight-line basis over their estimated useful lives. During the year ended December 31, 2004, we acquired intangibles in the amount of $50,000 relating to Internet domain names. In May 2006, we acquired approximately $52.3 million of intangibles related to the acquisition of Partsbin. We preliminarily allocated $29.0 million to websites, $2.3 million to domain names, $4.1 million to software assets, $3.0 million to long-term, favorable supplier relationships and $13.9 million to goodwill. Domain names are generally not amortized, capitalized websites are amortized over five years, and software assets and supplier relationships are amortized over three years.

In accordance with SFAS No. 142 and SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets* ," we assess long-lived assets, including intangibles subject to amortization, and indefinite lived intangibles, including goodwill, for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable based on the undiscounted estimated future cash flows expected to result from its use and eventual disposition. We recognize impairment in our operating results to the extent that the carrying value exceeds the discounted cash flows of future operations. We did not recognize any impairment losses for the years ended December 31, 2003, 2004 or 2005. If our key assumptions used to determine estimated discounted cash flows change in the future, we may be required to record impairment charges.

Income Taxes. In 1996, we elected to be taxed as an S corporation for income tax purposes under provisions of the Internal Revenue and California Taxation Codes, which require that our income or loss be reported on the individual income tax returns of our stockholders; however, one of our former consolidated entities, MBS Marketing, Inc., was historically subject to federal income taxes and income taxes in California and Tennessee at statutory rates since its inception. In connection with our recapitalization, our S corporation status was terminated in March 2006, and we became a Delaware C corporation. MBS Marketing, Inc. was merged into us in June 2005 and consolidated with us for all periods presented for financial reporting purposes.

We account for income taxes for MBS Marketing, incorporated as a C corporation, and after March 3, 2006, for U.S. Auto Parts, in accordance with SFAS No. 109, "*Accounting for Income Taxes*" ("SFAS No. 109"). Under SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When appropriate, we establish a valuation reserve to reduce deferred tax assets, which includes tax credits and loss carry forwards, to the amount that is more likely than not to be realized. Should future income be less than anticipated by management, we may be required to record a valuation allowance against our deferred tax assets.

Share-Based Compensation. We did not issue any stock options prior to March 2006. Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), "*Share-Based Payment*" ("SFAS No. 123(R)"). SFAS No. 123(R) requires that all share-based compensation to employees, including grants of employee stock options, be recognized in our financial statements based on their respective grant date fair values. Under this standard, the fair value of each share-based payment award is estimated on the date of grant using an option pricing model that meets certain requirements. We currently use the Black-Scholes option pricing model to estimate the fair value of our share-based payment awards. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We do not have a history of market prices of our common stock as we are not a public company, and as such we estimate volatility in accordance with SAB No. 107 using historical volatilities of similar public entities. The expected life of the awards is based on a simplified method which defines the life as the average of the contractual term of the options and the weighted average vesting period for all open tranches. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on our history and expectation of paying no dividends. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Share-based compensation expense recognized in our financial statements in 2006 and thereafter is based on awards that are ultimately expected to vest. If factors change and we employ different assumptions, share-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested

securities, we may be required to accelerate, increase or cancel any remaining unearned share-based compensation expense. Future share-based compensation expense and unearned share-based compensation will increase to the extent that we grant additional equity awards to employees or we assume unvested equity awards in connection with acquisitions.

Valuation at the Time of Grant. We have granted to our employees options to purchase common stock at exercise prices equal to the fair market value of the underlying common stock at the time of each grant, as determined by our board of directors.

In valuing our common stock, our board of directors considered a number of factors, including:

- the illiquidity of our capital stock as a private company;
- the vesting restrictions imposed upon the equity awards;
- the business risks we faced;
- the liquidation preferences and other rights, preferences and privileges of our outstanding preferred stock;
- the likelihood of a financing event, such as a public offering;
- valuation indicators for our common stock price, primarily established through preferred stock issuances to third parties for cash and issuance values used as consideration for the acquisition of Partsbin;
- valuation estimates supported by independent third party valuations;
- our actual financial condition and results of operations relative to our formal operating plan during the relevant period;
- forecasts of our financial results, market conditions affecting the e-commerce sector, and changes in our management team;
- the closing of our Series A convertible preferred stock financing; and
- the closing date of the Partsbin acquisition as well as the date of a contemporaneous independent, third party valuation.

At the date of each option grant, our board of directors determined that the exercise price for each option was equal to the then-existing fair value of our common stock.

During the nine months ended September 30, 2006, we recognized share-based compensation of $604,000, determined in accordance with SFAS No. 123(R). Based on options outstanding as of September 30, 2006 and assuming that all employees remain employed by us for their remaining vesting periods, we expect to recognize an aggregate of approximately $367,000 of share-based compensation expense during the remainder of 2006 and an additional $1.5 million of share-based compensation expense during each of 2007 and 2008. The total compensation costs related to unvested stock options as of September 30, 2006 was $5.8 million.

Recent Accounting Pronouncements

FIN 48. In July 2006, the FASB issued Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109*" ("FIN 48"). FIN 48 clarifies the recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is

effective for fiscal years beginning after December 15, 2006. We will adopt this interpretation as required. We are currently evaluating the impact of this interpretation on our consolidated financial statements.

Results of Operations

The following table sets forth selected statement of income data for the periods indicated, expressed as a percentage of net sales:

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	56.3	52.5	58.3	58.8	64.4
Gross profit	43.7	47.5	41.7	41.2	35.6
Operating expenses:					
General and administrative	7.2	8.9	12.2	12.6	8.5
Marketing	11.4	11.1	9.7	9.8	12.3
Fulfillment	10.3	7.4	7.3	7.2	4.3
Technology	1.3	1.9	1.5	1.4	1.2
Amortization of intangibles	—	0.0	0.0	0.0	3.6
Total operating expenses	30.2	29.3	30.7	31.0	29.9
Income from operations	13.6	18.3	11.0	10.2	5.7
Other income (expense):					
Loss from disposition of assets	(0.2)	—	—	—	(0.1)
Other income	0.1	0.2	0.3	0.4	0.2
Interest income (expense), net	(0.0)	(0.1)	(0.2)	(0.2)	(1.1)
Other income (expense), net	(0.1)	0.1	0.1	0.2	(1.0)
Income before income taxes	13.4	18.3	11.1	10.4	4.7
Income tax provision (benefit)	1.5	0.8	(0.3)	(0.4)	0.6
Net income	11.9%	17.5%	11.4%	10.8%	4.1%

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2006

Net Sales and Gross Margin

	Nine Months Ended September 30,			
	2005	2006	$ Change	% Change
	(in thousands)			
Net sales	$43,979	$83,514	$ 39,535	89.9%
Cost of sales	25,876	53,779	27,903	107.8%
Gross profit	$18,103	$29,735	$ 11,632	64.3%
Gross margin	41.2%	35.6%		(5.6)%

Net sales increased due to a 119.3% increase in our online business, which consists of our e-commerce and online marketplace channels, that was principally driven by the acquisition of Partsbin, which was completed on May 19, 2006. E-commerce sales increased $35.8 million, or 141.5%, from $25.3 million for the nine months ended September 30, 2005 to $61.1 million in the corresponding period of 2006. The

Partsbin acquisition significantly increased the number of engine parts, performance parts and accessories offered to our customers. The total number of our e-commerce orders increased from 207,000 orders for the nine months ended September 30, 2005 to 505,000 orders in the corresponding period of 2006, and our average order value for the nine months ended September 30, 2006 was $120. The increase in net sales also
reflected a $3.7 million, or 47.4%, increase in our online marketplace sales, which included the contribution of Partsbin sales through this channel. Online marketplace sales were $7.8 million for the nine months ended September 30, 2005 compared to $11.5 million in the corresponding period of 2006. Net sales of our Kool-Vue product line and sales of other products through our wholesale channel remained relatively constant in absolute dollars for the nine months ended September 30, 2006 as compared to the corresponding period of 2005 but declined as a percentage of net sales. There was no meaningful change in wholesale sales for the nine months ended September 30, 2005 compared to the corresponding period of 2006. We anticipate that sales through our wholesale channel will continue to decline as a percentage of net sales in the future due to our primary focus on our online business.

Seasonality represents a known trend in our business. We expect seasonality to continue in future years as automobile collisions create increased demand for body parts in winter months and consumers continue to undertake projects to maintain and enhance the performance of their automobiles in the summer months. Seasonality trends will continue to have a material impact on our financial condition and results of operations during any given year.

While gross profit increased largely as a function of the increase in net sales, gross margin declined in the nine months ended September 30, 2006 primarily due to the introduction of lower gross margin products sold in our e-commerce channel through our drop-ship distribution method. Although we are able to determine gross profit at the SKU level within our sales channels, we do not currently track gross profit separately for each sales channel. This distribution method commenced largely in connection with the Partsbin acquisition and has generated lower product margins than our stock-and-ship distribution method. We expect, however, that this new distribution method will allow us to offer a broader product selection and facilitate a more scalable business. Cost of freight increased in absolute dollars as a result of the increase in net sales, which increase was partially offset due to favorable shipping terms with our drop-ship suppliers. The decline in gross margin was also due in part to the expansion of sales in our online marketplaces to include additional lower gross margin products. We experienced declining margins in recent years due to overall competitive pressure in the market and recently as a result of the Partsbin acquisition completed in May 2006. We expect our margins to stabilize in the future, however as we continue to focus on various initiatives designed to improve gross margins and overall profitability.

General and Administrative Expense

	Nine Months Ended September 30,			
	2005	2006	$ Change	% Change
	(in thousands)			
General and administrative expense	$ 5,555	$ 7,081	$ 1,526	27.5%
Percent of net sales	12.6%	8.5%		(4.1)%

The increase in general and administrative expense in the current period was primarily due to an increase of $861,000 in merchant fees related to higher online sales; however, merchant fees remained relatively constant as a percentage of net sales. The increase in general and administrative expense reflects higher payroll and related expenses in the amount of $750,000, which was largely due to the hiring of nine additional administrative personnel, as well as higher compensation payable to such personnel. This increase was partially offset by a $483,000 reduction in legal fees in the current period, which was primarily

related to an aborted financing transaction in 2005. This increase also includes $359,000 of share-based compensation related to options granted in the current period. Following this offering, we anticipate we will incur increased general and administrative expenses related to operating as a public company, such as increased legal and accounting fees, higher insurance premiums, and increased personnel and employee benefit costs and non-employee director costs. We expect that the costs of compliance associated with the transition to and operation as a public company, including the requirements relating to improving and documenting our internal controls and procedures, as well as changes in corporate governance practices, will be significant.

Marketing Expense

	Nine Months Ended September 30,			
	2005	2006	$ Change	% Change
	(in thousands)			
Marketing expense	$4,315	$10,313	$ 5,998	139.0%
Percent of net sales	9.8%	12.3%		2.5%

The increase in marketing expense for the nine months ended September 30, 2006 was primarily due to a $3.8 million increase in advertising costs related to the expansion of our online marketing efforts, as well as higher sales commissions related to the increase in net sales in the current period of 2006. In addition, marketing expense increased $1.7 million due to the addition of 146 employees, which increased our total number of employees from 143 in the prior year to 289 in the current period.

Fulfillment Expense

	Nine Months Ended September 30,			
	2005	2006	$ Change	% Change
	(in thousands)			
Fulfillment expense	$ 3,162	$ 3,589	$ 427	13.5%
Percent of net sales	7.2%	4.3%		(2.9)%

The increase in fulfillment expense in the current period was primarily due to a $325,000 increase in personnel costs related to the addition of 12 employees. In addition, depreciation expense increased by $111,000 as a result of the addition in depreciable warehouse equipment in the current year.

Technology Expense

	Nine Months Ended September 30,			
	2005	2006	$ Change	% Change
	(in thousands)			
Technology expense	$ 596	$ 992	$ 396	66.4%
Percent of net sales	1.4%	1.2%		(0.2)%

The increase in technology expense was primarily due to higher communication fees to support the expanded communications infrastructure and the addition of $103,000 of share-based compensation expense.

Amortization of Intangibles

	Nine Months Ended September 30,			
	2005	2006	$ Change	% Change
	(in thousands)			
Amortization of intangibles	$ 13	$ 3,037	$ 3,024	Not meaningful
Percent of net sales	0.0%	3.6%		3.6%

The increase in amortization of intangibles in the current period was primarily due to the intangible assets acquired pursuant to the acquisition of Partsbin completed in May 2006. We preliminarily estimate aggregate amortization expense for the years ending December 31, 2007 and 2008 will be approximately $8.2 and $8.2 million, respectively.

Other Income (Expense), Net

	Nine Months Ended September 30,			
	2005	2006	$ Change	% Change
	(in thousands)			
Other income (expense), net	$ 97	$ (800)	$ (897)	Not meaningful
Percent of net sales	0.2%	(0.9)%		(1.1)%

The increase in other income (expense), net in the current period was primarily due to an $964,000 increase in interest expense from the notes payable incurred during 2006 as part of the recapitalization and acquisition of Partsbin. This increase was partially offset by increase in interest income during the current period as a result of generally higher cash balances. We anticipate that interest expense will decrease after this offering since we plan to use a portion of the proceeds of this offering to repay our term loans and stockholder notes.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2005

Net Sales and Gross Margin

	Years Ended December 31,			
	2004	2005	$ Change	% Change
	(in thousands)			
Net sales	$ 40,658	$ 59,698	$ 19,040	46.8%
Cost of sales	21,334	34,829	13,495	63.3%
Gross profit	$ 19,324	$ 24,869	$ 5,545	28.7%
Gross margin	47.5%	41.7%		(5.8)%

Net sales increased due to a $17.5 million, or 63.1%, increase in our online business, which was principally driven by the expansion of our online marketplaces, which generated net sales of $10.6 million in 2005. Online marketplace sales commenced in late 2004 and represented only nominal sales prior to 2005. Our e-commerce sales increased $7.3 million, or 26.5%, from $27.5 million in 2004 to $34.8 million in 2005, primarily as a result of an increase of 43.2% in the number of orders in 2005, which was partially offset by a $14 decrease in the average order value in 2005. While sales of our Kool-Vue product line increased $1.9 million in 2005, sales of other products through our wholesale channel declined both in absolute dollars and as a percentage of net sales due to our primary focus on our online business. Overall, wholesale sales (which includes Kool-Vue sales) increased $1.5 million, or 11.3%, from $12.9 million in 2004 to $14.4 million in 2005.

While gross profit increased largely as a function of the increase in net sales, gross margin declined in 2005 primarily due to a 2.9% increase in shipping and freight expense as a percent of net sales to 15.2% in 2005 compared to 12.3% in 2004. This increase in shipping and freight expense as a percent of net sales was primarily the result of increased sales through our online marketplaces that have a higher ratio of shipping costs to product sales. Gross margin also decreased as a result of increased competition and the addition of our online marketplaces channel, which occurred late in 2004.

General and Administrative Expense

	Years Ended December 31,			
	2004	2005	$ Change	% Change
	(in thousands)			
General and administrative expense	$ 3,599	$ 7,254	$ 3,655	101.6%
Percent of net sales	8.9%	12.2%		3.3%

The increase in general and administrative expense in 2005 primarily reflects the amortization of software in the amount of $1.8 million related to our purchase of software in late 2004, higher payroll and related costs associated with higher average compensation in 2005, as well as an increase of $980,000 in legal and professional fees in 2005 principally related to an aborted financing transaction. We expect general and administrative expenses to continue to increase in absolute dollars and as a percent of net sales as we expand our sales, increase our staff, and incur additional costs related to the growth of our business and compliance requirements associated with being a public company.

Marketing Expense

	Years Ended December 31,			
	2004	2005	$ Change	% Change
	(in thousands)			
Marketing expense	$ 4,526	$ 5,802	$ 1,276	28.2%
Percent of net sales	11.1%	9.7%		(1.4)%

The increase in marketing expense in 2005 primarily reflects increased Internet marketing costs of $867,000, auction fees related to sales in our online marketplaces, which largely commenced in 2005, higher sales commissions related to the increase in net sales in 2005 and higher payroll and related costs associated with the addition of nine marketing employees in 2005.

Fulfillment Expense

	Years Ended December 31,			
	2004	2005	$ Change	% Change
	(in thousands)			
Fulfillment expense	$ 2,990	$ 4,357	$ 1,367	45.7%
Percent of net sales	7.4%	7.3%		(0.1)%

The increase in fulfillment expense in 2005 primarily reflects higher payroll and related costs associated with the addition of 27 warehouse and shipping employees in 2005, as well as additional rent and moving expenses related to the opening of a second warehouse in Carson, California in September 2004, which only had four months of activity in 2004 compared to a full year in 2005.

Technology Expense

	Years Ended December 31,			
	2004	2005	$ Change	% Change
	(in thousands)			
Technology expense	$ 776	$ 868	$ 92	11.9%
Percent of net sales	1.9%	1.5%		(0.4)%

The increase in technology expense in 2005 primarily reflects an increase in communication infrastructure expense of $115,000, which was partially offset by a $53,000 decrease in computer support services.

Other Income (Expense), Net

	Years Ended December 31,			
	2004	2005	$ Change	% Change
	(in thousands)			
Other income (expense), net	$ 36	$ 85	$ 49	136.1%
Percent of net sales	0.1%	0.1%		0.0%

The increase in other income (expense), net in 2005 primarily reflects a $111,000 increase in website rental income, which was offset by a $62,000 increase in interest expense related to higher average borrowings in 2005.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2004

Net Sales and Gross Margin

	Years Ended December 31,			
	2003	2004	$ Change	% Change
	(in thousands)			
Net sales	$ 31,657	$ 40,658	$ 9,001	28.4%
Cost of sales	17,814	21,334	3,520	19.8%
Gross profit	$ 13,843	$ 19,324	$ 5,481	39.6%
Gross margin	43.7%	47.5%		3.8%

Net sales increased primarily due to a $5.9 million, or 27.6%, increase in our e-commerce sales, which was largely driven by an increase in the number of orders from online customers by 58,000 from 143,000 in 2003 to 201,000 in 2004. E-commerce sales were $21.6 million in 2003 and $27.5 million in 2004, an increase of 27.3%. Online marketplace sales commenced in late 2004 and represented $300,000 in 2004. In addition, sales in our wholesale channel increased $2.8 million, or 27.2%, from $10.1 million in 2003 to $12.9 million in 2004 primarily due to an increase in the number of DIFM customers purchasing our products, as well as an increase in the number of products offered to our customers.

Gross profit increased as a result of the 28.4% increase in net sales and a 3.8% increase in gross margin. The gross margin increase in 2004 was primarily attributable to an increase in the local wholesale gross margin due to a customer mix shift away from high volume, low margin customers to a broader customer base with higher gross margin sales. In addition, outbound freight expense as a percentage of net sales decreased by 0.9% to 12.3% of net sales.

General and Administrative Expense

	Years Ended December 31,			
	2003	2004	$ Change	% Change
	(in thousands)			
General and administrative expense	$ 2,284	$ 3,599	$ 1,315	57.6%
Percent of net sales	7.2%	8.9%		1.7%

The increase in general and administrative expense in 2004 primarily reflects higher payroll and related costs associated with the addition of eight administrative employees in 2004 and employee bonuses. General and administrative expense in 2004 also includes the amortization of software in the amount of $326,000 related to our purchase of software in late 2004.

Marketing Expense

	Years Ended December 31,			
	2003	2004	$ Change	% Change
	(in thousands)			
Marketing expense	$ 3,617	$ 4,526	$ 909	25.1%
Percent of net sales	11.4%	11.1%		(0.3)%

The increase in marketing expense in 2004 primarily reflects higher payroll and related costs associated with the addition of 13 marketing employees in 2004 and higher commissions related to the increase in net sales in 2004, as well as an increase of $1.4 million in Internet marketing costs. These increases were offset by a $1.1 million decline in web development consulting fees, primarily as a result of our software purchase in 2004, enabling us to conduct these marketing activities internally.

Fulfillment Expense

	Years Ended December 31,			
	2003	2004	$ Change	% Change
	(in thousands)			
Fulfillment expense	$ 3,246	$ 2,990	$ (256)	(7.9)%
Percent of net sales	10.3%	7.4%		(2.9)%

The decrease in fulfillment expense in 2004 primarily reflects a decrease in the number of warehouse and shipping employees in 2004 to 62 from 67 such employees in 2003 and a decline in bad debt expense. In 2003, we incurred bad debt expense of approximately $274,000 related to non-payment by larger wholesale distributor customers whose services were subsequently terminated, for which there was not a similar bad debt expense incurred in 2004. The decrease in fulfillment expense in 2004 was partially offset by increased rental expense and moving expenses relating to the move of our principal warehouse and corporate office in October 2003.

Technology Expense

	Years Ended December 31,			
	2003	2004	$ Change	% Change
	(in thousands)			
Technology expense	$ 405	$ 776	$ 371	91.6%
Percent of net sales	1.3%	1.9%		0.6%

The increase in technology expense primarily reflects an increase of $198,000 in costs associated with computer support services and higher payroll and related costs associated with the addition of one technical employee in 2004, as well as an increase in communications and access fees largely related to increased traffic to our websites and inbound sales calls.

Other Income (Expense), Net

	Years Ended December 31,			
	2003	2004	$ Change	% Change
	(in thousands)			
Other income (expense), net	$ (42)	$ 36	$ 78	Not meaningful
Percent of net sales	(0.1)%	0.1%		Not meaningful

The increase in other income (expense), net was primarily due to a $47,000 increase in website commissions and a $62,000 loss on asset disposition. The website commissions related to website licensing fees, which fees terminated in April 2006. This increase was partially offset by a $32,000 increase in interest expense associated with capital leases.

Quarterly Results of Operations

The following tables present unaudited quarterly results of operations, in dollar amounts and as a percentage of net sales, for the last seven quarters. This information has been derived from our unaudited consolidated financial statements and has been prepared by us on a basis consistent with our audited consolidated financial statements and includes all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the information for the periods presented.

	Three Months Ended						
	March 31, 2005	June 30, 2005	Sept. 30, 2005	Dec. 31, 2005	March 31, 2006	June 30, 2006	Sept. 30, 2006
	(in thousands, except share and per share data)						
Consolidated Statement of Income Data:							
Net sales	$14,186	$15,238	$14,555	$15,719	$18,005	$26,966	$38,543
Cost of sales	7,860	9,410	8,606	8,953	10,259	17,617	25,903
Gross profit	6,326	5,828	5,949	6,766	7,746	9,349	12,640
Operating expenses:							
General and administrative (1)	1,966	1,905	1,684	1,699	1,969	2,326	2,786
Marketing (1)	1,273	1,507	1,535	1,487	2,014	3,240	5,059
Fulfillment (1)	950	1,087	1,125	1,195	1,152	1,213	1,224
Technology (1)	183	211	202	272	167	345	480
Amortization of intangibles	5	4	4	4	4	947	2,086
Total operating expenses	4,377	4,714	4,550	4,657	5,306	8,071	11,635
Income from operations	1,949	1,114	1,399	2,109	2,440	1,278	1,005
Other income (expense):							
Other income (expense)	83	43	39	26	149	3	(2)
Interest expense, net	(20)	(18)	(31)	(37)	(40)	(317)	(593)
Other income (expense), net	63	25	8	(11)	109	(314)	(595)
Income before income taxes	2,012	1,139	1,407	2,098	2,549	964	410
Income tax provision (benefit)	34	(256)	24	35	(163)	425	217
Net income	$ 1,978	$ 1,395	$ 1,383	$ 2,063	$ 2,712	$ 539	$ 193
Basic net income per share	$0.15	$0.11	$0.10	$0.16	$0.21	$0.04	$0.01
Diluted net income per share	$0.15	$0.11	$0.10	$0.16	$0.18	$0.03	$0.01
Shares used in computation of basic net income per share	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000	14,120,952	15,199,681
Shares used in computation of diluted net income per share	13,200,000	13,200,000	13,200,000	13,200,000	15,382,341	20,772,428	21,876,868
EBITDA	$2,505	$1,645	$1,945	$2,660	$3,121	$2,777	$3,540
Share-based compensation	—	—	—	—	5	225	374
Adjusted EBITDA	$2,505	$1,645	$1,945	$2,660	$3,126	$3,002	$3,914

(1) Includes share-based compensation expense related to option grants, as follows:

	Three Months Ended						
	March 31, 2005	June 30, 2005	Sept. 30, 2005	Dec. 31, 2005	March 31, 2006	June 30, 2006	Sept. 30, 2006
	(in thousands)						
General and administrative	$ —	$ —	$ —	$ —	$ 3	$ 124	$ 232
Marketing	—	—	—	—	2	56	68
Fulfillment	—	—	—	—	—	8	8
Technology	—	—	—	—	0	37	66
	$ —	$ —	$ —	$ —	$ 5	$ 225	$ 374

	Three Months Ended						
	March 31, 2005	June 30, 2005	Sept. 30, 2005	Dec. 31, 2005	March 31, 2006	June 30, 2006	Sept. 30, 2006
As a Percent of Net Sales:							
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	55.4	61.8	59.1	57.0	57.0	65.3	67.2
Gross profit	44.6	38.2	40.9	43.0	43.0	34.7	32.8
Operating expenses:							
General and administrative	13.9	12.5	11.6	10.8	10.9	8.6	7.2
Marketing	9.0	9.9	10.6	9.5	11.2	12.0	13.1
Fulfillment	6.7	7.1	7.7	7.6	6.4	4.5	3.2
Technology	1.3	1.4	1.4	1.7	0.9	1.3	1.3
Amortization of Intangibles	0.0	0.0	0.0	0.0	0.0	3.5	5.4
Total operating expenses	30.9	30.9	31.3	29.6	29.4	29.9	30.2
Income from operations	13.7	7.3	9.6	13.4	13.6	4.8	2.6
Other income (expense):							
Other income	0.6	0.3	0.3	0.1	0.8	0.0	(0.0)
Interest expense, net	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(1.2)	(1.5)
Other income (expense), net	0.4	0.2	0.1	(0.1)	0.6	(1.2)	(1.5)
Income before income taxes	14.1	7.5	9.7	13.3	14.2	3.6	1.1
Income tax provision (benefit)	0.2	(1.7)	0.2	0.2	(0.9)	1.6	0.6
Net income	13.9%	9.2%	9.5%	13.1%	15.1%	2.0%	0.5%
EBITDA	17.7%	10.8%	13.4%	16.9%	17.3%	10.3%	9.2%
Share-based compensation	—	—	—	—	0.1	0.8	1.0
Adjusted EBITDA	17.7%	10.8%	13.4%	16.9%	17.4%	11.1%	10.2%

In May 2006, we completed the acquisition of Partsbin, which resulted in lower gross margins related to the introduction of Partsbin's drop-ship fulfillment method, higher general and administrative expenses resulting from integration costs, higher marketing expense, higher interest expense related to the acquisition indebtedness and higher amortization of intangibles recognized in the second and third quarter of 2006. The termination of our S corporation status in March 2006 also resulted in higher income tax provision in subsequent quarters.

Non-GAAP Financial Measures

We provide "EBITDA" and "Adjusted EBITDA," which are non-GAAP financial measures because we believe such measures are important supplemental information for investors. See "Selected Consolidated Financial Data of U.S. Auto Parts — Non-GAAP Financial Measures" for additional information regarding our use of EBITDA and Adjusted EBITDA.

The table below provides a quantitative reconciliation of our non-GAAP financial measures to the most comparable GAAP financial measures. For information about our financial results as reported in accordance with GAAP, see our consolidated financial statements and the related notes starting on page F-1.

	Three Months Ended						
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	March 31, 2006	June 30, 2006	September 30, 2006
	(unaudited) (in thousands)						
Net income	$ 1,978	$ 1,395	$ 1,383	$ 2,063	$ 2,712	$ 539	$ 193
Interest expense, net	20	18	31	37	40	317	593
Income tax provision (benefit)	34	(256)	24	35	(163)	425	217
Depreciation and amortization	468	484	503	521	528	549	451
Amortization of intangibles	5	4	4	4	4	947	2,086
EBITDA	2,505	1,645	1,945	2,660	3,121	2,777	3,540
Share-based compensation	—	—	—	—	5	225	374
Adjusted EBITDA	$ 2,505	$ 1,645	$ 1,945	$ 2,660	$ 3,126	$ 3,002	$ 3,914

We expect that our revenue, operating results and cash flows generally will vary from quarter to quarter depending on a variety of factors, including but not limited to the following:

- fluctuations in the demand for aftermarket auto parts;
- price competition on the Internet or among offline retailers for auto parts;
- our ability to attract visitors to our websites and convert those visitors into customers;
- government regulations related to use of the Internet for commerce, including the application of existing tax regulations to Internet commerce and changes in tax regulations;
- our ability to offer a broad range of aftermarket auto parts;
- our ability to maintain and expand our supplier and distribution relationships;
- the effects of seasonality on the demand for our products;
- our ability to accurately forecast demand for our products and maintain appropriate inventory levels;
- our ability to build and maintain customer loyalty;
- the success of our brand-building and marketing campaigns;
- technical difficulties, system downtime or Internet brownouts;
- the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; and
- general economic, industry and market conditions.

Liquidity and Capital Resources

We have historically funded our operations from cash generated from operations, credit facilities, bank and stockholder loans, an equity financing and capital lease financings.

In March 2006, we completed a recapitalization pursuant to which we issued and sold 11,055,425 shares of our Series A convertible preferred stock (which are currently convertible into 6,633,255 shares of

our common stock) in a private placement for an aggregate purchase price of $45.0 million and borrowed $10.0 million pursuant to a bank term loan. At the closing of the private placement, we terminated our S corporation status under the Internal Revenue Code of 1986, as amended, and became subject to taxation as a C corporation beginning in March 2006. The term loan bears interest at the rate of 4.58% for the first 12 months of the loan and interest accrues thereafter at LIBOR plus 1.5%. Only interest is payable on this loan until March 31, 2007, and thereafter, the remaining principal and any accrued, unpaid interest are payable monthly over the remaining three years of the term. Notwithstanding the foregoing, the term loan will become due and payable upon completion of this offering. Concurrently with this recapitalization, we made stockholder distributions in the aggregate amount of $51.7 million, which included $1.7 million representing our final S corporation distribution.

In May 2006, we completed the acquisition of Partsbin. The purchase price for Partsbin of approximately $50.0 million consisted of $25.0 million in cash, promissory notes in the aggregate principal amount of $5.0 million payable to the former stockholders of Partsbin and 1,983,315 shares of our common stock. We funded this acquisition through the notes payable to the former stockholders of Partsbin and a $22.0 million bank term loan, which loan accrues interest at LIBOR plus 1.75% (7.07% at September 30, 2006). Only interest is payable on this term loan until March 31, 2007 and the remaining principal and any accrued, unpaid interest are payable monthly over the remaining three years of the term. The stockholder notes payable bear interest at LIBOR and are due and payable in four equal quarterly installments of principal and interest commencing June 30, 2007.

We currently maintain a $7.0 million bank line of credit, which expires on May 19, 2007 and bears interest at LIBOR plus 1.75% (7.07% at September 30, 2006). As of September 30, 2006, we did not have any amounts outstanding under this line of credit. The bank line of credit and term loans referenced above are with the same commercial lender and are secured by substantially all of our assets. The notes payable to the former stockholders of Partsbin are also are secured by substantially all of our assets.

Upon completion of this offering, we intend to use a portion of the proceeds of this offering to repay (i) the outstanding indebtedness under the bank term loans, of which approximately $28.0 million was outstanding as of December 31, 2006; and (ii) the $5.0 million notes payable to stockholders incurred in connection with the Partsbin acquisition.

We had cash and cash equivalents of $3.3 million as of September 30, 2006, representing a $1.9 million increase from $1.4 million as of December 31, 2005. The increase in our cash and cash equivalents as of September 30, 2006 was primarily due to the $7.4 million in net cash provided by our operations during the nine months ended September 30, 2006, as well as the issuance of our Series A convertible preferred stock and proceeds from the two term loans. This increase was offset by distributions to stockholders and payments related to the acquisition of Partsbin. The December 31, 2005 cash balance represented a decrease of $0.8 million from the December 31, 2004 cash balance of $2.1 million. The decrease in cash as of December 31, 2005 was primarily due to the stockholder distributions and payments on our credit line, which was offset by cash generated from operations.

We had negative working capital of $4.8 million as of September 30, 2006, which was primarily due to an increase in accounts payable and accrued expenses and notes payable to stockholders related to the acquisition of Partsbin. Our working capital of $3.1 million as of December 31, 2005 represented an increase of $1.4 million from December 31, 2004. This increase was primarily due to an increase in our inventory, which was offset by an increase in accounts payable and accrued expenses. Due to the historical seasonality in our business during the fourth and first calendar quarters of each year, cash and cash equivalents, inventory and accounts payable are generally higher in these quarters, resulting in fluctuations

in our working capital. We anticipate that funds generated from operations and funds available under our line of credit will be sufficient to meet our working capital needs and expected capital expenditures for at least the next twelve months. Our future capital requirements may, however, vary materially from those now planned or anticipated. Changes in our operating plans, lower than anticipated net sales, increased expenses or other events, including those described in "Risk Factors," may cause us to seek additional debt or equity financings in the future. Financings may not be available on acceptable terms, on a timely basis, or at all, and our failure to raise adequate capital when needed could negatively impact our growth plans and our financial condition and results of operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Contractual Obligations

The following table sets forth our contractual cash obligations and commercial commitments as of December 31, 2005.

	Payment Due By Period				
Contractual Obligations:	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(in thousands)		
Capital lease obligations	$ 592	$ 203	$ 382	$ 7	$ —
Notes payable	96	96	—	—	—
Operating lease obligations	1,723	694	1,029	—	—

Contractual obligations as of September 30, 2006 increased from December 31, 2005 due to additional notes payable related to two term loans for approximately $22.0 million and $10.0 million as well as $5.0 million for certain promissory notes payable to the former stockholders of Partsbin. In January 2006, we repaid in full the $96,000 note which was outstanding as of December 31, 2005. During the nine months ended September 30, 2006, we repaid $2.0 million on the $22.0 million loan. The outstanding principal balance of our notes payable as of September 30, 2006 was $35.0 million. In the fourth quarter of 2006, we repaid an additional $2.0 million on the $22.0 million term loan. The outstanding principal balance on our notes payable as of December 31, 2006 was $33.0 million. As of September 30, 2006, both capital lease obligations and operating lease obligations decreased to $202,000 and $1.6 million, respectively. Commitments under capital lease obligations relate to our leases for telephone and computer equipment, and the operating lease obligations for our facilities in Carson, California and Trenton, New Jersey. We intend to use the net proceeds of this offering to repay the $33.0 million of notes payable.

Quantitative and Qualitative Disclosures about Market Risk

We do not use financial instruments for trading purposes, and do not hold any derivative financial instruments that could expose us to significant market risk. Our primary market risk exposure with regard to financial instruments is changes in interest rates. We also have some exposure related to foreign currency fluctuations.

Interest Rate Risk. Pursuant to the terms of our term loans and line of credit with our principal lender, changes in the monthly LIBOR rate could affect the existing rate of our outstanding loans and the rates at which we could borrow funds under our line of credit. At September 30, 2006, we had outstanding borrowings in the aggregate amount of $30.0 million under our term loans with our principal lender and none outstanding under our line of credit with this lender. Additionally, we had outstanding borrowings in

the aggregate amount of $5.0 million under the notes to the former Partsbin stockholders. A 1% increase or decrease in LIBOR would result in a $350,000 increase or decrease, respectively, in interest expense related to these outstanding borrowings.

Foreign Currency Risk. Our purchases of auto parts from our Asian suppliers are denominated in U.S. dollars, however, a change in the foreign currency exchange rates could impact our product costs over time. While our Philippine operational expenses are paid in Philippine pesos, and Canadian website sales are denominated in Canadian dollars, fluctuations in currency rates have only had a nominal impact on our operations historically.

Change in Accountants

On October 11, 2005, upon the authorization of our Board of Directors, we dismissed our independent auditors, Stonefield Josephson, Inc., and engaged Ernst & Young LLP. During the years ended December 31, 2004 and 2003, and the subsequent period from January 1, 2005 to October 11, 2005, Stonefield Josephson, Inc. did not have any disagreement with us on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Stonefield Josephson, Inc., would have caused them to make reference to the subject matter of the disagreement in connection with their reports on our financial statements for such years. The reports of Stonefield Josephson, Inc. on our consolidated financial statements for the years ended December 31, 2004, 2003 and 2002 did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. We did not consult with Ernst & Young LLP on any financial or accounting reporting matters before its appointment.

Seasonality

We believe our business is subject to seasonal fluctuations. We have historically experienced higher sales of body parts in winter months when inclement weather and hazardous road conditions typically result in more automobile collisions and an increased demand for body parts. Partsbin, with its focus on engine parts, performance parts and accessories, has historically experienced higher sales in the summer vacation months when consumers have more time to undertake elective projects to maintain and enhance the performance of their automobiles and the warmer weather during that time is conducive for such projects. We expect the historical seasonality trends to continue to have a material impact on our financial condition and results of operations.

Inflation

Inflation has not had a material impact upon our operating results, and we do not expect it to have such an impact in the near future. We cannot assure you that our business will not be so affected by inflation in the future.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the timeliness and reliability of the information disclosed. During 2006, we have been documenting and reviewing the design and effectiveness of our internal controls over financial reporting in anticipation of the requirement to comply with Section 404 of the Sarbanes-Oxley Act. Based on current regulations, we are required to be compliant with Section 404 for the year ending December 31, 2008. Our auditors have identified certain significant deficiencies in our system of internal control over financial reporting that are primarily related to our need to hire additional financial and accounting employees, as well as our need to upgrade our accounting systems and improve the documentation of our key assumptions,

estimates, accounting policies and procedures. We are actively working to correct these deficiencies through hiring additional finance personnel and increasing focus on documentation, and we have upgraded our accounting system since December 31, 2005 when the deficiencies were identified. Continuous review and monitoring of our business processes will likely identify other possible changes to our internal controls in the future. If we are unable to comply with Section 404 of the Sarbanes-Oxley Act, our share price may be negatively impacted. In addition, we expect our general and administrative expenses to increase substantially as we incur expenses associated with comprehensively analyzing, documenting and testing our system of internal control over financial reporting in anticipation of our compliance with Section 404 of the Sarbanes-Oxley Act.

BUSINESS

Overview

We are a leading online provider of aftermarket auto parts, including body parts, engine parts, performance parts and accessories. Our user-friendly websites provide customers with a comprehensive selection of approximately 550,000 SKUs with detailed product descriptions and photographs. We have developed a proprietary product database which maps our 550,000 SKUs to over 4.3 million product applications based on vehicle makes, models and years. We principally sell our products to individual consumers through our network of websites and online marketplaces. Our flagship websites are located at *www.partstrain.com* and *www.autopartswarehouse.com*. Our corporate website is located at *www.usautoparts.net.*

Our business has grown consistently since we launched our first website in 2000. In the year ended December 31, 2005 and the nine months ended September 30, 2006, we generated net sales of $59.7 million and $83.5 million, respectively. In the year ended December 31, 2005 and for the nine months ended September 30, 2006, we generated net income of $6.8 million and $3.4 million, respectively. During the same periods, we also generated Adjusted EBITDA of $8.8 million and $10.0 million, respectively. In addition, we have experienced continued growth in the number of monthly unique visitors to our websites. In September 2006, approximately 6.8 million unique visitors visited our websites. The number of orders placed through all of our e-commerce websites has also increased from approximately 288,000 orders for the year ended December 31, 2005 to approximately 505,000 orders for the nine months ended September 30, 2006. The average order value of purchases on our websites for the nine months ended September 30, 2006 was approximately $120.

We were incorporated in 1995 as a distributor of aftermarket auto parts and launched our first website in 2000. We rapidly expanded our online operations, increasing the number of SKUs sold through our e-commerce network, adding additional websites, improving our Internet marketing proficiency, and commencing sales on online marketplaces. In May 2006, we acquired Partsbin, an online retailer focused on selling engine parts and performance parts and accessories. This acquisition significantly expanded our product offerings and enhanced our ability to reach more customers and attain greater flexibility in our fulfillment operations.

Industry Overview

Growth in the Aftermarket Auto Parts Market

According to the AAIA's *2006/2007 Aftermarket Factbook*, the United States automotive aftermarket industry is projected to be $204 billion in 2006. Our addressable market is forecasted by AAIA to be approximately $91.3 billion in 2006, which consists of approximately $37.8 billion in sales to the Do-It-Yourself ("DIY") customers, who independently maintain, repair or improve their vehicles, and $53.5 billion in sales to the Do-It-For-Me ("DIFM") segment, which includes sales to entities such as collision and repair shops.

We believe industry growth has been driven by several factors, including the:

- increased number and age of vehicles in the United States and increased number of miles driven annually;
- increased number of licensed drivers; and
- increased demand for performance auto parts.

While the U.S. auto parts aftermarket is characterized by modest growth, we believe there is an opportunity for e-commerce aftermarket auto part retailers to grow faster than the overall market due to consumer trends related to the Internet and e-commerce.

Growth of e-Commerce and Online Purchasing

Internet use and online commerce continue to grow worldwide. According to a September 2005 research report, *US eCommerce: 2005 to 2010* issued by Forrester Research, online purchases by U.S. consumers are expected to grow from approximately $172 billion in 2005 to approximately $329 billion by 2010, representing a 13.9% compound annual growth rate. We believe several factors will contribute to this anticipated growth, including the increased awareness of the convenience, selection and product information available through online shopping, continued improvement in network infrastructure and payment security and growing access to high speed Internet connections that make online shopping increasingly efficient and attractive to consumers. According to Nielsen/NetRatings, broadband use at home has surpassed dial-up connectivity in the U.S., reaching 72% of residential Internet users in May 2006. In addition, the percentage of U.S. households shopping online is projected to grow from 39% in 2005 to 48% in 2010, according to Forrester Research.

As a percentage of overall retail sales, e-commerce sales today remain relatively small, having grown from 1.0% in the third quarter of 2000 to 2.4% in the third quarter of 2005 according to the U.S. Department of Commerce. However, e-commerce growth continues to increase at a much faster rate than overall retail sales growth. The U.S. Department of Commerce recently reported that online retail sales increased from $27.6 billion in 2000 to $87.8 billion in 2005, representing a 26.1% compound annual growth rate, compared to 4.5% for the overall retail market. According to Forrester Research, e-commerce sales are expected to represent a 13% share of total retail sales by 2010 as Internet and e-commerce growth trends continue to drive a shift from traditional sales channels to online sales channels.

In 2006, the online and mail order portion of aftermarket auto part sales is forecasted to be $2.7 billion according to the AAIA. While the portion of online and mail order sales is a relatively small percentage of our addressable market at approximately 3%, we believe online penetration rates of aftermarket auto parts consumers will continue to increase. As a result, we anticipate that sales for online aftermarket auto parts will continue to grow at a faster rate than the sales in the overall auto parts market.

Market Opportunity

The auto parts market has traditionally been fragmented and inefficient, with multiple intermediaries including importers, distributors and wholesalers between manufacturers and consumers. The involvement of each additional middleman typically leads to an increase in the price that a customer pays for a particular part. Furthermore, auto parts retailers who operate brick and mortar stores generally stock only a small percentage of the products that are available for sale. As a result, consumers must often visit several retailers to find a part or have a retailer order the part for future delivery.

The fragmented nature of the auto parts market has also meant an absence of a centralized database or a comprehensive, master catalog of products, which maps all aftermarket auto parts to all relevant applications for such parts, including applicable OEM part numbers. This inadequacy of information leads to inefficiencies in the sale and purchase process for both the retailer and the consumer, especially in view of the multiple makes, models and years of various vehicles for which parts are available.

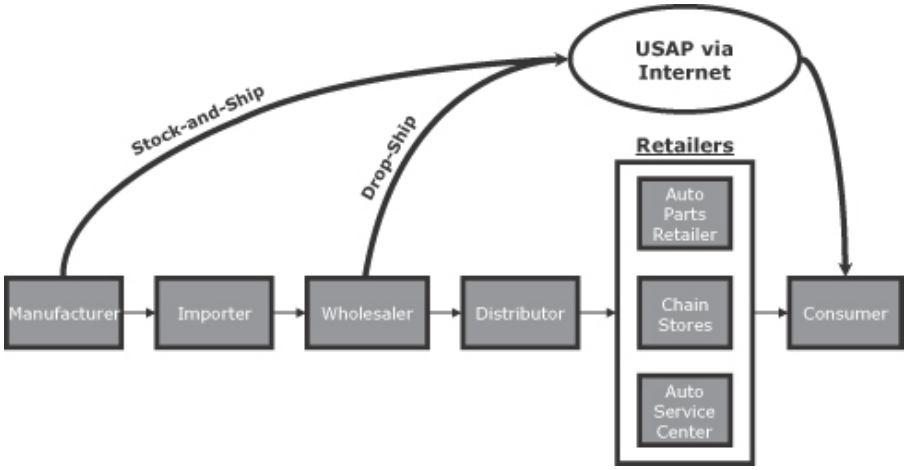
Our Solution

We believe our solution addresses the problems faced in the traditional auto parts market and provides additional benefits for our customers. The key components of our solution include:

Disintermediation of the Auto Parts Supply Chain

We have developed an online sales channel that enables us to sell aftermarket auto parts to our customers while eliminating several intermediaries in the traditional auto parts supply chain. Traditional purchases of auto parts typically involve manufacturers, importers, wholesalers, distributors and retailers. We disintermediate the traditional auto parts supply chain by either obtaining products directly from manufacturers or sourcing products directly from wholesalers to fulfill customer orders. Disintermediating the traditional supply chain allows us to offer auto parts to our customers at competitive prices and allows us to more efficiently deliver products to our customers while generating higher profit margins.

The following diagram illustrates how we disintermediate the traditional supply chain:



As an online retailer, we do not incur many of the costs associated with operating brick and mortar stores. We believe that our ability to disintermediate the auto parts supply chain, combined with our efficient e-commerce platform, enables us to sell products at competitive prices while achieving higher operating margins and return on invested capital than many traditional automotive parts retailers.

Leading Network of Websites

We have developed a network of websites to offer our broad selection of aftermarket auto parts. Our flagship websites for e-commerce are located at *www.partstrain.com* and *www.autopartswarehouse.com*. Our websites allow customers to search for parts in several ways, including by automobile make, model and year, by specific part name such as bumper or mirror, or by product category such as body or engine part. Our websites also include detailed product information, photographs and other online content, including informative articles and answers to frequently asked questions, in order to enhance the shopping experience. We believe that by providing an intuitive online shopping experience combined with useful auto part information and content, we are able to cost-effectively attract an increasing number of visitors to our sites, maintain high levels of customer satisfaction among our existing customers, and reduce the number of product returns and exchanges.

Proprietary Product Catalog

We have invested significant resources and time over several years to build a proprietary product catalog, or electronic database, that maps SKUs to relevant applications for such parts, correlating the SKUs to applicable vehicle makes, models and years. We conduct our own research and testing as well as aggregate information from both offline and online data sources in order to accurately correlate SKUs to relevant vehicle makes, models and years. We have also developed proprietary technology and have trained personnel to compile and continuously update our product catalog. By creating a master catalog of individual auto parts and accessories mapped to multiple vehicle makes, models and years, we increase our sales potential while reducing inventory management expense. We believe that there is no other online catalog of aftermarket body parts, engine parts, performance parts and accessories currently available that offers the same breadth, accuracy and detail.

Flexible Fulfillment Methods

We fulfill customer orders using two primary methods: (i) stock-and-ship, where we take physical delivery of a part and store it in one of our distribution centers until it is shipped to a customer, and (ii) drop-ship, where the part is shipped directly to the customer from the supplier. We believe that the flexibility of fulfilling orders via two different fulfillment methods allows us to offer a broader selection of products, optimize product inventory, determine optimal pricing and enhance overall business profitability.

Low Cost Operations

Our offshore and outsourced operations in the Philippines and India allow us to access a qualified workforce at a significantly lower cost than comparably experienced U.S.-based professionals and provide us with flexibility and scalability in managing our operations. Our offshore and outsourced operations are responsible for a majority of the development and maintenance of our websites, continuous updates to our product catalog, software development, enhancements of our online marketing technologies and customer service.

Long-Standing Supplier Relationships

We source products from manufacturers and distributors located in Asia and the United States. We have developed strong relationships with our suppliers, some of whom have been working with us for over a decade. Many of our aftermarket products are available from more than one supplier, and we secure secondary sources for most of our top selling products. We continually research and analyze our market to understand how our suppliers are changing their product mix, part availability and pricing. Our supplier relationships and our understanding of the market enable us to set competitive pricing for our products and ensure product availability.

Benefit to Customers

We believe our solution provides multiple benefits to our customers, including:

- *Broad Product Selection and Availability.* Our proprietary product catalog provides our customers with the ability to select from approximately 550,000 SKUs that correlate to over 4.3 million product applications, based on vehicle makes, models and years. A majority of our products are readily available and in stock, either in our distribution center or from our suppliers, providing convenient one-stop shopping for the customer.
- *Competitive Pricing.* We are able to offer our customers lower prices relative to OEM parts retailers and traditional aftermarket retailers by eliminating several intermediaries in the aftermarket auto

parts supply chain, leveraging our long-term supplier relationships and establishing an efficient online cost structure that capitalizes on relatively inexpensive labor.

- *Prompt Order Fulfillment.* Our proprietary order fulfillment system allows us to efficiently process and ship items from our distribution centers or from our suppliers, ensuring timely delivery of products to our customers. Additionally, our customers are generally provided with the option to receive standard ground or expedited shipping.
- *Detailed Product Information.* We provide detailed product descriptions and photographs, specific vehicle applications, part numbers for aftermarket parts, pricing information and related part and brand suggestions for the parts offered on our websites. Providing comprehensive product information enables our customers to make an informed purchasing decision on every order.
- *Satisfying Shopping Experience and Knowledgeable Customer Service.* Our easy to navigate websites are accessible from the convenience of the customer's home or office or anywhere with an Internet connection. Our customer support staff is available to provide assistance to our customers throughout the purchase process 24 hours a day, seven days a week, via phone, live-chat or e-mail. We believe our user-friendly websites and dedicated customer support staff create a positive shopping experience.

Our Growth Strategy

Our primary objective is to continue our growth and to strengthen our position as a leading online provider of aftermarket auto parts. The key elements of our strategy are as follows:

- *Expand Our Product Offering.* We will continue to expand our product selection by adding new SKUs from existing suppliers, adding new suppliers and optimizing our distribution centers to create additional capacity for new items. We also intend to add new categories of products, including specialty or niche categories.
- *Cost-Effectively Increase the Number of Visitors to Our Websites.* We intend to increase the number of visitors to our websites by continuing to enhance our site content and layout, so that our websites will be included as a relevant search result when consumers use Internet search engines to find aftermarket auto parts, as well as through a variety of cost-effective online marketing techniques.
- *Increase Our Visitor Conversion Rate.* We seek to increase the rate of conversion of visitors to our websites into purchasing customers by continuing to provide detailed information and photographs about products, improving our existing website designs and online purchase processes, and continuing to focus on customer service.
- *Increase Repeat Customers.* We intend to enhance and improve the overall customer shopping experience while offering a broad selection of products at competitive prices, which we believe is a key to increasing repeat customers. We plan to continue to invest in the training and development of our customer service personnel, focus on rapid and accurate fulfillment of orders and further enhance the features and functionality of our websites. We will also make greater efforts to mine our existing customer base through promotional discounts and programs.
- *Expand e-Commerce Distribution Channels.* We plan to build and strengthen partnerships with auction sites, large online marketplaces, complementary niche websites and comparison shopping sites in order to expand the distribution channels for our products.
- *Pursue Strategic Acquisitions that Augment Our Business.* We intend to selectively pursue acquisition opportunities to increase our share of the aftermarket auto parts market and expand our

product offering. We plan to focus our efforts on companies that offer us new or complementary areas of expertise, additional customers or more SKUs in our existing product categories.

Our Products

We offer a broad selection of aftermarket auto parts, consisting of approximately 550,000 SKUs that correlate to over 4.3 million product applications based on specific vehicle makes, models and years. We continuously refine our product offering by introducing new merchandise lines and optimize the existing product selection in order to offer a more complete and relevant product line. To increase our product selection, we identify vehicle markets that offer a large number of product choices by application, brand and levels of quality. We periodically identify and remove low-selling or obsolete SKUs.

We broadly classify our products into three categories — body parts, engine parts and accessories. The following table lists some of our products by category:

Body Parts	Engine Parts	Accessories
Bumpers	Air filters	Bike racks
Fenders	Brakes	Car covers
Grills	Catalytic converters	Floor mats and carpeting
Hoods	Clutch parts	Gauges
Lights	Cold air intake	Headers
Mirrors	Condensers	Navigation systems
Wheels	Exhaust systems	Nerf bars
Window regulators	Radiators	Spoilers

Body Parts

The body parts category is primarily comprised of parts for the exterior of an automobile. Our parts in this category are typically replacement parts for original body parts that have been damaged as a result of a collision or through general wear and tear. In addition, we sell an extensive line of mirror products, including our own private-label brand called Kool-Vue, which are marketed and sold as aftermarket replacement parts and as upgrades to existing parts. Body parts products are sold either primed or raw, which require additional steps such as priming and painting in order to create a finished product. We also provide the necessary components to install our products, such as mounting kits and strut assemblies.

Engine Parts

The engine parts category is comprised of engine components and other mechanical and electrical parts, which are often referred to as hard parts. These parts serve as replacement parts for existing engine parts and are generally used by professionals and do-it-yourselfers for engine and mechanical maintenance and repair.

Accessories

The accessories category generally consists of parts that enhance a non-essential functionality, increase comfort or improve the physical appearance of the automobile's interior or exterior. Our accessories are often used by our customers to make upgrades to the look and comfort of their automobiles.

Performance Parts

We offer performance versions of many parts sold in each of the above categories. Performance parts generally consist of parts that enhance the performance of the automobile, upgrade existing functionality of a specific part or improve the physical appearance of the automobile.

Warranty

We generally provide, at no cost to our customers, a warranty on all parts for a period of up to 90 days from the date that the part is received by the customer. Our warranty covers the replacement of a defective part, and if a replacement part cannot be obtained, a full refund is issued to the original customer.

Our Proprietary Product Catalog

We have invested significant resources and time to build a proprietary product database that maps SKUs to relevant vehicle makes, models and years for such product. For example, a bumper for a Chevy Tahoe not only fits a Tahoe, but also can be used for the Suburban. By cross-referencing each SKU with all the relevant years, makes and models, we believe we are able to reach a broader market of customers for any given SKU. We have spent years compiling and continuously updating our catalog through a manual and time-consuming process, including researching offline and online resources, conducting our own testing, correlating single SKUs to multiple vehicle makes, models and years, producing descriptive content for each individual SKU and obtaining professional-quality photographs of the products. We believe that there is no other aftermarket product catalog with the same breadth, accuracy and detail.

The development, ongoing maintenance and continual updating of our product catalog is a complex, multi-step process. Each new SKU has multiple data points and product details, such as OEM part numbers and referenced application databases, all of which are entered into our catalog. Additionally, we receive SKU information from our suppliers in varying file formats, and sometimes via hard copy. Each SKU must undergo a quality assurance review, to ensure that data is entered accurately. The database is maintained in a web-based platform that is accessible from both our headquarters and our offshore operations. We frequently update our product catalog as we add new SKUs to our product offering and as we discover new applications for existing SKUs.

Our Sales Channels

Our sales channels include the online channel and the wholesale channel.

Online Sales Channel

Our online sales channel consists of our e-commerce channel and online marketplaces. Our e-commerce channel includes a network of e-commerce websites, supported by our call-center sales agents who generate cross-sell and up-sell opportunities. Our e-commerce channel generated approximately 288,000 orders for the year ended December 31, 2005 and approximately 505,000 orders for the nine months ended September 30, 2006. We also sell our products through our online marketplaces that provide us with access to additional consumer segments not reached by our network of e-commerce websites. The majority of our online sales are to individual consumers.

Wholesale Sales Channel

We sell to auto body shops and collision repair shops throughout Southern California via our wholesale sales channel. We also market our Kool-Vue products nationwide to auto parts wholesale distributors.

Our Fulfillment Operations

We fulfill customer orders using two primary methods: (i) stock-and-ship, where we have physical delivery of merchandise and store it in one of our distribution centers, and (ii) drop-ship, where merchandise is shipped directly to customers from our drop-ship suppliers. We believe that the flexibility of

fulfilling orders using two different fulfillment methods allows us to offer a broader product selection, optimize product inventory and enhance overall business profitability.

The selection of fulfillment methodology occurs at the time of order submission. When a customer submits an order, an invoice with an order number is created. Our fulfillment system then performs a check on the ordered item to determine if it is in stock at any of our distribution centers. Fulfillment teams in our distribution centers then process orders for in-stock products. Orders for non-stocked products are sent to our suppliers and processed via drop-ship. Our proprietary order processing technology allows us to monitor customer orders at each stage of the fulfillment process, from the time the customer places an order until the product is delivered, and provides us with real-time visibility into our inventory, logistics, procurement processes and sales activity.

Stock-and-Ship Fulfillment

Our stock-and-ship products are sourced primarily from suppliers located in Asia and the U.S. and are stored in one of our distribution centers in Carson, California or Nashville, Tennessee. All products received into our distribution centers are entered into our proprietary inventory tracking system, allowing us to closely monitor inventory status on a real-time basis.

We consider a number of factors in determining which items to stock in our distribution centers, including which products can be purchased at a meaningful discount to domestic prices for similar items, which products have historically sold in high volumes, and which products may be out of stock when we attempt to fulfill via drop-ship.

Drop-Ship Fulfillment

We have developed relationships with several U.S.-based automobile parts distributors that operate their own distribution centers and will deliver products directly to our customers. We have internally developed a proprietary distributor selection system, Auto-Vend, which combines product and pricing information provided by each of our drop-ship distributors to create an aggregated view of in-stock items and pricing at our distributors' fulfillment facilities.

Using the drop-ship method, a customer order for an item that is not in stock in our distribution center is automatically transmitted to the Auto-Vend system, which will seek to fill the order from our selection of distributors. The Auto-Vend system selects the distributor to fill the order based on predetermined set of factors, including price of the item, discounts provided and shipping costs.

Suppliers

We source our products from foreign manufacturers and importers located in Taiwan and China, and from U.S. manufacturers and distributors. We typically order stock-and-ship products from our Asian manufacturers and importers, and utilize our U.S. based manufacturers and distributors for our drop-ship orders. We generally place large-volume orders with these suppliers and, as a result, may receive volume discounts on ordered products. Our domestic suppliers offer direct-to-customer shipping, allowing us to save on fulfillment costs and offer a broader selection of products. We have developed application programming interfaces systems with several of these suppliers which allow us to have near real-time information regarding their inventory and pricing, allowing us to determine the optimal drop-ship vendor for each order. We are a significant customer for many of our drop-ship vendors and have long standing relationships with many of these suppliers. As a result, we enjoy favorable pricing as well as volume rebates which we believe many of our competitors do not receive.

We have recently entered into written contracts with two of our major suppliers. Our agreement with WORLDPAC, Inc. has an initial term of two years, and renews automatically. In addition, WORLDPAC may terminate the agreement upon 30 days' written notice if we exceed maximum return rates on parts purchased from WORLDPAC. Our agreement with Arrow Speed Warehouse, Inc. requires Arrow Speed to use its best efforts to supply our customers with certain specific brand name parts. The agreement has a term of one year and automatically terminates in November of 2007 unless earlier terminated. Arrow Speed may terminate the agreement upon 90 days' written notice if we breach the agreement, or in the event we materially breach the agreement, Arrow Speed may terminate the agreement immediately without any notice. We do not have material written contracts with any of our other principal suppliers.

Marketing

Our online marketing efforts are designed to attract visitors to our websites, convert visitors into purchasing customers and encourage repeat purchases among our existing customer base. We use a variety of online marketing methods to attract visitors, including paid search advertising, search engine marketing, affiliate programs, e-mail marketing and inclusion in online shopping engines. To convert visitors into paying customers, we also run in-site promotions for discounted purchases. We create cross-selling opportunities by displaying complementary and related products available for sale throughout the purchasing process. For instance, as a customer places an order for a bumper, we offer the bumper brackets needed to complete installation of the specific product. We utilize several marketing techniques, including targeted e-mails about specific vehicle promotions, to maximize customer awareness of our products.

International Operations

We have established offshore and outsourced operations in the Philippines and India. Our offshore and outsourced operations allow us to access a workforce with the necessary technical skills at a significantly lower cost than comparably experienced U.S.-based professionals. Our offshore and outsourced operations are responsible for a majority of our software development, database management, customer service, phone sales, and search engine marketing technologies. Our outsourced operations provide headcount flexibility and scalability, allowing us to add and reduce headcount as needed for our business. In addition to our operations in the Philippines and India, we also have a Canadian subsidiary to facilitate sales of our products in Canada.

Technology

Over the past ten years, we have developed the technological competencies to procure, receive, inventory, market and sell auto parts on the Internet. The processes that support our core business operate on two primary technology platforms.

Our websites are developed on the LAMP stack, running Linux, Apache, MySQL and PHP, enabling us to rapidly develop, test and deploy websites and our proprietary product catalog, while reducing total cost of ownership and improving performance. We have implemented and maintain proprietary application programming interfaces ("APIs") with all of our significant drop-ship vendors. These APIs provide us with visibility into inventory availability, pricing, shipping and purchasing information from these vendors.

Our purchasing, receiving, financial, reporting, inventory, warehouse and order management systems are developed and deployed on a scalable back-office platform and run on Microsoft technologies such as SQL Server and Dynamics GP with customizations that enhance their capabilities to our specific needs. Our system provides us with a reliable and robust back-end that maintains an audit trail of all transactions and changes to financial data and provides our management with real-time insight into our daily operations. The

majority of our technology is developed in-house, which provides for rapid development and better response to the specific requirements of our business and customers. We have designed and implemented web-based interfaces to monitor, maintain and manage the various software components that form the foundation of our technology infrastructure. Our interfaces are a powerful management tool that can be accessed from anywhere in the world through the Internet.

We plan to expand and upgrade our information technology infrastructure to further support our growth by adding more servers, additional data warehousing/reporting applications and augmenting our inventory, order and vendor management applications.

Our data centers, engineers, quality assurance personnel, content writers and development teams are located in various facilities in Carson, California, Trenton, New Jersey, Chennai, India and the Philippines. We operate a sophisticated and redundant international communications infrastructure that provides a reliable and highly scalable medium, as well as our call-centers that answer our customers' phone calls, chat and e-mails.

Competition

The auto parts industry is competitive and highly fragmented, with products distributed through multi-tiered and overlapping channels. We compete with both online and offline retailers who offer OEM and aftermarket parts to either the DIY or DIFM customer segments. Current or potential competitors include the following:

- national auto parts retailers such as Advance Auto Parts, AutoZone, CSK Auto, Napa Auto Parts, O'Reilly Automotive and Pep Boys;
- large online marketplaces such as Amazon.com and eBay;
- local independent retailers or niche auto parts retailers; and
- wholesale auto parts distributors such as Keystone Automotive and LKQ Corporation.

We believe the principal competitive factors in our market are maintaining a proprietary product catalog which maps individual parts to relevant auto applications, product selection and availability, price, knowledgeable customer service, and rapid order fulfillment and delivery. We believe we compete favorably on the basis of these factors. However, some of our competitors may be larger, have greater name recognition or may have access to greater financial, technical and marketing resources or have been operating longer than we have.

Government Regulation

We are subject to federal and state consumer protection laws, including laws protecting the privacy of customer non-public information and regulations prohibiting unfair and deceptive trade practices. In addition, since 1998, most states have passed laws that prohibit or limit the use of aftermarket auto parts in collision repair work and/or require enhanced disclosure or vehicle owner consent before using aftermarket auto parts in such repair work. Additional legislation of this kind may be introduced in the future, and the growth and demand for online commerce has and may continue to result in more stringent consumer protection laws that impose additional compliance burdens on online companies. These laws may cover issues such as user privacy, spyware and the tracking of consumer activities, marketing e-mails and communications, other advertising and promotional practices, money transfers, pricing, content and quality of products and services, taxation, electronic contracts and other communications and information security.

There is also great uncertainty over whether or how existing laws governing issues such as property ownership, sales and other taxes, auctions, libel and personal privacy apply to the Internet and commercial

online services. These issues may take years to resolve. For example, tax authorities in a number of states, as well as a Congressional advisory commission, are currently reviewing the appropriate tax treatment of companies engaged in online commerce, and new state tax regulations may subject us to additional state sales and income taxes. New legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business or the application of existing laws and regulations to the Internet and commercial online services could result in significant additional taxes or regulatory restrictions on our business. These taxes or restrictions could have an adverse effect on our cash flows and results of operations. Furthermore, there is a possibility that we may be subject to significant fines or other payments for any past failures to comply with these requirements.

Employees

As of December 31, 2006, we employed 218 people in the United States and 233 people in the Philippines for a total of 451 employees. None of our employees are represented by a labor union, and we have never experienced a work stoppage.

Facilities

Our corporate headquarters and primary distribution centers are located in Carson, California in approximately 153,000 square feet of office and warehouse space. We have additional management, sales, technical and accounting staff at our 6,000 square foot Trenton, New Jersey office and another 10,000 square-foot distribution center in Nashville, Tennessee. We lease approximately 12,900 square feet of office space in the Philippines for our employees located in that country. We lease all of our facilities under leases which expire between December 31, 2006 and March 31, 2009. We believe our existing facilities will be sufficient for our needs for at least the next twelve months.

Legal Proceedings

On December 2, 2005, Ford Global Technologies, LLC ("Ford") filed a complaint with the United States International Trade Commission ("USITC") against us and five other named respondents, including four Taiwan-based manufacturers. On December 12, 2005, Ford filed an amended complaint. Both the complaint and the amended complaint allege that we and the other respondents infringed 14 design patents that Ford alleges cover eight parts on the 2004-2005 Ford F-150 truck (the "Ford Design Patents"). Ford has asked the USITC to issue a permanent general exclusion order excluding from entry into the United States all automotive parts that infringe the Ford Design Patents and that are imported into the United States, sold for importation in the United States, or sold within the United States after importation. Ford also seeks a permanent order directing us and the other respondents to cease and desist from, among other things, selling, marketing, advertising, distributing and offering for sale imported automotive parts that infringe the Ford Design Patents. We filed our response to the complaint with the USITC in January 2006 denying, among other things, that any of the Ford Design Patents is valid and/or enforceable and, accordingly, denying each and every allegation of infringement. We also asserted several affirmative defenses, any of which, if successful, would preclude the USITC from granting any of Ford's requested relief. Some of these affirmative defenses were struck by the Administrative Law Judge ("ALJ") in response to a motion by Ford. Additionally, four of the Ford Design Patents were dropped from the investigation at Ford's request. A hearing before the ALJ occurred in August 2006, and the ALJ issued a preliminary ruling on December 4, 2006. The ALJ upheld the validity of seven of the ten Ford Design Patents and ruled that the importation of automotive parts allegedly covered by these seven patents violates Section 337 of the Tariff Act of 1930, as amended. This ruling is subject to review by the USITC Commissioners, and we expect a final determination on or before May 4, 2007. We and the other respondents filed a petition urging the USITC Commissioners to review and reverse the portions of the initial determination upholding seven of the ten

patents, as well as earlier rulings by the ALJ. Ford also filed a petition urging the USITC Commissioners to review and reverse the portions of the initial determination invalidating three of the ten patents. The USITC has until March 20, 2007 to decide whether or not it will grant, in whole or in part, the respective petitions for review. If the petition is granted, the USITC will then set a briefing schedule and we expect a final determination on or before May 4, 2007. If the USITC ultimately finds a violation of Section 337, it may issue an order prohibiting further importation of the covered parts into the United States. The USITC's actions are subject to review by the President of the United States, who has the authority to approve or disapprove the USITC's action. After the end of such review period, the USITC's final decision can be appealed to the United States Court of Appeals for the Federal Circuit. To date, our sales of these parts have been minimal, but as the design for the 2004 model is incorporated into later year models of the F-150 and these trucks have been on the road longer, sales of aftermarket replacement parts for these trucks may increase substantially. If the USITC were to uphold the ALJ's preliminary ruling, it is not anticipated that the loss of sales of these parts over time would be materially adverse to our financial condition or results of operations. However, Ford and other car manufacturers may attempt to assert similar allegations based upon design patents on a significant number of parts for other models, which over time could have a material adverse impact on us and the entire aftermarket parts industry.

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of our business, including claims based on pricing errors and/or other errors in product information or advertisements. These claims, even if not meritorious, could be costly and time consuming and could divert our management and key personnel from our business operations. In connection with such litigation, we may be subject to significant damages or equitable remedies relating to the operation of our business and the sale of products on our website. The uncertainty of litigation increases these risks. Any such litigation may materially harm our business, results of operations and financial condition.

MANAGEMENT

Executive Officers and Directors

The following table provides information with respect to our directors, executive officers and certain significant employees as of January 9, 2007.

Name	Age	Position(s)
Mehran Nia	41	Co-Founder, Chief Executive Officer, President and Director
Michael J. McClane	37	Chief Financial Officer, Executive Vice President of Finance, Treasurer and Secretary
Howard Tong	36	Chief Operating Officer
Alexander Adegan	37	Chief Information Officer
Houman Akhavan	28	Vice President of Marketing
Richard Pine	55	Vice President of Strategic Planning and Director
Sol Khazani	47	Co-Founder and Chairman of the Board
Fredric W. Harman	46	Director
Massoud Entekhabi (1)(2)(3)	52	Director
Robert J. Majteles (1)(2)(3)	42	Director
Ellen F. Siminoff (1)(2)(3)	39	Director

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nominating and Corporate Governance Committee

Mehran Nia is a co-founder of U.S. Auto Parts and has been our Chief Executive Officer and President and a director since October 1995. From October 1995 to January 2001, Mr. Nia also served as our Chief Financial Officer. Mr. Nia holds a B.A. degree in biology from San Diego State University.

Michael J. McClane has been our Chief Financial Officer, Vice President of Finance and Treasurer since September 2005 and became our Executive Vice President, Finance and our Secretary in October 2006. From June 2003 to June 2005, Mr. McClane served as the Chief Financial Officer of Storecast Merchandising Corporation, a nationwide provider of merchandising services. From February 2000 to March 2003, Mr. McClane served as the Vice President of Finance and Corporate Development of FASTNET Corporation, a NASDAQ listed provider of Internet services, and he served as its controller from August 1999 to February 2000. From 1992 to 1999, Mr. McClane was an accountant in the enterprise audit group with Arthur Andersen LLP, a certified public accounting firm. Mr. McClane is licensed as a certified public accountant and holds a B.A. degree in business economics with an accounting concentration from the University of California, Santa Barbara.

Howard Tong has been our Chief Operating Officer since November 2006. From January 2001 to November 2006, Mr. Tong served as vice president of Newegg.com, an online retailer of technology parts and products, and was involved in many critical aspects of its operations. Prior to that, from January 1999 to January 2001, Mr. Tong served as the General Manager of Internet/e-commerce at ABS Computer Technologies, Inc., a provider of computing solutions. Mr. Tong holds a B.S. degree in architectural engineering from Pennsylvania State University.

Alexander Adegan has been our Chief Information Officer since May 2006. From January 2000 to May 2006, Mr. Adegan served as the founder, President and Chief Executive Officer of uParts, Inc., a developer of electronic networks for auto parts suppliers, repair facilities and insurance companies. From August 1996 to September 1999, Mr. Adegan served as President of Legend Software, Inc., a company he

founded that developed and distributed software applications for technical and fundamental analysis of mutual funds, indexes, equities, and derivatives. Mr. Adegan holds a B.S. degree in computer science from the University of Maryland at College Park.

Houman Akhavan has been our Vice President of Marketing since January 2006. From February 2000 to July 2004, Mr. Akhavan served as the founder and Chief Strategy Officer of Edigitalweb, Inc., an online marketing and software development firm. Edigitalweb's clients included U.S. Auto Parts and Partsbin. From August 2004 to December 2005, Mr. Akhavan continued to serve as a consultant to U.S. Auto Parts.

Richard Pine has been our Vice President of Strategic Planning since January 2007 and a director since June 2006. From May 2006 to January 2007, he served as our Vice President, East Coast Operations. Mr. Pine was a co-founder and the Chief Executive Officer of Partsbin, a distributor of aftermarket automobile parts, from December 2000 until we acquired Partsbin in May 2006. From 1995 to 1996, Mr. Pine also operated TheBenzBin, a company that he co-founded which specialized in the sale and distribution of automobile replacement parts for Mercedes-Benz automobiles. From 1980 to 1995, Mr. Pine was the proprietor of CarMedic, an automotive repair facility. Mr. Pine holds a B.S. degree in management and an M.B.A. from the University of Dayton.

Sol Khazani is a co-founder of U.S. Auto Parts and has been our Chairman of the Board since January 2001. Mr. Khazani also served as our Chief Financial Officer from January 2001 to April 2005 and as a Vice President from October 1995 to January 2001. Since 1995, Mr. Khazani has served as the Vice President of American Condenser, Inc., a company that he co-founded which manufactures air-conditioning condensers for automotive and industrial applications. In 1995, Mr. Khazani founded Kool-Vue, an importer and distributor of automotive replacement mirrors, and served as its president from 1995 until 2002. Mr. Khazani holds a B.S. degree in accounting and an M.B.A. from National University in San Diego.

Fredric W. Harman has been a director since March 2006. Mr. Harman is a Managing Partner of Oak Investment Partners, a venture capital firm, which he joined as a General Partner in 1994. From 1991 to 1994, Mr. Harman served as a General Partner of Morgan Stanley Venture Capital. Mr. Harman currently serves as a director of Internap Network Services Corporation, an Internet infrastructure company, and several privately held companies. Mr. Harman holds B.S. and M.S. degrees in electrical engineering from Stanford University and an M.B.A. from the Harvard Business School.

Massoud Entekhabi has been a director since June 2006. Since January 2004, Mr. Entekhabi has served as the managing director of Zenith Equity Partners, a private equity firm. Prior to that, from July 2000 to December 2003, Mr. Entekhabi served as Managing Director of TL Ventures, a venture capital firm. From September 1973 to July 2000, Mr. Entekhabi was employed by PricewaterhouseCoopers LLP (and its predecessor, Coopers & Lybrand LLP), where he was a partner from 1987 to July 2000. From January 2005 to September 2005, Mr. Entekhabi served as a director of Fastclick, Inc., a provider of Internet advertising technologies and services. Mr. Entekhabi currently serves as a director and chairman of the audit committee of Gmarket, Inc., a Korean e-commerce marketplace, and as a director of Ixia, a provider of IP network testing solutions. Mr. Entekhabi is licensed as a certified public accountant.

Robert J. Majteles has been a director since November 2006. Mr. Majteles currently serves as the Managing Member of Treehouse Capital, LLC, an investment management company which he founded in June 2001. Mr. Majteles also serves on the boards of directors of Adept Technology, Inc., Macrovision Corporation, Unity Corporation, Vertical Communications, Inc. and World Heart Corporation. Mr. Majteles holds a B.A. degree in political science from Columbia University and a J.D. from Stanford Law School.

Ellen F. Siminoff has been a director since November 2006. Since March 2004, Ms. Siminoff has served as the President and Chief Executive Officer of Efficient Frontier, Inc., a provider of paid search

engine marketing solutions. Prior to that, from 1996 to February 2002, Ms. Siminoff served in various capacities at Yahoo!, including as Senior Vice-President of Entertainment and Small Business and Senior Vice President of Corporate Development. Ms. Siminoff also serves as a director of three privately-held companies, including Efficient Frontier. Ms. Siminoff holds an A.B. degree in economics from Princeton University and an M.B.A. from Stanford University.

Messrs. Khazani and Nia are brothers-in-law. Mr. Nia is also the cousin of Mr. Ben Elyashar, a selling stockholder. Other than the relationships between Messrs. Khazani, Nia and Elyashar, there are no other family relationships among any of our directors or executive officers.

Classified Board of Directors

Our board of directors currently consists of seven members. All directors hold office until their successors have been elected and qualified or until their earlier death, resignation, disqualification or removal. Effective upon the closing of this offering, we will divide the terms of office of the directors into three classes:

- Class I, whose term will expire at the annual meeting of stockholders to be held in 2007;
- Class II, whose term will expire at the annual meeting of stockholders to be held in 2008; and
- Class III, whose term will expire at the annual meeting of stockholders to be held in 2009.

Upon the closing of this offering, Class I shall consist of Messrs. Nia and Entekhabi and Ms. Siminoff, Class II shall consist of Messrs. Khazani and Majteles, and Class III shall consist of Messrs. Harman and Pine. At each annual meeting of stockholders after the initial classification, the successors to directors whose terms will then expire serve from the time of election and qualification until the third annual meeting following election and until their successors are duly elected and qualified. A resolution of the board of directors or affirmative vote of at least 66 2/3% of our outstanding voting stock may change the authorized number of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of our company.

Mr. Harman was elected to serve as a member of our board of directors pursuant to a voting agreement entered into in March 2006 by and among us and certain of our stockholders. Pursuant to the voting agreement, Mr. Harman was selected as a representative of the holders of a majority of our Series A preferred stock. Mr. Pine was elected to serve as a member of our board of directors pursuant to the acquisition agreement entered into in May 2006 by and among us, Partsbin and the stockholders of Partsbin. The voting agreement terminates upon the consummation of this offer, and the arrangement under the acquisition agreement is not a continuing obligation. Messrs. Harman and Pine will continue to serve as directors until their resignation or until their successors are duly elected by holders of our common stock.

Board Committees

Our board of directors has an audit committee and a compensation committee and, prior to the closing of this offering, will have a nominating and corporate governance committee.

Audit Committee. Our audit committee consists of Messrs. Entekhabi and Majteles and Ms. Siminoff. All members of the audit committee are independent directors, as defined in the NASDAQ Stock Market qualification standards. Mr. Entekhabi qualifies as an "audit committee financial expert" as that term is defined in the rules and regulations established by the SEC. The functions of this committee include:

- meeting with our management periodically to consider the adequacy of our internal controls and the objectivity of our financial reporting;
- meeting with our independent auditors and with internal financial personnel regarding these matters;
- pre-approving audit and non-audit services to be rendered by our independent auditors;
- engaging and determining the compensation of our independent auditors and oversight of the work of our independent auditors;
- reviewing our financial statements and periodic reports and discussing the statements and reports with our management and independent auditors, including any significant adjustments, management judgments and estimates, new accounting policies and disagreements with management;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls and auditing matters;
- reviewing our financing plans and reporting recommendations to our full board of directors for approval and to authorize action; and
- administering and discussing with management and our independent auditors our Code of Ethics.

Both our independent auditors and internal financial personnel regularly meet privately with the audit committee and have unrestricted access to this committee.

Compensation Committee. Our compensation committee currently consists of Messrs. Entekhabi and Majteles and Ms. Siminoff. All members of the compensation committee are independent directors, as defined in the NASDAQ Stock Market qualification standards. The functions of this committee include:

- reviewing and, as it deems appropriate, recommending to our board of directors, policies, practices and procedures relating to the compensation of our directors, officers and other managerial employees and the establishment and administration of our employee benefit plans;
- exercising authority under our employee benefit plans;
- reviewing and approving executive officer and director indemnification and insurance matters; and
- advising and consulting with our officers regarding managerial personnel and development.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee is comprised of Messrs. Entekhabi and Majteles and Ms. Siminoff. All members of the nominating and corporate governance committee are independent directors, as defined in the NASDAQ Stock Market qualification standards. The functions of this committee include:

- identifying qualified candidates to become members of our board of directors;
- selecting nominees for election of directors at the next annual meeting of stockholders (or special meeting of stockholders at which directors are to be elected);

- selecting candidates to fill vacancies of our board of directors;
- developing and recommending to our board of directors our corporate governance guidelines; and
- overseeing the evaluation of our board of directors.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee at any time has been one of our officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers on our board of directors or compensation committee.

COMPENSATION DISCUSSION AND ANALYSIS

The primary objective of our compensation policies and programs with respect to executive compensation is to serve our stockholders by attracting, retaining and motivating talented and qualified executives. We focus on providing a competitive compensation package which provides significant short and long-term incentives for the achievement of measurable corporate and individual performance objectives. Prior to the creation of the compensation committee of our board of directors in November 2006, decisions regarding executive compensation were made by our board of directors. Future decisions regarding executive compensation will be the primary responsibility of our compensation committee.

In 2006, we paid our senior management through a mix of base salary, bonus and equity compensation at levels that we believed were comparable to executives of companies of similar size and stage of development. As a private company, our compensation plans were generally developed by our management and approved by our board on an individual basis utilizing a number of factors, including publicly available data and our general business conditions and objectives. We expect that in the future, we may engage the services of compensation consultants to review our policies and procedures with respect to executive compensation, or conduct annual benchmark reviews of our executive compensation or subscribe to various surveys or reports to assist us in setting appropriate levels of compensation for our executives.

Elements of Executive Compensation

Base Salary

We seek to provide our senior management with a level of a base salary in the form of cash compensation appropriate to their roles and responsibilities. Base salaries for our executives are established based on the executive's qualifications and experience, scope of responsibilities and future potential, the executive's past performance, and the salaries paid by other companies for similar positions. Base salaries are reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience.

Incentive Cash Bonuses

Our practice is to award incentive cash bonuses to our executive officers based upon their individual performance as well as performance objectives of the company. In 2006, bonuses were awarded to our executive officers primarily based on the subjective evaluation by the board of each executive's contribution towards achieving business objectives. The compensation committee expects to adopt formal processes for incentive cash bonuses in 2007 and beyond. The compensation committee intends to utilize incentive cash

bonuses to reward executives for achieving financial and operational goals and for achieving individual performance objectives.

Long-Term Equity Compensation

We believe that long-term performance is achieved through an ownership culture that encourages long-term performance by our executive officers through the use of stock-based awards. We have established equity incentive plans to provide our employees, including our executive officers, with incentives to help align those employees' interests with the interests of stockholders. In 2006, we granted to our executive officers varying amounts of stock options which generally vest over a four year period, to provide a long-term incentive to such officers, provide them with an opportunity to obtain an ownership interest in our company and further align their interests with the interests of our stockholders. The compensation committee believes that the use of stock and stock-based awards promotes our overall executive compensation objectives and expects that equity incentives will continue to be a significant source of compensation for our executives.

Historically, we have issued stock options, which may be exercised prior to vesting and converted into restricted stock. The stock options that we grant generally vest as to 25% of the shares underlying the grant on the first anniversary of the grant date, with the remainder vesting in 36 equal monthly installments thereafter. In addition, these stock options generally have a maximum term of ten years. We have not had a formalized policy as to the amount or timing of grants to executive officers. The compensation committee expects any future grants will be made on a structured and systematic basis, based on a number of factors, including individual performance, benchmark data, our strategic goals and our financial condition.

Other Compensation

Our executive officers are eligible to receive the same benefits, including non-cash group life and health benefits, that are available to all employees. Certain additional benefits may be provided to our executives such as a car allowance, but each on a case-by-case basis.

Summary Compensation Table

The following table shows information regarding the compensation earned during the fiscal year ended December 31, 2006 by our Chief Executive Officer, Chief Financial Officer and our three other most highly compensated executive officers who were employed by us as of December 31, 2006 and whose total compensation exceeded $100,000 during that fiscal year. The officers listed below will be collectively referred to as the "named executive officers" in this prospectus.

Name	Salary	Bonus	Option Awards(1)	All Other Compen-sation	Total
Mehran Nia Chief Executive Officer and President	$400,000	$ —	$ —	$22,985(2)	$422,985
Michael J. McClane Chief Financial Officer	198,077	321,639(3)	127,072	22,339(4)	669,126
Houman Akhavan Vice President of Marketing	293,788	—	92,535	10,786(4)	397,109
Ben Elyashar(5) Director of Perfectfit	300,000	—	—	25,630(4)	325,630
Richard Pine(6) Vice President of Strategic Planning	116,589	—	117,294	22,204(7)	256,086

(1) Represents the expense recognized by us for fiscal year 2006 for the stock options granted, determined pursuant to SFAS 123(R) utilizing assumptions discussed in Note 1 to our financial statements included elsewhere in this prospectus. See also our discussion of share-based compensation under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates."

(2) Represents health insurance premiums, telephone expenses and $13,661 paid by us for an automobile lease.

(3) Includes a bonus of $221,639 in the aggregate paid in connection with the completion of the March 2006 recapitalization.

(4) Represents health insurance premiums, 401(k) plan employer contributions, telephone expenses and automobile allowances paid by us.

(5) Mr. Elyashar served as our Chief Operating Officer from February 2006 to October 2006, and was our Vice President of Operations as of December 31, 2006. He has served as our Director of Perfectfit since January 2007.

(6) Mr. Pine joined us as our Vice President, East Coast Operations in connection with our acquisition of Partsbin. He has served as our Vice President of Strategic Planning since January 2007.

(7) Represents health insurance premiums, telephone expenses and $12,658 paid by us for an automobile allowance.

Grants of Plan-Based Awards

All plan-based awards granted to our named executive officers are incentive stock options, to the extent permissible under the Internal Revenue Code. The exercise price per share of each option granted to our named executive officers was as determined in good faith by our board of directors to be equal to the

fair market value of our common stock as determined by our board of directors on the date of the grant. All options were granted under our 2006 Equity Incentive Plan and are immediately exercisable. Except as otherwise noted below, the options vest as to 25% of the shares underlying the option on the first anniversary of the grant date, with the remainder vesting in 36 equal monthly installments thereafter. For a further description of these plans, see "Employee Benefit Plans."

The following table presents information concerning grants of plan-based awards to each of the named executive officers during 2006.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Option Awards(1)
Mehran Nia Chief Executive Officer and President	—	—	$ —	$ —
Michael J. McClane(2) Chief Financial Officer	03/01/06 03/28/06	42,240 266,820	7.10 6.78	86,324 573,578
Houman Akhavan Vice President of Marketing	03/28/06	231,000	6.78	486,544
Ben Elyashar Director of Perfectfit	—	—	—	—
Richard Pine Vice President of Strategic Planning	05/22/06	265,050	9.17	730,427

(1) Represents the grant date fair value of the stock options granted, determined pursuant to SFAS 123(R) utilizing assumptions discussed in Note 1 to our financial statements included elsewhere in this prospectus. See also our discussion of share-based compensation under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates." The amounts listed represent the total share-based compensation to be recognized by us over the vesting period.

(2) Mr. McClane's stock option agreements provide that in the event of an involuntary termination of Mr. McClane's service with us within 12 months after a change in control of U.S. Auto Parts, then all unvested option shares will immediately vest and will remain exercisable until the earlier of (i) the expiration of such options, or (ii) one year after the termination of his service.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of the fiscal year ended December 31, 2006. Except as otherwise indicated below, each option vests as to 25% of the shares underlying the option on the first anniversary of the grant date, with the remainder vesting in 36 equal monthly installments thereafter.

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Mehran Nia Chief Executive Officer and President	—	—	—	$ —	—
Michael J. McClane	42,240	—	—	7.10	02/29/16
Chief Financial Officer	266,820	—	—	6.78	03/27/16
Houman Akhavan Vice President of Marketing	231,000	—	—	6.78	03/27/16
Ben Elyashar Director of Perfectfit	—	—	—	—	—
Richard Pine Vice President of Strategic Planning	265,050	—	—	9.17	05/21/16

Option Exercises and Stock Vested

None of the named executive officers exercised any options to purchase our common stock or became vested in restricted stock during the year ended December 31, 2006.

Pension Benefits

We do not have any qualified or non-qualified defined benefit plans.

Non-qualified Deferred Compensation

We do not have any non-qualified defined contribution plans or other deferred compensation plans.

Employment Contracts and Termination of Employment and Change of Control Arrangements

We entered into a five year employment agreement with Michael McClane, our Chief Financial Officer, Executive Vice President of Finance, Treasurer and Secretary, in December 2006, pursuant to which Mr. McClane's annual salary will be at least $225,000, subject to increase from time to time at the discretion of our board of directors. Mr. McClane is also entitled to an annual discretionary bonus of up to $100,000. In the event Mr. McClane's employment is terminated for any reason other than for cause, then we will be required to pay six months of severance to Mr. McClane if such termination occurs prior to September 18, 2007, and one year of severance if such termination occurs after September 18, 2007. Pursuant to this agreement, Mr. McClane is also entitled to participate in all of our employee benefit programs offered to other executive officers.

In 2006, Mr. McClane was granted two stock options to purchase shares of our common stock, as follows: (i) an option granted on March 1, 2006 to purchase up to 42,240 shares at an exercise price equal to $7.10 per

share (which was above fair value); and (ii) an option granted on March 28, 2006 to purchase up to 266,820 shares at an exercise price equal to $6.78 per share, which was equal to the purchase price of our Series A convertible preferred stock sold in March 2006. Mr. McClane's stock option agreements provide that in the event of an involuntary termination of Mr. McClane's service with us within 12 months after a change in control of U.S. Auto Parts, then all unvested option shares will immediately vest and will remain exercisable until the earlier of (i) the expiration of such options, or (ii) one year after the termination of his service.

We entered into an employment agreement with Richard Pine on May 19, 2006. The agreement provides for a two-year term of employment, but we may terminate Mr. Pine's employment at any time during such term for cause. If Mr. Pine is terminated for any reason other than for cause within the first two years of his employment, Mr. Pine is entitled to receive a severance payment equal to the remainder of his unpaid salary for the two year term. Mr. Pine's annual salary is $200,000 subject to adjustment from time to time in accordance with our standard compensation policies. Additionally, pursuant to this agreement, Mr. Pine was granted an option to purchase shares of our common stock under our 2006 Equity Incentive Plan at an exercise price of $9.17 per share. Mr. Pine is also entitled to participate in all of our sponsored employee benefit programs.

We entered into an offer letter with Howard Tong in November 2006, pursuant to which he agreed to serve as our Chief Operating Officer. Mr. Tong's annual salary is $220,000, and Mr. Tong is also eligible to receive a discretionary bonus of up to $100,000 per year. In the event Mr. Tong's employment is terminated for any reason other than for cause, then we will be required to pay six months of severance to Mr. Tong if the termination occurs within the first two years of his service and 12 months of severance if the termination occurs after the first two years of his service. Mr. Tong is entitled to participate in all of our sponsored employee benefit programs. In November 2006, Mr. Tong was granted an option to purchase up to 270,000 shares of our common stock at an exercise price of $11.68 per share.

The stock option granted to Massoud Entekhabi, one of our directors, provides that the option will fully vest in the event of a change in control of U.S. Auto Parts and will continue to be exercisable until the earlier of (a) one year following the change in control or (b) the termination date of the option.

Director Compensation

The compensation and benefits for service as a member of the board of directors is determined by our board of directors. Directors employed by us or one of our subsidiaries are not compensated for service on the board or on any committee of the board. We pay Mr. Entekhabi $12,500 per quarter for his service as a director of our company and intend to continue to pay such cash compensation to him after the consummation of this offering. We pay each of our other non-employee directors, other than Mr. Harman, $20,000 per year for his or her service as a director and an additional $2,500 per year for each board committee on which he or she serves. The chairperson of a committee receives $5,000 per year for service on such committee. In addition, we reimburse our directors for any out-of-pocket expenses in connection with attending meetings of our board of directors and committees of the board of directors.

Our non-employee directors may participate in our stock option plans. Any non-employee director who is first elected to the board of directors following this offering will be granted an option to purchase 30,000 shares of our common stock on the date of his or her initial election to the board of directors. These options will have an exercise price per share equal to the fair market value of our common stock on the date of grant and will vest over a three year period, subject to the director's continuing service on our board of directors. The term of each option granted to a non-employee director shall be ten years. These options will be granted under our 2007 Omnibus Incentive Plan.

The following table sets forth a summary of the compensation earned in fiscal year 2006 by each director who is not a named executive officer.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Sol Khazani	$ 30,000	$ —	$ —	$30,000
Massoud Entekhabi(2)	28,333	48,743	—	77,076
Fredric W. Harman	—	—	—	—
Robert J. Majteles(2)	2,667	3,126	—	5,793
Ellen F. Siminoff(2)	2,667	3,126	—	5,793

(1) Stock options were granted pursuant to the U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan. Represents the expense recognized by us for fiscal year 2006 for the stock options granted, determined pursuant to SFAS 123(R) utilizing assumptions discussed in Note 1 to our financial statements included elsewhere in this prospectus. See also our discussion of share-based compensation under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates." The total share-based compensation to be recognized over the vesting period is as follows: Massoud Entekhabi —$256,790; Robert J. Majteles—$106,197 and Ellen F. Siminoff—$106,197.

(2) In June 2006, we granted to Mr. Entekhabi an option to purchase up to 109,200 shares of our common stock at an exercise price of $9.17 per share. In November 2006, we granted to each of Mr. Majteles and Ms. Siminoff an option to purchase up to 30,000 shares of our common stock at an exercise price of $11.68 per share. One third of each option granted to these directors vests on the first anniversary of the option grant date and the balance of each option vests in 24 equal monthly installments thereafter.

Employee Benefit Plans

U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan

Our 2006 Equity Incentive Plan (the "2006 Incentive Plan") was adopted by our board of directors and approved by our stockholders in March 2006. A total of 3,519,204 shares of our common stock have been reserved for issuance under the 2006 Incentive Plan. Under the 2006 Incentive Plan, we are authorized to grant to officers and other employees options to purchase shares of our common stock intended to qualify as incentive stock options, as defined under Section 422 of the Internal Revenue Code of 1986, and are authorized to grant to employees, consultants or independent advisors options that do not qualify as incentive stock options under the Internal Revenue Code. All options granted under the 2006 Incentive Plan have terms not exceeding ten years and are immediately exercisable but vest over time. Options granted under the 2006 Incentive Plan are not transferable by the recipient except by will or by the laws of descent and distribution. As of December 31, 2006, options to purchase 2,786,532 shares of our common stock were outstanding under the 2006 Incentive Plan at a weighted average exercise price of $9.04 per share. No further option grants will be made under the 2006 Incentive Plan after the date of the effectiveness of the registration statement of which this prospectus forms a part. Although no further options will be granted under the 2006 Incentive Plan, all outstanding options will continue to be governed by the terms and conditions of this plan.

2007 Omnibus Incentive Plan

Our 2007 Omnibus Incentive Plan (the "Omnibus Plan") was adopted by our board of directors and approved by our stockholders in January 2007 and will become effective upon our initial public offering. The compensation committee of our board of directors (also referred to herein as the "committee") has the

authority to administer the Omnibus Plan and, except for option grants made to non-employee directors under the Director Auto Grant Program discussed below, will have full power and authority to determine when and to whom awards will be granted, and the type, amount, form of payment and other terms and conditions of each award, consistent with the provisions of the Omnibus Plan. Subject to the provisions of the Omnibus Plan, the committee may amend or waive the terms and conditions, or accelerate the exercisability, of an outstanding award. The committee has authority to interpret the Omnibus Plan and establish rules and regulations for the administration of the Omnibus Plan. In addition, our board of directors may exercise the powers of the committee at any time. Any employee, officer, consultant, advisor or director providing services to us or any of our affiliates, who is selected by the committee, is eligible to receive awards under the Omnibus Plan.

The aggregate number of shares of common stock that may be issued under all stock-based awards made under the Omnibus Plan will be 2,400,000 shares. In addition, the number of shares of common stock reserved under the Omnibus Plan will automatically be increased on the first day of each fiscal year, beginning on January 1, 2008, in an amount equal to five percent of the number of shares outstanding as of that date. Additionally, any shares of our common stock subject to any award that is terminated or forfeited will be available for future awards under the Omnibus Plan. The shares of common stock issuable under the Omnibus Plan may be drawn from shares of authorized but unissued common stock or from shares of common stock that we acquire.

Under our Omnibus Plan, the committee is permitted and authorized to make the following grants to all eligible persons:

- *Stock Options.* The committee may grant stock options to officers and other employees intended to qualify as incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and may also grant options to employees, consultants and independent contractors that do not qualify as incentive stock options. The holder of an option will be entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period, all as determined by the committee. The shares subject to each option will generally vest in one or more installments over a specified period of service measured from the grant date.
- *Stock Appreciation Rights.* The holder of a SAR is entitled to receive the excess of the fair market value (calculated as of the exercise date or, at the committee's discretion, as of any time during a specified period before or after the exercise date) of a specified number of shares of our common stock over the grant price of the SAR, as determined by the committee, paid solely in shares of common stock. SARs vest and become exercisable in accordance with a vesting schedule established by the committee.
- *Restricted Stock and Restricted Stock Units.* The holder of restricted stock will own shares of our common stock subject to restrictions imposed by the committee (including, for example, restrictions on transferability or on the right to vote the restricted shares or to receive any dividends with respect to the shares) for a specified time period determined by the committee. The restrictions, if any, may lapse or be waived separately or collectively, in installments or otherwise, as the committee may determine. The holder of restricted stock units will have the right, subject to any restrictions imposed by the committee, to receive shares of our common stock at some future date determined by the committee.
- *Performance Awards.* Performance awards give participants the right to receive payments in stock or property based solely upon the achievement of certain performance goals during a specified performance period. Subject to the terms of the Omnibus Plan, the performance goals to be achieved

during any performance period, the length of any performance period, the amount of any performance award granted, the amount of any payment or transfer to be made pursuant to any performance award and any other terms and conditions of any performance award is determined by the committee.

- *Stock Awards.* The committee may grant unrestricted shares of our common stock, subject to terms and conditions determined by the committee and the Omnibus Plan limitations.

The term of awards will not be longer than ten years, or in the case of incentive stock options, longer than five years with respect to holders of more than 10% of our common stock. The committee may permit accelerated vesting of an award upon the occurrence of certain events, including a change in control, regardless of whether the award is assumed, substituted or otherwise continued in effect by the successor corporation. The acceleration of vesting in the event of a change in the ownership or control may be seen as an anti-takeover provision and may have the effect of discouraging a merger proposal, a takeover attempt or other efforts to gain control of us.

Under the Automatic Option Grant Program of the Omnibus Plan, when an individual who has not been in our prior employ first becomes a non-employee member of the board of directors, whether through election by our stockholders or appointment by the board of directors, he or she will receive an automatic option grant for 30,000 shares of common stock. The Automatic Option Grant Program is expressly governed by the provisions of the Omnibus Plan, and neither the board of directors nor the committee has any discretionary authority to administer the Automatic Option Grant Program. Each option granted under the Automatic Option Grant Program will have an exercise price per share equal to 100% of the fair market value of the option shares on the automatic grant date, be immediately exercisable subject to vesting and have a maximum term of ten years measured from the grant date. One-third of each automatic grant will become vested one year from the date of the automatic grant, and the remainder will vest in twenty-four equal monthly installments over the twenty-four month period measured from on the one year anniversary of the automatic grant date.

Unless earlier discontinued or terminated by the board, the Omnibus Plan will expire in January 2017. No awards may be made after that date. However, unless otherwise expressly provided in an applicable award agreement, any award granted under the Omnibus Plan prior to expiration may extend beyond the end of such period through the award's normal expiration date.

RELATED PARTY TRANSACTIONS

Since December 31, 2003, there has not been, nor is there any proposed transaction where we were or will be a party in which the amount involved exceeded or will exceed $120,000 and in which any director, executive officer, holder of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than the compensation agreements and other agreements and transactions which are described in "Management" and the transactions described below. We believe that the agreements and transactions described below were generally on terms that were comparable to terms we could have obtained from unaffiliated third parties.

Policies and Procedures for Related Party Transactions

Pursuant to the written charter of our audit committee adopted in November 2006, our audit committee of the board of directors is responsible for reviewing and approving, prior to our entry into any such transaction, all related party transactions and potential conflict of interest situations involving a principal stockholder, a member of the Board of Directors or senior management. In addition, our company policies require that our officers and employees avoid using their positions for purposes that are, or give the appearance of being, motivated by a desire for personal gain, and our policies further require that all officers and employees who have authority to initiate related party transactions provide a written report, on an annual basis, of all activities which could result in a conflict of interest or impair their professional judgment. All such written reports concerning related party transactions or conflicts of interest are submitted to, and reviewed by, our Chief Financial Officer and our audit committee.

Transactions with Nia Chloe Enterprises, LLC

Since November 2003, we have leased our corporate headquarters and primary warehouse and certain equipment from Nia Chloe Enterprises, LLC, an entity owned by Mehran Nia, Ben Elyashar and Sol Khazani. Mr. Khazani is our Chairman of the Board and one of our 5% stockholders. Mr. Nia is our Chief Executive Officer, President and a director, as well as a 5% stockholder. Mr. Elyashar is our Director of Perfectfit and a 5% stockholder. Mr. Elyashar also served as one our directors from 1995 to November 2006 and as our Chief Operating Officer from February 2006 to October 2006. Lease payments and expenses associated with this arrangement totaled $420,000, $475,000 and $541,000 in the years ended December 31, 2004, 2005 and 2006, respectively.

We had guaranteed Nia Chloe's loans from two banks in the aggregate amount of $3.4 million with respect to the property that we lease from it. These guarantees were terminated in March 2006.

An unsecured, non-interest bearing loan of $94,000 was due to Nia Chloe and payable upon demand as of December 31, 2004. This loan was repaid in full in 2005. An unsecured, non-interest bearing receivable totaling $76,000 was due from Nia Chloe as of December 31, 2003 but the balance was repaid by us in 2004.

Transactions with MBS Marketing, Inc.

In June 2005, MBS Marketing, Inc., an Internet marketing company which was owned by Messrs. Khazani, Nia and Elyashar, was merged into us. Prior to the merger, MBS Marketing provided marketing services to us and received an aggregate of $498,000, $338,000 and $0 from us in the years ended December 31, 2004, 2005 and 2006, respectively.

Transactions with MBS Tek Corporation

MBS Tek Corporation, through which we manage certain of our international operations, was previously owned primarily by Messrs. Khazani, Nia and Elyashar. In September 2006, MBS Tek was recapitalized and Messrs. Khazani, Nia and Elyashar transferred all of their shares to us. All of the shares of MBS Tek are now held by us, except for five shares in the aggregate, representing approximately 0.1% of the total number of shares of MBS Tek outstanding, of which each of Messrs. Nia and McClane hold one share. For the year ended December 31, 2005 and for the nine months ended September 30, 2006, we paid MBS Tek an aggregate of $398,000 and $759,000, respectively, in connection with marketing, software development, sales and customer service.

Transactions with Sol Khazani or Persons Affiliated with Sol Khazani

We paid American Condenser, Inc. (previously Perfect Cooling Products, Inc.), which is owned by Mr. Khazani, consulting fees for Mr. Khazani's consulting services. Our payments for these consulting services totaled $120,000 in 2005 and $30,000 in 2006. Our consulting arrangement with Mr. Khazani and American Condenser was terminated in April 2006.

From time to time, we have purchased inventory from Saman, Inc., d/b/a American Condenser, which is owned by Mr. Khazani and his brother. There is no agreement that requires us to purchase products from Saman. Our purchases from Saman in the years ended December 31, 2004, 2005 and 2006 totaled $185,000, $415,000 and $360,000, respectively. Since November 2003, Saman has used a portion of our facility located in Nashville, Tennessee. In the years ended December 31, 2004, 2005 and 2006, Saman paid to us $41,000, $36,000 and $36,000, respectively, as payment for its use of such portion of our Tennessee facility.

Transactions with Mehran Nia or Persons Affiliated with Mehran Nia

In 2004, in order to support our online marketing efforts, we purchased through MBS Marketing, an aggregate of $2.9 million of software from a company owned in part by the brother-in-law of Mr. Nia. We issued two promissory notes to this company in connection with these software purchases at an interest rate of 5.0% per annum. The notes were personally guaranteed by Messrs. Nia and Khazani and were repaid in full in 2006. Since the software purchases in 2004, we have continued to purchase software and other products and services from this company. Our payments to this company for such services and products in 2004, 2005 and 2006 totaled $827,000, $23,000 and $26,000, respectively.

We also purchased warehouse equipment from Mr. Nia in 2004 at a purchase price of $83,000. The amounts owing to Mr. Nia for these purchases were paid in full in 2005.

Another entity owned by the brother-in-law of Mr. Nia provides printing services for us. For the years ended December 31, 2004, 2005 and 2006, we paid this entity $120,000, $101,000 and $176,000, respectively, for such services.

Transactions with Ben Elyashar or Persons Affiliated with Ben Elyashar

We purchase warehouse supplies from Solomon Disposable Supplies, which is owned by the brother of Mr. Elyashar. In the years ended December 31, 2005 and 2006, we paid to Solomon Disposable Supplies an aggregate of $114,000 and $131,000, respectively.

In addition, one of Mr. Elyashar's brothers received wages from us of approximately $69,000, $79,000 and $79,000 in 2004, 2005 and 2006, respectively, as an employee in our sales department. Mr. Elyashar's brother remains employed by us and continues to receive wages.

Other Related Party Transactions

In 2004, we recorded, as non-interest bearing loans, certain amounts associated with capital account balance adjustments resulting from certain S corporation tax distributions we made to Messrs. Nia and Elyashar (as two of our three stockholders in 2004). The total amounts of the loans recorded for Mr. Nia in 2004 were $259,000, respectively. The total amounts of the loans recorded for Mr. Elyashar in 2004 were $97,000, respectively. As of December 31, 2006, there were no amounts outstanding under these loans.

In March 2006, concurrently with our recapitalization and the termination of our S corporation status, we distributed to our stockholders an aggregate of $51.7 million in cash. Messrs. Khazani, Nia and Elyashar, who were our only stockholders as of March 2006, received an aggregate of $51.7 million, in proportion to their ownership of our company.

In connection with our acquisition of Partsbin in May 2006, we issued to Richard Pine, currently our Vice President of Strategic Planning and one of our directors, a promissory note in the principal amount of approximately $1.9 million, which bears interest at LIBOR, all of which was outstanding as of September 30, 2006. We intend to repay this note in full upon completion of this offering. See “Use of Proceeds.” Mr. Pine’s son-in-law has also been employed by U.S. Auto Parts since the Partsbin acquisition in May 2006 at an annual salary of $100,000.

In September 2002, a company owned by Mr. Khazani was sued by its landlord, alleging a breach of its lease. We were a sublessee to the property and were added as a co-defendant in the lawsuit, which was settled in March 2003. In October 2004, we were also named as a cross-defendant in a lawsuit filed by an insurance company regarding an insurance claim made by a business owned by Mr. Nia. We paid approximately $84,000, $118,000 and $0 during the years ended December 31, 2004, 2005 and 2006, respectively, to defend and settle these lawsuits.

In October 2006, we entered into a services agreement with Efficient Frontier, Inc., a provider of paid search engine marketing solutions. Ellen Siminoff, one of our directors, is the President and Chief Executive Officer of Efficient Frontier. The agreement provides for an initial payment to Efficient Frontier of $5,000, and monthly payments thereafter based on our total online marketing budget spent at Internet search engines through the use of Efficient Frontier, subject to certain minimums. The agreement automatically renews for six month periods, but either party may terminate the agreement at any time without cause upon 30 days’ prior written notice.

We have entered into, or intend to enter into, indemnification agreements with each of our current directors and executive officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

PRINCIPAL STOCKHOLDERS

The following table indicates information as of December 31, 2006 regarding the ownership of our common stock by:

- each person who is known by us to own more than 5% of our shares of common stock;
- each named executive officer;
- each of our directors;
- each of the selling stockholders; and
- all of our directors and executive officers as a group.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 21,832,927 shares of common stock outstanding as of December 31, 2006, which assumes the conversion of all of our outstanding preferred stock into 6,633,255 shares of common stock immediately prior to the completion of this offering, and 29,832,927 shares of common stock outstanding upon consummation of this offering. Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. Shares subject to options that are exercisable within 60 days following December 31, 2006 are deemed to be outstanding and beneficially owned by the optionee for the purpose of computing share and percentage ownership of that optionee, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table, and as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

	Beneficially Owned Before the Offering		Number of Shares Being Offered in this Offering(2)	Beneficially Owned After the Offering	
Name and Address of Beneficial Owners(1)	Number of Shares	Percent		Number of Shares	Percent
Oak Investment Partners XI, L.P.(3)	6,633,255	30.4%	—	6,633,255	22.2%
Sol Khazani(4)	5,609,998	25.7	964,134	4,645,864	15.6
Mehran Nia(5)	5,609,998	25.7	513,903	5,096,095	17.1
Ben Elyashar(6)	1,979,998	9.1	340,283	1,639,715	5.5
Todd Daugherty(7)	1,008,793	4.6	68,130	940,663	3.1
Lowell E. Mann(8)	336,264	1.5	22,710	313,554	1.0
Michael J. McClane(9)	309,060	1.4	—	309,060	1.0
Richard Pine(10)	1,008,793	4.6	68,130	940,663	3.1
Brian Tinari(11)	336,265	1.5	22,710	313,555	1.0
Massoud Entekhabi(9)	109,200	*	—	109,200	*
Fredric W. Harman(3)	6,633,255	30.4	—	6,633,255	22.2
Robert J. Majteles(9)	30,000	*	—	30,000	*
Ellen F. Siminoff(9)	30,000	*	—	30,000	*
All directors and executive officers as a group (11 persons)(12)	20,043,667	86.2%	1,546,167	18,497,500	59.2%

* Less than one percent

(1) Except for Oak Investment Partners XI, L.P., the address for each of the persons listed is c/o U.S. Auto Parts Network, Inc. at 17150 South Margay Avenue, Carson, California 90746. The address for Oak Investment Partners XI, L.P. is 525 University Avenue, Suite 1300, Palo Alto, California 94301.

(2) In the event the underwriters exercise their over-allotment option, Messrs. Daugherty, Elyashar, Khazani, Mann, Nia, Pine and Tinari have agreed to sell to the underwriters up to 51,098 shares, 255,212 shares, 723,100 shares, 17,033 shares, 385,426 shares, 51,098 shares and 17,033 shares, respectively, of our common stock at the public offering price, less the underwriting discounts and commissions.

(3) Consists of shares of common stock issuable at the closing of this offering upon conversion of all of the outstanding Series A convertible preferred stock. Mr. Harman is a Managing Member of Oak Associates XI, LLC ("Oak Associates"), the general partner of Oak Investment Partners XI, L.P. ("Oak Partners"). Mr. Harman, Bandel L. Carano, Ann H. Lamont, Edward F. Glassmeyer, and David B. Walrod all serve as Managing Members (the "Managing Members") of Oak Associates. Oak Associates, as the general partner of Oak Partners, may be deemed to have beneficial ownership of the shares held by Oak Partners. The Managing Members have shared voting and investment control over all of the shares held by Oak Associates and therefore may be deemed to share beneficial ownership of the shares held by Oak Associates by virtue of their status as the controlling persons of Oak Associates. Each Managing Member disclaims beneficial ownership of the shares held by Oak Partners, except to the extent of each such Managing Member's pecuniary interest therein.

(4) Consists of (i) 5,182,040 shares held by the Khazani Living Trust established October 26, 2004, of which Mr. Khazani and his spouse are the co-trustee and beneficiaries, and (ii) 427,958 shares in the aggregate held in annuity trusts established by Mr. Khazani and his spouse, for which Mr. Khazani and his spouse serve as co-trustees. Mr. Khazani is our Chairman of the Board and one of our co-founders.

(5) Consists of (i) 5,182,040 shares held by the Nia Living Trust established September 24, 2004, of which Mr. Nia and his spouse are the co-trustee and beneficiaries, and (ii) 427,958 shares in the aggregate held in annuity trusts established by Mr. Nia and his spouse, for which Mr. Nia and his spouse serve as co-trustees. Mr. Nia is our Chief Executive Officer and President, a director and one of our co-founders.

(6) Consists of (i) 1,637,632 shares held by the Elyashar Living Trust established August 4, 2004, of which Mr. Elyashar and his spouse are the co-trustees and beneficiaries, and (ii) 342,366 shares in the aggregate held in annuity trusts established by Mr. Elyashar and his spouse, for which Mr. Elyashar and his spouse serve as co-trustees. Mr. Elyashar is our Director of Perfectfit and one of our co-founders. Mr. Elyashar also served as one of our directors from 1995 to November 2006 and served as our Chief Operating Officer from February 2006 to October 2006.

(7) Includes 265,050 shares issuable upon exercise of outstanding options which are currently exercisable. Mr. Daugherty joined us in connection with our acquisition of Partsbin and currently serves as our Vice President of Vendor Relations.

(8) Includes 88,350 shares issuable upon exercise of outstanding options which are currently exercisable. Mr. Mann acquired his shares in connection with our acquisition of Partsbin.

(9) Consists solely of shares issuable upon exercise of outstanding options which are currently exercisable.

(10) Consists of (i) 743,743 shares held by the Pine Family Partnership, of which Mr. Pine and his spouse are the general partners, and (ii) 265,050 shares issuable upon exercise of outstanding options which are currently exercisable.

(11) Includes 88,350 shares issuable upon exercise of outstanding options which are currently exercisable. Mr. Tinari joined us in connection with our acquisition of Partsbin and currently serves as our Vice President of Marketing.

(12) Includes 1,430,310 shares issuable upon exercise of outstanding options which are currently exercisable.

DESCRIPTION OF CAPITAL STOCK

The following description of our securities and provisions of our certificate of incorporation and bylaws is only a summary. You should also refer to the copies of our certificate and bylaws which have been filed with the Securities and Exchange Commission as exhibits to our registration statement, of which this prospectus forms a part. The description of common stock and preferred stock reflect changes to our capital structure that will occur upon the closing of this offering in accordance with the terms of the certificate of incorporation that will be adopted by us immediately prior to the closing of this offering.

Upon the closing of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share.

Common Stock

Currently, we are authorized to issue 50,000,000 shares of common stock. At December 31, 2006, 15,199,672 shares of common stock were outstanding and held of record by eight holders. Under the certificate of incorporation and bylaws, holders of common stock do not have cumulative voting rights. Holders of shares representing a majority of the voting power of common stock can elect all of the directors. The holders of the remaining shares will not be able to elect any directors. The shares of common stock offered by this prospectus, when issued, will not be subject to any redemption or sinking fund provisions. Holders of common stock do not have any preemptive, subscription or conversion rights.

Holders of common stock are entitled to receive dividends declared by the board of directors out of legally available funds, subject to the rights of preferred stockholders, if any, and the terms of any existing or future agreements between us and our lenders. We presently intend to retain future earnings, if any, for use in the operation and expansion of our business. We do not anticipate paying cash dividends in the foreseeable future. See “Dividend Policy.” In the event of our liquidation, dissolution or winding up, common stockholders are entitled to share ratably in all assets legally available for distribution after payment of all debts and other liabilities, and subject to the prior rights of any holders of outstanding shares of preferred stock, if any.

Preferred Stock

As of December 31, 2006, there were 11,055,425 shares of Series A convertible preferred stock held by one stockholder of record. Upon consummation of this offering, each share of Series A convertible preferred stock will convert into six-tenths of a share of our common stock such that all of the outstanding preferred stock will convert into an aggregate of 6,633,255 shares of our common stock.

Upon the closing of this offering, the board of directors will be authorized to issue from time to time up to an aggregate of 10,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each of these series, including the dividend rights, dividend rates, conversion rights, voting rights, term of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of a series without further vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control. We currently have no plans to issue any shares of preferred stock.

We believe that the ability to issue preferred stock without the expense and delay of a special stockholders' meeting will provide us with increased flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise. This also permits the board of directors to issue preferred stock containing terms which could impede the completion of a takeover attempt, subject to limitations imposed by the securities laws. The board of directors will make any determination to issue these shares based on its judgment as to the best interests of U.S. Auto Parts and our stockholders at the time of issuance. This could discourage an acquisition attempt or other transaction which stockholders might believe to be in their best interests or in which they might receive a premium for their stock over the then market price of the stock.

Anti-Takeover Provisions

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. Subject to exceptions, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years from the date of the transaction in which the person became an interested stockholder, unless the interested stockholder attained this status with the approval of the board of directors or unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock. This statute could prohibit or delay the accomplishment of mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us. Provisions of the certificate of incorporation and bylaws may make it more difficult to acquire control of us. These provisions could deprive stockholders of the opportunity to realize a premium on the shares of common stock owned by them. In addition, these provisions may adversely affect the prevailing market price of the stock and are intended to:

- enhance the likelihood of continuity and stability in the composition of the board and in the policies formulated by the board;
- discourage transactions which may involve an actual or threatened change in control of us;
- discourage tactics that may be used in proxy fights;
- encourage persons seeking to acquire control of us to consult first with the board of directors to negotiate the terms of any proposed business combination or offer; and
- reduce our vulnerability to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of our outstanding shares or that is otherwise unfair to our stockholders.

Classified Board of Directors; Removal; Filling Vacancies and Amendment. Upon the closing of this offering, our certificate of incorporation and bylaws will provide for the board to be divided into three classes of directors serving staggered, three-year terms. The classification of the board has the effect of requiring at least two annual stockholder meetings, instead of one, to replace a majority of members of the board. Subject to the rights of the holders of any outstanding series of preferred stock, the certificate of incorporation will authorize only the board to fill vacancies, including newly created directorships. Accordingly, this provision could prevent a stockholder from obtaining majority representation on the board by enlarging the board of directors and filling the new directorships with its own nominees. The certificate of incorporation will also provide that directors may be removed by stockholders only for cause and only by the affirmative vote of holders of two-thirds of the outstanding shares of voting stock.

Special Stockholder Meetings. The certificate of incorporation will provide that special meetings of the stockholders for any purpose or purposes, unless required by law, shall be called by the Chairman of the

Board or a majority of the entire board. A special meeting of the stockholders may not be held absent a written request of this nature. The request shall state the purpose or purposes of the proposed meeting. This limitation on the right of stockholders to call a special meeting could make it more difficult for stockholders to initiate actions that are opposed by the board of directors. These actions could include the removal of an incumbent director or the election of a stockholder nominee as a director. They could also include the implementation of a rule requiring stockholder ratification of specific defensive strategies that have been adopted by the board of directors with respect to unsolicited takeover bids. In addition, the limited ability of the stockholders to call a special meeting of stockholders may make it more difficult to change the existing board and management.

Written Consent; Special Meetings of Stockholders. The certificate of incorporation will prohibit the taking of stockholder action by written consent without a meeting. These provisions will make it more difficult for stockholders to take action opposed by the board of directors.

Amendment of Provisions in the Certificate of Incorporation. The certificate of incorporation will generally require the affirmative vote of the holders of at least two-thirds of the outstanding voting stock in order to amend any provisions of the certificate of incorporation concerning:

- the removal or appointment of directors;
- the authority of stockholders to act by written consent;
- the required vote to amend the certificate of incorporation;
- calling a special meeting of stockholders;
- procedure and content of stockholder proposals concerning business to be conducted at a meeting of stockholders; and
- director nominations by stockholders.

These voting requirements will make it more difficult for minority stockholders to make changes in the certificate of incorporation that could be designed to facilitate the exercise of control over us.

Options and Warrants

As of December 31, 2006, options to purchase a total of 2,786,532 shares of common stock were outstanding, at a weighted average exercise price of $9.04 per share and up to 716,309 additional shares of common stock were reserved for future issuance under our 2006 Equity Incentive Plan. Our 2007 Omnibus Incentive Plan will become effective upon our initial public offering, and no additional grants will be made under the 2006 Equity Incentive Plan after such time. A total of 2,400,000 shares have been reserved for issuance under the 2007 Omnibus Incentive Plan. For a more complete discussion of our stock option plans, please see "— Employee Benefit Plans."

As of December 31, 2006, warrants to purchase up to an aggregate of 84,332 shares of common stock were outstanding, at a weighted average exercise price of $7.29 per share. Each warrant expires and terminates upon the earlier of three years from the date of issuance of such warrant or a deemed liquidation of our company. The exercise prices and the shares issuable upon exercise are subject to adjustment in the event of stock dividends, stock splits, reorganizations and reclassifications.

Registration Rights

Upon consummation of this offering, the holders of 6,633,255 shares of our common stock, or their transferees, will be entitled to certain rights with respect to the registration of such shares, or registrable securities, under the Securities Act, as follows:

Demand Registration Rights. Commencing the earlier of September 3, 2007 or six months after the closing of this offering, the holders of shares representing at least a majority of the registrable securities may request that we register all or a portion of their shares of registrable securities with an aggregate offering price of at least $10.0 million. Upon their request, we must, subject to some restrictions and limitations, use reasonable best efforts to cause a registration statement covering the number of shares of registrable securities that are subject to the request to become effective. The holders of registrable securities may only require us to file a maximum of two registration statements in response to their demand registration rights, and we may delay such registration under certain circumstances for up to 90 days no more than once in any twelve month period.

Piggyback Registration Rights. In the event that we propose to register any of our securities under the Securities Act, the holders of registrable securities are entitled to notice of such registration and are entitled to include their registrable securities in such registration, subject to certain marketing and other limitations. These registration opportunities are unlimited, but the number of shares that may be registered may be cut back in limited situations by the underwriters.

Form S-3 Registration Rights. The holders of registrable securities may request that we register their shares if we are eligible to file a registration statement on Form S-3 and if the aggregate price of the shares sought to be offered to the public by the holders of registrable securities is at least $5,000,000. The holders of registrable securities may only require us to file two registration statements on Form S-3 in any twelve month period, and we may delay such registration under certain circumstances for up to 90 days no more than once in any twelve month period.

We are generally obligated to bear the expenses, other than underwriting discounts and sales commissions, of these registrations. These registration rights terminate upon the earlier of five years after this offering or such time as all of the shares of registrable securities may be sold under Rule 144 under the Securities Act of 1933, as amended, during any three-month period provided that we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is U.S. Stock Transfer Corporation.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the offering, we will have 29,832,927 shares of common stock outstanding assuming no exercise of any options after September 30, 2006. Of this amount, the 8,000,000 shares offered by us and the 2,000,000 shares offered by the selling stockholders by this prospectus will be available for immediate sale in the public market as of the date of this prospectus. Following the expiration of lock-up agreements with the representatives of the underwriters or U.S. Auto Parts, 19,832,927 shares will be available for sale in the public market, subject in some cases to compliance with the volume and other limitations of Rule 144.

Days after the Date of this Prospectus	Approximate Number of Shares Eligible for Future Sale	Comment
Upon effectiveness	10,000,000	Freely tradable shares sold in this offering
180 days	6,649,618	180-day lock-up released; shares saleable under Rule 144, 144(k) or 701
One year	13,183,309	One-year lock-up released with respect to shares held by selling stockholders, shares saleable under Rule 144 of 144(k)

In general, under Rule 144 as currently in effect, a person who has beneficially owned shares for at least one year is entitled to sell, within any three-month period commencing 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of common stock; or
- the average weekly trading volume during the four calendar weeks preceding the sale, subject to the filing of a Form 144 with respect to the sale.

A person who is not deemed to have been an affiliate of ours at any time during the 90 days immediately preceding the sale and who has beneficially owned his or her shares for at least two years is entitled to sell such shares under Rule 144(k) without regard to the limitations described above. Persons deemed to be affiliates must always sell under the limitations imposed by Rule 144, even after the applicable holding periods have been satisfied.

We are unable to estimate the number of shares that will be sold under Rule 144, since this will depend on the market price for our common stock, the personal circumstances of the sellers and other factors. Prior to the offering, there has been no public market for the common stock, and there can be no assurance that a significant public market for the common stock will develop or be sustained after the offering. Any future sale of substantial amounts of the common stock in the open market may adversely affect the market price of the common stock offered by this prospectus.

U.S. Auto Parts, our directors and executive officers and the holders of our outstanding stock have agreed that, subject to certain exceptions, they will not sell any common stock without the prior written consent of RBC Capital Markets Corporation and Thomas Weisel Partners LLC for a period of 180 days from the date of this prospectus. The selling stockholders have agreed to similar restrictions for a period of one year from the date of this prospectus.

The 180-day or one-year restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the restricted period we issue an earnings release or we disclose material news or a material event relating to our company occurs; or
- prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period, in which case the

restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Any employee or consultant who purchased his or her shares under a written compensatory plan or contract is entitled to rely on the resale provisions of Rule 701, which permits nonaffiliates to sell their Rule 701 shares without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares without having to comply with the Rule 144 holding period restrictions, in each case commencing 90 days after the date of this prospectus. As of December 31, 2006, the holders of options to purchase approximately 2,786,532 shares of common stock will be eligible to sell their shares upon the expiration of the 180-day lockup period, subject to the vesting of those options.

We intend to file a registration statement on Form S-8 under the Securities Act as soon as practicable after the completion of the offering to register 4,186,532 shares of common stock subject to outstanding stock options or reserved for issuance under our stock plans. This registration will permit the resale of these shares by nonaffiliates in the public market without restriction under the Securities Act, upon completion of the lock-up period described above. Shares registered under the Form S-8 registration statement held by affiliates will be subject to Rule 144 volume limitations. See “Management — Executive Compensation” and “— Employee Benefit Plans.” In addition, the holders of our Series A preferred stock have registration rights with respect to the 6,633,255 shares of our common stock issuable upon conversion of the preferred stock. Registration of these securities would enable these shares to be freely tradable without restriction under the Securities Act.

See also “Risk Factors — A large number of additional shares may be sold into the public market in the near future, which may cause the market price of our common stock to decline significantly, even if our business is doing well.”

UNDERWRITING

RBC Capital Markets Corporation, Thomas Weisel Partners LLC, Piper Jaffray & Co. and JMP Securities LLC are acting as the representatives of the underwriters named below. Subject to the terms and conditions in the underwriting agreement, each of the underwriters named below has agreed to purchase from us and the selling stockholders, on a firm commitment basis, the number of shares of common stock shown opposite its name below:

Name	Number of Shares
RBC Capital Markets Corporation	
Thomas Weisel Partners LLC	
Piper Jaffray & Co.	
JMP Securities LLC	
Total	10,000,000

The underwriting agreement provides that the underwriters' obligations to purchase our common stock are subject to approval of legal matters by counsel and to the satisfaction of other conditions. The underwriters are obligated to purchase all of the shares (other than those covered by the over-allotment option described below) if they purchase any shares.

Commissions and Expenses

The underwriters have advised us that they propose to offer our common stock directly to the public at the public offering price presented on the cover page of this prospectus, and to selected dealers, who may include the underwriters, at the public offering price less a selling concession not in excess of $ per share. The underwriters may allow, and the selected dealers may reallow, a concession not in excess of $ per share to brokers and dealers. After the offering, the underwriters may change the offering price and other selling terms.

The following table summarizes the underwriting discounts and commissions that we will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

We estimate that the total expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, will be approximately $2,532,200.

Over-Allotment Option

The selling stockholders have granted the underwriters an option to purchase up to an aggregate of 1,500,000 shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discounts and commissions shown on the cover page of this prospectus. The underwriters may exercise this option in whole or in part at any time until 30 days after the date of the underwriting agreement. To the extent the underwriters exercise this option, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares proportionate to that underwriter's initial commitment as indicated in the preceding table.

Lock-Up Agreements

We, our executive officers and directors and our stockholders have agreed, subject to certain exceptions, not to offer, sell, pledge, contract to sell, grant any option to purchase, grant a security interest in, hypothecate or otherwise dispose of any shares of our common stock, or any securities convertible into, derivative of or exercisable or exchangeable for our common stock, for a period of not less than 180 days after the date of this prospectus without first obtaining the written consent of RBC Capital Markets Corporation and Thomas Weisel Partners LLC. The selling stockholders have agreed to similar restrictions for a period of one year from the date of this prospectus. If we issue an earnings release or material news, or a material event relating to us occurs, during the last 17 days of the 180-day lock-up period, or if, prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day lock-up period, the restrictions imposed by these lock-up agreements may be extended until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event for all such shares.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial public offering price has been negotiated between the underwriters and us. In determining the initial public offering price of our common stock, the underwriters considered:

- prevailing market conditions;
- our historical performance and capital structure;
- estimates of our business potential and earnings prospects;
- an overall assessment of our management; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

We have applied to have our common stock approved for quotation on the NASDAQ Global Market under the symbol “PRTS.”

Indemnification

We and the selling stockholders have agreed to indemnify the underwriters against liabilities relating to the offering, including liabilities under the Securities Act of 1933, as amended, and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of our common stock, in accordance with Regulation M under the Securities Exchange Act of 1934, as amended.

Over-allotment transactions involve sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing shares in the open market.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum.

Syndicate covering transactions involve purchases of our common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when our common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NASDAQ Global Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Directed Share Program

At our request, the underwriters have reserved up to 500,000 shares for sale under a directed share program to our officers, directors, employees and to our business associates. All of the persons purchasing the reserved shares must commit to purchase no later than the close of business on the day following the date of this prospectus. The number of shares available for sale to the general public will be reduced to the extent these persons purchase the reserved shares. Shares committed to be purchased by directed share participants that are not so purchased will be reallocated for sale to the general public in the offering. All sales of shares under the directed share program will be made at the initial public offering price set forth on the cover page of this prospectus.

LEGAL MATTERS

The validity of the issuance of the shares of common stock offered by this prospectus will be passed upon for us by Dorsey & Whitney LLP, Irvine, California. Legal matters relating to the sale of common stock in this offering will be passed upon for the underwriters by Howard Rice Nemerovski Canady Falk & Rabkin, A Professional Corporation, San Francisco, California.

EXPERTS

The consolidated financial statements of U.S. Auto Parts as of December 31, 2005 and for the year then ended, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of U.S. Auto Parts as of December 31, 2004 and for the years ended December 31, 2003 and 2004 included in this prospectus and registration statement have been audited by Stonefield Josephson, Inc., independent registered public accounting firm, as indicated in their report thereon appearing elsewhere herein, and are included in reliance upon such report given the authority of such firm as experts in auditing and accounting.

The combined financial statements of Partsbin as of December 31, 2004 and 2005 and for each of the years in the three-year period ended December 31, 2005, included in this prospectus and the registration statement have been audited by J.H. Cohn LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 with the Securities and Exchange Commission under the Securities Act with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to us and our common stock, please see the registration statement and the exhibits and schedules filed with the registration statement. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. The registration statement, including its exhibits and schedules, may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the website is *www.sec.gov*.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act, and, in accordance therewith, will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the public reference room and on the SEC website referred to above.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
U.S. Auto Parts Network, Inc.

We have audited the accompanying consolidated balance sheet of U.S. Auto Parts Network, Inc. (the Company) as of December 31, 2005, and the related consolidated statements of income, stockholders' equity and cash flows for the year ended December 31, 2005. 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 audit. The consolidated financial statements of U.S. Auto Parts Network, Inc. for the years ended December 31, 2004 and 2003, were audited by other auditors whose report dated August 12, 2005, expressed an unqualified opinion on those statements.

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 the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides 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 U.S. Auto Parts Network, Inc. at December 31, 2005, and the consolidated results of its operations and its cash flows for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 3, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
U.S. Auto Parts Network, Inc.
Carson, California

We have audited the accompanying consolidated balance sheet of U.S. Auto Parts Network, Inc. (the "Company") as of December 31, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2004. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Auto Parts Network, Inc. as of December 31, 2004, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ STONEFIELD JOSEPHSON, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Irvine, California
August 12, 2005

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31,		September 30,	Pro Forma Stockholders' Equity as of September 30, 2006
	2004	2005	2006 (unaudited)	(unaudited)
Assets				
Current assets:				
Cash and cash equivalents	$ 2,130	$ 1,353	$ 3,287	
Marketable securities	710	—	—	
Accounts receivable, net	1,149	1,637	2,540	
Inventory, net	4,586	8,663	7,591	
Other current assets	75	361	2,201	
Total current assets	8,650	12,014	15,619	
Property and equipment, net	3,449	2,259	1,967	
Intangible assets, net	42	25	35,416	
Goodwill	—	—	14,142	
Deferred income taxes	—	—	1,282	
Other noncurrent assets	970	185	292	
Total assets	$13,111	$14,484	$ 68,718	
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 2,134	$ 6,882	$ 9,573	
Accrued expenses	1,113	1,307	2,506	
Line of credit	1,500	—	—	
Notes payable	1,549	96	6,889	
Due to stockholders and related party	324	—	—	
Capital leases payable, current portion	49	170	62	
Other current liabilities	319	423	1,421	
Total current liabilities	6,988	8,878	20,451	
Notes payable less current portion, net	—	—	27,817	
Deferred income taxes	80	—	192	
Capital leases payable, less current portion	83	357	120	
Total liabilities	7,151	9,235	48,580	
Noncontrolling interest in consolidated entity	—	10	—	
Commitments and contingencies				
Stockholders' equity:				
Series A convertible preferred stock, par value $0.001; 11,100,000 shares authorized; 0, 0 and 11,055,425 issued and outstanding, as of December 31, 2004 and 2005, and September 30, 2006 (unaudited), respectively; (liquidation preference of $45,000 at September 30, 2006 (unaudited))	—	—	11	—
Common stock, par value $0.001; 50,000,000 shares authorized; 13,200,000, 13,200,000 and 15,199,678 issued and outstanding, as of December 31, 2004 and 2005, and September 30, 2006 (unaudited), respectively	13	13	15	26
Additional paid-in capital	526	526	68,479	68,479
Loans to stockholders	(356)	—	—	—
Accumulated other comprehensive income	132	—	6	6
Retained earnings (accumulated deficit)	5,645	4,700	(48,373)	(48,373)
Total stockholders' equity	5,960	5,239	20,138	20,138
Total liabilities and stockholders' equity	$13,111	$14,484	$ 68,718	

See accompanying notes.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share and per share data)

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
Net sales	$ 31,657	$ 40,658	$ 59,698	$ 43,979	$ 83,514
Cost of sales	17,814	21,334	34,829	25,876	53,779
Gross profit	13,843	19,324	24,869	18,103	29,735
Operating expenses:					
General and administrative(1)	2,284	3,599	7,254	5,555	7,081
Marketing(1)	3,617	4,526	5,802	4,315	10,313
Fulfillment(1)	3,246	2,990	4,357	3,162	3,589
Technology(1)	405	776	868	596	992
Amortization of intangibles	—	8	17	13	3,037
Total operating expenses	9,552	11,899	18,298	13,641	25,012
Income from operations	4,291	7,425	6,571	4,462	4,723
Other income (expense), net:					
Loss from disposition of assets	(62)	—	—	—	(5)
Other income	33	80	191	165	155
Interest income	—	—	—	—	82
Interest expense	(13)	(44)	(106)	(68)	(1,032)
Other income (expense), net	(42)	36	85	97	(800)
Income before income taxes	4,249	7,461	6,656	4,559	3,923
Income tax provision (benefit)	478	328	(163)	(199)	479
Net income	$ 3,771	$ 7,133	$ 6,819	$ 4,758	$ 3,444
Basic net income per share	$ 0.33	$ 0.54	$ 0.52	$ 0.36	$ 0.24
Diluted net income per share	$ 0.33	$ 0.54	$ 0.52	$ 0.36	$ 0.18
Shares used in computation of basic net income per share	11,276,876	13,200,000	13,200,000	13,200,000	14,180,869
Shares used in computation of diluted net income per share	11,276,876	13,200,000	13,200,000	13,200,000	19,362,189
Shares used in computation of pro forma basic net income per share (unaudited)	11,276,876	13,200,000	19,833,255	13,200,000	20,814,124
Shares used in computation of pro forma diluted net income per share (unaudited)	11,276,876	13,200,000	19,833,255	13,200,000	20,844,345
Pro forma provision for income taxes (unaudited)	1,729	2,964	2,657	1,822	1,664
Pro forma basic net income per share (unaudited)	$ 0.22	$ 0.34	$ 0.20	$ 0.21	$ 0.11
Pro forma diluted net income per share (unaudited)	$ 0.22	$ 0.34	$ 0.20	$ 0.21	$ 0.11

(1) Includes share-based compensation expense related to option grants, as follows:

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
			(in thousands)	(unaudited)	
General and administrative expense	$ —	$ —	$ —	$ —	$ 359
Marketing expense	—	—	—	—	126
Fulfillment expense	—	—	—	—	16
Technology expense	—	—	—	—	103
	$ —	$ —	$ —	$ —	$ 604

See accompanying notes.

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U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

	Preferred Stock		Common Stock		Additional Paid-in-Capital	Loans to Stockholders	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity	Comprehensive Income for the Period
	Shares	Amount	Shares	Amount						
Balance, December 31, 2002	—	$ —	10,999,560	$ 11	$ 523	$ —	$ (9)	$ 617	$ 1,142	
Net income	—	—	—	—	—	—	—	3,771	3,771	$ 3,771
Distributions	—	—	—	—	—	—	—	(247)	(247)	
Stockholder loans	—	—	—	—	—	(198)	—	—	(198)	
Capital contribution	—	—	—	—	1	—	—	—	1	
Issuance of shares in connection with merger	—	—	2,200,440	2	2	—	—	—	4	
Unrealized gain on available-for-sale investments	—	—	—	—	—	—	70	—	70	70
Total comprehensive income		—								$ 3,841
Balance, December 31, 2003	—		13,200,000	13	526	(198)	61	4,141	4,543	
Net income	—	—	—	—	—	—	—	7,133	7,133	$ 7,133
Distributions	—	—	—	—	—	—	—	(5,629)	(5,629)	
Stockholder loans	—	—	—	—	—	(158)	—	—	(158)	
Unrealized gain on available-for-sale investments	—	—	—	—	—	—	71	—	71	71
Total comprehensive income		—								$ 7,204
Balance, December 31, 2004	—		13,200,000	13	526	(356)	132	5,645	5,960	
Net income	—	—	—	—	—	—	—	6,819	6,819	$ 6,819
Distributions	—	—	—	—	—	—	—	(7,765)	(7,765)	
Repayment of stockholder loans	—	—	—	—	—	356	—	—	356	
Reclassification adjustment on available-for-sale investments	—	—	—	—	—	—	(132)	—	(132)	(132)
Total comprehensive income										$ 6,687
Balance, December 31, 2005	—	—	13,200,000	13	526	—	—	4,700	5,239	
Net income (unaudited)	—	—	—	—	—	—	—	3,444	3,444	$ 3,444
Final S corporation distribution (unaudited)	—	—	—	—	—	—	—	(1,700)	(1,700)	
Undistributed earnings related to terminated S corporation status (unaudited)	—	—	—	—	4,817	—	—	(4,817)	—	
Recapitalization distribution (unaudited)	—	—	—	—	—	—		(50,000)	(50,000)	
Contributions (unaudited)	—	—	—	—	110	—	—	—	110	
Issuance of common stock (unaudited)	—	—	16,363	—	150	—	—	—	150	
Issuance of preferred stock (unaudited)	11,055,425	11	—	—	42,127	—	—	—	42,138	
Issuance of warrants (unaudited)	—	—	—	—	147	—	—	—	147	
Share-based compensation (unaudited)	—	—	—	—	604	—	—	—	604	

Issuance of common stock in connection with business acquisition (unaudited)		—	1,983,315	2	19,998				20,000	
Effect of changes in foreign currencies (unaudited)	—	—	—	—	—	—	6	—	6	6
Total comprehensive income (unaudited)										$ 3,450
Balance, September 30, 2006 (unaudited)	11,055,425	$ 11	15,199,678	$ 15	$ 68,479	$ —	$ 6	$ (48,373)	$ 20,138	

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U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
Operating activities					
Net income	$ 3,771	$ 7,133	$ 6,819	$ 4,758	$ 3,444
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	120	448	1,976	1,455	1,528
Amortization of intangibles	—	8	17	13	3,037
Non-cash interest expense	—	—	—	—	40
Non-cash issuance of common stock	4	—	—	—	—
Loss from disposition of assets	62	—	—	—	5
Share-based compensation and other	—	—	—	—	704
Realized gain on sale of marketable securities	—	(8)	(75)	(75)	—
Deferred income taxes	3	79	(79)	(79)	(1,090)
Effect of changes in foreign currencies	—	—	—	—	6
Changes in operating assets and liabilities:					
Accounts receivable, net	(60)	(222)	(489)	(8)	(903)
Inventory, net	(1,721)	(829)	(4,077)	(5,397)	1,676
Other current assets	(21)	(32)	(286)	(161)	(1,732)
Other noncurrent assets	—	(41)	784	924	(79)
Accounts payable and accrued expenses	799	(37)	4,942	3,625	868
Other current liabilities	63	4	104	51	(82)
Net cash provided by operating activities	3,020	6,503	9,636	5,106	7,422
Investing activities					
Purchase of property, equipment and intangibles	(38)	(1,369)	(439)	(304)	(979)
Acquisition of business, net of cash acquired	—	—	—	—	(24,453)
Proceeds from sale of equipment	—	—	154	154	—
Proceeds from sale of marketable securities	20	63	653	653	—
Purchase of marketable securities	(20)	(558)	—	—	—
Payments (borrowings) of related-party loans	(274)	(82)	356	356	—
Net cash provided by (used in) investing activities	(312)	(1,945)	724	859	(25,432)
Financing activities					
Proceeds from credit line	10	1,500	2,000	2,000	—
Payments of credit line	—	(10)	(3,500)	(1,500)	—
Proceeds received from notes payable, net of discount	—	—	—	—	31,705
Payments made on notes payable	—	—	—	—	(2,111)
Proceeds received on issuance of Series A convertible preferred stock, net of offering costs	—	—	—	—	42,246
Payments of short-term financing	(348)	(45)	(105)	(59)	(346)
(Payments) borrowings to related party	—	324	(230)	(230)	—
Payments to related parties	(259)	(686)	(1,547)	(1,304)	—
Contributed capital	1	—	10	10	—
Proceeds from sale of common stock	—	—	—	—	150
Stockholder distributions	(247)	(5,629)	(7,765)	(6,031)	(1,700)
Recapitalization distribution	—	—	—	—	(50,000)
Net cash provided by (used in) financing activities	(843)	(4,545)	(11,137)	(7,114)	19,944
Net (decrease) increase in cash and cash equivalents	1,865	13	(777)	(1,149)	1,934
Cash and cash equivalents at beginning of period	252	2,117	2,130	2,130	1,353
Cash and cash equivalents at end of period	$ 2,117	$ 2,130	$ 1,353	$ 981	$ 3,287
Supplemental disclosure of noncash financing activities:					
Property acquired under capital leases	$ 78	$ 40	$ 500	$ 500	$ —
Property acquired under note payable to related party	—	2,234	—	—	—
Undistributed earnings related to terminated S corporation status	—	—	—	—	4,817
Issuance of common stock in connection with business acquisition	—	—	—	—	20,000
Issuance of note payable to selling shareholders in connection with business acquisition	—	—	—	—	5,000
Issuance of warrants for costs associated with debt and equity issuances	—	—	—	—	147
Cash paid during the period for:					
Interest	$ 2	$ 7	$ 76	$ 87	$ 823
Income taxes	29	147	469	434	1,988

See accompanying notes.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

1. Summary of Significant Accounting Policies and Nature of Operations

U.S. Auto Parts Network, Inc. (including its subsidiaries, the "Company") is a distributor of aftermarket auto parts and accessories and was established in 1995. The Company entered the e-commerce sector by launching its first website in 2000 and currently derives the majority of its revenues from online sales channels. The Company's websites provide customers with a comprehensive selection of products. The Company sells its products to individual consumers through a network of websites and online marketplaces. The Company's flagship websites are located at *www.partstrain.com* and *www.autopartswarehouse.com*, and the corporate website is located at *www.usautoparts.net*.

The Company's products consist of body parts, engine parts and accessories. Body parts include bumpers, doors, fenders, grills, hoods, lamps, mirrors, tailgates and wheels. Engine parts consists of brakes, clutches, cooling/climate control products, electrical parts, exhaust systems, fuel injection parts, mechanical parts, steering, suspension and transmissions. Accessories include bed liners, car covers, carpet, gauges, seats, spoilers, among others. The Company also offers performance versions of many of these parts.

The Company is a Delaware C corporation and is headquartered in Carson, California. The Company also has employees located in Trenton, New Jersey, as well as in the Philippines.

Unaudited Interim Financial Statements

The financial statements pertaining to September 30, 2006 and for the nine months ended September 30, 2005 and 2006 are unaudited. The unaudited financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments necessary to state fairly the financial information set forth therein, in accordance with generally accepted accounting principles.

The results of operations for the interim period ended September 30, 2006 are not necessarily indicative of the results which may be reported for any other interim period or for the year ending December 31, 2006.

Principles of Consolidation

On June 30, 2005, the Company acquired MBS Marketing, Inc. ("MBS"), which provided Internet marketing services to support the Company's online marketing program. Prior to June 30, 2005, the Company had no direct ownership interest in MBS but, as the Company was the primary beneficiary of MBS under FASB Interpretation No. 46R, "*Consolidation of Variable Interest Entities"* ("FIN 46R"), the financial statements of MBS were consolidated with those of the Company. MBS and the Company were also under common ownership. Effective June 30, 2005, the Company merged MBS into its operations. Pursuant to the merger, all assets, liabilities, rights and obligations of MBS were transferred to, and assumed by, the Company, and the Company issued 2,200,440 shares of its common stock to the stockholders of MBS in exchange for their shares in MBS. The merger was accounted for as entities under common control, whereby the Company recognized the assets and liabilities of MBS at their carryover basis as of the date of the merger. Accordingly, adjustments have been made to combine MBS on a historical basis and all significant intercompany balances and transactions have been eliminated in consolidation.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

In September 2005, the shareholders of the Company established MBS Tek Corporation ("MBS Tek") to conduct business internationally. As the Company was the primary beneficiary of MBS Tek, it has been consolidated under FIN 46R. All significant inter-company transactions and balances have been eliminated in consolidation. The equity balance of MBS Tek is presented as a noncontrolling interest on the face of the consolidated balance sheet as of December 31, 2005. In September 2006, MBS Tek became a majority-owned subsidiary of the Company and is no longer presented as a noncontrolling interest at September 30, 2006.

On May 19, 2006, U.S. Auto Parts acquired All OEM Parts, Inc., ThePartsBin.com, Inc. and their affiliated companies (collectively "Partsbin") pursuant to a merger involving a wholly-owned subsidiary of U.S. Auto Parts (the "Merger Sub"). Prior to the acquisition, Partsbin consisted of seven entities accounted for as entities under common control. Upon the consummation of the merger, five of the Partsbin entities merged with and into the Merger Sub, and the sixth entity, a Canadian company, survived as a wholly-owned subsidiary of the Merger Sub. We did not acquire the seventh entity, TPB Real Estate, LLC. Subsequent to the acquisition, the combined financial statements of Merger Sub and the Canadian company, which remains a wholly-owned subsidiary of Merger Sub, are included in the consolidated financial statements of U.S. Auto Parts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include, but are not limited to, the valuation of inventory, valuation of deferred tax assets, estimated useful lives of property, equipment and software, valuation of intangible assets, including goodwill, recoverability of software development costs, valuation of sales returns and allowances, and the ultimate collection of accounts receivables. Actual results could differ from these estimates.

Unaudited Pro Forma Stockholders' Equity Presentation

The unaudited pro forma stockholders' equity at September 30, 2006 reflects the effect of the automatic conversion of all shares of Series A convertible preferred stock into 6,633,255 shares of common stock as though the completion of the planned initial public offering occurred on September 30, 2006. Shares of common stock issuable in such initial public offering and any related net proceeds are excluded from such pro forma information.

Cash and Cash Equivalents

The Company considers all money market funds and short-term debt securities purchased with original maturities of ninety days or less to be cash equivalents.

Fair Value of Financial Instruments

The carrying value of financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable and borrowings, approximates fair value at December 31, 2004 and 2005 and at September 30, 2006 due to their short-term maturities and the relatively stable interest rate environment.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Accounts Receivable

Accounts receivable are stated net of allowance for doubtful accounts. At December 31, 2004 and 2005, and at September 30, 2006, amounts due from a single customer were $671,000, $879,000 and $760,000, respectively, representing 58%, 54% and 30% of net accounts receivable, respectively. The allowance for doubtful accounts is determined primarily on the basis of past collection experience and general economic conditions. The Company determines terms and conditions for its customers primarily based on the volume purchased by the customer, customer creditworthiness and past transaction history. The allowance for doubtful accounts totaled $52,000 and $67,000 at December 31, 2004 and 2005, respectively, and $20,000 at September 30, 2006.

Marketable Securities

Marketable securities consist of equity investments and investments in mutual funds that hold both debt and equity securities in various publicly-traded companies and are stated at their fair market value on December 31, 2004. The Company held no marketable securities on December 31, 2005 or September 30, 2006. All marketable securities are considered "available-for-sale." In accordance with SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*," the appreciation and decline in fair market value over cost is reported as "other comprehensive income" on the statement of stockholders' equity. The cost basis used to calculate gains and losses on securities' sales is determined using specific identification.

Available-for-sale securities as of December 31, 2004, consisted of the following:

	Estimated Fair Value	Gains in Accumulated Other Comprehensive Income	Losses in Accumulated Other Comprehensive Income
		(in thousands)	
Common stock	$ 519	$ 129	$ —
Mutual funds	191	3	—
Total securities	$ 710	$ 132	$ —

During the years ended December 31, 2003, 2004 and 2005, available-for-sale securities were sold for total proceeds of $20,000, $63,000 and $653,000, respectively. The gross realized gains on these sales totaled $0, $8,000 and $75,000 in 2003, 2004 and 2005, respectively. Net unrealized holding gains on available-for-sale securities in the amount of $70,000 and $71,000 for the years ended December 31, 2003 and 2004, respectively, have been included in accumulated other comprehensive income. No available-for-sale securities transactions took place during the nine months ended September 30, 2006.

Inventory

Inventories consist of finished goods available-for-sale and are stated at the lower of cost or market value, determined using the first in, first out ("FIFO") method. Long-term inventory is included in other long term assets for the years ended December 31, 2004 and 2005. The Company purchases inventory from suppliers both domestically and internationally. The Company believes that its products are generally

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

available from more than one supplier and seeks to maintain multiple sources for its products, both internationally and domestically.

Because of the continued demand for the Company's products, the Company primarily purchases products in bulk quantities to take advantage of quantity discounts and to assure inventory availability. Inventory is reported net of inventory reserves for slow moving, obsolete or scrap product, which are established based on specific identification of slow moving items and the evaluation of overstock considering anticipated sales levels. Gross inventory, inventory reserves and net inventory classified as current and noncurrent for the years ended December 31, 2004 and 2005 and the nine months ended September 30, 2006 are as follows:

	Years Ended December 31,		Nine Months Ended
	2004	2005	September 30, 2006
		(in thousands)	
Gross inventory:			
Current	$ 4,974	$ 8,800	$ 7,775
Noncurrent	1,259	960	729
Inventory reserves:			
Current	(388)	(137)	(184)
Noncurrent	(381)	(823)	(605)
Net inventory:			
Current	4,586	8,663	7,591
Noncurrent	878	137	124
Total net inventory	$ 5,464	$ 8,800	$ 7,715

The following table reconciles the inventory reserve:

(In thousands)	Balance at Beginning of Period	Charged to Cost or Expenses	Deductions	Balance at End of Period
Year Ended December 31, 2003				
Inventory reserve	$ 1,238	$ (606)	$ —	$ 632
Year Ended December 31, 2004				
Inventory reserve	632	137	—	769
Year Ended December 31, 2005				
Inventory reserve	769	221	(30)	960
Nine Months Ended September 30, 2006				
Inventory reserve	960	(87)	(84)	789

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Website and Software Development Costs

The Company capitalizes certain costs associated with software developed for internal use according to EITF No. 00-2 ("EITF 00-2"), "*Accounting for Website Development Costs*" and Statement of Position 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"* ("SOP 98-1"). Under the provisions of EITF 00-2 and SOP 98-1, the Company capitalizes certain costs associated with website and software developed for internal use when both the preliminary project design and testing stage are completed and management has authorized further funding for the project, which it deems probable of completion and to be used for the function intended. Capitalized costs include amounts directly related to website and software development such as payroll and payroll-related costs for employees who are directly associated with, and who devote time to, the internal-use software project. Capitalization of such costs ceases when the project is substantially complete and ready for its intended use. The Company capitalized $428,000 and $172,000 during the years ended December 31, 2004 and 2005, respectively, and $141,000 and $225,000 for the nine months ended September 30, 2005 and 2006, respectively. These amounts are amortized on a straight-line basis over two years once the software is placed into use.

Intangibles

During the year ended December 31, 2004, the Company acquired intangibles in the amount of $50,000 relating to Internet domain names. In May 2006, in connection with the acquisition of Partsbin, the Company acquired intangible assets consisting of software assets, domain names, website assets, vendor agreements and goodwill in the amounts of $4.1 million, $2.3 million, $29.0 million and $3.0 million and $14.1 million, respectively (see Note 11). Capitalized amounts are amortized on a straight-line basis over a two to five year period for software assets, five years for website assets, and over a three-year period for the vendor agreements, representing the estimated useful lives. Generally, goodwill and domain names have indefinite lives and are not amortizable. Amortization expense relating to intangibles totaled $8,000, $17,000, $13,000 and $3.0 million for the years ended December 31, 2004 and 2005 and for the nine months ended September 30, 2005 and 2006, respectively. Estimated annual aggregate amortization expense for the years ending December 31, 2006, 2007, 2008, 2009 and 2010 will approximate $5.1 million, $8.2 million, $8.2 million, $6.7 million and $5.8 million, respectively.

Long-Lived Assets and Intangibles

The Company assesses long-lived assets, including intangibles subject to amortization, and indefinite lived intangibles, including goodwill, for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable based on the undiscounted estimated future cash flows expected to result from its use and eventual disposition. Impairments will be recognized in operating results to the extent that the carrying value exceeds the discounted cash flows of future operations. The Company did not recognize any impairment losses for the years ended December 31, 2003, 2004 or 2005 or for the nine months ended September 30, 2005 or 2006.

Revenue Recognition

The Company recognizes revenue from product sales when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, delivery has occurred (to the common

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

carrier), the selling price is fixed or determinable, and collectibility is reasonably assured. These criteria follow the Company's general policy to recognize revenue according to its shipping terms, which are F.O.B. shipping point. Under this policy, title and risk of loss are transferred to the customer upon delivery to the common carrier, at which time, revenue is recognized.

The Company evaluates the criteria of EITF 99-19, *"Reporting Revenue Gross as a Principal Versus Net as an Agent,"* in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when we are the primary party obligated in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers, or have several but not all of these indicators, revenue is recorded gross.

Product sales and shipping revenues, net of promotional discounts and return allowances, are recorded when the products are shipped and title passes to customers. Retail items sold to customers are made pursuant to terms and conditions that provide for transfer of both title and risk of loss upon our delivery to the carrier. Return allowances, which reduce product revenue by our best estimate of expected product returns, are estimated using historical experience. We generally require payment by credit card at the point of sale. Amounts received prior to when we ship goods to customers are recorded as deferred revenue.

We periodically provide incentive offers to our customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by our customers, are treated as a reduction to the purchase price of the related transaction. Current discount offers and inducement offers are classified as an offsetting amount in "Net sales."

Sales discounts are recorded in the period in which the related sale is recognized. Sales returns and allowances are estimated based on historical amounts. Credits are issued to customers for returned products. Credits amounted to $3.5 million, $4.2 million and $5.6 million for the years ended December 31, 2003, 2004 and 2005, respectively. Credits amounted to $4.5 million and $7.1 million for the nine months ended September 30, 2005 and 2006, respectively. The Company's sales returns and allowances reserves totaled $200,000, $200,000 and $170,000 at December 31, 2003, 2004 and 2005, respectively. The Company's sales returns and allowances reserves totaled $182,000 and $647,000 for the nine months ended September 30, 2005 and 2006, respectively.

Total sales to one customer were 10.8% of net sales for the year ended December 31, 2004. For the nine months ended September 30, 2005 and 2006, sales to this customer represented approximately 10.1% and less than 10% of net sales, respectively. No other customer accounted for more than 10% of the Company's net sales in the past three years.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

The following table reconciles the reserve for sales returns and the reserve for doubtful accounts:

(In thousands)	Balance at Beginning of Period	Charged to Revenue, Cost or Expenses	Deductions	Balance at End of Period
Year Ended December 31, 2003				
Reserve for sales returns	$ 150	$ 50	$ —	$ 200
Reserve for doubtful accounts	34	274	(271)	37
Year Ended December 31, 2004				
Reserve for sales returns	200	—	—	200
Reserve for doubtful accounts	37	14	—	51
Year Ended December 31, 2005				
Reserve for sales returns	200	(30)	—	170
Reserve for doubtful accounts	51	16	—	67
Nine Months Ended September 30, 2006				
Reserve for sales returns	170	114	—	284
Reserve for doubtful accounts	67	(36)	(11)	20

Other Income

Other income consists of realized gains on available-for-sale investments, as well as commission income received from website licensing fees and other items.

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
			(in thousands)		
Commissions	$ 33	$ 72	$ 112	$ 85	$ 23
Insurance claim	—	—	—	—	128
Other income	—	—	4	4	4
Realized gains	—	8	75	76	—
Total other income	$ 33	$ 80	$ 191	$ 165	$ 155

Cost of Goods Sold

Cost of goods sold consists of the direct costs associated with procuring parts from suppliers and delivering products to customers. These costs include direct product costs, purchase discounts, outbound freight and warehouse supplies. The Company includes freight and shipping costs in cost of goods sold. Total freight and shipping expense included in cost of goods sold for the years ended December 31, 2003, 2004 and 2005 was $4.2 million, $5.0 million and $9.0 million, respectively. Total freight and shipping expense included in cost of goods sold for the nine months ended September 30, 2005 and 2006 was $7.0 million and $10.1 million, respectively.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Marketing

Marketing costs, including advertising, are expensed as incurred. The majority of marketing expense is paid to Internet search engine service providers and Internet commerce facilitators. For the years ended December 31, 2003, 2004 and 2005, the Company recognized advertising costs of $1.2 million, $2.5 million and $3.4 million, respectively. For the nine months ended September 30, 2005 and 2006, advertising costs were $2.5 million and $6.3 million, respectively.

General and Administrative

General and administrative expense consist primarily of administrative payroll and related expenses, merchant processing fees, legal and professional fees, and other administrative costs.

Fulfillment

Fulfillment costs consist primarily of payroll and related costs associated with warehouse employees, facility rent, building maintenance, and other costs associated with inventory management and wholesale operations.

Technology

Technology expense consist primarily of information technology, payroll and related expenses, computer support, software development and connectivity.

Comprehensive Income

The Company reports comprehensive income in accordance with SFAS No. 130, "*Reporting Comprehensive Income*." Accumulated other comprehensive income includes net income, foreign currency translation adjustments related to the Company's foreign operations and unrealized gains and losses from equity investments and investments in mutual funds that hold both debt and equity securities in various publicly traded companies.

	December 31,		September 30,
	2004	2005	2006
		(in thousands)	
Unrealized gain on common stock investments	$ 129	$ —	$ —
Unrealized gain on mutual fund investments	3	—	—
Foreign currency translation adjustment	—	—	6
Total accumulated other comprehensive income	$ 132	$ —	$ 6

Foreign Currency Translation

For each of the Company's foreign subsidiaries, the functional currency is its local currency. Assets and liabilities of foreign operations are translated into U.S. dollars using the current exchange rates, and revenues and expenses are translated into U.S. dollars using average exchange rates. The effects of the foreign currency translation adjustments are included as a component of accumulated other comprehensive income (loss) in stockholders' equity.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Income Taxes

For income tax purposes, until March 2006, the Company was taxed as an S corporation under provisions of the Internal Revenue and California Taxation Codes, which required that the income or loss of the Company be reported on the individual income tax returns of the stockholders; however MBS Marketing, which was consolidated with the Company for financial reporting in all periods presented (see Note 1), was subject to federal income taxes, franchise taxes in California and franchise and excise taxes in Tennessee at statutory rates since its inception. On March 3, 2006, the Company completed a recapitalization which resulted in the revocation of its subchapter S corporation status. The entire Company now operates as a C corporation and is subject to tax in the United States.

The Company accounts for income taxes for MBS Marketing, incorporated as a C corporation, in accordance with SFAS No. 109, "*Accounting for Income Taxes*." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When appropriate, a valuation reserve is established to reduce deferred tax assets, which include tax credits and loss carryforwards, to the amount that is more likely than not to be realized. The pro forma income tax provision on the face of the statements of income reflects the pro forma effects as if the Company had been established as a C corporation for all periods presented (see Note 7).

Net Income (Loss) Per Share Data

The Company follows EITF Issue No. 03-6, "*Participating Securities and the Two-Class Method*" ("EITF 03-6"), under FASB Statement 128, which established standards regarding the computation of earnings per share by companies that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the Company. EITF 03-6 requires earnings available to common stockholders for the period, after deduction of preferred stock dividends to be allocated between the common and preferred stockholders based on their respective rights to receive dividends. Basic net income (loss) per share is then calculated by dividing income allocable to common stockholders (including the reduction for any undeclared, preferred stock dividends, assuming current income for the period had been distributed) by the weighted-average number of common shares outstanding, net of shares subject to repurchase by the Company, during the period.

Pro forma Net Income Per Share (unaudited)

Pro forma basic and diluted net income per share for all periods presented has been presented to give effect to the pro forma provision for income taxes as if the Company had been a C corporation for all periods. As part of this presentation, pro forma basic net income per share for the latest year end and interim period also gives effect to the conversion of the Series A convertible preferred stock into common stock upon the closing of the Company's initial public offering on an if-converted basis.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Share-Based Compensation

The Company accounts for share-based compensation in accordance with SFAS No. 123 (revised 2004), "*Share-Based Payment*" ("SFAS No. 123(R)"), which was adopted on January 1, 2006. No stock options were granted prior to December 31, 2005. All stock options issued to employees are recognized as share-based compensation expense in the financial statements based on their respective grant date fair values, and are recognized within the statement of income as general and administrative, marketing, fulfillment or technology, based on employee departmental classifications.

Under this standard, the fair value of each share-based payment award is estimated on the date of grant using an option pricing model that meets certain requirements. The Company currently uses the Black-Scholes option pricing model to estimate the fair value of share-based payment awards. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We do not have a history of market prices of our common stock as we are not a public company, and as such we estimate volatility in accordance with SAB No. 107 using historical volatilities of similar public entities. The expected life of the awards is based on a simplified method which defines the life as the average of the contractual term of the options and the weighted average vesting period for all open tranches. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on our expectation of paying no dividends. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For non-employees, the Company accounts for share-based compensation in accordance with Emerging Issues Task Force No. 96-18, "*Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*." Equity instruments awarded to non-employees are periodically re-measured as the underlying awards vest unless the instruments are fully vested, immediately exercisable and non-forfeitable on the date of grant.

Segment Data

The Company manages its operations on a consolidated basis for purposes of assessing performance and making operating decisions. Accordingly, the Company operates in one reportable segment.

Recent Accounting Pronouncements

In July 2006, the FASB issued Financial Accounting Standards Board Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*" ("FIN 48"). FIN 48 clarifies the recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt this interpretation as required. The Company is currently evaluating the impact of this interpretation on its consolidated financial statements.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

2. Property and Equipment, Net

The Company's fixed assets consisted of computer software (internally developed and purchased), machinery and equipment, furniture and fixtures, and vehicles, and are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable and amortizable assets to operations over their estimated service lives. Depreciation expense for the years ended December 31, 2003, 2004 and 2005 was $120,000, $130,000 and $181,000, respectively. Depreciation expense for the nine months ended September 30, 2005 and 2006 was $118,000 and $257,000, respectively. Software amortization expense for the years ended December 31, 2004 and 2005 was $317,000 and $1.8 million, respectively. Software amortization expense for the nine months ended September 30, 2005 and 2006 was $1.3 million for each such period. The Company had no software amortization expense for the year ended December 31, 2003. The cost and related accumulated depreciation of assets retired or otherwise disposed of are removed from the accounts and the resultant gain or loss is reflected in earnings. During 2004, the Company purchased $2.9 million of software from a related party, which is included in computer software and equipment, to support its online marketing efforts. The fair value of the software purchase was supported through a valuation study.

Property and equipment consisted of the following at December 31, 2004 and 2005 and at September 30, 2006:

	December 31,		September 30,
	2004	2005	2006
		(in thousands)	
Machinery and equipment	$ 561	$ 1,180	$ 1,781
Computer software and equipment	3,323	3,546	3,894
Vehicles	112	116	144
Leasehold improvements	3	52	111
Furniture and fixtures	149	40	101
Construction in process	—	—	383
	4,148	4,934	6,414
Less accumulated depreciation and amortization	(699)	(2,675)	(4,447)
Property and equipment, net	$3,449	$ 2,259	$ 1,967

Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes, at rates based on the following estimated useful lives:

	Years
Machinery and equipment	3 – 5
Computer software (purchased and developed)	2 – 5
Computer equipment	3 – 5
Vehicles	3 – 5
Leasehold improvements	3 – 5
Furniture and fixtures	5 – 7

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

3. Line of Credit

At December 31, 2004, the Company had a $3.0 million committed line of credit agreement with a bank with interest at 0.25% above the lender's reference rate, which expired on July 30, 2005. The credit line was extended to May 19, 2007, and was increased to $7.0 million. At December 31, 2004, the Company had $1.5 million outstanding under the line of credit with a weighted-average interest rate of 5.5%. No amounts were outstanding at December 31, 2005 or at September 30, 2006. The credit agreement contains customary covenants that, among other things, requires compliance with certain financial ratios and targets and restricts the incurrence of additional indebtedness. At December 31, 2004 and 2005, the Company was out of compliance with the maximum stockholder distribution covenant, but received a waiver from the bank as of the end of each year. For purposes of complying with our interim (June 30, 2006) loan covenants our note holder amended (as of June 30, 2006 only) our original covenant related to EBITDA to add back share based compensation; however, we are compliant with all of our original loan covenants as of September 30, 2006. The Company was in compliance with all other covenants. There are no compensating balance requirements. All the assets of the Company serve as collateral on the line of credit.

4. Notes Payable

Notes payable consists of the following:

	December 31,		Sept. 30,
	2004	2005	2006
	(in thousands)		
Secured debt, payable beginning March 31, 2007, with interest at 4.58% for 12 months, then LIBOR plus 1.5%	$ —	$ —	$ 10,000
Secured debt, payable beginning June 30, 2007, with interest at LIBOR plus 1.75%, net	—	—	19,706
Notes payable to stockholders, payable beginning June 30, 2007, with interest at LIBOR	—	—	5,000
Note payable, $96 monthly with interest of 5.00%, due on January 1, 2006	1,060	96	—
Note payable, $50 monthly with imputed interest of 5.00%, due on October 1, 2005	489	—	—
Total	1,549	96	34,706
Less current portion	(1,549)	(96)	(6,889)
Long-term notes payable	$ —	$ —	$ 27,817

On March 3, 2006, the Company entered into a secured $10.0 million loan agreement with a bank in connection with the recapitalization. The loan bears interest at 4.58% for the first twelve months and LIBOR plus 1.5% thereafter. On May 19, 2006, the Company entered into a secured loan agreement with the same bank to provide financing for the cash portion of the purchase price for the acquisition of Partsbin in the amount of $22.0 million. In August 2006, the Company made an early payment of $2.0 million toward the principal balance of the loan, reducing the balance to $20.0 million. The loan bears interest at

LIBOR plus 1.75% and is interest only until April 2007. The term of each loan is four years with monthly payment of principal and interest required after the first year. The loans are also required to be paid off with the proceeds of a qualified initial public offering, as defined in such agreements. The loans are secured by substantially all of the assets of the Company.

As a component of the purchase price for the acquisition of Partsbin, the Company entered into promissory notes in the aggregate principal amount of $5.0 million with the stockholders of Partsbin. The notes bear interest at LIBOR and is interest only until June 2007. Beginning in the quarter ending June 30, 2007, the notes are payable in equal quarterly installments until March 31, 2008. The notes will become due and payable upon the consummation of an initial public offering, as defined in such notes. The notes are secured by substantially all the assets of the Company.

The discount on notes payable represents fees paid to the lender plus the fair value of the warrant issued in connection with the loan.

Future maturities of notes payable will be $0, $10.8 million, $11.9 million, $10.7 million and $1.6 million in 2006, 2007, 2008, 2009 and 2010, respectively.

At December 31, 2004 and 2005, the Company had unsecured notes outstanding to a related third party totaling $1.5 million and $96,000, respectively, with a weighted-average interest rate of 5.0%. These notes were paid off during 2006.

5. Recapitalization

On March 3, 2006, the Company completed a recapitalization. As part of this transaction, the Company sold 11,055,425 shares of Series A convertible preferred stock (the “Preferred Stock”) at a purchase price of $4.07 per share, or $45.0 million in the aggregate. Issuance costs totaled approximately $2.9 million and included the value of the warrants issued. The warrants were valued at $108,000 using the Black-Scholes valuation model using the following assumptions: expected life of two years; risk-free interest rate of 4.75%; volatility (based upon historical volatilities of similar public entities) of 31%; and dividend yield of 0%. Total issuance costs were netted against the proceeds received.

To provide additional financing for the recapitalization, the Company borrowed $10.0 million from a bank on March 3, 2006 (see Note 4). This loan and a portion of the $45.0 million received from the sale of the Preferred Stock, were used to fund the $51.7 million distribution made to the holders of the Company’s common stock as a part of the recapitalization, of which $50.0 million related to the transaction and $1.7 million represented the final S corporation distribution resulting from the termination of the Company’s S corporation status. Total undistributed earnings of $4.8 million on this date have been included in the Company’s consolidated financial statements as additional paid in capital. The amount distributed in excess of accumulated earnings was $45.2 million.

In addition, the stockholders approved a stock split of the Company’s common stock at a ratio of 1,100 shares for every one share previously held. The stock split became effective on March 3, 2006. All share and per share data included in these consolidated financial statements retroactively reflect the stock split.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

6. Series A Convertible Preferred Stock and Stockholders' Equity

Preferred Stock is convertible on a one-to-one basis, at the option of the holders thereof, into shares of common stock. Each share of the Preferred Stock converts automatically into common stock upon completion of a qualified initial public offering, as defined. In the event of a liquidation, dissolution or winding up of the Company, the holders of the Preferred Stock will be entitled to receive, prior to any distribution to the holders of common stock, an amount equal to $4.07 per share. The Preferred Stock is also entitled to receive dividends, when and if declared by the Board of Directors. In addition to the foregoing rights and privileges, the holders of the Preferred Stock are entitled to elect two directors to the Company's board of directors.

Share-Based Compensation

The Company adopted the U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan in March 2006. The Company grants stock options to purchase common stock to employees with exercise prices equal to the fair value of the underlying stock, as determined by the Company's board of directors on the date the option is granted. The board of directors determines the value of the underlying stock by considering a number of factors, including historical and projected financial results, the risks the Company faced at the time, the preferences of the Company's preferred stock holders and the lack of liquidity of the Company's common stock.

Under SFAS No. 123(R), the Company recognizes the cost of all employee stock options on a straight-line attribution basis, using their respective grant date fair values, over the vesting periods, net of estimated forfeitures. The Company's adoption of SFAS No. 123(R) effective January 1, 2006, resulted in the recognition of additional share-based compensation expense and a reduction of net income of $604,000 during the nine months ended September 30, 2006. This share-based compensation expense caused the Company's basic and diluted net income per share for the nine months ended September 30, 2006 to be reduced by $ 0.04 and $ 0.03, respectively.

The table below sets forth the expected amortization of share-based compensation expense for the entire year of 2006 and for the following four years for all options granted as of September 30, 2006, assuming all employees remain employed by the Company for their remaining vesting periods:

	Years Ending December 31,				
	2006	2007	2008	2009	2010
	(in thousands)				
Amortization of share-based compensation	$971	$1,469	$1,469	$1,414	$456

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

The table below summarizes the stock option activity during the nine months ended September 30, 2006, which resulted in share-based compensation expense:

	Nine Months Ended September 30, 2006	
	Shares	Weighted Average Exercise Price
Options outstanding, December 31, 2005	—	$ —
Granted	2,428,644	8.20
Exercised	—	—
Expired	—	—
Forfeited	(12,108)	8.35
Options outstanding, September 30, 2006	2,416,536	$ 8.20
Options exercisable, September 30, 2006	2,416,536	$ 8.20

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Nine Months Ended September 30, 2006
Expected life	3– 4 years
Risk-free interest rate	5%
Expected volatility	30% – 31%
Expected dividend yield	0%

Using the Black-Scholes option-pricing model for the estimated weighted average fair value of an option to purchase one share of common stock granted during the nine months ended September 30, 2006, the resulting fair value was $2.58 per share of common stock subject to options. As of September 30, 2006 the Company had 186,305 shares reserved for future grants under the Company's 2006 Equity Incentive Plan.

The weighted average expected option term for the nine months ended September 30, 2006 reflects the application of the simplified method set out in SAB No. 107. The simplified method defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. Estimated volatility for the nine months ended September 30, 2006 also reflects the application of SAB No. 107 interpretive guidance and, accordingly, incorporates historical volatility of similar entities whose share prices are publicly available.

As of September 30, 2006, there was $5.8 million of unrecognized compensation expense related to stock options granted after January 1, 2006, which expense is expected to be recognized over a weighted-average period of 4.0 years.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Warrants

At September 30, 2006, the Company had outstanding vested warrants to purchase up to 84,332 shares of common stock, which warrants terminate three years after their respective grant dates. The following table summarizes the warrants outstanding at September 30, 2006:

Security Issued Upon Exercise	No. of Shares	Grant Date	Exercise Price	Purpose of Grant
Common stock	66,332	March 3, 2006	$ 6.78	Financial advisory services
Common stock	18,000	May 22, 2006	$ 9.17	Lending arrangement
Total	84,332			

The March 3, 2006 warrants were issued in connection with the placement of the Series A convertible preferred stock to the placement agent as a portion of their fee. The warrants are immediately exercisable, and fully vested. The fair value of these warrants has been netted against the proceeds of the private placement and recorded as a reduction to the preferred stock. The May 22, 2006 warrants were issued as part of the $22.0 million secured debt financing associated with the Partsbin acquisition and was recorded as a discount on notes payable. Both issuances increased additional paid-in-capital on common stock.

The Company determined the fair value of the warrants at the date of grant using the Black-Scholes option pricing model based on the estimated fair value of the underlying common stock, a volatility rate ranging from 30% to 31%, zero dividends, a risk-free interest rate ranging from 4.75% to 5.00%, and an expected life of two years.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

7. Net Income Per Share

EITF No. 03-6 does not require the presentation of basic and diluted net income per share for securities other than common stock. Therefore, the following net income per share amounts only pertain to the Company's common stock. The Company calculates diluted net income per share under the if-converted method unless the conversion of the preferred stock is anti-dilutive to basic net income per share. To the extent preferred stock is anti-dilutive, the Company calculates diluted net income per share under the two-class method. The following table sets forth the computation of basic and diluted net income per share:

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
	(in thousands, except share and per share data)				
Historical Net Income Per Share					
Numerator:					
Net income	$ 3,771	$ 7,133	$ 6,819	$ 4,758	$ 3,444
Denominator:					
Weighted-average common shares outstanding (basic)	11,276,876	13,200,000	13,200,000	13,200,000	14,180,869
Common equivalent shares from conversion of preferred stock	—	—	—	—	5,151,099
Common equivalent shares from common stock options and warrants	—	—	—	—	30,221
Weighted-average common shares outstanding (diluted)	11,276,876	13,200,000	13,200,000	13,200,000	19,362,189
Basic net income per share	$ 0.33	$ 0.54	$ 0.52	$ 0.36	$ 0.24
Diluted net income per share	$ 0.33	$ 0.54	$ 0.52	$ 0.36	$ 0.18
Pro forma Net Income Per Share (unaudited)					
Income before income taxes	$ 4,249	$ 7,461	$ 6,656	$ 4,559	$ 3,923
Pro forma provision for income taxes (unaudited)	1,729	2,964	2,657	1,822	1,664
Pro forma net income (unaudited)	$ 2,520	$ 4,497	$ 3,999	$ 2,737	$ 2,259
Shares use in computation of pro forma basic net income per share (unaudited)	11,276,876	13,200,000	19,833,255	13,200,000	20,814,124
Shares used in computation of pro forma diluted net income per share (unaudited)	11,276,876	13,200,000	19,833,255	13,200,000	20,844,345
Pro forma basic net income per share (unaudited)	$ 0.22	$ 0.34	$ 0.20	$ 0.21	$ 0.11
Pro forma diluted net income per share (unaudited)	$ 0.22	$ 0.34	$ 0.20	$ 0.21	$ 0.11

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Potentially dilutive securities not included in the calculation of diluted net income per share because to do so would be anti-dilutive are as follows (in common equivalent shares):

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
Convertible preferred stock	—	—	—	—	—
Common and preferred stock warrants	—	—	—	—	—
Options to purchase common stock	—	—	—	—	1,668,265
Shares of common stock subject to repurchase	—	—	—	—	—
Total	—	—	—	—	1,668,265

Pro Forma Net Income Per Share (unaudited)

The following table sets forth the computation of pro forma basic and diluted net income per share (in thousands, except share and per share amounts):

	Year Ended December 31, 2005	Nine Months Ended September 30, 2006
Numerator:		
Pro forma net income	$ 3,999	$ 2,259
Denominator:		
Weighted average common shares outstanding (basic)	13,200,000	14,180,869
Add: Adjustment to reflect the assumed conversion of convertible preferred stock from January 1, 2005 (unaudited)	6,633,255	6,633,255
Denominator for basic pro forma calculation (unaudited)	19,833,255	20,814,124
Pro forma basic net income per common share (unaudited)	$ 0.20	$ 0.11
Numerator:		
Pro forma net income	$ 3,999	$ 2,259
Denominator for basic pro forma calculation (unaudited)	19,833,255	20,814,124
Common equivalent shares from common stock options and warrants	—	30,221
Denominator for diluted pro forma calculation (unaudited)	19,833,255	20,844,345
Pro forma diluted net income per common share (unaudited)	$ 0.20	$ 0.11

8. Income Taxes

From inception to March 2, 2006, the Company operated as an S corporation. Deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset valuation allowance will be recorded if it is more likely than not that all or a portion of the recorded deferred tax assets will not be realized.

For informational purposes, the combined statements of operations include a pro forma adjustment for income taxes that would have been recorded if the Company had been a C corporation from inception, calculated in accordance with FAS No. 109, "*Accounting for Income Taxes*."

Income tax expense as it relates to the Company's consolidated entity which was a C corporation for the years ended December 31, 2003, 2004 and 2005 consists of the following:

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
			(in thousands)		
Current:					
Federal tax	$ 357	$ 80	$ (209)	$ (209)	$ 1,799
State tax	155	134	148	90	501
Total current taxes	512	214	(61)	(119)	2,300
Deferred:					
Federal tax	(32)	85	(54)	(54)	(1,433)
State tax	(2)	29	(48)	(26)	(388)
Total deferred taxes	(34)	114	(102)	(80)	(1,821)
Income tax expense (benefit), consolidated	$ 478	$ 328	$ (163)	$ (199)	$ 479

Income tax expense differs from the amount that would result from applying the federal statutory rate as follows:

	Years Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
			(in thousands)		
Income tax at U.S. federal statutory rate:					
U.S. Auto Parts Network	$ —	$ —	$ —	$ —	$ 610
MBS Marketing	325	165	(3)	(3)	—
Share-based compensation	—	—	—	—	99
State income tax, net of federal tax effect	153	163	115	79	240
Change in rate for deferred tax assets	—	—	(275)	(275)	(457)
Other	—	—	—	—	(13)
Effective tax provision (benefit)	$ 478	$ 328	$ (163)	$ (199)	$ 479

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Deferred tax assets and deferred tax liabilities at December 31, 2004 and 2005 and at September 30, 2005 and 2006 consisted of the following:

	December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
			(in thousands)		
Deferred tax assets:					
Inventory reserve	$ 3	$ 5	$ 14	$ 19	$ 339
Share-based compensation	—	—	—	—	152
Amortization	—	—	—	—	1,130
Deferred California tax deduction	32	48	—	—	24
Other	5	4	8	7	390
Total deferred tax assets	40	57	22	26	2,035
Deferred tax liability:					
Tax over book depreciation	1	103	—	2	78
Tax over book goodwill amortization	—	—	—	—	114
Accrual to cash adjustment	—	30	—	—	—
Total deferred tax liability	1	133	—	2	192
Net consolidated deferred tax assets (liabilities)	$ 39	$ (76)	$ 22	$ 24	$ 1,843

Current portion of deferred tax assets is included in other current assets. Included in accrued expenses is income taxes payable in the amount of $609,000, $0 and $317,000 for the years ended December 31, 2004 and 2005 and for the nine months ended September 30, 2006, respectively.

9. Related-Party Transactions

Prior to November 2003, the Company leased its corporate headquarters and primary warehouse facility from one of the stockholders of the Company. Lease payments and expense under this arrangement totaled $271,000 for the year ended December 31, 2003. Beginning in November 2003, the Company leased its corporate headquarters and primary warehouse from Nia Chloe, LLC, ("Nia Chloe") a related party with ownership which mirrored the ownership of the Company. Lease payments and expenses associated with this related party arrangement totaled $106,000, $420,000 and $475,000, respectively, for the years ended December 31, 2003, 2004 and 2005 and $352,000, and $415,000, respectively, for the nine months ended September 30, 2005 and 2006. The Company had guaranteed Nia Chloe's loans from two banks in the aggregate amount of $3.4 million with respect to the property that it leases from Nia Chloe. Such guarantees were terminated in March 2006. An unsecured, non-interest bearing receivable totaling $76,000 was due from Nia Chloe as of December 31, 2003. This balance was repaid to the Company in 2004. An unsecured, non-interest bearing loan of $94,000 was due to Nia Chloe and payable upon demand as of December 31, 2004. This loan was repaid in 2005. The Company has evaluated its relationship with Nia Chloe with regard to FIN 46R, "*Consolidation of Variable Interest Entities*". The Company has determined that Nia Chloe does not meet the criteria for consolidation under FIN 46R and therefore this entity is not consolidated in the Company's financial statements.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

In the year ended December 31, 2004, the Company paid $83,000 to one of its directors and officers for the purchase of equipment.

Prior to the merger of MBS into the Company in June 2005 (see Note 1), MBS provided marketing services to the Company and received an aggregate of $10,000, $498,000 and $338,000 from the Company in the years ended December 31, 2003, 2004 and 2005, respectively. The ownership of MBS, prior to the merger, mirrored the ownership of the Company.

In September 2006, MBS Tek was recapitalized and became a majority-owned subsidiary of the Company. The Company owns all of the outstanding shares of MBS Tek except for five shares in the aggregate, representing approximately 0.1% of the total outstanding shares of MBS Tek, of which two of the Company's officers each hold one share. Prior to September 2006, MBS Tek was owned by certain stockholders of the Company and mirrored the ownership of the Company. For the year ended December 31, 2005 and for the nine months ended September 30, 2006, the Company paid MBS Tek an aggregate of $398,000 and $759,000, respectively, in connection with marketing, software development, sales and customer service.

In September 2002, the landlord of a related party filed a lawsuit in Los Angeles Superior Court alleging certain breaches of a lease relating to a property located in Los Angeles, California. The Company was sub-lessee to the property and was added as a co-defendant in the lawsuit, which was settled in March 2003. In October 2004, a lawsuit was filed against the Company and an officer, director and stockholder of the Company in connection with another business that had been owned by the related party. The Company was dismissed from the lawsuit in October 2005. The Company paid approximately $29,000, $84,000 and $118,000 during the years ended December 31, 2003, 2004 and 2005, respectively, to defend and settle these lawsuits.

During 2004, the Company purchased, through MBS, $2.9 million in software from a related party, to support its online marketing efforts. The Company supported the fair value of the software purchase through an independent third-party valuation. At December 31, 2004 and 2005, the Company had unsecured notes payable outstanding for this software purchase, totaling $1.5 million and $96,000, respectively, with an interest rate of 5.0% per annum. These notes were repaid during the nine months ended September 30, 2006. Since the software purchases in 2004, the Company has continued to purchase software and other products and services from the related party. The Company's payments to the related party for such services and products in 2003, 2004 and 2005 totaled $665,000, $827,000 and $23,000, respectively.

From time to time, the Company has purchased inventory from an entity partially owned by the Company's Chairman. During the years ended December 31, 2003, 2004 and 2005 and the nine months ended September 30, 2006, the Company purchased inventory totaling $253,000, $185,000, $415,000 and $336,000, respectively, which the Company believes to be at fair market value.

In addition, the Company purchased office and warehouse supplies during the year ended December 31, 2005 and the nine months ended September 30, 2006 from a related party in the amount of $114,000 and $97,000, respectively, which the Company believes was the fair market value of the supplies.

Since 2004, a related party has used a portion of the Company's facility located in Nashville, Tennessee. For the years ended December 31, 2004 and 2005, the related party paid to the Company $41,000 and $36,000, respectively, as payment for its use of such portion of the Company's Tennessee facility.

The Company paid a related party consulting fees which totaled $120,000 for the year ended December 31, 2005, and $30,000 during the nine months ended September 30, 2006. The Company terminated this arrangement in April 2006.

A related entity also provides printing services for the Company. For the years ended December 31, 2003, 2004 and 2005, the Company paid this entity $62,000, $120,000 and $101,000, respectively, for such services.

A family member of a director, officer and stockholder of the Company received wages from the Company totaling approximately $61,000, $69,000 and $79,000 in 2003, 2004 and 2005, respectively, as an employee in the Company's sales department.

In 2004, the Company recorded, as non-interest bearing loans, certain amounts associated with capital account balance adjustments resulting from certain S corporation tax distributions the Company made to the Company's stockholders in those periods. The total amounts of the loans recorded were $198,000 and $356,000 in 2003 and 2004, respectively. As of September 30, 2006, no amounts associated with these loan entries were due or payable.

In March 2006, concurrently with the Company's recapitalization and the termination of the Company's S corporation status, the Company distributed to the Company's stockholders an aggregate of $51.7 million in cash, in proportion to their ownership of the Company's company. Those stockholders are also directors and officers of the Company.

In connection with the Company's acquisition of Partsbin in May 2006, the Company issued to a stockholder of Partsbin a promissory note in the principal amount of approximately $1.9 million, which bears interest at LIBOR, all of which was outstanding as of September 30, 2006. The stockholder currently serves as a director and officer of the Company. The Company intends to repay the note in full upon consummation of this offering.

The Company has entered into indemnification agreements with the Company's directors and executive officers. These agreements require the Company to indemnify these individuals to the fullest extent permitted under law against liabilities that may arise by reason of their service to the Company, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. The Company also intends to enter into indemnification agreements with the Company's future directors and executive officers.

10. Commitments and Contingencies

The Company's corporate headquarters and primary warehouse facilities are under a five-year noncancelable operating lease expiring in December 2008. The rent for the facilities is increased annually by the greater of 2% or the increase in the U.S. Consumer Price Index. During 2003, the Company had a two-year noncancelable operating lease which was converted to the above agreement.

The Company also leases warehouse space adjacent to its primary facility in Carson, California from a third party under an agreement that expired August 31, 2006. This lease was renewed through August 31, 2008. Additionally, the Company leases warehouse space in Tennessee from a third party under an agreement that expired December 31, 2005, and office space in Marina del Rey, California from a third

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

party under an agreement that expires November 30, 2006, with monthly payments of $2,368. The Company also leases office space internationally, with minimal lease cost, to help support its Internet marketing and administrative functions.

As part of the Partsbin acquisition on May 19, 2006, the Company acquired a lease for office space in Trenton, New Jersey with monthly payments of $10,517 and additional rent for common area maintenance charges, real estate taxes, water, sewer and utilities. This lease expires in October 2009.

Facility rent expense, inclusive of amounts paid to Nia Chloe for the years ended December 31, 2003, 2004 and 2005, were $513,000, $663,000 and $790,000, respectively, and for the nine months ended September 30, 2005 and 2006 were $613,000 and $664,000, respectively.

Future minimum facility lease payments required under the above operating leases as of December 31, 2005 are:

Year Ending December 31,	Related Parties	Unrelated Parties	Total
		(in thousands)	
2006	$ 499	$ 195	$ 694
2007	509	—	509
2008	520	—	520
Total	$ 1,528	$ 195	$1,723

Obligations Under Capital Leases

The Company finances certain equipment under capital leases. Assets held under capital leases totaled $241,000 and $710,000 for the years ended December 31, 2004 and 2005, respectively, and totaled $252,000 for the nine months ended September 30, 2006. Accumulated depreciation for assets held under capital leases totaled $121,000 and $208,000 for the years ended December 31, 2004 and 2005, respectively, and was $60,000 for the nine months ended September 30, 2006. Depreciation of assets held under capital leases is included in depreciation expense and was $38,000, $42,000 and $95,000 for the years ended December 31, 2003, 2004 and 2005, respectively, and was $61,000 and $41,000 for the nine months ended September 30, 2005 and 2006, respectively. Capitalized leases bear interest ranging from a nominal rate to 10.68%.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

Future minimum lease payments under capital leases as of December 31, 2005 are:

Year Ending December 31,	(in thousands)
2006	$ 203
2007	184
2008	128
2009	70
2010	7
Total minimum payment	592
Less amounts representing interest	(65)
Total obligation under capital leases	527
Less current portion	(170)
Long-term obligation	$ 357

Legal Matters

On December 2, 2005, Ford Global Technologies, LLC ("Ford") filed a complaint with the United States International Trade Commission ("USITC") against the Company and five other named respondents, including four Taiwan-based manufacturers. On December 12, 2005, Ford filed an amended complaint. Both the complaint and the amended complaint charge the Company and the other respondents with infringement of 14 design patents that Ford alleges cover eight parts on the 2004-2005 Ford F-150 truck (the "Ford Design Patents"). Ford has asked the USITC to issue a permanent general exclusion order excluding from entry into the United States all automotive parts that infringe the Ford Design Patents and that are imported into the United States, sold for importation in the United States, or sold within the United States after importation. Ford also seeks a permanent order directing the Company and the other respondents to cease and desist from, among other things, selling, marketing, advertising, distributing and offering for sale imported automotive parts that infringe the Ford Design Patents. The Company filed its response to the complaint with the USITC in January 2006 denying, among other things, that any of the Ford Design Patents is valid and/or enforceable and, accordingly, denying each and every allegation of infringement. The Company also asserted several affirmative defenses, any of which, if successful, would preclude the USITC from granting any of Ford's requested relief. Some of these defenses were struck by the Administrative Law Judge ("ALJ") in response to a motion by Ford. Additionally, four of the Ford Design Patents were dropped from the investigation at Ford's request. A hearing before the ALJ occurred in August 2006, and the deadline for the ALJ's ruling was set as December 4, 2006. (See Note 14)

11. Employee Retirement Plan

Effective February 17, 2006, the Company adopted a 401(k) defined contribution retirement plan covering all full time employees who have completed one month of service. The Company may, at its sole discretion, match fifty cents per dollar up to 6% of each participating employee's salary. The Company's contributions vest in annual installments over three years. Discretionary contributions made by the Company totaled $54,000 for the nine months ended September 30, 2006.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

12. Recent Acquisition

On May 19, 2006, the Company acquired all of the assets of Partsbin, an online retailer of auto parts primarily selling engine parts, performance parts, and accessories to DIY consumers. The acquisition has been accounted for as a purchase in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "*Business Combinations*," and accordingly, the acquired assets and liabilities have been recorded at fair value. Because of this, different bases of accounting have been used to prepare the Company and Partsbin consolidated financial statements. In the future, the primary differences are expected to relate to additional interest expense on the new debt and amortization of the intangibles recorded at the date of the acquisition. The current allocation of the purchase price to assets acquired and liabilities assumed and various finite and indefinite lived intangible assets as well as goodwill is based on a preliminary valuation study.

The total purchase price for the acquisition was $50.6 million and consisted of $25.0 million in cash, $5.0 million in notes payable to the former stockholders of Partsbin and 1,983,315 fully vested shares of the Company's common stock. In addition, the Company incurred $551,000 of direct transaction costs related to the acquisition. In addition to the purchase price, the Company issued to the former stockholders of Partsbin options exercisable for 1.1 million shares of the Company's common stock, which will vest over four years. The options vest with respect to 25% of the shares one year after the grant date with the remaining shares vesting in 36 monthly installments. In accordance with EITF Issue No. 95-8, "*Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination*," these options will be recorded as compensation expense in the period in which they are earned, as the vesting of shares is directly linked to continued employment with the Company. The notes payable require payment of principal and accrued interest on or before June 30, 2007. Interest expense on the notes payable was accrued in the accompanying consolidated statement of operations.

The results of operations of Partsbin and the estimated fair market values of the acquired assets and liabilities have been included in the consolidated financial statements from the date of the acquisition. The components of the aggregate cost of the transaction are as follows (in thousands):

Cash	$25,000
Notes payable	5,000
Common stock	20,000
Transaction costs	551
Total	$50,551

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

The purchase price for the Partsbin transaction was preliminarily allocated to assets purchased and liabilities assumed based on their estimated fair values determined by management as follows (in thousands):

		Estimated Amortizable Life
Tangible assets:		
Cash	$ 1,097	
Inventory	604	
Fixed assets:		
Computers and software	218	2-5 years
Machinery and equipment	35	3-5 years
Vehicles	16	3-5 years
Furniture and fixtures	2	3-5 years
Other assets — current	108	
Other assets — long term	28	
Intangible assets:		
Websites	28,988	5 years
Software	4,089	3 years
Vendor relationships	2,996	3 years
Domain names	2,345	
Goodwill	14,142	
Total assets	54,668	
Liabilities:		
Accounts payable and accrued expenses	(3,022)	
Other current liabilities	(1,080)	
Note payable — current	(8)	
Note payable — long term	(7)	
Total liabilities	(4,117)	
Total purchase price	$50,551	

Goodwill is comprised of the residual amount of the purchase price over the fair value of acquired tangible and intangible assets.

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

In accordance with the purchase method of accounting, the operating results of Partsbin have been included in the Company's consolidated operating results since the acquisition date, May 19, 2006. If the operating results of Partsbin had been included since the beginning of the period for years ended December 31, 2005 and the nine months ended September 30, 2006, the pro forma results of operations of the Company would be as follows:

	Year Ended December 31, 2005	Nine Months Ended September 30, 2006 (unaudited)
	(in thousands, except share and per share data)	
Net sales	$ 98,168	$ 107,366
Net income (loss)	(3,052)	1,162
Basic net income (loss) per share	$ (0.20)	$ 0.08
Diluted net income (loss) per share	$ (0.20)	$ 0.06
Weighted average shares used in computing basic net income (loss) per common share	15,183,315	15,190,687
Weighted average shares used in computing diluted net income (loss) per common share	15,183,315	20,372,007

13. Quarterly Information (Unaudited)

The following quarterly information includes all adjustments which management considers necessary for a fair presentation of such information. For interim quarterly financial statements, the provision for income taxes is estimated using the best available information for projected results for the entire year.

	Three Months Ended						
	March 31, 2005	June 30, 2005	Sept. 30, 2005	Dec. 31, 2005	March 31, 2006	June 30, 2006	Sept. 30, 2006
	(in thousands, except share and per share data)						
Consolidated Statement of Income Data:							
Net sales	$ 14,186	$ 15,238	$ 14,555	$ 15,719	$ 18,005	$ 26,966	$ 38,543
Gross profit	6,326	5,828	5,949	6,766	7,746	9,349	12,640
Income from operations	1,949	1,114	1,399	2,109	2,440	1,278	1,005
Income before income taxes	2,012	1,139	1,407	2,098	2,549	964	410
Net income	$ 1,978	$ 1,395	$ 1,383	$ 2,063	$ 2,712	$ 539	$ 193
Basic net income per share	$ 0.15	$ 0.11	$ 0.10	$ 0.16	$ 0.21	$ 0.04	$ 0.01
Diluted net income per share	$ 0.15	$ 0.11	$ 0.10	$ 0.16	$ 0.18	$ 0.03	$ 0.01
Shares used in computation of basic net income per share	13,200,000	13,200,000	13,200,000	13,200,000	13,200,000	14,120,952	15,199,681
Shares used in computation of diluted net income per share	13,200,000	13,200,000	13,200,000	13,200,000	15,382,341	20,772,428	21,876,868

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Information subsequent to December 31, 2005 and pertaining to September 30, 2006 and the nine months ended September 30, 2005 and 2006 is unaudited)

14. Subsequent Events (Unaudited)

On December 4, 2006, the ALJ issued a preliminary ruling upholding the validity of seven of the ten Ford Design Patents and ruled that the importation of automotive parts allegedly covered by these seven patents violates Section 337 of the Tariff Act of 1930, as amended. This ruling is subject to review by the USITC Commissioners. The Company and the other respondents filed a petition urging the USITC Commissioners to review and reverse the portions of the initial determination upholding seven of the ten patents, as well as earlier rulings by the ALJ. Ford also filed a petition urging the USITC Commissioners to review and reverse the portions of the initial determination invalidating three of the ten patents. The USITC has until March 20, 2007 to decide whether or not it will grant, in whole or in part, the respective petitions for review. If the petition is granted, the USITC will then set a briefing schedule and must issue a final determination on or before May 4, 2007. If the USITC ultimately finds a violation of Section 337, it may issue an order prohibiting further importation of the covered parts into the United States. The USITC's actions are subject to review by the President of the United States, who has the authority to approve or disapprove the USITC's action. After the end of such review period, the USITC's final decision can be appealed to the United States Court of Appeals for the Federal Circuit. To date, the Company's sales of these parts have been minimal, but as the design for the 2004 model is incorporated into later year models of the F-150 and these trucks have been on the road longer, sales of aftermarket replacement parts for these trucks may increase substantially. If the USITC were to uphold the ALJ's preliminary ruling, it is not anticipated that the loss of sales of these parts over time would be materially adverse to the financial condition or results of operations of the Company. However, Ford and other car manufacturers may attempt to assert similar allegations based upon design patents on a significant number of parts for other models, which over time could have a material adverse impact on the Company and the entire aftermarket parts industry.

In January 2007, the Company completed a reverse stock split of the Company's common stock pursuant to which each share of the Company's outstanding common stock was converted into 0.6 shares of the Company's common stock. All share and per share data included in these consolidated financial statements retroactively reflect the stock split.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Stockholders/Members
All OEM Parts, Inc. and Affiliates

We have audited the accompanying combined balance sheets of All OEM Parts, Inc. and Affiliates as of December 31, 2004 and 2005, and the related combined statements of operations, stockholders'/members' equity (deficiency) and cash flows for each of the years in the three-year period ended December 31, 2005. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of All OEM Parts, Inc. and Affiliates as of December 31, 2004 and 2005 and their combined results of operations and cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ J.H. COHN LLP

Lawrenceville, New Jersey
March 10, 2006, except for Note 9
which is as of May 19, 2006

ALL OEM PARTS, INC. AND AFFILIATES

COMBINED BALANCE SHEETS

(in thousands, except share data)

	December 31, 2004	December 31, 2005	March 31, 2006 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 558	$ 328	$ 1,061
Inventory	134	264	383
Other current assets	131	212	204
Total current assets	823	804	1,648
Property and equipment, net	247	779	781
Intangible assets, net	40	125	125
Notes receivable from stockholders	340	631	639
Other noncurrent assets	119	27	27
Total assets	$1,569	$2,366	$ 3,220
Liabilities and Stockholders'/Members' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued expenses	$1,543	$1,953	$ 1,958
Line of credit	—	20	—
Notes payable	9	10	8
Other current liabilities	235	526	574
Total current liabilities	1,787	2,509	2,540
Notes payable less current portion	21	355	353
Total liabilities	1,808	2,864	2,893
Commitments and contingencies			
Stockholders'/members' equity (deficiency):			
Common stock:			
No par value, 12,500 shares authorized; 500 issued and outstanding	43	43	43
Retained earnings (accumulated deficit)	(281)	(473)	345
Members' deficiency	(1)	(68)	(61)
Total stockholders'/members' equity (deficiency)	(239)	(498)	327
Total liabilities and stockholders'/members' equity	$1,569	$2,366	$ 3,220

See accompanying notes.

ALL OEM PARTS, INC. AND AFFILIATES
COMBINED STATEMENTS OF OPERATIONS
(in thousands)

	Years Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006
				(unaudited)	
Net sales	$17,763	$23,679	$38,295	$ 7,470	$ 13,665
Cost of sales	13,596	18,148	29,398	5,746	10,255
Gross profit	4,167	5,531	8,897	1,724	3,410
Operating expenses:					
General and administrative	1,189	1,480	3,111	665	998
Marketing	2,417	3,804	5,172	1,077	1,332
Fulfillment	31	36	50	13	11
Technology	318	319	563	113	238
Total operating expenses	3,955	5,639	8,896	1,868	2,579
Income (loss) from operations	212	(108)	1	(144)	831
Other income (expense):					
Loss from disposition of assets	(9)	—	—	—	—
Interest income	2	2	2	—	—
Interest expense	(1)	(2)	(11)	(1)	(6)
Total other income (expense)	(8)	—	(9)	(1)	(6)
Income (loss) before income taxes	204	(108)	(8)	(145)	825
Income tax provision	—	—	—	—	—
Net income (loss)	$ 204	$ (108)	$ (8)	$ (145)	$ 825

See accompanying notes

ALL OEM PARTS, INC. AND AFFILIATES

COMBINED STATEMENTS OF STOCKHOLDERS'/MEMBERS' EQUITY (DEFICIENCY)

(in thousands, except share data)

	Common Stock		Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficiency)	Total Members' Equity (Deficiency)	Total
	Shares	Amount				
Balance, December 31, 2002	500	$ 22	$ (380)	$ (358)	$ —	$(358)
Net income (loss)	—	—	205	205	(1)	204
Members' contributions	—	—	—	—	2	2
Balance, December 31, 2003	500	22	(175)	(153)	1	(152)
Net loss	—	—	(106)	(106)	(2)	(108)
Stockholders' contributions	—	21	—	21	—	21
Balance, December 31, 2004	500	43	(281)	(238)	(1)	(239)
Net income (loss)	—	—	59	59	(67)	(8)
Distributions to stockholders	—	—	(251)	(251)	—	(251)
Members' contribution	—	—	—	—	—	—
Balance, December 31, 2005	500	43	(473)	(430)	(68)	(498)
Net income (unaudited)	—	—	818	818	7	825
Balance, March 31, 2006 (unaudited)	500	$ 43	$ 345	$ 388	$ (61)	$ 327

See accompanying notes

ALL OEM PARTS, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006
				(unaudited)	
Operating activities					
Net income (loss)	$ 204	$ (108)	$ (8)	$ (145)	$ 825
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	35	66	122	24	34
Loss on sale of assets	9	—	—	—	—
Changes in operating assets and liabilities:					
Inventory	(125)	58	(130)	(149)	(120)
Other current assets	(25)	(101)	(81)	(31)	8
Other noncurrent assets	(92)	(9)	—	—	—
Accounts payable and accrued expenses	165	643	430	302	6
Other current liabilities	107	23	291	132	48
Net cash provided by operating activities	278	572	624	133	801
Investing activities					
Purchase of property, equipment and intangibles	(52)	(236)	(323)	(78)	(35)
Advances to stockholders	(98)	(224)	(290)	(42)	(9)
Net cash used in investing activities	(150)	(460)	(613)	(120)	(44)
Financing activities					
Borrowings (payments) on line of credit	—	—	20	45	(20)
Payments on notes payable	(1)	(11)	(10)	(2)	(4)
Distribution to stockholders	—	—	(251)	—	—
Capital contributions	1	21	—	—	—
Net cash provided by (used in) financing activities	—	10	(241)	43	(24)
Net increase (decrease) in cash and cash equivalents	128	122	(230)	56	733
Cash and cash equivalents at beginning of period	308	436	558	558	328
Cash and cash equivalents at end of period	$ 436	$ 558	$ 328	$ 614	$ 1,061
Supplemental disclosure of noncash investing and financing activities:					
Property and equipment acquired under note payable	$ 22	$ 21	$ 345	$ —	$ —
Purchase of intangible assets included in accounts payable	—	20	—	—	—
Cash paid during the period for:					
Interest	$ 1	$ 2	$ 11	$ 1	$ 6
Income taxes	1	3	5	—	4

See accompanying notes.

ALL OEM PARTS, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Nature of Operations

Principles of Combination and Business

The combined financial statements include the accounts of All OEM Parts, Inc., The Parts Bin.Com, Inc., Everything Internet, LLC, Auto Parts Web Solutions, Inc., Auto Parts Online Canada, Inc., Web Chat Solutions and TPB Real Estate, LLC (collectively, the "Company"), which are combined on the basis of common ownership and control. All material intercompany accounts and transactions have been eliminated in combination. The Company is primarily engaged in the distribution of automobile parts, primarily to car enthusiasts and repair specialists, via the Internet.

Unaudited Interim Financial Statements

The combined financial statements pertaining to March 31, 2006 and for the three months ended March 31, 2005 and 2006 are unaudited. The unaudited combined financial statements have been prepared on the same basis as the audited combined financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial information set forth therein, in accordance with accounting principles generally accepted in the United States of America.

The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results which may be reported for any other interim period or for the year ending December 31, 2006.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Impairment of Long-Lived Assets

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets.*" The Company reviews its long-lived assets, including property and equipment and capitalized software development costs, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine the recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows, without interest charges, will be less than the carrying amount of the assets. If the estimated undiscounted cash flows are determined to be less than the carrying value of the long-lived asset, an impairment charge is recorded for the difference between the fair value as determined by discounting the anticipated future cash flows and the carrying value of the asset.

Cash Equivalents and Concentration of Credit Risk

The Company considers all highly liquid short-term investments with original maturities of 90 days or less to be cash equivalents. At times, the Company maintains cash and cash equivalent balances in excess of federally insured limits.

Inventory

Inventory is stated at the lower of cost (determined by the specific identification method) or market.

ALL OEM PARTS, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is generally computed on a straight-line basis and over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

Intangible Assets

The Company has adopted SFAS No. 142, "*Goodwill and Other Intangible Assets*" ("SFAS 142"). Under SFAS 142, intangible assets with indefinite useful lives are subject to reduction only when their carrying amounts exceed their estimated fair values based on impairment tests established by SFAS 142 that must be made at least annually. There was no impairment of intangible assets as a result of the annual impairment test completed during the fourth quarters of 2004 and 2005. Intangible assets are comprised of domain names which have indefinite lives and, as such, are not amortized.

Capitalized Software

The Company capitalizes payroll and payroll related costs for employees incurred in developing computer software for internal use, once certain criteria are met. In accordance with Statement of Position 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*" ("SOP 98-1"), costs incurred prior to the establishment of a substantive plan are charged to general and administrative expenses. Such internal use software is included in property and equipment and is amortized over a five year period.

Website Development Costs

The Company accounts for website development costs in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-2, "*Accounting for Website Development Costs*," and SOP 98-1. All costs incurred in the planning stage of developing a website are expensed as incurred as are internal and external training costs and maintenance costs.

External and internal costs, excluding general and administrative costs and overhead costs, incurred during the applicable development stage of internally-used website software are capitalized. Such costs include external direct costs of materials and services consumed in development or obtaining website software, payroll and payroll related costs for employees who are directly associated with and who devote time to developing website software, and interest costs incurred while developing website software. Upgrades and enhancements that result in additional functionality to the website software, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Capitalized internally-used website development costs are amortized on a straight-line basis over their estimated useful life of five years. Amortization begins when all substantial testing of the website is completed and the website is ready for its intended use.

Revenue Recognition

The Company recognizes revenue, net of sales returns, in accordance with accounting principles generally accepted in the United States and with SEC Staff Accounting Bulletin No. 104, "*Revenue Recognition*," and in accordance with EITF Issue No. 99-19, "*Reporting Revenue Gross as a Principal Versus Net as an Agent* " ("EITF 99-19"). Recognition occurs when there is persuasive evidence of an

arrangement, the fees are fixed and determinable and collection is reasonably assured. Revenue is recognized when the product is received by the customer. Deferred revenue represents cash receipts on orders that are in transit to the customer.

Advertising

Advertising costs are expensed as the Internet advertising takes place and amounted to $713,000 and $1.0 million for the three months ended March 31, 2005 and 2006, respectively. Advertising costs were $1.1 million, $2.4 million and $4.8 million for the years ended December 31, 2003, 2004 and 2005, respectively. Included in prepaid expenses and other receivables at March 31, 2005 and 2006 is $100,000 and $148,000, respectively, of prepaid advertising costs, which are being expensed in the period in which the advertising is used. Amounts were $14,000, $90,000 and $142,000 for the years ended December 31, 2003, 2004 and 2005 respectively.

Income Taxes

All OEM Parts, Inc., The Parts Bin.Com, Inc., Auto Parts Web Solutions, Inc. and Auto Parts Online Canada, Inc., with the consent of their stockholders, have elected to be treated as S corporations under the applicable sections of the Internal Revenue Code and various state regulations. Under these sections, corporate income or loss, in general, is taxable to the stockholders in proportion to their respective interests. In those states where S corporation status is not recognized, the Company will continue to be liable for those taxes.

Everything Internet, LLC and TPB Real Estate, LLC have elected to be treated as partnerships under the applicable sections of the Internal Revenue Code and various state regulations. The accompanying consolidated financial statements do not contain a provision or credit for income taxes related to Everything Internet, LLC and TPB Real Estate, LLC since the proportionate share of the income or loss is included in the tax returns of the members.

Web Chat Solutions, Inc. accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. No deferred taxes resulting from these differences are provided as the amount is considered insignificant.

2. Vendor Concentrations

As of December 31, 2003, the Company had purchases from two vendors, which represented approximately 82% of total purchases. At December 31, 2003, $537,000 of accounts payable was due to these vendors. As of December 31, 2004, the Company had purchases from two vendors, which represented approximately 81% of total purchases. At December 31, 2004, $585,000 of accounts payable was due to these vendors. As of December 31, 2005, the Company had purchases from three vendors, which represented approximately 79% of total purchases. At December 31, 2005, $1.1 million of accounts payable was due to these vendors. During the three months ended March 31, 2005 and 2006, the Company had purchases from three vendors which represented approximately 88% and 74%, respectively, of total purchases. At March 31, 2005 and 2006, $933,000 and $891,000, respectively, of accounts payable was due to these vendors.

ALL OEM PARTS, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

3. Notes Receivable — Stockholders

Notes receivable from stockholders are non-interest bearing with no specific repayment terms.

4. Property and Equipment

Property and equipment consists of the following:

	Estimated Useful Lives	As of December 31, 2004	As of December 31, 2005	As of March 31, 2006
			(in thousands)	
Condominium	30 years	$ —	$ 460	$ 460
Leasehold improvements	life of lease	13	13	13
Furniture and fixtures	5-7 years	28	62	62
Equipment	3 years	46	92	95
Capitalized software	5 years	14	14	14
Website development	5 years	120	212	231
Computers and software	3-5 years	83	105	119
Automobiles	5 years	58	59	59
		362	1,017	1,053
Less accumulated depreciation and amortization		(115)	(238)	(272)
Property and equipment, net		$ 247	$ 779	$ 781

Depreciation and amortization expense was $35,000, $66,000 and $122,000 for the years ended December 31, 2003, 2004 and 2005, respectively. Amounts were $24,000 and $34,000 for the three months ended March 31, 2005 and 2006, respectively.

5. Line of Credit

On May 30, 2003, the Company entered into a $100,000 line of credit agreement with PNC Bank (the “Bank”) which expired in May 2005, but was subsequently extended through May 31, 2006. Borrowings are secured by the Company’s cash deposits with the Bank. Borrowings under the line of credit bear interest at the prime rate plus 1.5% (6.75%, 8.75%, 7.25% and 9.25% at December 31, 2004 and 2005 and March 31, 2005 and 2006, respectively). As of December 31, 2004 and March 31, 2006, there were no borrowings under the line of credit.

ALL OEM PARTS, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

6. Notes Payable

Notes payable consists of the following:

	As of December 31, 2004	As of December 31, 2005	As of March 31, 2006
		(in thousands)	
Mortgage(A)	$ —	$ 345	$ 345
Other(B)	30	20	16
	30	365	361
Less current portion	9	10	8
Long-term portion	$ 21	$ 355	$ 353

(A) The mortgage requires monthly interest-only (9%) payments of $2,587 until November 2010, at which time the payment increases to $2,894, including both interest and principal through October 2035. The mortgage is secured by the property with a net book value of approximately $455,000 and $451,000 at December 31, 2005 and March 31, 2006, respectively.

(B) The notes are payable in monthly installments through January 2009 and are collateralized by automobiles.

Principal payment requirements on the above obligations in each of the years subsequent to December 31, 2005 and March 31, 2006, respectively, are as follows:

	As of December 31, 2005	As of March 31, 2006
	(in thousands)	
2005	$ —	$ —
2006	10	—
2007	5	8
2008	5	5
2009	—	3
2010	1	—
2011	—	2

ALL OEM PARTS, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

7. Stockholders'/Members' Equity (Deficiency)

Common stock at December 31, 2004 and 2005 and at March 31, 2006 consisted of the following:

	Number of Shares		
	Authorized	Issued and Outstanding	Amount
			(in thousands)
All OEM Parts, Inc.	2,500	100	$ 7
The Parts Bin.Com, Inc.	2,500	100	15
Auto Parts Web Solutions, Inc.	2,500	100	10
Auto Parts Online Canada, Inc.	2,500	100	10
Web Chat Solutions, Inc.	2,500	100	1
Total			$ 43

Everything Internet, LLC was formed as a limited liability company, for which the members are not personally liable for any of its liabilities. The initial term of Everything Internet, LLC runs through 2032, but it may be dissolved upon a sale of assets, unanimous consent of the members or upon the bankruptcy of a member.

TPB Real Estate, LLC was formed as a limited liability company, for which the members are not personally liable for any of its liabilities. The initial term of TPB Real Estate, LLC runs through 2032, but it may be dissolved upon a sale of assets, unanimous consent of the members or upon the bankruptcy of a member.

8. Lease Commitments

The Company leases facilities under operating leases which expire through October 2009. The Company also rents another facility on a month-to-month basis. The leases contain certain other conditions and requirements which include payment of additional rent for common area maintenance charges, real estate taxes, water, sewer and utilities. Related rent expense was $84,000, $89,000 and $122,000 for the years ended December 31, 2003, 2004 and 2005, respectively, and $29,000 and $31,000, respectively, for the three months ended March 31, 2005 and 2006. Minimum annual lease payments in each of the years subsequent to December 31, 2005 and March 31, 2006 are as follows:

	As of December 31, 2005	As of March 31, 2006
	(in thousands)	
2005	$ —	$ —
2006	81	—
2007	81	81
2008	81	81
2009	68	81
2010	—	47
Total	$ 311	$ 290

9. Subsequent Event

On May 19, 2006, an unrelated entity acquired 100% of the equity interests in All OEM Parts, Inc. and Affiliates, with the exception of one combined entity, TPB Real Estate, LLC.

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Through and including , 2007 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Shares

Common Stock

PRICE $	PER SHARE

RBC CAPITAL MARKETS **THOMAS WEISEL PARTNERS LLC**

PIPER JAFFRAY **JMP SECURITIES**

PROSPECTUS

, 2007

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale and distribution of the securities being registered. All amounts are estimated except the SEC and NASD registration fees. All of the expenses below will be paid by us.

Item	
SEC Registration fee	$ 10,700
NASD filing fee	10,500
Nasdaq Global Market listing fee	100,000
Blue sky fees and expenses	10,000
Printing and engraving expenses	200,000
Legal fees and expenses	550,000
Accounting fees and expenses	1,200,000
Transfer Agent and Registrar fees	15,000
Insurance premiums	400,000
Miscellaneous	36,000
Total	$ 2,532,200

Item 14. Indemnification of Directors and Officers

Under Section 145 of the Delaware General Corporation Law, we can indemnify our directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Our bylaws (Exhibit 3.4 to this registration statement) provide that we will indemnify our directors and officers to the fullest extent permitted by law and require us to advance litigation expenses upon our receipt of an undertaking by the director or officer to repay such advances if it is ultimately determined that the director or officer is not entitled to indemnification. Our bylaws further provide that rights conferred under such bylaws do not exclude any other right such persons may have or acquire under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Our certificate of incorporation (Exhibit 3.2 to this registration statement) provides that, pursuant to Delaware law, our directors shall not be liable for monetary damages for breach of the directors' fiduciary duty of care to us and our stockholders. This provision in the certificate of incorporation does not eliminate the duty of care, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to us or our stockholders, for acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

In addition, our certificate of incorporation provides that we shall indemnify our directors and officers if such persons acted (i) in good faith, (ii) in a manner reasonably believed to be in or not opposed to our best interests, and (iii) with respect to any criminal action or proceeding, with reasonable cause to believe such conduct was lawful. The certificate of incorporation also provides that, pursuant to Delaware law, our

directors shall not be liable for monetary damages for breach of the directors' fiduciary duty of care to us and our stockholders. This provision in the certificate of incorporation does not eliminate the duty of care, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to us for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws. The certificate of incorporation further provides that we are authorized to indemnify our directors and officers to the fullest extent permitted by law through the bylaws, agreement, vote of stockholders or disinterested directors, or otherwise. We intend to obtain directors' and officers' liability insurance in connection with this offering.

In addition to the indemnification provided for in the certificate of incorporation and bylaws, we have entered into or intend to enter into agreements to indemnify our directors and certain of our officers. These agreements will, among other things, indemnify our directors and some of our officers for certain expenses (including attorneys fees), judgments, fines and settlement amounts incurred by such person in any action or proceeding, including any action by or in our right, on account of services by that person as a director or officer of U.S. Auto Parts or as a director or officer of any of our subsidiaries, or as a director or officer of any other company or enterprise that the person provides services to at our request.

The underwriting agreement (Exhibit 1.1 to this registration statement) provides for indemnification by the underwriters of us and our officers and directors, and by us of the underwriters, for certain liabilities arising under the Securities Act or otherwise in connection with this offering.

Item 15. Recent Sales of Unregistered Securities

The following is a summary of our transactions since December 31, 2003, involving sales of our securities that were not registered under the Securities Act of 1933, as amended:

(1) In June 2005, we merged MBS Marketing, Inc. into us and issued an aggregate of 2,200,440 shares of our common stock to the stockholders of MBS. All outstanding shares of MBS capital stock were cancelled in connection with such merger.

(2) In March 2006, we completed a private placement of our Series A convertible preferred stock and issued 11,055,425 shares of our Series A convertible preferred stock to Oak Investment Partners XI, L.P. for a purchase price of $4.07 per share or an aggregate purchase price of $45.0 million. Such shares of Series A preferred stock are currently convertible into an aggregate of 6,633,255 shares of our common stock.

(3) In May 2006, we acquired Partsbin in a stock for stock and cash transaction. As partial consideration for all of the outstanding capital stock of Partsbin, we issued an aggregate of 1,983,315 shares of our common stock to the stockholders of Partsbin.

(4) From March 2006 to November 2006, we granted options to purchase an aggregate of 2,891,304 shares of common stock to our employees and directors under our 2006 Equity Incentive Plan at exercise prices ranging from $6.78 to $11.68 per share. Of the options granted, as of December 31, 2006, options to purchase 2,786,532 shares were outstanding, no shares of common stock have been purchased pursuant to exercises of stock options and 104,772 shares have been cancelled and returned to the stock option plan pool.

(5) In June 2006, we issued and sold 16,363 shares of our common stock under the 2006 Equity Incentive Plan to an employee at a purchase price of $11.68 per share or an aggregate cash purchase price of $150,000.

The issuances of securities in the transactions described in paragraphs 1, 2 and 3 above were effected without registration under the Securities Act in reliance on Section 4(2) thereof or Rule 506 of Regulation D thereunder based on the status of each investor as an accredited investor as defined under the Securities Act. The issuances of securities in the transactions described in paragraphs 4 and 5 above were effected without registration under the Securities Act in reliance on Section 4(2) thereof or Rule 701 thereunder as transactions pursuant to compensatory benefit plans and contracts relating to compensation. None of the foregoing transactions was effected using any form of general advertising or general solicitation as such terms are used in Regulation D under the Securities Act. The recipients of securities in each such transaction either received adequate information about us or had access, through their relationships with us, to such information.

Item 16. Exhibits and Financial Statement Schedules

The following Exhibits are attached hereto and incorporated herein by reference.

Exhibit No.	Description
1.1*	Form of Underwriting Agreement
2.1	Acquisition Agreement dated May 19, 2006 by and among U.S. Auto Parts Network, Inc. and Partsbin, Inc., on the one hand, and The Partsbin.com, Inc., All OEM Parts, Inc., Power Host, Inc., Auto Parts Web Solutions, Inc., Web Chat Solutions, Inc., Everything Internet, LLC, Richard E. Pine, Lowell E. Mann, Brian Tinari and Todd Daugherty, on the other hand
3.1	Amended and Restated Certificate of Incorporation of U.S. Auto Parts Network, Inc. as filed with the Delaware Secretary of State on March 3, 2006
3.2	Certificate of Amendment of Certificate of Incorporation of U.S. Auto Parts Network, Inc. as filed with the Delaware Secretary of State on November 11, 2006
3.3	Certificate of Amendment of Certificate of Incorporation of U.S. Auto Parts Network, Inc. as filed with the Delaware Secretary of State on January 9, 2007
3.4*	Proposed Amended and Restated Certificate of Incorporation of U.S. Auto Parts Network, Inc. to become effective upon completion of this offering.
3.5	Bylaws of U.S. Auto Parts Network, Inc., as amended
3.6*	Proposed Amended and Restated Bylaws of U.S. Auto Parts Network, Inc. to become effective upon completion of this offering.
4.1*	Specimen common stock certificate
5.1	Opinion of Dorsey & Whitney LLP
10.1+**	U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan
10.2+**	Form of Stock Option Agreement under the U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan
10.3+**	Form of Notice of Grant of Stock Option under the U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan
10.4+**	Form of Acceleration Addendum to Stock Option Agreement under the U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan
10.5+*	U.S. Auto Parts Network, Inc. 2007 Omnibus Plan and form of Agreements
10.6**	Investors' Rights Agreement dated March 3, 2006 by and between U.S. Auto Parts Network, Inc. and Oak Investment Partners XI, L.P.

Exhibit No.	Description
10.7**	Note and Security Agreement dated May 19, 2006 by and among U.S. Auto Parts Network, Inc., Richard Pine, Lowell Mann, Brian Tinari and Todd Daugherty
10.8+**	Offer Letter of Employment dated May 19, 2006 by and between U.S. Auto Parts Network, Inc. and Richard Pine
10.9+**	Non-Competition Agreement dated May 19, 2006 by and among U.S. Auto Parts Network, Inc. and Richard Pine, Lowell Mann, Brian Tinari and Todd Daugherty
10.10**	Shareholder's Release dated May 19, 2006 by and between U.S. Auto Parts Network, Inc. and Richard Pine
10.11**	Business Loan Agreement dated February 24, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.12**	Promissory Note dated February 24, 2006 by U.S. Auto Parts Network, Inc. in favor of East West Bank
10.13**	Teletransmission Agreement dated February 24, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.14**	Business Loan Agreement dated February 24, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.15**	Changes in Terms Agreement dated February 24, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.16**	Loan Agreement dated May 18, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.17**	Secured Promissory Note dated May 18, 2006 by U.S. Auto Parts Network, Inc. in favor of East West Bank
10.18**	Collateral Assignment Agreement dated May 18, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.19**	Collateral Assignment Agreement dated May 18, 2006 by and between PartsBin, Inc. and East West Bank
10.20**	Security Agreement dated May 18, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.21**	Security Agreement dated May 18, 2006 by and between PartsBin, Inc. and East West Bank
10.22**	Amendment to Existing Agreements dated May 18, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.23**	Commercial Lease Agreement dated January 1, 2004 by and between U.S. Auto Parts Network, Inc. and Nia Chloe Enterprises, LLC
10.24**	Standard Industrial/Commercial Multi-Tenant Lease — Gross dated October 1, 2006 by and between U.S. Auto Parts Network, Inc. and Margay 2003, LLC
10.25**	Standard Industrial/Commercial Multi-Tenant Lease — Gross dated July 12, 2004 by and between U.S. Auto Parts Network, Inc. and Isadore Socransky
10.26**	Lease dated November 30, 2004 by and between U.S. Auto Parts Network, Inc. and William Coats
10.27†	Catalog License and Parts Purchase Agreement dated November 20, 2006 by and between U.S. Auto Parts Network, Inc. and WORLDPAC, Inc.

Exhibit No.	Description
10.28+*	Employment Agreement dated December 2006 by and between U.S. Auto Parts Network, Inc. and Michael J. McClane
10.29†	Services Agreement dated October 3, 2006 by and between U.S. Auto Parts Network, Inc. and Efficient Frontier, Inc.
10.30+*	Offer Letter of Employment dated November 2006 by and between U.S. Auto Parts Network, Inc. and Howard Tong
10.31†	Master Services Agreement dated August 5, 2005 by and between PartsBin, Inc. (as successor in interest to All OEM Parts, Inc.) and Access Worldwide Communications, Inc.
10.32+	Offer Letter of Employment dated January 1, 2006 by and between U.S. Auto Parts Network, Inc. and Houman Akhavan
10.33+	Form of Indemnification Agreement for Officers and Directors
10.34+	Indemnification Agreement dated March 3, 2006 by and between U.S. Auto Parts Network, Inc. and Frederic Harman
10.35	Deeds of Assignment and Declarations of Trust executed September 2006 regarding MBS Tek Corporation stock transfer
16.1**	Letter from Stonefield Josephson, Inc.
21.1**	Subsidiaries of U.S. Auto Parts Network, Inc.
23.1	Consent of Ernst & Young LLP
23.2	Consent of Stonefield Josephson, Inc.
23.3	Consent of J.H. Cohn LLP
23.4	Consent of Dorsey & Whitney LLP (included in Exhibit 5.1)
24.1**	Power of Attorney (included on signature pages hereto)
24.2**	Power of Attorney of Robert J. Majteles and Ellen F. Siminoff

* To be filed by amendment.

** Previously filed.

\+ Indicates management contract or compensatory plan.

† Confidential treatment is requested for certain confidential portions of this exhibit pursuant to Rule 406 under the Securities Act. In accordance with Rule 406, these confidential portions have been omitted from this exhibit and filed separately with the Commission.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

The registrant hereby undertakes to provide to the Underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of U.S. Auto Parts pursuant to the foregoing provisions, or otherwise, U.S. Auto Parts has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by U.S. Auto Parts of expenses incurred or paid by a director, officer or controlling person of U.S. Auto Parts in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, U.S. Auto Parts will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus as filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by U.S. Auto Parts pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, U.S. Auto Parts Network, Inc. has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Carson, State of California, on the 9th day of January 2007.

U.S. Auto Parts Network, Inc.

By: /s/ MEHRAN NIA
Mehran Nia
Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ MEHRAN NIA **Mehran Nia**	Chief Executive Officer, President and Director (principal executive officer)	January 9, 2007
/s/ MICHAEL J. MCCLANE **Michael J. McClane**	Chief Financial Officer, Executive Vice President of Finance, Secretary and Treasurer (principal financial and accounting officer)	January 9, 2007
* **Sol Khazani**	Chairman of the Board	January 9, 2007
* **Massoud Entekhabi**	Director	January 9, 2007
* **Fredric W. Harman**	Director	January 9, 2007
* **Richard Pine**	Vice President of Strategic Planning and Director	January 9, 2007
* **Robert J. Majteles**	Director	January 9, 2007
* **Ellen F. Siminoff**	Director	January 9, 2007

* By: /s/ MEHRAN NIA
Mehran Nia
Attorney-in-Fact

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EXHIBIT INDEX

Exhibit No.	Description
1.1*	Form of Underwriting Agreement
2.1	Acquisition Agreement dated May 19, 2006 by and among U.S. Auto Parts Network, Inc. and Partsbin, Inc., on the one hand, and The Partsbin.com, Inc., All OEM Parts, Inc., Power Host, Inc., Auto Parts Web Solutions, Inc., Web Chat Solutions, Inc., Everything Internet, LLC, Richard E. Pine, Lowell E. Mann, Brian Tinari and Todd Daugherty, on the other hand
3.1	Amended and Restated Certificate of Incorporation of U.S. Auto Parts Network, Inc. as filed with the Delaware Secretary of State on March 3, 2006
3.2	Certificate of Amendment of Certificate of Incorporation of U.S. Auto Parts Network, Inc. as filed with the Delaware Secretary of State on November 11, 2006
3.3	Certificate of Amendment of Certificate of Incorporation of U.S. Auto Parts Network, Inc. as filed with the Delaware Secretary of State on January 9, 2007
3.4*	Proposed Amended and Restated Certificate of Incorporation of U.S. Auto Parts Network, Inc. to become effective upon completion of this offering.
3.5	Bylaws of U.S. Auto Parts Network, Inc., as amended
3.6*	Proposed Amended and Restated Bylaws of U.S. Auto Parts Network, Inc. to become effective upon completion of this offering.
4.1*	Specimen common stock certificate
5.1	Opinion of Dorsey & Whitney LLP
10.1+**	U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan
10.2+**	Form of Stock Option Agreement under the U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan
10.3+**	Form of Notice of Grant of Stock Option under the U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan
10.4+**	Form of Acceleration Addendum to Stock Option Agreement under the U.S. Auto Parts Network, Inc. 2006 Equity Incentive Plan
10.5+*	U.S. Auto Parts Network, Inc. 2007 Omnibus Plan and form of Agreements
10.6**	Investors' Rights Agreement dated March 3, 2006 by and between U.S. Auto Parts Network, Inc. and Oak Investment Partners XI, L.P.
10.7**	Note and Security Agreement dated May 19, 2006 by and among U.S. Auto Parts Network, Inc., Richard Pine, Lowell Mann, Brian Tinari and Todd Daugherty
10.8+**	Offer Letter of Employment dated May 19, 2006 by and between U.S. Auto Parts Network, Inc. and Richard Pine
10.9+**	Non-Competition Agreement dated May 19, 2006 by and among U.S. Auto Parts Network, Inc. and Richard Pine, Lowell Mann, Brian Tinari and Todd Daugherty
10.10**	Shareholder's Release dated May 19, 2006 by and between U.S. Auto Parts Network, Inc. and Richard Pine
10.11**	Business Loan Agreement dated February 24, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.12**	Promissory Note dated February 24, 2006 by U.S. Auto Parts Network, Inc. in favor of East West Bank

Exhibit No.	Description
10.13**	Teletransmission Agreement dated February 24, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.14**	Business Loan Agreement dated February 24, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.15**	Changes in Terms Agreement dated February 24, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.16**	Loan Agreement dated May 18, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.17**	Secured Promissory Note dated May 18, 2006 by U.S. Auto Parts Network, Inc. in favor of East West Bank
10.18**	Collateral Assignment Agreement dated May 18, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.19**	Collateral Assignment Agreement dated May 18, 2006 by and between PartsBin, Inc. and East West Bank
10.20**	Security Agreement dated May 18, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.21**	Security Agreement dated May 18, 2006 by and between PartsBin, Inc. and East West Bank
10.22**	Amendment to Existing Agreements dated May 18, 2006 by and between U.S. Auto Parts Network, Inc. and East West Bank
10.23**	Commercial Lease Agreement dated January 1, 2004 by and between U.S. Auto Parts Network, Inc. and Nia Chloe Enterprises, LLC
10.24**	Standard Industrial/Commercial Multi-Tenant Lease — Gross dated October 1, 2006 by and between U.S. Auto Parts Network, Inc. and Margay 2003, LLC
10.25**	Standard Industrial/Commercial Multi-Tenant Lease — Gross dated July 12, 2004 by and between U.S. Auto Parts Network, Inc. and Isadore Socransky
10.26**	Lease dated November 30, 2004 by and between U.S. Auto Parts Network, Inc. and William Coats
10.27†	Catalog License and Parts Purchase Agreement dated November 20, 2006 by and between U.S. Auto Parts Network, Inc. and WORLDPAC, Inc.
10.28+*	Employment Agreement dated December 2006 by and between U.S. Auto Parts Network, Inc. and Michael J. McClane
10.29†	Services Agreement dated October 3, 2006 by and between U.S. Auto Parts Network, Inc. and Efficient Frontier, Inc.
10.30+*	Offer Letter of Employment dated November 2006 by and between U.S. Auto Parts Network, Inc. and Howard Tong
10.31†	Master Services Agreement dated August 5, 2005 by and between PartsBin, Inc. (as successor in interest to All OEM Parts, Inc.) and Access Worldwide Communications, Inc.
10.32+	Offer Letter of Employment dated January 1, 2006 by and between U.S. Auto Parts Network, Inc. and Houman Akhavan
10.33+	Form of Indemnification Agreement for Officers and Directors

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Exhibit No.	Description
10.34+	Indemnification Agreement dated March 3, 2006 by and between U.S. Auto Parts Network, Inc. and Frederic Harman
10.35	Deeds of Assignment and Declarations of Trust executed September 2006 regarding MBS Tek Corporation stock transfer
16.1**	Letter from Stonefield Josephson, Inc.
21.1**	Subsidiaries of U.S. Auto Parts Network, Inc.
23.1	Consent of Ernst & Young LLP
23.2	Consent of Stonefield Josephson, Inc.
23.3	Consent of J.H. Cohn LLP
23.4	Consent of Dorsey & Whitney LLP (included in Exhibit 5.1)
24.1**	Power of Attorney (included on signature pages hereto)
24.2**	Power of Attorney of Robert J. Majteles and Ellen F. Siminoff

* To be filed by amendment.

** Previously filed.

\+ Indicates management contract or compensatory plan.

† Confidential treatment is requested for certain confidential portions of this exhibit pursuant to Rule 406 under the Securities Act. In accordance with Rule 406, these confidential portions have been omitted from this exhibit and filed separately with the Commission.

Exhibit 2.1

ACQUISITION AGREEMENT
BY AND AMONG

U.S. AUTO PARTS NETWORK, INC.,

AND

PARTSBIN, INC.

ON THE ONE HAND

AND

THEPARTSBIN.COM, INC.,
ALL OEM PARTS, INC.,
POWER HOST, INC.
AUTO PARTS WEB SOLUTIONS, INC.,
AUTO PARTS ONLINE CANADA, INC.,
WEB CHAT SOLUTIONS, INC.,
EVERYTHING INTERNET, LLC,
RICHARD E. PINE,
LOWELL E. MANN,
BRIAN TINARI,
AND
TODD DAUGHERTY

ON THE OTHER HAND

DATED AS OF MAY 19, 2006

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ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT (this "**Agreement**") is made as of May 19, 2006, by and among U.S. AUTO PARTS NETWORK, INC., a Delaware corporation ("**Buyer**") and its wholly-owned subsidiary, PARTSBIN, INC., a Delaware corporation ("**Merger Sub**") on the one hand, and THEPARTSBIN.COM, INC., a New Jersey corporation, ALL OEM PARTS, INC., a New Jersey corporation, AUTO PARTS WEB SOLUTIONS, INC., a Pennsylvania corporation, AUTO PARTS ONLINE CANADA, INC., a New Jersey corporation, WEB CHAT SOLUTIONS, INC., a Pennsylvania corporation, POWER HOST, INC., a Canadian corporation and wholly-owned subsidiary of Auto Parts Online Canada, Inc.**,** and EVERYTHING INTERNET, LLC, a New Jersey limited liability company (each a "**Target Company**," and collectively, "**the Company**"), and Richard Pine, Lowell Mann, Brian Tinari, and Todd Daugherty, as individuals (each a "**Shareholder**," collectively, the "**Shareholders**"), on the other hand. References in this Agreement to "the Company" refer to any one or more of the Target Companies, alone, in combination or as a collective whole.

WHEREAS, the Company is an online retailer of replacement and performance automobile parts focused on import and domestic vehicles relying on drop-ship suppliers (the "**Business**"); and

WHEREAS, the Shareholders are the holders of all of the outstanding shares of capital stock and all membership interests of the Company (collectively, the "**Shares**"), as set forth for each Target Company on Schedule 4.4; and

WHEREAS, Buyer desires to merge each Target Company into the Merger Sub upon the terms and conditions hereinafter set forth and thereby acquire the Shares and the Business, and the Shareholders desire to sell the Shares and the Business to the Buyer.

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1. **Definitions**. In this Agreement, the following terms shall have the meanings set forth below unless the context provides or requires otherwise:

(a) "**1933 Act**" means the Securities Act of 1933, as amended.

(b) "**1934 Act**" means the Securities Exchange Act of 1934, as amended.

(c) "**Adjusted Cash Balance**" has the meaning given in Section 2.4(a).

(d) "**Agency**" means any arbitration board or panel, court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

(e) "**Applicable Law**" means, with respect to any Person, property, transaction, event or other matter, any Law relating or applicable to such Person, property, transaction, event or other matter. Applicable Law also includes, where appropriate, any

interpretation of the Law (or any part) by any Person having jurisdiction over it, or charged with its administration or interpretation.

(f) "**Best of Buyer's Knowledge**" means the knowledge of the officers of Buyer, in each case having made inquiries from such persons within the Buyer as would reasonably be appropriate to consult regarding the matters described in this Agreement.

(g) "**Best of the Company's Knowledge**" means the actual knowledge of the officers and directors, or manager(s) as applicable, of each Target Company and of the Shareholders, in each case having made inquiries from such persons within the Company as would reasonably be appropriate to consult regarding the matters described in this Agreement.

(h) "**Business**" has the meaning given in the first Recital.

(i) "**Buyer Losses**" means all damages (including, without limitation, amounts paid in settlement with the Company's consent, which consent may not be unreasonably withheld), losses, obligations, liabilities, claims, deficiencies, costs and expenses (including, without limitation, reasonable attorneys' fees), penalties, fines, interest and monetary sanctions, including, without limitation, reasonable attorneys' fees and costs incurred to comply with injunctions and other court and Agency orders, and other costs and expenses incident to any suit, action, investigation, claim or proceeding or to establish or enforce the rights of Buyer to indemnification hereunder.

(j) "**Buyer Material Adverse Effect**" means a material adverse effect on the business, operations, affairs, properties, assets or condition (financial or otherwise) of Buyer and the subsidiaries of Buyer taken as a whole.

(k) "**Buyer Common Stock**" has the meaning given in Section 2.2(a)(iii).

(l) "**Buyer Common Stock Delivery**" has the meaning given in Section 3.2.

(m) "**Buyer's Accountant**" means Ernst & Young LLP.

(n) "**Cash Payment**" has the meaning given in Section 2.2(a)(i).

(o) "**Closing**" has the meaning given in Section 3.1.

(p) "**Closing Date**" has the meaning given in Section 3.1.

(q) "**Code**" means the Internal Revenue Code of 1986, as amended.

(r) "**Company's Accountant**" means J.H. Cohn, LLP, independent public accountants.

(s) "**Company Losses**" means all damages (including, without limitation, amounts paid in settlement with Buyer's consent, which consent may not be unreasonably withheld), losses, obligations, liabilities, claims, deficiencies, costs and expenses (including, without limitation, reasonable attorneys' fees), penalties, fines, interest and monetary sanctions, including, without limitation, reasonable attorneys' fees and costs incurred to comply with injunctions and other court and Agency orders, and other costs

and expenses incident to any suit, action, investigation, claim or proceeding or to establish or enforce the rights of the Company or the Shareholders to indemnification hereunder.

(t) "**Contracts**" has the meaning given in Section 4.13.

(u) "**Employment Agreement(s)**" has the meaning given in Section 7.7.

(v) "**Environmental Requirements**" means all legal requirements that relate to protection of the environment, natural resources, or public or employee health and safety, or relating to the production, generation, use, storage, treatment, processing, transportation, disposal or release of regulated materials, including common law trespass, nuisance, property damage and similar common law theories. The term "*Environmental Requirement*" includes: (i) the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§ 9601-9675 ("CERCLA"); (ii) the Superfund Amendments and Reauthorization Act, Public Law 99-499, 100 Stat. 1613 ("SARA"); (iii) the Emergency Planning and Community Right to Know Act, 42 U.S.C. §§11001-11050; (iv) the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901-6992k; (v) the National Environmental Policy Act, 42 U.S.C. §§ 4321-4370e; (vi) the Safe Drinking Water Act, 42 U.S.C. §§ 300f to 300j-26; (vii) the Toxic Substances Control Act, 15 U.S.C. §§ 2601-2692; (viii) the Hazardous Materials Transportation Act, 49 U.S.C. §§ 5101-5127; (ix) the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251-1387; (x) the Oil Pollution Act of 1990, 33 U.S.C. §§ 2701—2761; (xi) the Rivers and Harbors Acts of 1899, 44 U.S.C. § 401 et seq. (xii) the Clean Air Act, 42 U.S.C. §§ 7401-7671q; (xiii) the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§2011 et seq.; (xiv) the Low Level Radioactive Waste Policy Act, as amended, 42 U.S.C. §2021b et seq.; (xv) any Occupational Safety and Health Law, including the Occupational Safety and Health Act, 29 U.S.C. §§651-678, and in each case the regulations adopted pursuant to the above listed statutes, and (xvi) any and all counterpart state laws and regulations.

(w) "**Equitable Exceptions**" has the meaning given in Section 4.5.

(x) "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

(y) "**Escrow Holder**" has the meaning given in Section 2.2(a)(ii).

(z) "**Escrowed Funds**" means the Sellers' Note while held by the Escrow Holder, or cash payment received and held by the Escrow Holder.

(aa) "**Financial Statements**" has the meaning given in Section 4.6.

(bb) "**GAAP**" means United States generally accepted accounting principles consistently applied.

(cc) "**Group Member**" means any member of any "affiliated service group" (as defined in Section 414(m) of the Code) that includes the Company, any member of any "controlled group of corporations" (as defined in Section 414(b) of the Code) that includes the Company or any member of any group of "trades or businesses under common control" (as defined by Section 414(c) of the Code) that includes the Company or any other organization required to be aggregated with the Company under Section 414(o) of the Code.

(dd) "**Hazardous Substance**" means any (a) hazardous substance as defined by any Environmental Law, (b) any petroleum or petroleum product, oil or waste oil; (c) any asbestos or polychlorinated byphenyls; (d) any hazardous material, toxic substance, toxic pollutant, solid waste, municipal waste, industrial waste, hazardous waste, flammable material, radioactive material, pollutant or contaminant or words of similar meaning and regulatory effect under any applicable Environmental Requirement; and (e) any other chemical, material, or substance exposure to which or whose discharge, emission, disposal or release is prohibited, limited, or regulated under any applicable Environmental Requirement. "*Hazardous Substance*" includes any mixture or solution of the foregoing, and all derivatives or synthetic substitutes of the foregoing.

(ee) "**IRS**" means the United States Internal Revenue Service.

(ff) "**Indemnification Termination Date**" has the meaning given in Section 9.5(a).

(gg) "**Indemnified Party**" means the party entitled to seek indemnification pursuant to Article IX of this Agreement with respect to its Loss(es). The Buyer and its directors, officers, employees, representatives, agents and attorneys shall be the Indemnified Party with respect to Buyer Losses. The Shareholders shall be the Indemnified Party with respect to Company Losses.

(hh) "**Escrow Agreement**" has the meaning given in Section 2.3(b).

(ii) "**Independent Accountant**" has the meaning given in Section 2.4(c).

(jj) "**Intellectual Property**" means all rights to and interests in:

(i) all business and trade names, logos and designs, brand names and slogans relating to the Business;

(ii) all inventions, improvements, patents, patent rights, patent applications (including all reissues, divisions, continuations, continuations-in-part, and extensions of any patent or patent application), industrial designs and applications relating to the Business;

(iii) all Software, copyrights (including audiovisual copyrights) and trademarks (whether registered or unregistered or used with goods or services and including goodwill of the Business attaching to such trademarks), registrations and applications thereof, domains and domain names relating to the Business;

(iv) trade secrets, including processes, know-how, technical data, shop rights, and any media or other tangible embodiment thereof and all descriptions thereof;

(v) other technology, intellectual property, maskworks, industrial and intangible property constituting, embodied in or pertaining to, any assets including without limitation processes, lab journals, notebooks, manuals, data computer programs, source code, discoveries, databases, and documentation, flow charts, research and development, reports, agency information, technical information, engineering data, design and engineering specifications and similar recordings evidencing expertise or information relating to the Business;

(vi) all other intellectual and industrial property rights throughout the world and all confidential and proprietary information related to any of (i) to (v), both inclusive, above;

(vii) all licenses or other permissions to use any of the intellectual property listed in any of (i) to (v), both inclusive, above;

(viii) all rights to secure renewals, re-issuances and extension of (i) to (vi), both inclusive, above;

(ix) all future income and proceeds of (i) to (vii), both inclusive, above; and

(x) all rights to damages and profits by reason of the infringement of (i) to (vii), both inclusive.

(kk) "**Law**" means any law, including common law, rule, statute, regulation, order, judgment, decree, treaty or other requirement having the force of law.

(ll) "**Licenses and Permits**" means all governmental licenses, permits, franchises, filings, authorizations, approvals or indicia of authority Related to the Business or necessary for the conduct of the Business.

(mm) "**Lien**" means any lien, mortgage, charge, hypothecation, pledge, security interest, prior assignment, marital dissolution obligation, option, warrant, lease, sublease, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to any particular property, but excluding any contract or license rights disclosed hereunder.

(nn) "**Loss**" means a Buyer Loss or Company Loss as defined herein.

(oo) "**Material Adverse Effect**" means a material adverse effect on the business, operations, affairs, properties, assets or condition (financial or otherwise) of the Company or the condition of the Business.

(pp) "**Noncompetition Agreement(s)**" has the meaning given in Section 7.8.

(qq) "**Note and Security Agreement**" has the meaning given in Section 2.2(a)(ii).

(rr) "**Person**" is to be broadly interpreted and includes an individual, a corporation, a limited liability company, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity.

(ss) "**Plan**" has the meaning given in Section 4.22(a).

(tt) "**Preliminary Closing Balance Sheet**" has the meaning given in Section 2.4(a).

(uu) "**Purchase Price Adjustment**" has the meaning given in Section 2.2(c).

(vv) *"***Real Property Leases**" has the meaning given in Section 4.11.

(ww) "**Related to the Business**" means used primarily in, arising primarily from, or relating primarily to, the Business.

(xx) "**SEC**" means the United States Securities and Exchange Commission.

(yy) "**Sellers' Note**" has the meaning given in Section 2.2(a)(ii).

(zz) "**Shareholder Indemnified Claims**" has the meaning given in Section 9.4(c).

(aaa) "**Shareholder Release**" has the meaning given in Section 8.8.

(bbb) "**Shares**" has the meaning given in the second Recital.

(ccc) "**Software**" means all worldwide rights, title and interest in the Business software programs identified in Schedule 4.19(a), in source and object code (including manufacturing ready masters) forms and including any and all existing documentation (regardless of whether such documentation is provided on a commercial basis) including flow charts, program descriptions, program listings, layouts, schematics, engineering and design drawings, technical support documentation, maintenance documentation, diagrams and other documentation depicting or specifying the designs and components of such software programs, libraries, logs, reports, drafts, models, prototypes, technical and other data, test and other data and programs, any and all preceding versions, works in process, fixes, enhancements, future releases or other developments by the Company which may be combined or embodied in any medium or format whatsoever, and for all language versions and hardware platforms, software platforms and operating environments and whether sold separately or bundled with other applications, consisting of a set of logical instructions and information which guide the functioning of a processor, and which shall include all information, ephemeral aspects, so-called "look and feel," graphic design, user methodologies, user and installation guides, user interface design, software tools owned by the Company, know-how, systems and processes concerning such computer program.

(ddd) "**Stock Powers and Company Certificates**" has the meaning given in Section 3.3.

(eee) "**Subject Property**" means all property subject to the Real Property Leases and any properties listed on Schedules 4.10(a) and 4.11.

(fff) "**Target Company**" has the meaning given in the first paragraph of this Agreement.

(ggg) "**Taxes**" means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, value added, capital, capital gains, alternative, net worth, transfer, profits, gross receipts, withholding, license, payroll, employment, unemployment, occupation, estimates, disability, severance, employer health, excise, stamp, premium, windfall profits, environmental (including taxes under Code Section 59A), franchise, capital stock, social security, registration, recording value added, alternative, or add-on minimum real property and personal property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a

tax, together with any installments with respect thereto, and any interest, fines and penalties or other addition thereto, imposed by any governmental authority (including federal, state, provincial, municipal and foreign governmental authorities), and whether disputed or not, including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other person.

(hhh) "**Tax Return**" means any return, declaration, report, claim for refund, information return, report, schedule, notice, form, or statement or other document or information filed with or submitted to, or required to be filed with or submitted to, any governmental authority, including any schedule or attachment thereto, and any amendment(s) thereof, relating to the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any law relating to any Tax.

(iii) "**Transaction Documents**" means this Agreement, the Sellers' Note, the Note and Security Agreement, the Escrow Agreement, the Employment Agreements, the Noncompetition Agreements, the Nondisclosure Agreements, the Lock-Up Agreements and the Shareholder Releases.

ARTICLE II

TERMS OF THE ACQUISITION

2.1. **Generally.** Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations, warranties, covenants and conditions herein contained, on the Closing Date, each Target Company agrees to merge with and into Merger Sub (except Power Host, Inc., the ownership of which shall transfer pursuant to the merger of Auto Parts Online Canada, Inc.), with Merger Sub to continue as the surviving corporation, and the Shareholders agree to sell, convey, assign, transfer and deliver the Shares to the Buyer for the consideration set forth in Section 2.2 below (the "**Acquisition**").

2.2. **Consideration for the Acquisition**

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(a) Buyer shall provide the Shareholders consideration for the merger of the Company and the delivery of the Shares in the form of:

(i) $25,000,000 in cash, payable upon Closing by wire transfer of immediately available funds to the accounts designated by the Shareholders on Schedule 2.2(a) (the "**Cash Payment**");

(ii) secured promissory notes in favor of the Prospective Sellers, in the aggregate principal amount of $5,000,000 (collectively, the "**Sellers' Note**"), along with a security agreement (the "**Note and Security Agreement**"), both in substantially the forms attached hereto as Exhibit A, to be delivered to a mutually acceptable escrow agent (the "**Escrow Holder**") at the Closing to hold until the Indemnification Termination Date, pursuant to the Escrow Agreement described in Section 2.3 below; and

(iii) an aggregate of 3,305,529 shares of the Buyer's voting common stock, par value $0.001 per share, to be issued and delivered to the Shareholders as provided for in Section 3.2 hereof (the "**Buyer Common Stock**").

The Cash Payment, right to payment pursuant to the Sellers' Note, and the Buyer Common Stock (collectively, the "**Purchase Price**") shall each be allocated among the Shareholders pro rata and credited in accordance with each Shareholder's relative ownership percentage of the Shares on the Closing Date, as set forth on Schedule 4.4.

(b) In addition, the Buyer shall issue an aggregate of 1,900,000 options to purchase shares of the Buyer's common stock ("**Stock Options**"), subject to customary vesting provisions, to the Shareholders and the other employees of the Company identified in Schedule 2.2(b), in conjunction with continued employment arrangements, as contemplated by Section 7.7. The Stock Options will be issued pursuant to and governed by the Buyer's 2006 Equity Incentive Plan.

(c) Buyer shall prepare an allocation schedule of the Purchase Price (and all other capitalized costs) among the acquired assets in accordance with Code Section 1060 and the Treasury regulations thereunder (and any similar provision of state, local or foreign law, as applicable), which allocation shall be binding upon the Company. Buyer shall deliver such allocation to the Company within 60 days after the Closing Date. Buyer and the Company and their affiliates shall report, act and file Tax Returns (including, but not limited to Internal Revenue Service Form 8594) in all respects and for all purposes consistent with such allocation prepared by Buyer. The Company shall timely and properly prepare, execute, file and deliver all such documents, forms and other information as Buyer may reasonably request to prepare such allocation. Neither Buyer nor the Company shall take any position (whether in audits, tax returns or otherwise) that is inconsistent with such allocation unless required to do so by applicable law.

(d) Buyer shall increase the Purchase Price (as adjusted by Section 2.4) by such amounts as is necessary so that the Shareholders shall receive the same amount net of Taxes as they would receive if the stock of the Corporation had been sold subject to the federal long term capital gain rate of 15% and state and local income taxes ("**Purchase Price Adjustment**"). Shareholders shall provide the Purchase Price Adjustment calculation, based on the allocation of Purchase Price provided by Buyer and the actual Tax rates applicable to Shareholders, for review and comment by Buyer and, to the extent Buyer disputes such Purchase Price Adjustment calculation, any such dispute shall be resolved by an independent accounting firm mutually agreeable to Shareholders and Buyers. Promptly, but no later than five (5) business days, following final determination of the Purchase Price Adjustment, Buyer shall pay the final Purchase Price Adjustment by wire transfer of immediately available funds to such account(s) as directed by the Shareholders. In the event the allocation of Purchase Price among the assets is changed (because of an adjustment to the Purchase Price pursuant to Sections 2.2(c) and 2.4 or otherwise) such that it changes the Taxes of Shareholders from the amounts originally calculated, the Shareholders and Buyer agree to recompute the Purchase Price Adjustment and (a) in the case of an increase in such Taxes, Buyer will pay an additional amount to the Shareholders and (b) in the case of a decrease in such Taxes, the Shareholders shall refund that amount to Buyer, in either case, within 15 days of receipt of such recomputed calculation from the other party.

2.3. **Escrow of Sellers' Note**

(a) As collateral security for the payment of the indemnification obligations of the Company and/or Shareholders pursuant to Article IX hereof, the Shareholders shall grant, and by execution hereof, do hereby grant, a security interest in and pledge for the

benefit of the Buyer, the Sellers' Note. The Sellers' Note shall be pledged by the Shareholders pro rata in accordance with their relative ownership percentages of the Shares on the Closing Date and any offsets or payment drawn from the Seller's Note pursuant to Sections 9.1 and 9.4 herein shall be applied or drawn on a pro rata basis.

(b) The Sellers' Note shall be delivered directly to the Escrow Holder described in the Escrow Agreement, in substantially the form set forth in Exhibit B (the "**Escrow Agreement**") on the Closing Date.

(c) The Sellers' Note shall be held by the Escrow Holder as security and as an offset for (i) any Post-Closing Adjustment that reduces the Purchase Price as provided in Section 2.4, (ii) any Buyer Losses pursuant to Section 9.1, and/or (iii) any breach of a Noncompetition Agreement by a Shareholder, in accordance with the Escrow Agreement. The Escrow Agreement shall indicate that promptly after the Indemnification Termination Date, the Escrow Holder shall release the Sellers' Note to the Shareholders, after any further amendment to reflect any mandated adjustments to the balance outstanding based upon any outstanding indemnification obligations which have been claimed by Buyer in accordance with Section 9.1 of this Agreement (the "**Indemnification Obligations**"), if any, necessary, at such date, to satisfy outstanding indemnification obligations claimed by Buyer.

(d) If the Sellers' Note becomes due and payable on its terms prior to the Indemnification Termination Date, Buyer shall make payment(s) on the Sellers' Note to the Escrow Holder and the cash payment received in satisfaction of the Sellers' Note will remain in escrow until the Indemnification Termination Date up to the limit of $3,500,000, and any cash payments received in escrow in excess of $3,500,000 shall be distributed to the Shareholders upon receipt. The Escrow Agreement shall indicate that promptly after the Indemnification Termination Date, the Escrow Holder shall release to the Shareholders the cash held in escrow, less the amount of any outstanding Indemnification Obligations.

2.4. **Post-Closing Adjustment**.

(a) As soon as reasonably possible after the Closing Date (but not later than 90 days thereafter), Buyer will prepare a consolidated balance sheet (the "**Preliminary Closing Balance Sheet**") of the Company dated as of the Closing Date and shall deliver the Preliminary Closing Balance Sheet to the Shareholders. The Preliminary Closing Balance Sheet shall be prepared in accordance with GAAP on a basis consistent with the Financial Statements and shall set forth a calculation of the Company's Adjusted Cash Balance and Working Capital. For this purpose, the Company's "**Adjusted Cash Balance**" means its consolidated cash balance, including certificates of deposit and that certain security deposit in support of Power Host, Inc., less outstanding checks, unrecorded bank fees, and pending electronic payments, as determined as of the Closing by the Buyer in accordance with GAAP. For this purpose, the Company's "**Working Capital**" means the difference between the Company's current assets less its current liabilities. Buyer will make the work papers and back-up materials used in preparing the Preliminary Closing Balance Sheet available to the Shareholders and their accountants and other representatives at reasonable times and upon reasonable notice at any time during (i) the review by the Shareholders of the Preliminary Closing Balance Sheet, and (ii) the resolution by the parties of any objection thereto.

(b) The Preliminary Closing Balance Sheet shall be binding and conclusive upon, and deemed accepted by, the Shareholders unless the Shareholders shall have notified Buyer in writing of any objections thereto consistent with the provisions of this Section 2.4 within fifteen (15) days after receipt thereof. The written notice under this Section 2.4 shall specify in reasonable detail each item on the Preliminary Closing Balance Sheet that the Shareholders dispute, and a summary of the Shareholders' reasons for such dispute.

(c) Disputes between Buyer and the Shareholders relating to the Preliminary Closing Balance Sheet that cannot be resolved by them within thirty (30) days after receipt by Buyer of the notice referred to in Section 2.4(b) may be referred no later than forty-five (45) days after such receipt for decision at the insistence of either party to an independent nationally recognized accounting firm mutually approved by the Shareholders and Buyer (the "**Independent Accountant**"). Prior to referring the matter to the Independent Accountant, the parties shall agree on the procedures to be followed by the Independent Accountant (including procedures with regard to presentation of evidence). Such procedures shall not alter the accounting practices, principles, and policies to be applied to the Preliminary Closing Balance Sheet which will be those required by this Agreement. If the parties are unable to agree upon procedures before the end of thirty (30) days after referral of the dispute to the Independent Accountant, the Independent Accountant shall establish such procedures giving due regard to the intention of the parties to resolve disputes as quickly, efficiently and inexpensively as possible, which procedures may be, but need not be, those proposed by either party. The parties shall then submit evidence in accordance with the procedures established, and the Independent Accountant shall decide the dispute in accordance therewith. The Independent Accountant's decision on any matter referred to it shall be final and binding on the Company, the Shareholders and Buyer. If the Independent Account resolves the dispute such that the Adjusted Cash Balance on the Preliminary Closing Balance Sheet is within five percent (5%) above or below the Final Cash Balance (as defined below)**,** the fee of the Independent Accountant shall be borne solely by the Shareholders; in all other cases, the Buyer and the Shareholders shall each pay half of the Independent Accountant's fee.

(d) The Preliminary Closing Balance Sheet shall become final and binding upon the parties upon the earlier of (i) the failure by the Shareholders to object thereto within the period permitted under Section 2.4(b), (ii) the agreement between Buyer and the Shareholders with respect thereto, or (iii) the decision by the Independent Accountant with respect to any disputes under Section 2.4(c). The Preliminary Closing Balance Sheet, as adjusted pursuant to the agreement of the parties or the decision of the Independent Accountant, when final and binding is referred to herein as the "**Final Closing Balance Sheet**."

(e) If the Adjusted Cash Balance set forth in the Final Closing Balance Sheet (the **"Final Cash Balance**") is equal to $1,300,000, no post-closing adjustment shall be necessary. If the Final Cash Balance is less than $1,300,000, then, as soon as practicable (but not more than five (5) business days) after the determination and delivery of the Final Closing Balance Sheet in accordance with this Section 2.4(a), the amount by which the Final Cash Balance is less than $1,300,000 shall be immediately recoverable by Buyer as a set-off against the principal balance outstanding on the Sellers' Note, without the need to comply with any other provision of this Agreement, and the Sellers' Note held in escrow shall be immediately amended to reflect the adjusted principal balance outstanding. If the Final Cash Balance is more than $1,300,000, then, as soon as practicable (but not more

than five (5) business days) after the determination and delivery of the Final Closing Balance Sheet in accordance with this Section 2.4(a), the amount by which the Final Cash Balance exceeds $1,300,000 shall be immediately paid by Buyer to the Shareholders in cash.

(f) Any payment required by this Section 2.4 shall not limit or affect Buyer's rights or remedies (or be Buyer's sole or exclusive right or remedy) with respect to this Agreement, the breach of any representation, warranty or obligation herein, the failure of any condition to Buyer' obligations hereunder to be satisfied or the indemnification obligations of Seller hereunder.

ARTICLE III

CLOSING

3.1. **Closing Date**. The closing and consummation of the Acquisition provided for herein (the "**Closing**") shall take place at 12:00 p.m., California time, on May 19, 2006 at the offices of Kirkpatrick & Lockhart Nicholson Graham LLP, 10100 Santa Monica Blvd., Suite 700, Los Angeles, California 90067, or at such other place, time or date as may hereafter be mutually agreed upon in writing by the parties (the "**Closing Date**").

3.2. **Action by Buyer**. Subject to the terms and conditions herein contained, and among the other deliveries called for by Article VII hereof,

(a) on the Closing Date, Buyer shall deliver (i) to the Shareholders, the Cash Payment, and (ii) to the Escrow Holder, the Sellers' Note, and

(b) on or before the fourteenth business day following the Closing Date, Buyer shall deliver to the Shareholders (i) the share certificates, representing in the aggregate the Buyer Common Stock which shall be voting shares, registered as set forth on Schedule 2.2(b) (the "**Buyer Common Stock Delivery**") and (ii) the Notices of Option Grant and related Stock Option Agreements, representing in the aggregate the Stock Options granted as set forth on Schedule 2.2(b) (the "**Stock Option Delivery**").

3.3. **Action by the Company and the Shareholders**. Subject to the terms and conditions herein contained, on the Closing Date, the Company and/or the Shareholders, as the case may be, shall deliver to Buyer, among the other deliveries called for by Article VIII hereof, stock certificates representing all of the common stock issued and outstanding of each Target Company (except for Everything Internet, LLC, for which all documentation representing the membership interests issued and outstanding shall be delivered and similarly endorsed), as set forth in Schedule 4.4, which certificates shall be endorsed in blank or accompanied by stock powers endorsed in blank and accompanied by the requisite stock transfer stamps (the "**Stock Powers and Company Certificates**").

3.4. **Transaction Documents**. Subject to the terms and conditions herein contained, on the Closing Date, the Buyer, the Company and each of the Shareholders shall execute and deliver the Transaction Documents.

3.5. **Filing of Certificates of Merger**. Concurrent with the Closing, the parties shall execute and Buyer shall file Certificates of Merger with the Secretary of State of the State of New Jersey, in accordance with the New Jersey Business Corporation Act, with the Secretary of State of the State of Delaware, in accordance with the Delaware General Corporation Law, and in Pennsylvania, in accordance

with the Pennsylvania Business Corporation Law and, to the extent required, any similar filing with any other governmental authority for a jurisdiction in which one or more of the Target Companies is incorporated, organized or otherwise qualified to do business

ARTICLE IV

REPRESENTATIONS AND WARRANTIES AS TO THE COMPANY AND SELLERS

A Schedule of Exceptions, attached hereto as Exhibit C-1 (the "**Schedule of Exceptions**") shall be delivered to the Buyer in connection with the Closing. Except as set forth on the Schedule of Exceptions delivered to the Buyer at the Closing, the Company and each Shareholder, to the extent of his pro rata interest in the Company, hereby represents and warrants to Buyer that all of the following representations and warranties set forth in this Article IV are true and correct on the date hereof and as of the Closing Date as though made on the Closing Date:

4.1. **Organization, Existence and Good Standing of the Company**. Each Target Company is duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization with all requisite corporate power and authority to own, to lease and to operate its properties and to carry on its business as now being conducted, and to execute and perform its obligations pursuant to this Agreement. Each Target Company is duly qualified or licensed as a foreign corporation or other applicable entity and in good standing in each jurisdiction in which the character or location of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary. Set forth on Schedule 4.1 is a list of the jurisdictions in which each Target Company is qualified or licensed to do business as a foreign corporation or other applicable entity. True, complete and correct copies of the Articles of Incorporation and the Bylaws, or Articles of Organization and Operating Agreement, as applicable, as the same may be amended or restated, of each Target Company, are all attached hereto on Schedule 4.1. The minute books of each Target Company, as heretofore made available to Buyer, are correct and complete in all material respects.

4.2. **Predecessors**. Set forth on Schedule 4.2 is a list of all names of all predecessor companies for the past four (4) years, including the names of any entities from whom each one of the Target Companies previously acquired material assets. Except as noted in the first paragraph of this Agreement with regard to Power Host, Inc., none of the Target Companies has been a subsidiary or division of another corporation or a party to another acquisition agreement.

4.3. **Subsidiaries.** Except as noted in the first paragraph of this Agreement with regard to Power Host, Inc., the Company does not own or control, directly or indirectly, of record or beneficially, the capital stock, securities convertible into capital stock or other equity interests in any corporation, partnership, limited liability company, association or other business entity, nor is the Company, directly or indirectly, a participant in any joint venture, partnership, limited liability company or other non-corporate entity. The Shareholders do not own or control, directly or indirectly, any interest in any corporation, partnership, limited liability company, association or other business entity, the assets (tangible or intangible) or properties of which are used in or otherwise material to the Business, other than the Shareholders' interests in the Company.

4.4. **Capitalization.** Set forth on Schedule 4.4, is a complete and correct list of the authorized capital stock or other equity interests for each Target Company, the issued and outstanding shares or equity interests outstanding for each Target Company and the names, addresses and record and beneficial stock ownership of all of the stockholders of the Company. The Shares represent all of the issued and outstanding capital stock of the Company and all of the Shares have been duly authorized and validly issued in compliance with Applicable Law (including federal and state securities laws), are fully paid and nonassessable, and were not issued in violation of any statutory, contractual or other preemptive rights, rights of first refusal or similar rights. The Shareholders are the lawful record and beneficial owner of the Shares and own the Shares free and clear of any Liens. There are no outstanding options, warrants, rights, puts, calls, commitments, conversion rights, plans or other agreements of any character to which the

Company is a party or otherwise bound which provide for the acquisition, disposition or issuance of any issued but not outstanding, outstanding, or authorized and unissued shares of capital stock or equity interests of the Company. There is no personal liability, and there are no preemptive or similar rights, statutory or otherwise, attached to the Shares. No holder of any of the Company's securities has any rights, "demand," "piggy-back" or otherwise, to have such securities registered under the 1933 Act. No stock plan, stock purchase, stock option or other agreement or understanding between the Company and any holder of any equity securities or rights to purchase equity securities provides for acceleration or other changes in the vesting provisions or other terms of such agreement or understanding as the result of (i) termination of employment (whether actual or constructive); (ii) any merger, consolidated sale of stock or assets, change in control or any other transactions) by the Company; or (iii) the occurrence of any other event or combination of events.

4.5. **Authorization**. Each Target Company has full corporate power, capacity and authority to execute this Agreement, the Transaction Documents and all other agreements and documents contemplated hereby. All corporate action on the part of each of the Target Companies and the Shareholders necessary for the authorization, execution and delivery of this Agreement and the Transaction Documents, the merger of the Company with the Merger Sub, the delivery of the Shares, and the performance of all of the Company's obligations under this Agreement and the Transaction Documents has been taken or will be taken prior to the Closing. This Agreement and the Transaction Documents, when executed and delivered by the Company and the Shareholders, shall constitute valid and binding obligations of the Company and Shareholders, enforceable in accordance with their terms, except that (a) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, (b) the remedy of specific performance, injunctive relief and other equitable remedies are subject to certain equitable defenses and to the discretion of the court before which any proceedings may be brought, and (c) rights to indemnification hereunder may be limited under applicable securities laws (the "**Equitable Exceptions**").

4.6. **Consolidated Financial Statements**.

(a) The Company has previously furnished to Buyer the audited consolidated balance sheets of the Company as of December 31, 2005, December 31, 2004, and December 31, 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for the three (3) fiscal years then ended, as audited by the Company's Accountant and (ii) the reviewed unaudited consolidated balance sheet as of March 31, 2006 (the "**Current Balance Sheet**") and the related consolidated statements of operations, stockholder's equity and cash flows for the three (3) months then ended (the "**Interim Financials**") (collectively, the "**Financial Statements**"). The Financial Statements were prepared in accordance with GAAP (except that the Interim Financials do not contain footnotes and other presentation items that may be required by GAAP) and fairly present the consolidated financial condition of the Company as at the respective dates and the consolidated results of operations and cash flows of the Company for the periods indicated.

(b) The Company's Accountant has audited the Financial Statements and has rendered its opinion and provided an audit report with respect to such Financial Statements. The Company's Accountant is and has been throughout the periods covered by such consolidated Financial Statements (i) a "registered public accounting firm" (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002), and (ii) "independent" with respect to the Company within the meaning of Regulation S-X of the SEC. The Company's Accountant has not, throughout the periods covered by such Financial Statements, performed any services for the Company or any of its subsidiaries that would

be prohibited by Section 10A(g) of the 1934 Act or the related rules of the SEC if the Company were required to file reports pursuant to the 1934 Act. The Company's Accountant has not performed any non-audit services for the Company since the beginning of the Company's immediately preceding fiscal year.

(c) The Company does not have any "off-balance sheet arrangements." For purposes of the preceding sentence, "off-balance sheet arrangement" means with respect to any Person, any securitization transaction to which that Person or its subsidiaries is party and any other transaction, agreement or other contractual arrangement to which an entity unconsolidated with that Person is a party, under which that Person or its subsidiaries, whether or not a party to the arrangement, has, or in the future may have: (i) any obligation under a direct or indirect guarantee or similar arrangement; (ii) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement; (iii) derivatives to the extent that the fair value thereof is not fully reflected as a liability or asset in the Financial Statements; or (iv) any obligation or liability, including a contingent obligation or liability, to the extent that it is not fully reflected in the Financial Statements (including the footnotes thereto) (for this purpose, obligations or liabilities that are not fully reflected in the financial statements (including the footnotes thereto) include, without limitation: (i) obligations that are not classified as a liability according to GAAP; (ii) contingent liabilities as to which, as of the date of the Financial Statements, it is not probable that a loss has been incurred or, if probable, is not reasonably estimable; or (iii) liabilities as to which the amount recognized in the Financial Statements is less than the reasonably possible maximum exposure to loss under the obligation as of the date of the Financial Statements, but exclude contingent liabilities arising out of litigation, arbitration or regulatory actions (not otherwise related to off-balance sheet arrangements).

(d) To the extent required by Buyer under GAAP or the rules or regulations of the SEC, the Company shall furnish complete and unqualified consent to Buyer to use the Financial Statements and the Company's historical financial statements for any reasonable business purpose at any time the same may be requested by Buyer from time to time after the Closing Date.

(e) Except to the extent (and not in excess of the amounts) reflected in the March 31, 2006 balance sheet included in the Financial Statements, the Company has no material liabilities or obligations (including, without limitation, Taxes payable and deferred Taxes and interest accrued since March 31, 2006) required to be reflected in the Financial Statements (or the notes thereto) in accordance with GAAP other than current liabilities incurred in the ordinary course of business, consistent with past practice, subsequent to March 31, 2006. For each such contingent liability, the Company has provided to Buyer the following information:

(i) A summary description of the contingent liability together with the following:

(A) Copies of all relevant documentation relating thereto;

(B) Amounts claimed and any other action or relief sought; and

(C) Name of claimant and all other parties to the claim, suit or proceeding.

(ii) The name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) The date such claim, suit or proceeding was instituted.

4.7. **Accounts and Notes Receivable.** Set forth on Schedule 4.7 is an accurate list of the accounts and notes receivable of the Company as of March 31, 2006, and included within the Financial Statements, and including receivables from and advances to any Shareholder or any officer, director, employee or affiliate of the Company or of any Shareholder. Schedule 4.7 sets forth an aging of all accounts and notes receivable showing amounts due in thirty (30) day aging categories. All such accounts and notes are legal, valid and binding obligations of the obligors and are collectible in the amount shown on Schedule 4.7, net of any applicable reserves reflected in the March 31, 2006 balance sheet. To the Best of the Company's Knowledge, the Company's invoices to customers are accurate in respect to services provided and the Company has delivered invoices to its customers or received monies therefrom only with respect to completed work.

4.8. **Licenses and Permits.** The Company holds all Licenses and Permits required for the operation of the Business except where the failure to hold such Licenses and Permits would not have a Material Adverse Effect. An accurate list and summary description is set forth on Schedule 4.8 hereto of all such Licenses and Permits. The Licenses and Permits are valid, and the Company has not received any notice that any governmental authority intends to cancel, to terminate or not to renew any such Licenses and Permits. The Company has conducted and is conducting the Business in compliance with the requirements, standards, criteria and conditions of, or set forth in, such Licenses and Permits and is not in violation of any of the foregoing. The transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Company by, any such Licenses and Permits, except where such default, breach, violation or adverse effect would not have a Material Adverse Effect.

4.9. **Tax Matters**.

(a) The Company has timely filed or caused to be filed on a timely basis all Tax Returns and reports (federal, state and local) that are or were required to be filed by or with respect to any of the Target Companies, either separately or as a member of a group of entities, pursuant to all Applicable Laws. All such Tax Returns and reports were true and correct in all material respects. The Company has paid all Taxes and other assessments due and owing by the Company (whether or not shown on any Tax Return), except those contested by it in good faith.

(b) The Company has provided Buyer with true and complete copies of all Tax Returns filed by it since the date of inception, and Schedule 4.9(b) contains a complete and accurate list of all such Tax Returns.

(c) Other than normal extensions to file tax returns, the Company has not waived any statute of limitations in respect of Taxes or executed or filed with any governmental authority or Person any agreement extending the period for the assessment or collection of any Taxes, and none of the Target Companies are party to any pending or threatened suit, action or proceeding by any governmental authority for the assessment or collection of Taxes.

(d) Schedule 4.9(d) contains a complete and accurate list of all audits of all Tax Returns, including a reasonably detailed description of the nature and outcome of

each audit. All deficiencies proposed as a result of such audits have been paid, reserved against, settled, or are being contested in good faith as described by Schedule 4.9(d). Schedule 4.9(d) also describes all adjustments to the Company's and each Target Company's Tax Returns and any resulting deficiencies proposed by the IRS.

(e) The provision for taxes of the Company as shown in the Financial Statements is adequate for Taxes due or accrued as of the date thereof. Since the date of the Financial Statements, the Company has made adequate provisions on its books of account for all Taxes, assessments, and governmental charges with respect to its and its subsidiaries' businesses, properties, and operations for such period.

(f) There exists no proposed tax assessment against the Company or any Target Company except as disclosed in the Consolidated Balance Sheet. No consent to the application of Section 341(f) of the Code has been filed with respect to any property or assets held, acquired, or to be acquired by the Company or any Target Company. All Taxes that the Company or any Target Company is or was required by law to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper governmental authority or other Person.

(g) There is no (i) material claim for Taxes that is a Lien against the property or assets of the Company or Target Company or that is being asserted against the Company or any Target Company other than Liens for Taxes not yet due and payable; (ii) audit, administrative proceeding or court proceeding with respect to any Taxes or Tax Returns of the Company or any Target Company that is being conducted or is pending and no Governmental Authority responsible for the imposition of any Tax has asserted in writing against the Company or any Target Company any material deficiency or claim for Taxes; or (iii) agreement, contract or arrangement to which the Company or any Target Company are a party that would result in the payment of any amount that would not be deductible by reason of Code Sections 162(m) or 280G as a result of the transactions contemplated by this Agreement.

(h) There is no unresolved claim by a governmental authority in any jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by such jurisdiction.

(i) No power of attorney has been granted by the Company with respect to any matters relating to Taxes that is currently in effect.

(j) The Company has not filed any disclosures under Sections 6662 or 6011 or comparable provisions of state, local or foreign Tax law to prevent the imposition of penalties with respect to any Tax reporting position taken on any Tax Return. The Company has not entered into any "listed transactions' as defined in Treasury Regulation Section 1.6011-4(b)(2), and the Company and its subsidiaries have properly disclosed all reportable transactions as required by Treasury Regulation Section 1.6011-4, including filing Forms 8886 with Tax Returns and with the Office of Tax Shelter Analysis.

(k) Neither the Company nor any Target Company is a party to any tax sharing or tax allocation agreement. Neither the Company or any Target Company (a) is a member of an affiliated group filing a consolidated federal income tax return, except for as disclosed on Schedule 4.9(b), or (b) incurred any liability for Taxes of any Person under

Treasury Regulation Section 1.1502-6 (or any similar laws) or as a transferee or successor or by contract.

(l) The Company has not been a United States real property holding corporation (within the meaning of Code Section 897(c)(2)) during the applicable period specified in Code Section 897(c)(1)(A)(ii).

(m) The Company has timely withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, Shareholder or other Person. The Company has withheld or collected from each payment made to each of their employees, the amount of all taxes, including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositaries.

(n) The unpaid Taxes of the Company (i) did not, as of the date of the most recent fiscal month end, exceed the reserve for Tax liabilities (other than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Current Balance Sheet (rather than in any notes thereto), and (ii) will not exceed that reserve, as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company in filing its Tax Returns.

(o) The Company will not be required to include any item of income in, or exclude any item of deduction from, its taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) "closing agreement," as described in Code Section 7121 (or any corresponding provision of state, local or foreign Tax Law), (iii) intercompany transactions or any excess loss account described in the Treasury Regulations under Code Section 1502 (or any corresponding provision of state, local or foreign Tax Law), (D) installment sale or open transaction disposition made on or prior to the Closing Date, or (iv) prepaid amount received on or prior to the Closing Date.

(p) The Company is not currently the beneficiary of any extension of time within which to file any Tax Return.

(q) Except for Everything Internet, LLC, which is a New Jersey limited liability company, and Power Host, Inc., a Canadian corporation and wholly-owned subsidiary of Auto Parts Online Canada, Inc., each Target Company has been a validly electing S corporation within the meaning of the Code Section 1361(a)(1) (and within the meaning of any similar state and local statutes) at all times since its inception and remains a validly electing S corporation up to and including the Closing Date.

(r) The Company presently files its income tax returns on an accrual basis of accounting.

(s) Neither the Company nor any Target Company has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code Section 355 or Code Section 361.

(t) Neither the Company nor any Target Company owns interest in real property in any jurisdiction in which a Tax is imposed, or the value of the interest is reassessed, on the transfer of any interest in real property and which treats the transfer of an interest in an entity that owns an interest in real property as a transfer of the interest in real property.

(u) Neither the Company nor any Target Company will be liable for any tax under the Code Sections 1374 or 1375 or any corresponding provisions of state, local or foreign law.

4.10. **Assets and Properties**.

(a) **Real Property.** The Company does not own or hold any interest in real property other than as set forth on Schedule 4.10(a). The Company has good and marketable title to all Real Property listed on Schedule 4.10(a) and none of the Real Property is subject to any Lien, except for (i) Statutory Liens for Taxes not yet due and payable, (ii) Liens otherwise arising in the ordinary course of business consistent with past practice, or (iii) Liens that would not, individually or in the aggregate, have a Material Adverse Effect.

(b) **Personal Property; Leasehold Interests.** Except for inventory, supplies and other personal property disposed of or consumed, and accounts receivable collected or written off, and cash utilized, all in the ordinary course of business consistent with past practice, the Company has good and marketable title to all of its inventory, equipment, other personal property (both tangible and intangible) and reflected on the latest balance sheet included in the Financial Statements or acquired since March 31, 2006, in each case subject to no material mortgage, pledge, lien, lease, encumbrance or charge, other than (i) liens for current taxes not yet due and payable, (ii) liens imposed by law and incurred in the ordinary course of business for obligations not past due, (iii) liens in respect of pledges or deposits under workers' compensation laws or similar legislation, and (iv) liens, encumbrances and defects in title which do not in any case materially detract from the value of the property subject thereto or have a Material Adverse Effect, and which have arisen in the ordinary course of business. With respect to the property and assets it leases, the Company is in compliance with such leases in all material respects and hold a valid leasehold interest free of any liens, claims or encumbrances, subject to clauses (i)-(iv) above. All facilities, machinery, equipment, fixtures, vehicles and other properties owned, leased or used by the Company or a subsidiary are in good operating condition and repair and are reasonably fit and usable for the purposes for which they are being used, subject to standard and customary wear and tear.

(c) **Condition of Properties.** Except for insured damage after the date of this Agreement, the Real Property, the leasehold estates subject to the Real Property Leases (as defined in Section 4.11) and the tangible personal property owned or leased by the Company are in good operating condition and repair, ordinary wear and tear excepted, as required in all material respects for conduct of the Business as currently conducted by the Company; and to the Best of the Company's Knowledge, there is no condition not disclosed herein with respect to any such properties that would materially affect the fair market value, use or operation thereof or otherwise have a Material Adverse Effect.

(d) **Compliance.** To the Best of the Company's Knowledge, the continued ownership, operation, use and occupancy of the Real Property, the continued use and

occupancy by the Company of the leasehold estates subject to the Real Property Leases as currently operated, used and occupied, will not violate any Applicable Law or any restrictive covenant, except where such violations would not have a Material Adverse Effect. To the Best of the Company's Knowledge, there are no violations of any Applicable Law affecting the leasehold estates subject to the Real Property Leases, and the Company has not received any written notice of any such violation from or on behalf of any governmental authority.

4.11. **Real Property Leases; Options.** Schedule 4.11 sets forth a list of (i) all leases and subleases under which the Company is lessor or lessee or sublessor or sublessee of any real property, together with all amendments, supplements, nondisturbance agreements, brokerage and commission agreements and other agreements pertaining thereto (the "**Real Property Leases**"); (ii) all material options held by the Company or contractual obligations on the part of the Company to purchase or to acquire any interest in real property; and (iii) all options granted by the Company or contractual obligations on the part of the Company to sell or to dispose of any material interest in real property. Copies of all Real Property Leases and such options and contractual obligations have been delivered or otherwise made available to Buyer. The Company has not assigned any Real Property Leases or any such options or obligations. To the Best of the Company's Knowledge, there are no disputes, oral agreements or forbearance programs in effect as to any Real Property Lease. The Company has not received or given any notice of default under any of the Real Property Leases which has not been cured. All facilities leased under the Real Property Leases are supplied with utilities and other services necessary for the operation of said facilities in the manner currently operated by the Company. There are no Liens on the interest of the Company in the Real Property Leases, subject only to (i) Liens for Taxes and assessments not yet due and payable, (ii) Liens that would not, individually or in the aggregate, have a Material Adverse Effect, (iii) those matters set forth on Schedule 4.11, (iv) statutory Liens for current taxes, assessments or governmental charges or levies on property not yet delinquent, (v) Liens otherwise arising in the ordinary course of business consistent with past practice, (vi) Liens to secure obligations shown on the Company's Financial Statements, (vii) Liens disclosed by the Real Property Leases and the other documents delivered to Buyer pursuant to this Agreement, and (viii) Liens which arise by operation of law (collectively, "**Permitted Liens**"). The Real Property Leases and options and contractual obligations listed on Schedule 4.11 are in full force and effect and constitute binding obligations of the Company and, to the Best of the Company's Knowledge (x) there are no defaults thereunder, and (y) no event has occurred that with notice, lapse of time or both would constitute a default by the Company or, to the Best of the Company's Knowledge, by any other party thereto, which default or event would have a Material Adverse Effect.

4.12. **Environmental Laws and Regulations.**

(a) The Company operation of, on and at the Subject Property, and any use, storage, treatment, disposal or transportation of Hazardous Substances by the Company or its agents, employees and contractors that has occurred in, on, to, from or under the Subject Property prior to the date of this Agreement, have been in compliance with all Environmental Requirements except where non-compliance would not have a Material Adverse Effect.

(b) The Company has obtained and holds all necessary Licenses and Permits, approvals, consents and authorizations required under applicable Environmental Requirements and is in full compliance with all terms, conditions and provisions of the same, except where the failure to hold or to fully comply with such would not have a Material Adverse Effect.

(c) The Company's occupancy and operation of the Subject Property has not resulted in any release, leak, discharge, spill, disposal or emission of Hazardous Substances in, on, to, from or under the Subject Property in a quantity or manner that violates or requires further investigation or remediation under Environmental Requirements or as required by any Agency, or could result in liability under any Environmental Law.

(d) There are no Hazardous Substances in the Subject Property as of the date of this Agreement which are the legal responsibility of the Company or pose a risk to the Company's operations or employees, except for the presence of small quantities of Hazardous Substances utilized by the Company or other tenants of the Subject Property in compliance with Environmental Requirements and the ordinary course of their business.

(e) There is no pending or, to the Best of the Company's Knowledge, threatened litigation or administrative investigation or proceeding against the Company concerning the Subject Property, the Company or the Shareholders regarding Hazardous Substances or Environmental Requirements.

(f) The Company has never owned, operated or leased any real property other than the Subject Property.

(g) The Company has not transported, recycled, treated or disposed of any Hazardous Substance, or arranged for the transportation, recycling, treatment or disposal of any Hazardous Substance, at any off-site location in any manner that may cause the Company to incur liability under any Environmental Law.

(h) To the Best of the Company's Knowledge, no material expenditures are or will be required in order to comply with any existing Environmental Requirement.

4.13. **Contracts**.

(a) Set forth on Schedule 4.13 is a list of all material contracts, licenses, agreements, arrangements and commitments (whether oral or written) to which the Company is a party or by which its assets or the Business are bound, including, without limitation, contracts, licenses, agreements, arrangements or commitments (collectively, the "**Contracts**") that relate to (i) the sale, lease or other disposition by the Company of all or any substantial part of the Business or the Company's assets or the purchase by the Company of a substantial portion of assets (in each case other than in the ordinary course of business), (ii) the Intellectual Property, (iii) the employment of any person other than personnel employed at the pleasure of the Company on an at-will basis in the ordinary course of its business at rates of compensation and on terms consistent with past practice, (iv) collective bargaining with, or any representation of any employees by, any labor union or association, (v) the acquisition of services, supplies, equipment or other personal property involving more than $20,000 or that is not terminable by the Company upon not more than thirty (30) days' notice without obligation on the part of the Company, (vi) noncompetition, (vii) distribution, agency or construction, (viii) lending or advancing of funds other than the extension of credit to trade purchasers in the ordinary course of the Company's business consistent with past practice, (ix) borrowing of funds or receipt of credit other than by the Company in the ordinary course of business consistent with past practice and except for trade payables in amounts and on terms consistent with past practice, (x) incurring of any obligation or liability, individually or in the aggregate, in

excess of $20,000 in an annual period except for transactions engaged in by the Company in the ordinary course of business consistent with past practice, (xi) the sale of personal property (other than sales of inventory in the ordinary course of business consistent with past practice) or services under which payments due after the date of this Agreement exceed $20,000, (xii) the granting of any rights restricting the development, manufacture, licensing, distribution of the products or services of the Company or a subsidiary or otherwise including "non-compete" provisions binding on the Company or a subsidiary, (xiii) indemnification by the Company or a subsidiary with respect to infringements of proprietary rights, (xiv) a "most favored nation" or "equally favored nation" provision binding on the Company, (xv) any matter or transaction not in the ordinary course of the business of the Company or that is inconsistent with the past business practice of the Company, and (xvi) obligations or rights that are otherwise material to the Company but not identified or described elsewhere in the Schedule of Exceptions. The Company has no agreements with customers that require the Company to provide goods or services at no charge or at rates significantly below the average rates for such goods or services set forth in the Company's written customer Contracts, except for immaterial discounts and/or free goods or services provided as incentives to certain accounts. For the purposes of this Section 4.13(a), all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Company has reason to know are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections. Copies of all Contracts listed on Schedule 4.13 have been provided or otherwise made available to Buyer.

(b) Each Contract is in full force and effect on the date hereof, the Company is not in default under any Contract, which default could reasonably be expected to have a Material Adverse Effect, the Company has not given or received written notice of any default under any Contract, and, to the Best of the Company's Knowledge, no other party to any Contract is in default thereunder.

(c) Except for this Agreement and the Term Sheet between the parties dated April 14, 2006, and as set forth on Schedule 4.13(c), the Company has not entered into any letter of intent, memorandum of understanding or other similar document (i) with any representative of any corporation or corporations regarding the merger of the Company with or into any such corporation or corporations, (ii) with any representative of any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Company, taken as a whole, or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company would be disposed of, or (iii) regarding any other form of liquidation, dissolution or winding up of the Company.

4.14. **No Violations.** The execution, delivery and performance of this Agreement and the Transaction Documents contemplated hereby by the Company and the Shareholders and the consummation of the transactions contemplated hereby will not (i) violate any provision of any charter or other organizational document of any Target Company, (ii) violate any statute, rule, regulation, order or decree of any public body or authority by which the Company or its properties or assets are bound or (iii) result in a violation or breach of, or constitute a default under, or result in the creation of any Lien upon, or create any rights of termination, cancellation or acceleration in any person with respect to, any Contract or any License or Permit or any other agreement, contract, indenture, mortgage or instrument to which the Company is a party or by which any of its properties or assets is bound.

4.15. **Government Contracts**. The Company is not now and has not been a party to any governmental contract.

4.16. **Consents.** Except as set forth on Schedule 4.16, no consent or approval of, notice to, registration or filing with, or authorization or order of, any court or governmental authority, and no consent, approval or notice under any Contract or other agreement or commitment to which the Company is a party or by which its assets are bound, is required as a result of or in connection with the execution or delivery of this Agreement and the other agreements and documents to be executed by the Company or the consummation by the Company of the transactions contemplated hereby.

4.17. **Litigation and Related Matters.** Except as set forth on Schedule 4.17, there are no actions, suits, proceedings, investigations or grievances pending or, to the Best of the Company's Knowledge, threatened at law or in equity, before or by any Agency, against the Company, the Business or any property or rights of the Company, or that question the validity of the Contracts or the right of the Company to enter into them, or the right of the Company to perform its obligations contemplated thereby, or that, either individually or in the aggregate, if determined adversely to the Company, would or could be reasonably expected to result in any change in the current equity ownership of the Company. The Company is not a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. The Company is not subject to any continuing court or Agency order, writ, injunction or decree applicable specifically to the Business or to the Company's operations, assets or employees, nor is the Company in default with respect to any order, writ, injunction or decree of any court or Agency with respect to the Business or to the Company's operations, assets or employees. Schedule 4.17 lists (x) all worker's compensation claims outstanding against the Company as of the date hereof, and (y) all actions, suits or proceedings filed by or against the Company since December 31, 2002. The Company has not during the last three (3) years been required to make any indemnification payment as a result of any actual or alleged act or omission of the Company or any Person under its control and, to the Best of the Company's Knowledge, no claims for any such payment have been made against the Company or any Person under its control. There is no action, suit or proceeding initiated by the Company currently pending or which the Company or a subsidiary currently intends to initiate. There are no actions, suits, proceedings are investigations pending or, to the Best of the Company's Knowledge, threatened against any executive officer of the Company or his properties that would or could be reasonably expected to have an adverse effect on such executive officer or his ability to perform his duties with the Company. No officer, director, agent or employee of the Company is subject to any order that prohibits such officer, director, agent or employee from engaging in or continuing any conduct, activity or practice relating to the Business.

4.18. **Compliance with Laws.** The Company and each of its principals, affiliates, agents, employees, consultants and advisors is, and has been at all times since inception, in compliance with all Applicable Laws, except to the extent that any noncompliance would not have a Material Adverse Effect, including, but not limited to, all applicable laws and regulations of the United States of America and any country in which it or they conduct business that prohibits unfair, fraudulent or corrupt business practices in the performance of business activities, including, but not limited to, the following prohibitions: (a) making any expenditures other than for lawful purposes or directly or indirectly offering, giving, promising to give or authorizing the payment or the gift of any money, or anything of value, to any entity or individual, while knowing or having reason to know that all or a portion of such money or thing of value will be given or promised, directly or indirectly, to any government official, official of an international organization, officer or employee of a foreign government or anyone acting in an official capacity for a foreign government, for the purpose of (x) influencing any action, inaction or decision of such official in a manner contrary to his or her position or creating an improper advantage; or (y) inducing such official to influence any government or instrumentality thereof to effect or influence any act or decision of such government or instrumentality; (b) conducting any activity or any failure to conduct any

activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("Patriot Act") and any amendments or successors thereto; (c) disclosing, sublicensing or selling any of the information or rights to any person, or any government agency of any nation, if such disclosure, sublicense or sale would be regarded by any governmental agency or department of the United States as a breach of the Foreign Assets Control Regulations, 31 C.F.R. Section 500 et seq. (1988), or the Transaction Control Regulations, 31 C.F.R. Section 505 et seq. (1988). The Company and each of its principals, affiliates, agents, employees, consultants and advisors understand and have been advised by legal counsel on the requirements of the laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at "www.usdoj.gov/criminal/fraud/fcpa.html"), any local foreign corrupt practices laws and the Patriot Act (located at "www.epic.org/privacy/terrorism/hr3162.html").

4.19. **Intellectual Property Rights**.

(a) Schedule 4.19(a) lists all Intellectual Property used by the Company in the Business and indicates (i) the term and exclusivity of the Company's rights with respect to such Intellectual Property, and (ii) whether each such item of Intellectual Property is owned or licensed by the Company, and if licensed, the licensor and the license fees therefor.

(b) Unless otherwise indicated on Schedule 4.19(b), the Company has the right to use and to license any Intellectual Property owned by it, and the consummation of the transactions contemplated hereby will not result in the loss or material impairment of any rights of the Company in or to the Intellectual Property; no officer, director or employee of the Company or Shareholder or any third party has any right, title or interest in any of the Intellectual Property that is owned by the Company, and, to the Best of the Company's Knowledge, all such persons who have been authors of any Intellectual Property owned by the Company have assigned it to the Company and waived their moral rights in any copyrighted works within the Intellectual Property, all employees of the Company with access to the Company's confidential Intellectual Property have agreed to maintain the confidentiality of confidential Intellectual Property (Schedule 4.19(b) lists such individuals).

(c) The Company has received no notices with respect to any infringement of the Company's rights to the Intellectual Property, and to the Best of the Company's Knowledge, no Person has infringed the Company's rights to the Intellectual Property. There are no pending proceedings or adverse claims made or threatened against the Company with respect to the Intellectual Property; there has been no litigation commenced or threatened in writing with respect to the Intellectual Property or the rights of the Company therein; the Software and other technology included within the Intellectual Property performs in all material respects consistent with the warranties provided therefor or the Company has otherwise complied in all material respects with the requirements of any such warranty; and the Intellectual Property developed by the Company and the use thereof by the Company do not and will not conflict with or infringe upon any patents, trade names, trademarks, service marks, trademark or service mark registrations, or, to the Best of the Company's Knowledge, copyright registrations or other intellectual property rights of others. The Company has not received any communication, whether written or oral, from any third party suggesting that it would be to the Company's advantage to take a license from any third party. To the Best of the Company's Knowledge, there is no governmental prohibition or restriction on the license, sale or use of the Intellectual Property under Applicable Law other than export controls.

(d) Schedule 4.19(d) indicates the extent to which any item constituting part of the Intellectual Property has been registered with, filed in or issued by, as the case may be, the United States Patent and Trademark Office or any other Agency; all such registrations, filings and issuances have been maintained and have not expired, been invalidated or cancelled.

(e) The Intellectual Property is owned by the Company free and clear of all Liens; the Company is not obligated to pay any compensation to any Person in respect of the use of the Intellectual Property; all versions of the Software and other technology currently used, shipped or licensed by the Company have undergone and passed the Company's standard testing procedures for known software viruses and do not contain viruses that would disrupt, damage or interfere with use of the Software and other technology; all versions of the Software and other technology currently used, shipped or licensed by the Company have undergone and passed the Company's standard quality assurance testing; and the Company has not disclosed the source code for any of the Intellectual Property or other confidential or proprietary information constituting, embodied in or pertaining to the Intellectual Property to any Person without using commercially reasonable efforts to prevent such disclosure, other than disclosure of such source code to employees or independent contractors of the Company or third parties solely for evaluation purposes, in each case pursuant to valid and binding non-disclosure agreements with such Persons. The Intellectual Property does not contain derivative works of any programming or materials not owned in their entirety by the Company or without a license with respect thereto.

(f) Except as set forth on Schedule 4.19(f), the Intellectual Property of the Company and its subsidiaries does not include any Publicly Available Software, and neither the Company nor any subsidiary has used Publicly Available Software in whole or in part in the development of any part of such Intellectual Property in a manner that may subject the Company's Intellectual Property in whole or in part, to all or part of the license obligations of any Publicly Available Software. The Company's use of the Publicly Available Software identified on the Schedule 4.19(f) will not adversely affect the Company's rights in any Intellectual Property that is material to the Company. "**Publicly Available Software**" means each of (i) any software that contains, or is derived in any manner (in whole or in part) from, any software that is distributed as free software, open source software (e.g. Linux), or similar licensing and distribution models; and (ii) any software that requires as a condition of use, modification, and/or distribution of such software that such software or other software incorporated into, derived from, or distributed with such software; (a) be disclosed or distributed in source code form; (b) be licensed for the purpose of making derivative works; or (c) be redistributable at no or minimal charge. Publicly Available Software includes, without limitation, software licensed or distributed under any of the following licenses or distribution models similar to any of the following: (a) GNU General Public License (GPL) or Lesser/Library GPL (LGPL), (b) the Artistic License (e.g. PERL), (c) the Mozilla Public License, (d) the Netscape Public License, (e) the Sun Community Source License (SCSL), the Sun Industry Source License (SISL), and the Apache Server License.

4.20. **Assumed Names and Domain Names**. Schedule 4.20 sets forth a complete list of all fictitious business names and domain names owned or used by the Company in the conduct of the Business. The Company owns or has rights to use in the Business, as currently conducted and as proposed to be conducted, all fictitious business names, assumed names and domain names identified on the Schedule. No officer, director or employee of the Company or Shareholder, or any affiliate thereof,

has any ownership or other interest in the domain names. None of the domain names, to the Best of the Company's Knowledge, infringes any trademarks, trademark rights, trade names, trade name rights or service marks of others. The Company has not obtained rights to any domain name in violation of any Applicable Laws.

4.21. **Proprietary Information and Invention Assignment.** Each (i) former employee of the Company who (x) had access to confidential information of the Company that is material to the Company, taken as a whole, as of the date hereof (or that could reasonably be expected to be material to the Company, taken as a whole, in the future) or (y) participated in the development of the Intellectual Property that is or is expected to be material to the Company, taken as a whole, and (ii) current employee of the Company has executed a confidential information and invention assignment agreement in form and substance agreeable to the Buyer. No such employee or former employee has excluded works or inventions made prior to his or her employment or service with the Company or a subsidiary from his or her assignment of inventions pursuant to such confidential information and invention assignment agreement. Each (i) former consultant who (x) had access to confidential information of the Company or a subsidiary that is material to the Company, taken as whole, as of the date hereof (or that could reasonably be expected to be material to the Company, taken as a whole, in the future) or (y) participated in the development of the Intellectual Property that is or is expected to be material to the Company taken as a whole, and (ii) current consultant to the Company or a subsidiary has entered into an agreement containing appropriate confidentiality and invention assignment provisions. To the Best of the Company's Knowledge, no officer, employee or consultant of the Company is in violation of such confidential information and invention assignment agreement or any prior employee contract or proprietary information agreement with any other entity or third party.

4.22. **Employees; Employee Relations**.

(a) Schedule 4.22(a) sets forth (i) the name and current annual salary (or rate of pay) and other compensation (including, without limitation, normal bonus, profit-sharing and other compensation) now payable by the Company to each employee (which for all purposes of this Agreement shall include employees leased by the Company from a third party) whose current total annual compensation or estimated compensation is $25,000 or more, (ii) any increase to become effective after the date of this Agreement in the total compensation or rate of total compensation payable by the Company to each such person, (iii) all presently outstanding loans and advances (other than routine travel advances to be repaid or formally accounted for within sixty (60) days) made by the Company to, or made to the Company by, any director, officer or employee, (iv) all other transactions between the Company and any director, officer or employee thereof since January 31, 2003, and (v) all accrued but unpaid vacation pay owing to any officer or employee that is not disclosed on the Financial Statements.

(b) The Company is not a party to, bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and, to the Best of the Company's Knowledge, no labor union has requested or has sought to represent any of the employees, representatives or agents of the Company or any subsidiary. The Company has not experienced any material labor difficulties during the last four (4) years and during the last four (4) years, none of the employees of the Company has been represented by any labor union or other employee collective bargaining organization, was a party to, or bound by, any labor or other collective bargaining agreement or has been subject to or involved in or, to the Best of the Company's Knowledge, threatened with, any union elections, petitions or other organizational or recruiting activities. There are no labor disputes

existing, or to the Best of the Company's Knowledge, threatened involving, by way of example, strikes, work stoppages, slowdowns, picketing, or any other interference with work or production, or any other concerted action by employees. No charges or proceedings before the National Labor Relations Board, or similar agency, exist, or to the Best of the Company's Knowledge, are threatened.

(c) Except as disclosed on Schedule 4.22(c) unless otherwise provided for herein, the Company is not a party to any employment contract with any individual or employee. To the Best of the Company's Knowledge, the relationships enjoyed by the Company with its employees are good, and the Company has no knowledge of any facts that would indicate that the Shareholders and the other key employees of the Company, as identified on Schedule 2.2(b), are not reasonably likely to continue in the employ thereof following the Closing on a basis similar to that existing on the date of this Agreement. No employee of the Company has been granted the right to continued employment by the Company or to any material compensation following termination of employment with the Company. To the Best of the Company's Knowledge unless otherwise provided for herein, no officer, key employee or group of employees intends to terminate his, her or their employment with the Company, nor does the Company have a present intention to terminate the employment of any officer, key employee or group of employees.

(d) No legal proceedings or, to the Best of the Company's Knowledge, charges, complaints or claims exist under any federal, state or local laws affecting the employment relationship, including, but not limited to, (i) anti-discrimination statutes such as Title VII of the Civil Rights Act of 1964, as amended (or similar state or local laws prohibiting discrimination because of race, sex, religion, national origin, age and the like), (ii) the Fair Labor Standards Act or other federal, state or local laws regulating hours of work, wages, overtime and other working conditions, (iii) requirements imposed by federal, state or local governmental contracts such as those imposed by Executive Order 11246, (iv) state laws with respect to tortious employment conduct, such as slander, harassment, false light, invasion of privacy, negligent hiring or retention, intentional infliction of emotional distress, assault and battery, or loss of consortium, or (v) the Occupational Safety and Health Act, as amended, as well as any similar state laws, or other regulations respecting safety in the workplace; and, to the Best of the Company's Knowledge, no proceedings, charges, complaints or claims are threatened under any such laws or regulations and no facts or circumstances exist that would give rise to any such proceedings, charges, complaints or claims, whether valid or not. The Company is not subject to any settlement or consent decree with any present or former employee, employee representative or any government or Agency relating to claims of discrimination or other claims in respect to employment practices and policies; and no government or Agency has issued a judgment, order, decree or finding with respect to the labor and employment practices (including practices relating to discrimination) of the Company. Since January 1, 2004, the Company has not incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act or similar state laws, and the Company has not laid off more than ten percent (10%) of its employees at any single site of employment in any ninety (90) day period during the twelve (12) month period ending at the Closing Date.

(e) The Company is in compliance in all material respects with the provisions of the Americans with Disabilities Act, as amended.

(f) The Company employs all of its employees directly.

4.23. **Employee Benefit Plans**.

(a) Each Plan listed on Schedule 4.23, including identification of the Company or Group Member that sponsors such Plan, is in material compliance with Applicable Law, including ERISA and the Code, and has been administered and operated in material compliance with its terms and Applicable Law. Each Plan that is intended to be "qualified" within the meaning of Section 401(a) of the Code has (i) received a favorable determination letter or (ii) was established by adoption of a prototype or volume submitter plan that is the subject of a favorable opinion letter issued by the Internal Revenue Service upon which the Company or the applicable Group Member of the Company is permitted to rely, and the Company has delivered or caused to be delivered to Buyer a true and complete copy of each such determination or opinion letter. To the Best of the Company's Knowledge, no event has occurred and no condition exists that could be expected to result in the revocation of any such determination, and no amendments have been made since the date of the most recent determination letter for which the remedial period under Section 401(b) of the Code has expired. For purposes of this Agreement, the term "**Plan**" shall include each bonus, incentive or deferred compensation, severance, termination, retention, change of control, stock option, stock appreciation, stock purchase, phantom stock, stock appreciation rights, restricted stock, incentive, fringe benefit, sick leave, vacation, paid time off, leave of absence, profit sharing, pension, retirement, medical, life, disability, accident, salary continuation, and supplemental retirement plans, contracts, arrangements, or policies, including without limitation, "all employee benefit plans" within the meaning of Section 3(3) of ERISA that are sponsored or maintained by the Company, or any Group Member or to which the Company or any Group Member could have or could have had an obligation to contribute.

(b) No Plan is subject to Title IV of ERISA, and neither the Company nor any Group Member has made any contributions to, or had any obligation to contribute to, or participated in any "multiple employer plan" (within the meaning of the Code or ERISA) or "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA). Full payment has been made of all amounts that the Company or any Group Member was required under the terms of the Plans to have paid as contributions to such Plans on or prior to the date hereof (excluding any amounts not yet due); all amounts properly accrued to date as liabilities of the Company that have not been paid have been properly recorded on the Financial Statements; and no Plan is subject to Part 3 of Subtitle B of Title 1 of ERISA or has incurred any "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived. The Company and its Group Members, if any, do not have any obligation to provide health benefits or other non-pension benefits to retired or former employees, except as specifically required by Section 980B(f) of the Code to provide health benefits or other non-pension benefits to retired or former employees, except as specifically required by Section 4980B(f) of the Code.

(c) (As of the date hereof, there are no material actions, suits or claims pending or, to the Best of the Company's Knowledge threatened against or with respect to any Plan or the assets of any Plan (other than routine claims for benefits and appeals of denied claims) and no civil or criminal action brought pursuant to the provisions of Title I, Subtitle B, Part 5 of ERISA is pending or, to the Best of the Company's Knowledge, threatened against the Company or any Group Member or, to the Best of the Company's Knowledge, any fiduciary of any Plan with respect to any such Plans. Neither the Company nor any Group Member has received any written notice that any Plan or any

fiduciary thereof is presently the direct or indirect subject of an audit, investigation or examination by any governmental or quasi-governmental agency and, to the Best of the Company's Knowledge, no such action has been threatened. The Company may amend or terminate any such Plan at any time without incurring any liability thereunder other than in respect of claims incurred prior to such amendment or termination (and normal administrative termination costs).

(d) Neither the Company nor any Group Member nor any director, officer, or employee of the foregoing, nor, to the Best of the Company's Knowledge, any other person who participates in the operation of any Plan, has engaged in any transaction with respect to any Plan, or breached any applicable fiduciary responsibility or obligation under Title I of ERISA that would subject any of them to a material tax, penalty or liability for prohibited transactions or breach of any obligations under ERISA or the Code or would result in any material claim being made under, by or on behalf of any such Plan by any party with standing to make such a claim.

(e) Neither the Company nor any Group Member has incurred any liability or civil penalty under Sections 409, 402(i) or 502 of ERISA or liability for any tax or excise tax arising under Chapter 43 or Section 6652 of the Code with respect to any Plan, and no event has occurred and no condition or circumstance exists that could reasonably be expected to give rise to any such liability with respect to any Plan.

(f) Neither the execution and delivery of this Agreement by the Company nor the consummation of the transactions contemplated hereby will (i) entitle any current or former employee of the Company to severance pay, unemployment compensation or any similar payment, (ii) accelerate the time of payment or vesting, or increase the amount, of any compensation due to any such employee or former employee, or (iii) directly or indirectly result in any payment made or to be made to or on behalf of any Person being classified or treated as a "parachute payment" (within the meaning of Section 280G of the Code).

(g) With respect to each Plan, the Company has delivered or otherwise made available to Buyer a true and complete copy of such Plan document, including any amendments thereto, and a copy of any related trust agreement, insurance contract or any other agreements by which such Plan is established, operated, administered, or funded, the most recent summary Plan description, together with any summaries of material modifications, and the three most recently filed Forms 5500, as applicable.

(h) Each Plan that is a nonqualified deferred compensation plan subject to Section 409A of the Code complies in form and in operation with Section 409A of the Code and no event has occurred that would trigger the additional tax set forth in Section 409A(a)(1)(B)(i)(II) of the Code with respect to any such Plan.

(i) The Company does not, and following the Closing Date, Buyer will not, have any liability (actual or contingent) with respect to any Plan established, maintained, or sponsored by any Group Member, or to which any Group Member has contributed, or into which any Group Member has entered.

4.24. **Insurance**. Schedule 4.24 contains an accurate list of the policies and contracts (including insurer, named insured, type of coverage, limits of insurance, required deductibles or co-payments, annual premiums and expiration date) for fire, casualty, liability and other forms of insurance

maintained by, or for the benefit of, the Company. All such policies are in full force and effect and shall remain in full force and effect through the Closing Date, and are sufficient in amount, subject to reasonable deductibles, to allow the Company to replace any of its properties that might be damaged or destroyed. The Company has not received any notice of cancellation or non-renewal or of significant premium increases with respect to any such policy. No pending claims made by or on behalf of the Company under such policies have been denied or are being defended against third parties under a reservation of rights by an insurer thereof. All premiums due prior to the date hereof for periods prior to the date hereof with respect to such policies have been timely paid.

4.25. **Business Relations**. Schedule 4.25 contains an accurate list of all significant customers of the Company (*i.e.*, disclosing either those customers representing five percent (5%) or more of the Company's revenues for the twelve (12) months ended December 31, 2005 or those ten (10) largest revenue-generating customers). The Company is not required to provide any bonding or other financial security arrangements in any material amount in connection with any transactions with any of its customers or suppliers. No customer records have suffered damage or have been lost or improperly destroyed.

4.26. **Interests in Customers, Suppliers, Etc.** No Shareholder or officer, director or affiliate of the Company possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any Person that is a client, supplier, customer, lessor, lessee or competitor of the Company. Ownership of securities of a corporation whose securities are registered under the 1934 Act not in excess of five percent (5%) of any class of such securities shall not be deemed to be a financial interest for purposes of this Section 4.26.

4.27. **Officers and Directors**. Set forth on Schedule 4.27 is a list of the current officers and directors of the Company and each subsidiary.

4.28. **Bank Accounts and Powers of Attorney**. Schedule 4.28 sets forth each bank, savings institution and other financial institution with which the Company has an account or safe deposit box or a line of credit, letter of credit or other financial agreement, arrangement or obligation, and the names of all persons authorized to draw thereon or to have access thereto. Each person holding a power of attorney or similar grant of authority on behalf of the Company is identified on Schedule 4.28. Except as disclosed on Schedule 4.28, the Company has not given any revocable or irrevocable powers of attorney to any person, firm, corporation or organization relating to the Business for any purpose whatsoever.

4.29. **Absence of Undisclosed Liabilities or Certain Changes or Events**.

(a) Except as and to the extent reflected or reserved against in the Financial Statements, the Company has not had any material accrued or contingent liability or liabilities or obligations (contractual or otherwise) arising out of any transaction or state of facts existing prior to or on the date hereof or arising other than in the ordinary course of business since December 31, 2005 (whether such liability is accrued, to become due, contingent or otherwise) in excess of $20,000 in the aggregate.

(b) Since December 31, 2005 there has not been:

(i) any change in the assets, liabilities, financial condition or operating results of the Company, taken as a whole, from that reflected in the Financial Statements, except changes in the ordinary course of business consistent with past practice;

(ii) any material damage, destruction or loss to the physical properties of the Company or to the physical properties of any third parties that are located on the Company's premises or within the Company's control, whether or not covered by insurance;

(iii) any waiver by the Company or a subsidiary of a valuable right or of a material debt owed to it;

(iv) any material change or amendment to an agreement by which the Company or a subsidiary or any of their respective assets or properties are bound or subject;

(v) any loans made by the Company or a subsidiary to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(vi) any resignation or termination of any executive officer or key employee of the Company or a subsidiary, and the Company does not have any knowledge of any impending resignation or termination of employment of any such officer or key employee;

(vii) any material change in any compensation arrangement or agreement with any employee, director or stockholder;

(viii) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(ix) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by the Company or a subsidiary, except in the ordinary course of business and that is not material to the business, properties, prospects or financial condition of the Company, taken as whole;

(x) any declaration, setting aside or payment or other distribution in respect of any of the Company's capital stock or other equity interests, or any direct or indirect redemption, purchase or other acquisition of any of such stock or equity interests by the Company;

(xi) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company or a subsidiary, with respect to any of their respective material properties or assets, except liens for taxes not yet due or payable;

(xii) any loss of any suppliers or material customers of the Company, any loss of business or increase in the cost of inventory items or change in the terms offered to such customers or any material change in the relations of the Company with its customers or suppliers, including any receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Company or a subsidiary;

(xiii) any capital expenditure (including any capital leases) or commitment therefor by the Company in excess of $20,000, in each event with respect to items (i) – (xii) hereof that would be reasonably likely to have a Material Adverse Effect.

(xiv) any other event or condition of any character that has had a Material Adverse Effect; or

(xv) any agreement or commitment by the Company or a subsidiary to do any of the things described in this Section 4.29(b).

4.30. **Disclosure**. No representation or warranty of the Company or the Shareholders contained in this Agreement, in the schedules attached hereto or in any certificate or other documentation furnished or to be furnished by the Company or the Shareholders to Buyer in connection herewith or pursuant hereto or further to the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary in order to make any statement contained herein or therein, in light of the circumstances under which made, not misleading, in each case that could be reasonably expected to have a Material Adverse Effect.

4.31. **Continuity of Business Enterprise**. The Company operates at least one significant historic business line, or owns at least a significant portion of its historic business assets, in each case within the meaning of Treasury Regulations Section 1.368-1(d).

4.32. **Spin-off by the Company**. There has not been any sale or spin-off of material assets of either the Company or any other Person that directly, or indirectly through one or more intermediates, controls, is controlled by or is under common control with the Company, within the two (2) years prior to the date of this Agreement, and any such sale or spin-off was not effected in contemplation of the transactions described herein.

4.33. **Ownership of the Shares**. Each of the Shareholders is the record and beneficial owner of that number of Shares set forth opposite such Shareholder's name in Schedule 4.4. Each Shareholder has good and marketable title to such Shares, free and clear of any Liens or other claims, security interests, pledges, or encumbrances of any nature whatsoever. All such Shares are duly authorized, validly issued, fully paid and nonassessable and each Shareholder has complete and unrestricted power and the unqualified right to sell, assign, transfer and deliver its Shares to Buyer, and upon delivery to Buyer of the Stock Powers and Company Certificates, Buyer shall acquire good and marketable title to such Shares, free and clear of any Liens or encumbrances of any nature whatsoever.

4.34. **Non-Registration of Buyer Common Stock**. Each Shareholder understands that the Buyer Common Stock received by him pursuant to this Agreement is not registered under the 1933 Act, or under applicable state securities laws, in reliance upon exemption contained in the 1933 Act and such laws and any applicable regulations promulgated thereunder or interpretations thereof, and cannot be offered for sale, sold or otherwise transferred unless the Buyer Common Stock is subsequently so registered pursuant to the terms of this Agreement or qualify for exemption from registration under the 1933 Act and such applicable state securities laws; and the certificates of such Buyer Common Stock shall bear an appropriate legend to that effect.

4.35. **Investment Representations**.

(a) Each Shareholder is acquiring the Buyer Common Stock allocable to him for investment for his own account and not with a view to, or for resale in connection with, the distribution thereof in contravention of securities laws.

(b) Each Shareholder's knowledge and experience in financial and business matters are such that he (either alone or together with such Shareholder's advisors) is capable of evaluating the merits and risks of his or her acquisition of the Buyer Common Stock. Each Shareholder acknowledges that Buyer has made available to each Shareholder, his legal and tax counsel, and each Shareholders' advisors, prior to the date hereof, the opportunity to ask questions of, and to receive answers from, Buyer and its representatives, about Buyer and access to any information, documents, financial statements, records and books (i) relative to Buyer and its business and an investment in Buyer, and (ii) necessary to verify the accuracy of any information furnished to each Shareholder.

(c) Each Shareholder's financial condition is such that he can afford to bear the economic risk of holding the Buyer Common Stock for an indefinite period of time and has adequate means for providing for his current needs and contingencies and to suffer a complete loss of his investment in the Buyer Common Stock.

(d) Each Shareholder is an "accredited investor" as defined in Rule 501 under the 1933 Act. Each Shareholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Buyer Common Stock. No Shareholder is a registered broker dealer or an affiliate of any broker or dealer registered under Section 15(a) of the 1934 Act, or a member of the National Association of Securities Dealers, Inc. or a Person engaged in the business of being a broker dealer.

(e) Each Shareholder has been advised that (i) the Buyer Common Stock have not been registered under the 1933 Act or other applicable securities laws, (ii) the Buyer Common Stock may need to be held indefinitely, and each Shareholder must continue to bear the economic risk of the investment in the Buyer Common Stock unless the Buyer Common Stock is subsequently registered under the 1933 Act or an exemption from such registration is available, (iii) when and if the Buyer Common Stock may be disposed of without registration in reliance on Rule 144 promulgated under the 1933 Act, such disposition can be made only in limited amounts in accordance with the terms and conditions of such Rule, and the Shareholder must deliver an opinion of counsel to Buyer reasonably acceptable to Buyer in form, substance and scope to the effect that the Buyer Common Stock to be sold or transferred may be sold or transferred under an exemption from such registration, and (iv) if the Rule 144 exemption is not available, public sale without registration will require compliance with an exemption under the 1933 Act.

(f) Each Shareholder understands that no Agency has passed upon or made any recommendation or endorsement of the Buyer Common Stock.

(g) Each Shareholder understands that the Buyer Common Stock is characterized as "restricted securities" under the U.S. federal securities laws inasmuch as the Buyer Common Stock is being acquired from Buyer in a transaction not involving a

public offering and that under such laws and applicable regulations such securities may be resold without registration under the 1933 Act only in certain limited circumstances.

(h) Each Shareholder acknowledges that Buyer and its advisors will rely on the representations and warranties of the Shareholder contained in this Section 3.32 for purposes of determining whether the issuance of the Buyer Common Stock is exempt from registration under the 1933 Act and other applicable securities laws.

4.36. **Legends**. Each Shareholder understands that the shares received of the Buyer Common Stock upon consummation of the Acquisition shall bear a restrictive legend in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED OR SOLD IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER APPLICABLE SECURITIES LAWS UNLESS OFFERED, SOLD OR TRANSFERRED UNDER AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS.

4.37. **Transactions With Affiliates and Employees**.

(a) Except as set forth on Schedule 4.37, there are no agreements, understandings or proposed transactions that constitute Affiliate Transactions (as defined below) or any employment, stock option, stock purchase, severance, change of control or other agreements with any officer, director or key employee. No employee, officer, director or, to the Best of the Company's Knowledge, Shareholder, or member of his immediate family is indebted to the Company or any subsidiary, nor is the Company or any subsidiary indebted (or committed to make loans or extend or guarantee credit) to any of them other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Company or any subsidiary and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Company's Board of Directors and stock purchase agreements approved by the Company's Board of Directors). To the Best of the Company's Knowledge, none of such persons has any direct or indirect ownership interest in any firm or corporation with which the Company or any subsidiary is affiliated or with which the Company or a subsidiary has a business relationship, or any firm or corporation that competes with the Company or a subsidiary, except in connection with the ownership of stock in publicly-traded companies. To the Best of the Company's Knowledge, no employee, officer, director or stockholder, nor any member of their immediate families, is, directly or indirectly, interested in any material contract with the Company or a subsidiary (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Company). "**Affiliate Transaction**" means any transaction that it is reasonably likely would be required to be disclosed pursuant to Item 404(a) of Regulation S-K promulgated under the Securities Act and the Securities Exchange Act of 1934, as amended, assuming the Company is at such time subject to the periodic reporting obligations of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (even if the Company is not in fact at such time subject to such requirements).

(b) Unless detailed otherwise on Schedule 4.37, all of the agreements described in Section 4.37(a) contain terms and obligations that are as favorable to the Company as the Company would have obtained had such agreements been negotiated in an arm's-length transaction with a bona fide third party.

4.38. **Brokers or Finders**. Neither the Company nor any subsidiary has incurred, and will not incur, directly or indirectly, as a result of any action taken by the Company or any subsidiary, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or any of the transactions contemplated hereby.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

A Schedule of Exceptions, attached hereto as Exhibit C-2, shall be delivered to the Company and Shareholders in connection with the Closing. Except as set forth on the Schedule, Buyer represents and warrants to the Company and the Shareholders that all of the following representations and warranties set forth in this Article V are true and correct at the time of the Closing:

5.1. **Due Organization; Good Standing**. Buyer is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, has the requisite corporate power and authority to own, to lease and to operate its properties and to carry on its business as now being conducted, and to execute and perform its obligations pursuant to this Agreement. Buyer is duly authorized and qualified and in good standing under all Applicable Law, regulations, and ordinances of public authorities to carry on its businesses in the places and in the manner as now conducted, except where the failure to be so authorized or qualified would not have a Buyer Material Adverse Effect. Set forth on Schedule 5.1 is a list of the jurisdictions in which the Buyer is qualified or licensed to do business as a foreign corporation or other applicable entity. True, complete and correct copies of the Amended and Restated Certificate of Incorporation and the Bylaws are all attached hereto on Schedule 5.1. The minute books of the Buyer, as heretofore made available to the Company, are correct and complete in all material respects.

5.2. **Capitalization.** The Buyer is authorized to issue up to 61,100,000 shares of its capital stock, consisting of 50,000,000 shares of Common Stock, $0.001 par value per share, and 11,100,000 shares of Series A Preferred Stock, $0.001 par value per share. Schedule 5.2 sets forth a complete and correct list of the shares of Buyer's Common Stock and shares of Buyer's Series A Preferred Stock currently outstanding. In addition, the Buyer has warrants outstanding exercisable into 110,554 shares of Common Stock and options outstanding pursuant to its 2006 Equity Incentive Plan, under which 2,116,975 shares of Common Stock are reserved for issuance. Schedule 5.2 also sets forth a complete and correct list of the any outstanding options, warrants, rights, puts, calls, commitments, conversion rights, plans or other agreements of any character to which the Buyer is a party or otherwise bound which provide for the acquisition, disposition or issuance of any issued but not outstanding, outstanding, or authorized and unissued shares of capital stock of the Buyer, any rights, "demand," "piggy-back" or otherwise, to have such securities registered under the 1933 Act and any agreement or understanding between the Buyer and any holder of any equity securities or rights to purchase equity securities provides for acceleration or other changes in the vesting provisions or other terms of such agreement or understanding as the result of (i) termination of employment (whether actual or constructive); (ii) any merger, consolidated sale of stock or assets, change in control or any other transactions) by the Company; or (iii) the occurrence of any other event or combination of events.

5.3. **Buyer Common Stock** . The Buyer Common Stock to be issued to the Shareholders at the Closing shall be validly and legally issued shares of Buyer Common Stock, fully paid with effect from

the Closing Date, and (i) shall be free and clear of all Liens created by any act or omission of Buyer, and (ii) except as described in this Agreement, will be legally equivalent in all respects to the Buyer Common Stock issued and outstanding as of the date hereof and subject to the Buyer's Amended and Restated Certificate of Incorporation and Bylaws.

5.4. **Validity of Obligations**. The execution and delivery of the Transaction Documents by Buyer and the performance by Buyer of the transactions contemplated therein have been duly and validly authorized by the Board of Directors of Buyer, and the Transaction Documents shall have each been duly and validly authorized by all necessary corporate action, duly executed and delivered at or prior to the Closing and shall be the legal, valid and binding obligations of Buyer, enforceable against it in accordance with their respective terms, subject to the Equitable Exceptions.

5.5. **Authorization**. The representatives of Buyer executing this Agreement and the other Transaction Documents have the corporate authority to enter into and to bind Buyer to the terms of this Agreement and the other Transaction Documents. Buyer has the full legal right, power and authority to enter into this Agreement and the other Transaction Documents.

5.6. **No Conflicts**. The execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of any transactions referred to herein or contemplated hereby will not:

(a) Conflict with, or result in a breach or violation of, the Amended and Restated Certificate of Incorporation or the Bylaws of Buyer, copies of which have been made available to the Company;

(b) Materially conflict with, or result in a material default (or would constitute a default but for any requirement of notice or lapse of time or both) under any material document, agreement or other instrument to which Buyer is a party or by which its properties or assets are bound, or violate or result in the creation or imposition of any Lien on any of Buyer's properties or assets pursuant to (i) any law or regulation to which Buyer or any of its properties or assets are subject, or (ii) any judgment, order or decree to which Buyer is bound or any of its properties or assets are subject; or

(c) Result in a violation or breach of, or constitute a default under, or result in the creation of any Lien upon, or create any rights of termination, cancellation or acceleration in any person with respect to any material permit, license, franchise, mortgage, indenture, instrument, contractual right or other authorization of Buyer or, except as set forth on Schedule 5.6, require notice to, or the consent or approval of, any Agency or other third party to remain in full force and effect or give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

5.7. **Disclosure**. No representation or warranty of the Buyer contained in this Agreement, in the schedules attached hereto or in any certificate furnished or to be furnished by the Buyer to the Company and the Shareholders in connection herewith or pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary in order to make any statement contained herein or therein, in light of the circumstances under which made, not misleading, in each case that could be reasonably expected to have a Buyer Material Adverse Effect.

5.8. **Conformity with Law and Litigation**

(a) To the Best of Buyer's Knowledge, Buyer has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in applicable federal, state and local statutes, ordinances, orders, approvals, variances, rules and regulations and is not in violation of any of the foregoing that would have a Buyer Material Adverse Effect. To the Best of Buyer's Knowledge, Buyer is not in violation of any Applicable Law or any order of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it that would have a Buyer Material Adverse Effect, including, but not limited to, all applicable laws and regulations of the United States of America and any country in which it or they conduct business that prohibits unfair, fraudulent or corrupt business practices in the performance of business activities, including, but not limited to, the following prohibitions: (a) making any expenditures other than for lawful purposes or directly or indirectly offering, giving, promising to give or authorizing the payment or the gift of any money, or anything of value, to any entity or individual, while knowing or having reason to know that all or a portion of such money or thing of value will be given or promised, directly or indirectly, to any government official, official of an international organization, officer or employee of a foreign government or anyone acting in an official capacity for a foreign government, for the purpose of (x) influencing any action, inaction or decision of such official in a manner contrary to his or her position or creating an improper advantage; or (y) inducing such official to influence any government or instrumentality thereof to effect or influence any act or decision of such government or instrumentality; (b) conducting any activity or any failure to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("Patriot Act") and any amendments or successors thereto; (c) disclosing, sublicensing or selling any of the information or rights to any person, or any government agency of any nation, if such disclosure, sublicense or sale would be regarded by any governmental agency or department of the United States as a breach of the Foreign Assets Control Regulations, 31 C.F.R. Section 500 et seq. (1988), or the Transaction Control Regulations, 31 C.F.R. Section 505 et seq. (1988). The Buyer and each of its principals, affiliates, agents, employees, consultants and advisors understand and have been advised by legal counsel on the requirements of the laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at "www.usdoj.gov/criminal/fraud/fcpa.html"), any local foreign corrupt practices laws and the Patriot Act (located at "www.epic.org/privacy/terrorism/hr3162.html").

(b) Except as set forth on Schedule 5.8, there are no claims, actions, suits or proceedings, pending or, to the Best of Buyer's Knowledge, threatened, at law or in equity, against or affecting Buyer, or before or by any Agency having jurisdiction over it, in each case that would have a Buyer Material Adverse Effect, and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The Buyer is not a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. The Buyer is not subject to any continuing court or Agency order, writ, injunction or decree applicable specifically to the Business or to the Buyer's operations, assets or employees, nor is the Buyer in default with respect to any order, writ, injunction or decree of any court or Agency with respect to the Business or to the Buyer's operations, assets or employees. There are no actions, suits, proceedings are investigations pending or, to the Best of the Buyer's Knowledge, threatened against any executive officer of the Buyer or his properties that would or could be reasonably expected to have an adverse effect on such executive officer or his ability to perform his duties with the Buyer. No officer, director, agent or employee of the Buyer is

subject to any order that prohibits such officer, director, agent or employee from engaging in or continuing any conduct, activity or practice relating to the Business.

5.9. **Capital Resources**. Buyer has or will be able to obtain sufficient capital resources to pay the Purchase Price at the Closing Date.

5.10. **Brokers or Finders**. Except as disclosed on Schedule 5.10, neither the Buyer nor any subsidiary has incurred, and will not incur, directly or indirectly, as a result of any action taken by the Buyer or any subsidiary, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or any of the transactions contemplated hereby.

5.11. **Consolidated Financial Statements**.

(a) The Buyer has previously furnished to Company the audited consolidated balance sheets of the Buyer as of December 31, 2005, December 31, 2004, and December 31, 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for the three (3) fiscal years then ended, as audited by the Buyer's Accountant (collectively, the "**Financial Statements**"). The Financial Statements were prepared in accordance with GAAP and fairly present the consolidated financial condition of the Buyer as at the respective dates and the consolidated results of operations and cash flows of the Buyer for the periods indicated.

(b) The Buyer's Accountant has audited the Financial Statements and has rendered its opinion and provided an audit report with respect to such Financial Statements. The Buyer's Accountant is and has been throughout the periods covered by such consolidated Financial Statements (i) a "registered public accounting firm" (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002), and (ii) "independent" with respect to the Buyer within the meaning of Regulation S-X of the SEC. The Buyer's Accountant has not, throughout the periods covered by such Financial Statements, performed any services for the Buyer or any of its subsidiaries that would be prohibited by Section 10A(g) of the 1934 Act or the related rules of the SEC if the Buyer were required to file reports pursuant to the 1934 Act. Except as set forth on Schedule 5.11(b), the Buyer's Accountant has not performed any non-audit services for the Buyer or any of its subsidiaries since the beginning of the Buyer's immediately preceding fiscal year.

(c) The Buyer does not have any "off-balance sheet arrangements." For purposes of the preceding sentence, "off-balance sheet arrangement" means with respect to any Person, any securitization transaction to which that Person or its subsidiaries is party and any other transaction, agreement or other contractual arrangement to which an entity unconsolidated with that Person is a party, under which that Person or its subsidiaries, whether or not a party to the arrangement, has, or in the future may have: (i) any obligation under a direct or indirect guarantee or similar arrangement; (ii) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement; (iii) derivatives to the extent that the fair value thereof is not fully reflected as a liability or asset in the Financial Statements; or (iv) any obligation or liability, including a contingent obligation or liability, to the extent that it is not fully reflected in the Financial Statements (including the footnotes thereto) (for this purpose, obligations or liabilities that are not fully reflected in the financial statements (including the footnotes thereto) include, without limitation: (i) obligations that are not classified as a liability according to GAAP; (ii) contingent liabilities as to which, as of the date of the Financial Statements, it is not probable that a loss has been incurred or, if probable, is not reasonably estimable; or (iii)

liabilities as to which the amount recognized in the Financial Statements is less than the reasonably possible maximum exposure to loss under the obligation as of the date of the Financial Statements, but exclude contingent liabilities arising out of litigation, arbitration or regulatory actions (not otherwise related to off-balance sheet arrangements).

(d) Except to the extent (and not in excess of the amounts) reflected in the December 31, 2005 balance sheet included in the Financial Statements or as set forth on Schedule 5.11(d), the Buyer has no material contingent liabilities or obligations (including, without limitation, Taxes payable and deferred Taxes and interest accrued since December 31, 2005) required to be reflected in the Financial Statements (or the notes thereto) in accordance with GAAP other than current liabilities incurred in the ordinary course of business, consistent with past practice, subsequent to December 31, 2005. For each such contingent liability, the Buyer has provided to Company the following information:

(i) A summary description of the contingent liability together with the following:

(A) Copies of all relevant documentation relating thereto;

(B) Amounts claimed and any other action or relief sought; and

(C) Name of claimant and all other parties to the claim, suit or proceeding.

(ii) The name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) The date such claim, suit or proceeding was instituted.

5.12. **Absence of Undisclosed Liabilities or Certain Changes or Events**.

(a) Except as and to the extent reflected or reserved against in the Financial Statements or set forth in Schedule 5.12, the Buyer has not had any material accrued or contingent liability or liabilities or obligations (contractual or otherwise) arising out of any transaction or state of facts existing prior to or on the date hereof or arising other than in the ordinary course of business since December 31, 2005 (whether such liability is accrued, to become due, contingent or otherwise) in excess of $20,000 in the aggregate.

(b) Since December 31, 2005 there has not been:

(i) any change in the assets, liabilities, financial condition or operating results of the Buyer from that reflected in the Financial Statements, except changes in the ordinary course of business consistent with past practice;

(ii) any material damage, destruction or loss to the physical properties of the Buyer or to the physical properties of any third parties that are located on the Buyer's premises or within the Buyer's control, whether or not covered by insurance;

(iii) any waiver by the Buyer or a subsidiary of a valuable right or of a material debt owed to it;

(iv) any material change or amendment to an agreement by which the Buyer or a subsidiary or any of their respective assets or properties are bound or subject;

(v) any loans made by the Buyer to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(vi) any resignation or termination of any executive officer or key employee of the Buyer, and the Buyer does not have any knowledge of any impending resignation or termination of employment of any such officer or key employee;

(vii) any material change in any compensation arrangement or agreement with any employee, director or stockholder;

(viii) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(ix) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by the Buyer, except in the ordinary course of business and that is not material to the business, properties, prospects or financial condition of the Buyer;

(x) any declaration, setting aside or payment or other distribution in respect of any of the Buyer's capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock or equity interests by the Buyer;

(xi) any mortgage, pledge, transfer of a security interest in, or lien, created by the Buyer, with respect to any of their respective material properties or assets, except liens for taxes not yet due or payable;

(xii) any loss of any suppliers or material customers of the Buyer, any loss of business or increase in the cost of inventory items or change in the terms offered to such customers or any material change in the relations of the Buyer with its customers or suppliers, including any receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Buyer;

(xiii) any capital expenditure (including any capital leases) or commitment therefor by the Buyer in excess of $100,000, in each event with respect to items (i) – (xii) hereof that would be reasonably likely to have a Material Adverse Effect.

(xiv) any other event or condition of any character that has had a Material Adverse Effect; or

(xv) any agreement or commitment by the Company or a subsidiary to do any of the things described in this Section 5.12.

5.13. **Tax Matters.** The Buyer has timely filed or caused to be filed on a timely basis all Tax Returns and reports (federal, state and local) that are or were required to be filed by or with respect to any of the Buyer and all of its affiliates, either separately or as a member of a group of entities, pursuant to all Applicable Laws. All such Tax Returns and reports were true and correct in all material respects. The

Buyer has paid all Taxes and other assessments due and owing by the Buyer (whether or not shown on any Tax Return), except those contested by it in good faith.

ARTICLE VI

COVENANTS OF THE PARTIES

6.1. **Preparation and Filing of Tax Returns**.

(a) The Shareholders shall, in accordance with the Company's past practices, prepare or cause to be prepared, and file or cause to be filed, all Tax Returns of the Company for Tax periods ending on or prior to the Closing Date that are due to be filed after the Closing Date, including, without limitation, the Company's final S corporation Tax Return. The Shareholders shall be responsible for the payment of all Taxes reported on such Tax Returns. Any Tax Returns of the Company filed by the Shareholders on or after the Closing Date shall be subject to Buyer's review and approval prior to filing, which approval shall not be unreasonably withheld, delayed or conditioned, and copies of such Tax Returns shall be provided to Buyer at least thirty (30) days before the date such Tax Returns are due.

6.2. **Cooperation on Tax Matters**.

(a) (i) Buyer, the Company and the Shareholders shall cooperate fully, as and to the extent reasonably requested by any other party, in connection with the filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes pursuant to this Section 6.2(b). Such cooperation shall include the retention and (upon the other party's request) the provision of records and information that are reasonably relevant to any such audit, litigation or other proceeding and making employees or representatives available on a mutually convenient basis to provide additional information and explanation of any materials provided hereunder. The Buyer (after the Closing) shall (i) retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date until the expiration of the applicable statute of limitations for the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority and (ii) give the Shareholders reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the Shareholders so direct in writing, the Buyer shall allow the Shareholders to take possession of such books and records.

(ii) Each of Buyer and the Shareholders shall, upon request from the other party, use reasonable best efforts to obtain any certificate or other document from any governmental authority or other Person as may be necessary to mitigate, reduce, defer or eliminate any Tax that could be imposed (including, but not limited to, any with respect to the transactions contemplated hereby).

(b) **Certain Taxes.** All transfer (including real property), documentary, sales, stamp, registration and other similar Taxes and fees (including any penalties and interest) incurred in connection with this Agreement (including any corporate-level gains Tax triggered by the sale of the Shares and any similar Tax or other Tax imposed by States or subdivisions) shall be paid by the Shareholders when due, and the Shareholders will, at their own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, stamp, registration and other similar Taxes and fees.

If required by applicable law, Buyer will, and will cause its affiliates to, join in the execution of any such Tax Returns and other documentation.

(c) Any Taxes owed by the Shareholders pursuant to Sections 6.2(a), and as a result of the representation in Section 4.9, shall be paid by the Shareholders at least five (5) business days before the date such Taxes are due.

6.3. **Conduct of the Business**. Except as expressly permitted or contemplated by this Agreement, each Target Company and the Company as a whole shall observe each term set forth in this Section 6.3 and agrees that, from the date hereof until the Closing, unless otherwise consented to by the Buyer in writing:

(a) The business of the Company shall be conducted only in, and the Company shall not take any action except in, the ordinary course of the Company's business, on an arm's-length basis, in the best interest of the Company and the Shareholders and in accordance in all material respects with all Applicable Laws, rules and regulations and consistent with the past practice of the Company;

(b) The Company shall not, directly or indirectly, do or permit to occur any of the following: (i) issue or sell any additional shares of, or any options, warrants, conversion privileges or rights of any kind to acquire any shares of, any of its capital stock or other equity interest(s); (ii) sell, pledge, dispose of or encumber any of its assets (or enter into factoring or similar arrangements), except in the ordinary course of business and except as identified to the Buyer in writing; (iii) amend or propose to amend its Certificates of Incorporation or Bylaws, or Articles of Organization; (iv) split, combine or reclassify any outstanding shares of its capital stock, or declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise with respect to shares of its capital stock or other equity interests; (v) redeem, purchase or acquire or offer to acquire any shares of its capital stock or other equity interests; (vi) acquire (by merger, exchange, consolidation, acquisition of stock or assets or otherwise) any corporation, partnership, joint venture or other business organization or division or material assets thereof; (vii) incur any indebtedness for borrowed money or issue any debt securities except the borrowing of working capital in the ordinary course of business and consistent with past practice; (viii) permit any accounts payable owed to trade creditors to remain outstanding more than sixty (60) days; (ix) accelerate, beyond the normal collection cycle, collection of accounts receivable; or (x) enter into or propose to enter into, or modify or propose to modify, any agreement, arrangement or understanding with respect to any of the matters set forth in this Section 6.3(b);

(c) The Company shall not, directly or indirectly, (i) enter into or modify any employment, severance or similar agreements or arrangements that will be binding on, or in any way adversely affect, the Buyer other than in the ordinary course of business consistent with past practice; or (ii) take any action with respect to the grant of any bonuses, salary increases, severance or termination pay that will be binding on, or in any way adversely affect the Buyer after the Closing Date or increase any of the benefits payable in effect on the date hereof that will be binding on the Company or the Buyer after the Closing, in each event other than in the ordinary course of business consistent with past practice. However, the Buyer acknowledges and agrees that from and after the date hereof and prior to the Closing Date, the Company may pay compensation for services to the Company's employees in the usual regular and ordinary course of business in accordance with past practices. The parties to this Agreement further acknowledge and

agree that the Company shall not make distributions to the Shareholders of the Company after the date of this Agreement, other than as expressly contemplated elsewhere within this Agreement;

(d) The Company shall not adopt or amend any bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, employment or other employee benefit plan, trust, fund or group arrangement for the benefit or welfare of any employees, other than as otherwise specified in this Agreement;

(e) The Company shall not cancel or terminate its current insurance policies or cause any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies providing coverage equal to or greater than the coverage under the canceled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(f) The Company shall (i) use all reasonable efforts to preserve intact the Company's business organization and goodwill, keep available the services of the Company's officers and employees as a group and maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with the Company, (ii) confer as reasonably requested with representatives of the Buyer to report operational matters and the general status of ongoing operations, and (iii) not intentionally take any action would render, or reasonably may be expected to render, any representation or warranty made by it in this Agreement untrue at the Closing; and

(g) The Company shall not (i) change any of its or its predecessor methods of accounting in effect at December 31, 2005, other than those required by GAAP, (ii) make or rescind any express or deemed election relating to Taxes, other than as expressly contemplated elsewhere within this Agreement, (iii) settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, or (iv) change any of its methods of reporting income or deductions for federal income tax purposes from those employed in the preparation of the federal income Tax Returns from the taxable year ending December 31, 2005.

6.4. **Consents**.

(a) The Company and the Shareholders shall use commercially reasonable efforts to obtain in writing, prior to the Closing Date, all consents, approvals, waivers, authorizations and orders necessary or reasonably required in order to permit the Company and the Shareholders to effectuate this Agreement and consummate the Acquisition or other transactions contemplated hereby, including, without limitation, those consents set forth on Schedule 4.16 hereto (the "**Company Consents**"). All Company Consents will be in writing and copies thereof will be delivered to the Buyer promptly after the Company's receipt thereof, but in not case later that immediately prior to Closing.

(b) The Buyer shall use commercially reasonable efforts to obtain in writing, prior to the Closing Date, all consents, approvals, waivers, authorizations and orders necessary or reasonably required in order to permit the Buyer to effectuate this Agreement and consummate the Acquisition or other transactions contemplated hereby (the "**Buyer Consents**"). All Buyer Consents will be in writing and copies thereof will be delivered to the Company and the Shareholders promptly after the Buyer's receipt thereof, but in not case later that immediately prior to Closing.

6.5. **Access to Information.** The Company shall provide to the Buyer and the Buyer shall provide to the Company and to any lenders entitled to information concerning the transactions contemplated hereby pursuant to loan or financing agreements with the Buyer and to their respective representatives and agents such access to the books and records of the Company, and shall furnish to the Buyer and such lenders and any such representatives or agents such financial and operating data and other information with respect to the Business and the operations of the Company, as are generated by the Company in the normal course of business and, in addition, such information as the Buyer or any such lenders may reasonably request from time to time, and shall permit the Buyer, such lenders and their respective representatives and agents to make such inspections of each of the Company's Real Properties and Real Property Leases and personal properties as the Buyer may reasonably request. The Company and the Shareholders shall promptly arrange for the Buyer, such lenders and their respective representatives and agents to meet with such directors, officers, employees and agents of the Company as they may reasonably request from time to time.

6.6. **No Solicitation**.

(a) Neither the Shareholders nor the Company shall, directly or indirectly, nor shall either the Shareholders or the Company authorize or permit any directors, officers or employees or any investment banker, financial advisor, accountant, attorney or other representative of such party, directly or indirectly, to (i) solicit, initiate, discuss, negotiate, encourage or induce the making, submission or announcement of any offer or proposal (each, a "**Third Party Acquisition Proposal**") contemplating or otherwise relating to any Third Party Acquisition Transaction (as defined in Section 6.6(b), or take any action that could reasonably be expected to lead to a Third Party Acquisition Proposal, (ii) furnish any nonpublic information regarding such party to any person or entity other than the other parties hereto or their representatives (each, a "**Person**") in connection with, or in response to, a Third Party Acquisition Proposal, (iii) engage in discussions with any Person with respect to any Third Party Acquisition Proposal, (iv) approve, to endorse or recommend any Third Party Acquisition Proposal, or (v) enter into any letter agreement of intent or similar document or any agreement contemplating or otherwise relating to any Third Party Acquisition Transaction. The Shareholders and the Company further agree that each shall immediately notify the Buyer of any and all solicitations, submissions, announcements, discussions, offers, proposals or other actions constituting, or that could reasonably be expected to lead to, or be deemed to be, a Third Party Acquisition Proposal including all such communications received since October 17, 2005. Such notification obligation shall include disclosure of the identity of the party making the Third Party Acquisition Proposal or inquiry, the terms and conditions of any Third Party Acquisition Proposal and any material financing terms. The Shareholders and the Company shall keep the Buyer fully informed of the status and details of such Third Party Acquisition Proposal or inquiry.

(b) As used in this Agreement, the term "**Third Party Acquisition Transaction**" shall mean any transaction or series of related transactions (other than those contemplated hereby) involving:

(i) Any merger, consolidation, share exchange, business combination, issuance of securities, acquisition of securities, tender offer, exchange offer or other similar transaction in which (a) the party is a constituent corporation, (b) a Person or "group" (as defined in the 1934 Act and the rules promulgated thereunder) of Persons directly or indirectly acquires such party or more than fifty percent (50%) of such party's business or, directly or indirectly, acquires beneficial or record ownership of securities

representing more than fifty percent (50%) of the outstanding securities of any class of voting securities of such party, or (c) in which such party issues securities representing more than fifty percent (50%) of the outstanding securities of any class of voting securities of such party; or

(ii) Any sale, lease (other than in the ordinary course of business and other than a disposition in liquidation), exchange, transfer, license (other than in the ordinary course of business) or disposition of more than fifty percent (50%) of the assets of such party, net of liabilities, carried at book value.

(c) Each Shareholder and the Company acknowledge that the Buyer will incur substantial costs and will necessarily forego other strategic opportunities if it pursues the transactions contemplated by this Agreement. In recognition of this and as an inducement to the Buyer to execute and to deliver this Agreement and to consummate the transactions contemplated hereby, each Shareholder and the Company hereby agrees that if any Shareholder or the Company breaches any of the covenants or agreements set forth in this Section 6.5, then it shall reimburse the Buyer for all costs and expenses incurred by the Buyer in connection with such transactions (the "**Buyer Expenses**").

(d) Upon execution of this Agreement, the agreements and undertakings set forth in this Section 6.6 shall supersede any prior agreements or understandings by and between the Buyer and the Company concerning the subject matter of this Section 6.6.

6.7. **Bring-Down Schedule**. If the parties do not consummate the transactions contemplated herein concurrently with execution of this Agreement, not less than two (2) business days prior to the Closing Date, if the Company and the Shareholders shall provide the Buyer a full and complete list of the items added to, deleted from or amended on each of the Company's other disclosure Schedules within the period following execution of this Agreement and prior to the Closing Date. In the event that the Buyer consents to the content of the Bring-Down Schedule and proceeds to consummate the transactions set forth in this Agreement upon receipt of the Bring-Down Schedule, such items shall be deemed to have been set forth on the Company's disclosure schedules as of the date of execution of this Agreement.

6.8. **PartsBin Designee**. The Shareholders shall select, subject to the Buyer's reasonable objections, an individual to serve on the Buyer's Board of Directors, effective as of the Closing Date (the "**PartsBin Designee**"). Selection of the PartsBin Designee shall take the form of a notice signed by the Shareholders delivered to the Secretary of the Buyer no later than five (5) business days prior to the Closing Date. The Buyer's Board of Directors will take such action necessary to timely review the selection and appoint the PartsBin Designee to the Board of Directors, effective as of the Closing Date.

6.9. **Press Releases; Provision of Financials**.

(a) Buyer shall be entitled to issue press releases or make any public statements or filings with respect to the transactions contemplated hereby, and Company and Shareholders shall not issue any such press release or otherwise make any such public statement, filing or other communication without the prior consent of Buyer, except if such disclosure is required by law, in which case the Company shall promptly provide Buyer with prior notice of such public statement, filing or other communication.

(b) Immediately following the execution of this Agreement, the Company shall provide full and complete access for Buyer and Buyer's accountants to the books and

records of the Company and shall direct the Company's officers and directors to cooperate with any audit of the Company by the Buyer's accountants.

(c) To the extent required by Buyer under GAAP or the rules or regulations of the SEC or any other Agency, the Company and the Company's Accountant shall furnish complete and unqualified consent to Buyer to use the Financial Statements and the Company's historical financial statements for any reasonable business purpose at any time the same may be requested by Buyer from time to time after the Closing Date.

ARTICLE VII

CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COMPANY AND THE SHAREHOLDERS

The obligations of the Company and the Shareholders with respect to actions to be taken on the Closing Date are subject to the satisfaction by the Buyer or the waiver by the Company and the Shareholders on or prior to the Closing Date of all of the following conditions, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the Buyer contained in Article V hereof.

7.1. **Corporate Approval**. The Board of Directors of each Target Company, or Manager as applicable, and the Shareholders, as the holders of all of the outstanding equity interests of the Company, shall have approved the transactions contemplated hereby in accordance with the provisions of applicable corporate law, including the appointment, effective upon Closing, of the PartsBin Designee.

7.2. **Representations and Warranties; Performance of Obligations**. All of the representations and warranties of the Buyer contained in this Agreement shall be true and correct in all material respects as of the Closing Date, and each and all of the terms, covenants and conditions of this Agreement to be complied with and performed by the Buyer on or before the Closing Date shall have been duly complied with and performed in all material respects; and the Company shall have received, on behalf of the Shareholders, a certificate executed by the Chief Executive Officer and the Chief Financial Officer of the Buyer to such effect.

7.3. **No Material Adverse Effect.** No event or circumstance shall have occurred that would constitute a Buyer Material Adverse Effect.

7.4. **Good Standing Certificates; Certificate of Satisfaction**. The Buyer shall have delivered to the Company a certificate, dated as of a date not more than ten (10) days prior to the Closing Date, duly issued by the Secretary of State of the State of Delaware showing that the Buyer is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for all periods prior to the Closing have been filed and paid.

7.5. **Consents and Approvals; No Litigation**. All materially necessary consents of and filings with any Agency or any third party relating to the consummation of the transactions contemplated herein and to be obtained and made by the Buyer shall have been obtained and made. No action or proceeding before a court or any other Agency shall have been instituted or threatened to restrain or to prohibit the transactions contemplated by this Agreement, and no Agency shall have taken any other action or made any request of the Shareholders or the Company as a result of which the management of the Company reasonably deems it inadvisable to proceed with the transactions hereunder.

7.6. **Escrow Agreement**. The Buyer shall have executed and delivered to the Company, Shareholders and Escrow Holder the Escrow Agreement.

7.7. **Employment Agreements**. The Buyer shall have executed and delivered to each Shareholder an offer letter for employment with the Buyer for counter-signature upon Closing (the "**Employment Agreements**"), in each case in substantially the form set forth in Exhibit D. The Buyer shall have also executed and delivered to each of the other employees listed on Schedule 2.2(b) an offer letter for continued employment in the Buyer's customary form.

7.8. **Noncompetition Agreements**. In conjunction with the merger of the Company and the sale of the Shareholders' entire equity interest in the Business, the Buyer shall have provided to each Shareholder a Noncompetition Agreement in substantially the form attached hereto as Exhibit E the ("**Noncompetition Agreements**"), and its standard form nondisclosure and invention assignment agreement in substantially the form attached as Exhibit F ("**Nondisclosure Agreement**"), to be executed and delivered to Buyer concurrent with the Closing. The Buyer shall have also delivered a Nondisclosure Agreement to each of the other employees listed on Schedule 2.2(b).

7.9. **Opinion of Counsel**. The Company shall have received an opinion from Kirkpatrick & Lockhart Nicholson Graham LLP, counsel for the Buyer, dated the Closing Date in substantially the form attached as Exhibit G.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

The obligations of the Buyer with respect to actions to be taken on the Closing Date are subject to the satisfaction by the Company and the Shareholders or waiver by the Buyer on or prior to the Closing Date of all of the following conditions, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the Company or the Shareholders contained in Article IV.

8.1. **Approval by the Board of Directors**. The Board of Directors of the Buyer shall have approved the transactions contemplated hereby in accordance with the provisions of the Delaware General Corporation Law.

8.2. **Representations and Warranties; Performance of Obligations**. All of the representations and warranties of the Company and the Shareholders contained in this Agreement shall be true and correct in all material respects as of the Closing Date, and each and all of the terms, covenants and conditions of this Agreement to be complied with and performed by the Company and the Shareholders on or before the Closing Date shall have been duly complied with and performed in all material respects; and the Buyer shall have received a certificate executed by the Chief Executive Officer and Chief Financial Officer of the Company and each Shareholder to such effect.

8.3. **No Material Adverse Effect**. No event or circumstance shall have occurred that would constitute a Material Adverse Effect, which for purposes of this Section 8 shall be deemed to occur only in the event of an adverse effect on the business, operations, affairs, properties, assets or condition (financial or otherwise) of the Company or the condition of the Business, individually or in the aggregate.

8.4. **Good Standing Certificates; Certificate of Satisfaction**. The Company shall have delivered to the Buyer a certificate, dated as of a date not more than ten (10) days prior to the Closing Date, duly issued by the appropriate governmental authority in the state of incorporation or organization

of each Target Company and in each state, if any, in which the Company is authorized to do business, showing that the Company is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for all periods prior to the Closing have been filed and paid.

8.5. **Consents and Approvals; No Litigation**. All materially necessary consents of and filings with any Agency or any third party relating to the consummation of the transactions contemplated herein and to be obtained and made by the Company and the Shareholders shall have been obtained and made. No action or proceeding before a court or any other Agency shall have been instituted or threatened to restrain or to prohibit the transactions contemplated by this Agreement, and no Agency shall have taken any other action or made any request of the Buyer as a result of which the management of the Buyer deems it inadvisable to proceed with the transactions hereunder.

8.6. **Termination of Related Party Agreements and Benefit Plans**. All existing agreements between the Company and its securityholders or business or personal affiliates of the Company or its securityholders and all existing bonus and incentive plans and arrangements of the Company, other than those set forth on Schedule 8.6, shall have been cancelled or terminated effective on the Closing Date and conditioned on the Closing.

8.7. **Due Diligence**. The Buyer shall be satisfied with its due diligence investigation of the Company, including receipt of the Company's Financial Statements, documentation of the transfer of the outstanding shares of Power Host, Inc. to Auto Parts Online Canada, Inc., and documentation of the transfer of www.autopartsonlinecanada.com to Auto Parts Online Canada, Inc.

8.8. **Shareholder Release**. Each Shareholder of the Company shall have delivered to the Buyer immediately prior to the Closing Date an instrument dated the Closing Date, in substantially the form attached hereto as Exhibit H.

8.9. **Stock Powers and Company Certificates**. The Shareholders shall have executed and delivered to the Buyer the Stock Powers and Company Certificates.

8.10. **Escrow Agreement**. The Company and Shareholders shall have executed and delivered to the Buyer and the Escrow Holder the Escrow Agreement.

8.11. **Resignations**. The officers, directors and employees of the Company listed on Schedule 8.11 shall have delivered their resignations, to be effective as of the Closing Date, to the Company, with copies to the Buyer.

8.12. **Employment Agreements**. Each Shareholder shall have executed and an Employment Agreement with the Buyer, in each case in substantially the form set forth in Exhibit D, for delivery to the Buyer upon Closing.

8.13. **Noncompetition Agreements**. In conjunction with the merger of the Company and the sale of the Shareholders' entire equity interest in the Business, each Shareholder shall have executed a Noncompetition Agreement, in substantially the form attached hereto as Exhibit E and the Nondisclosure Agreement, in substantially the form attached as Exhibit F to be delivered to Buyer upon Closing. In addition, all employees and contractors of the Company responsible for the development of the Company's Intellectual Property shall have executed and delivered Nondisclosure Agreements.

8.14. **Lock-Up Agreements**. Each Shareholder shall have executed a Lock-up Agreement, which shall provide substantially similar terms to the market stand-off provision to which the Buyer's existing holders of its Common Stock and options to purchase Common Stock are subject, to be delivered

to Buyer upon Closing, in each case in substantially the form attached hereto as Exhibit I (the "**Lock-up Agreements**"), in which each Shareholder shall agree to be bound by customary market stand-off provisions with regard to the Buyer Common Stock and any shares of the Buyer's Common Stock obtained upon exercise of the Option Shares during a period as requested by the Buyer (not to exceed one hundred eighty (180) days) following the effective date of the Initial Public Offering of the Buyer's Common Stock, provided that: (i) all officers and directors of the Buyer and holders of at least one percent (1%) of the Buyer's voting securities are bound by and have entered into similar agreements and (ii) such agreement shall provide that any discretionary waiver or termination of the restrictions of such agreements by the Buyer or its underwriters shall apply to all persons pro rata based on the number of shares of the Buyer's common stock subject to such agreements, along with other customary limitations.

8.15. **Transfer of Registrant**. The Buyer shall have received an executed Transfer of Registrant form, in substantially the form attached hereto as Exhibit J, reflecting the intended transfer of the formal registrant of the domain names listed on Schedule 4.20 from Richard Pine to Buyer.

8.16. **Opinion of Counsel**. The Buyer shall have received an opinion from Mann Law Associates, P.C., counsel to the Company and the Shareholders, dated the Closing Date, in substantially the form attached as Exhibit K.

8.17. **Right of First Refusal and Voting Agreement**. The Buyer shall have received an executed Right of First Refusal and Voting Agreement from each Shareholder, with appropriate spousal consent, if applicable, in substantially the form attached hereto as Exhibit L.

ARTICLE IX

ESCROW ARRANGEMENTS; INDEMNIFICATION

9.1. **Buyer Losses**. The Company and each Shareholder each make the following covenants: At the Closing Date, the Shareholders shall be deemed to have received as part of the consideration, and to have deposited with the Escrow Holder under the Escrow Agreement, the Escrowed Funds. The Escrowed Funds shall be available for recovery for Buyer Losses, including, but not limited to, those resulting from

(a) subject to the provisions of Section 6.6, any representation or warranty made by the Company and/or the Shareholders in or pursuant to this Agreement (including, without limitation, the representations and warranties contained in any schedule or exhibit to this Agreement or certificate delivered pursuant hereto) being untrue or incorrect in any respect,

(b) the termination of or withdrawal by the Company or any Group Member from any employee pension benefit plan, as defined in Section 3(2)(A) of ERISA that is maintained pursuant to a collective bargaining agreement under which more than one employer makes contributions and to which the Company or any Group Member is then making or accruing an obligation to make contributions or has within the preceding four (4) plan years made contributions,

(c) the items described in Schedule 4.9 or Schedule 4.12 hereof, except in any instance and to the extent Buyer Losses result from the gross negligence or willful misconduct of the Buyer,

(d) any failure by the Company and/or the Shareholders to observe or to perform their covenants and agreements set forth in this Agreement or in any other agreement or document executed by it in connection with the transactions contemplated hereby, including without limitation the Noncompetition Agreement and Nondisclosure Agreement; and

(e) subject to the provisions of Section 11.7, any liability arising from or based upon the engagement by the Company or the Shareholders of any broker or agent, whether or not disclosed on Schedule 11.7 hereto.

9.2. **Notice of Loss**.

(a) Except to the extent set forth in the next sentence and other than pursuant to Sections 2.4 and 9.3 hereof, the Buyer will not have a right to recovery from the Escrowed Funds with respect to a particular matter unless a signed certificate setting forth in reasonable detail the breach or other matter that is asserted and stating the Buyer Loss(es) incurred (a "**Claims Notice**") has been given to the Indemnifying Party (as defined below) and, in addition, if such matter arises out of a suit, action, investigation, proceeding or claim, such notice is given promptly. Notwithstanding the preceding sentence, the failure of the Indemnified Party (as defined below) to give notice hereunder shall not release the Indemnifying Party from its obligations under this Article IX, except to the extent the Indemnifying Party is actually prejudiced by such failure to give notice. With respect to Buyer Losses, the Shareholder Representative is referred to as the "Indemnifying Party" solely for the purpose of receiving Claims Notices as provided herein and in the Escrow Agreement, exercising its right to defend as provided herein, and shall have no personal liability for Buyer Losses or other liability to the Buyer as a result of acting as the Shareholder Representative, but shall cause the Shareholders to answer to claims made by the Buyer for Buyer Losses. Upon receipt of a Claims Notice, the Shareholder Representative shall promptly submit, but in any event within thirty (30) days after receipt of the Claims Notice (the "**Objection Termination Date**") a notice to the Buyer that includes any objection with respect to a Claims Notice. If the Shareholder Representative does not give such notice on or before sooner of the Objection Termination Date or the Indemnification Termination Date, the Claims Notice will be deemed to be a final description of Buyer Losses to which Section 9.1 applies.

(b) In the event the Shareholder Representative gives such objection notice within such 30-day period, the Shareholder Representative and the Buyer shall attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims. If no such agreement can be reached after good faith negotiation with respect to any claim objection, either the Buyer or the Shareholder Representative may demand arbitration of the matter and in either such event the matter shall be settled by arbitration conducted by one (1) arbitrator mutually agreeable to the Buyer and the Shareholder Representative. In the event that within fifteen (15) days after submission of any dispute to arbitration, the Buyer and the Shareholder Representative cannot mutually agree on one (1) arbitrator, the Buyer and the Shareholder Representative shall each select one (1) arbitrator, and the two (2) arbitrators so selected shall select a third (3rd) arbitrator. The arbitrator or arbitrators, as the case may be, shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing the parties an opportunity, adequate in the sole judgment of the arbitrator or majority of the three (3) arbitrators, as the case may be, to discover relevant information from the opposing parties about the subject matter of the dispute. The arbitrator or a majority of the

three (3) arbitrators, as the case may be, shall rule upon motions to compel or limit discovery and shall have the authority to impose sanctions, including attorneys' fees and costs, to the same extent as a competent court of law or equity, should the arbitrators or a majority of the three (3) arbitrators, as the case may be, determine that discovery was sought without substantial justification or that discovery was refused or objected to without substantial justification. The decision of the arbitrator or a majority of the three (3) arbitrators, as the case may be, as to the validity and amount of any claim in such Claims Notice shall be binding and conclusive upon the parties to this Agreement. Such decision shall be written and shall be supported by written findings of fact and conclusions that shall set forth the award, judgment, decree or order awarded by the arbitrator(s).

(c) Judgment upon any award rendered by the arbitrator(s) may be entered in any court having jurisdiction. Any such arbitration shall be held under the commercial arbitration rules then in effect of the American Arbitration Association in Santa Clara County, California. The arbitrator(s) shall determine how all expenses relating to the arbitration shall be paid, including, without limitation, the respective expenses (including, without limitation, attorneys fees) of each party, the fees of each arbitrator and the administrative fee of the American Arbitration Association. In allocating such fees, the arbitrators will consider such matters as whether the arbitration proceeding was frivolous or brought or defended in bad faith and which party's negotiation offers most closely resembled the final arbitrated result.

(d) Failure of the Company to adhere to its obligations and covenants arising pursuant to Sections 6.4 and 6.9(c) shall constitute a Buyer Loss, such that any payment that becomes due from the Buyer in order to allow Buyer to use the Financial Statements or the Company's historical financial statements for any reasonable business purpose shall be recoverable by the Buyer pursuant to the operation of this Article IX.

9.3. **Right to Defend**. Upon receipt of notice of any suit, action, investigation, claim or proceeding for which indemnification might be claimed by an Indemnified Party, the Indemnified Party shall be entitled to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding, and the Indemnifying Party must cooperate in any such defense or other action. The Indemnifying Party shall have the right, but not the obligation, to participate at its own expense in defense thereof by counsel of its own choosing, but the Indemnified Party shall be entitled to control the defense unless otherwise determined by the Indemnified Party or if the Indemnified Party fails to assume defense of the matter. If the Indemnified Party shall fail to defend, contest or otherwise protect in a timely manner against any such suit, action, investigation, claim or proceeding, then the Indemnifying Party shall have the right, but not the obligation, thereafter to defend, to contest or otherwise to protect against the same and make any compromise or settlement thereof, and shall pay all costs thereof including, without limitation, reasonable attorneys' fees, disbursements and all amounts paid as a result of such suit, action, investigation, claim or proceeding or the compromise or settlement thereof, provided, however, that the Indemnifying Party must send a written notice to the Indemnified Party of any such proposed settlement or compromise, which settlement or compromise the Indemnified Party may reject, in its reasonable judgment, within thirty (30) days of receipt of such notice. Failure to reject such notice within such thirty (30) day period shall be deemed an acceptance of such settlement or compromise. The Indemnified Party shall not have the right to effect a settlement or compromise without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld; provided, however, that if the Indemnifying Party has assumed the defense from the Indemnified Party upon the election of the Indemnified Party, then the Indemnified Party waives any right to indemnity therefor. If the Indemnifying Party undertakes the defense of such matters upon the election of the Indemnified Party, then the Indemnified Party shall not, so long as the Indemnifying Party does not abandon the defense

thereof, be entitled to recover from the Escrowed Funds any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than the reasonable costs of investigation undertaken by the Indemnified Party with the prior written consent of the Indemnifying Party.

9.4. General Indemnity.

(a) The Shareholders hereby agree, on a pro rata basis, to defend, indemnify and hold harmless the Buyer from Buyer Losses caused by, resulting from or arising out of:

(i) breaches of representations or warranties hereunder on the part of the Company and/or the Shareholders or failures by the Company and/or the Shareholders to perform or otherwise fulfill any undertaking or other agreement or obligation hereunder, including, without limitation, those set forth in Section 4.9;

(ii) claims arising in connection with breach of contract, death, personal injury, other injury to Persons, property damage, losses or deprivation of rights (whether based on statute, negligence, breach of warranty, strict liability or any other theory) caused by or resulting from, directly or indirectly, the manufacture or sale of any product, or the provision of any services, by the Company on or before the Closing Date, or any other claims asserted against the Company arising from any action or inaction of the Shareholders and/or the Company on or before the Closing Date;

(iii) (a) each and every item set forth in Schedules 4.12 and 4.16; (b) the actual, alleged or threatened release, storage, transportation, treatment or generation of Hazardous Substances generated, stored, used, disposed of, treated, handled or shipped by the Company, any subsidiary or any prior owner of the Subject Property on or before the Closing Date; (c) any cleanup of Hazardous Substances: (i) on, beneath or adjacent to the Subject Property prior to or on the Closing Date; and (ii) at any other location if such substances were generated, used, stored, disposed of, treated, transported or released by the Company or any prior owner of the Subject Property prior to or on the Closing Date; and (d) the installation of any pollution control equipment or other equipment to bring the facility into compliance with any Environmental Requirement if such equipment is installed because the facility was not in compliance with any Environmental Requirement as of the Closing Date;

(iv) any and all (a) Taxes imposed on the Company or the Shareholders or any affiliate of either (including, without limitation, any subsidiary) for, or relating to, all pre-Closing periods (which shall include, but does not end on, the Closing Date), including, but not limited to, (i) any liability of the Company or any subsidiary under any Tax sharing agreement, whether or not written, and (ii) any Tax liability resulting from the termination, as of the Closing Date, of the Company or any subsidiary as a member of any consolidated, affiliated, combined, unitary or other similar Tax group, (iii) all Taxes of any Person (other than the Company) imposed on the Company as a transferee or Successor, by contract or pursuant to law, and (b) liabilities of the Shareholders or any affiliate of the Shareholders (including, without limitation, any subsidiary) for Taxes imposed under Treasury Regulation Section 1.1502-6 or any analogous state, local or foreign tax provision, as a result of being a member of a consolidated, affiliated, combined, unitary or other similar group for any taxable period commencing before the Closing Date; and

(v) any and all actions, suits, proceedings, claims and demands incident to any of the foregoing or such indemnification.

(b) If any claim, liability, demand, assessment, action, suit or proceeding shall be asserted pursuant to Section 9.4(a) in respect of which the Buyer as the Indemnified Party proposes to demand indemnification, the Indemnified Party shall notify the Shareholder Representative, provided, however, that the failure to so notify the Shareholder Representative shall not reduce or affect the Shareholders obligations with respect thereto except to the extent that the Shareholders are materially prejudiced thereby. Subject to rights of or duties to any insurer or other third Person having liability therefor, the Shareholders, via the Shareholder Representative, shall have the right promptly upon receipt of such notice to assume the control of the defense, compromise or settlement of any claim, liability, demand, assessment, action, suit or proceeding shall be asserted pursuant to this Section 9.4(a) (provided that any compromise or settlement must be reasonably approved by the Indemnified Party), including, at its own expense, employment of counsel reasonably satisfactory to the Indemnified Party; provided, however, that if the Shareholders, via the Shareholder Representative, shall have exercised their right to assume such control, the Indemnified Party may, in its sole discretion and at its expense, employ counsel to represent it (in addition to counsel employed by the Shareholders) in any such matter, and in such event counsel selected by the Shareholders shall be required to cooperate with such counsel of the Indemnified Party in such defense, compromise or settlement.

(c) The Buyer agrees to defend, indemnify and hold harmless the Shareholders from Company Losses caused by, resulting from or arising out of breaches of representations or warranties hereunder on the part of the Buyer or failures by the Buyer to perform or otherwise fulfill any undertaking or other agreement or obligation hereunder, or any and all actions, suits, proceedings, claims and demands incident to any of the foregoing or such indemnification ("**Shareholder Indemnified Claims**").

(d) If any claim, liability, demand, assessment, action, suit or proceeding shall be asserted pursuant to Section 9.4(b) in respect of which the Shareholder Representative proposes to demand indemnification on behalf of the Shareholders, the Shareholder Representative shall notify the Buyer, provided, however, that the failure to so notify the Buyer shall not reduce or affect the Buyers' obligations with respect thereto except to the extent that the Buyer is materially prejudiced thereby. Subject to rights of or duties to any insurer or other third Person having liability therefor, the Buyer shall have the right promptly upon receipt of such notice to assume the control of the defense, compromise or settlement of any such Shareholder Indemnified Claims (provided that any compromise or settlement must be reasonably approved by the Shareholder Representative) including, at its own expense, employment of counsel reasonably satisfactory to the Shareholder Representative; provided, however, that if the Buyer shall have exercised its right to assume such control, the Shareholder Representative may, in its sole discretion and at its expense, employ counsel to represent the Shareholders (in addition to counsel employed by the Buyer) in any such matter, and in such event counsel selected by the Buyer shall be required to cooperate with such counsel of the Shareholders in such defense, compromise or settlement.

(e) It is the intent of the parties that amounts paid under this Section 9 shall represent an adjustment to the Purchase Price and the parties will report such payments consistent with such intent.

9.5. **Termination; Limitations on Indemnification**.

(a) Subject to the provisions of this Section 9.5, the obligations of the Buyer, the Company and the Shareholders under Sections 9.1 and 9.4 shall survive the Closing until 11:59 p.m. California time on the date that is the earlier of (i) May 31, 2007 or (ii) 60 days after the date the Buyer receives the audit report and related financial statements for the fiscal year ended December 31, 2006 (the date of such delivery is referred to herein as the "**Audit Delivery Date**") (the "**Indemnification Termination Date**").

(b) The indemnification obligations set forth in this Section 9 shall be limited to claims for Losses made on or prior to the Indemnification Termination Date; provided, however, that any claim made for Losses prior to the Indemnification Termination Date shall survive until such time as such claim is fully and finally resolved in accordance with the terms hereof.

(c) The indemnification obligations of the Shareholders pursuant to Sections 9.1 and 9.4 shall not exceed an aggregate of $25,000,000, except for claims arising from fraud or intentional misrepresentation, or any breach of the representations and warranties provided in Sections 4.9 and 4.12.

(d) After the Closing, the sole and exclusive remedy of the Buyer against the Shareholders for breaches of representations and warranties by the Company hereunder shall be the indemnification provisions of this Section 9; provided, however, nothing in this Section 9 (including, without limitation, Section 9.1 or 9.4) will be deemed to limit any recourse or remedies the Buyer may have against the Company or the Shareholders for any breach of this Agreement.

(e) Notwithstanding anything else set forth herein to the contrary, no indemnification payable by the Shareholders pursuant to this Section 9 shall be required from such Shareholders until the aggregate amount of Losses incurred by the Buyer exceeds $100,000 (the "**Deductible**"); provided, however, that the indemnification payable by such Shareholders shall include the full amount of all Losses at such time that the aggregate Losses exceed the Deductible.

9.6. **Shareholder Representative.**

(a) Appointment. The Shareholders hereby appoint Lowell E. Mann, Esquire, as their agent for purposes of this Agreement (in such capacity, the "**Shareholder Representative**"), and Lowell E. Mann, Esquire, hereby accepts its appointment as the Shareholder Representative. On behalf of the Shareholders, the Shareholder Representative may make, exchange, acknowledge and deliver any and all agreements, certificates, receipts or other documents, and in general do all things and take all actions, on behalf of the Shareholders, that the Shareholder Representative, in its sole discretion, may consider necessary or proper in connection with, or to carry out the purposes of, this Agreement and the other transactions contemplated hereby. The Buyer shall be entitled to deal exclusively with the Shareholder Representative on all matters relating to this Agreement (including, without limitation, the compromise and settlement of any indemnification claims and any and all acts and omissions in any way related to or in furtherance of this Agreement and the transactions contemplated hereby, and all determinations and the giving and receiving of all notices) and shall be entitled to rely conclusively (without further evidence of any kind whatsoever) on any document executed

or purported to be executed on behalf of the Shareholders by the Shareholder Representative, and on any other action taken or purported to be taken by the Shareholder Representative, as fully binding upon the Shareholders. In the event of death, disability, incompetency or resignation of the original Shareholder Representative, the Shareholders shall, within fifteen (15) days after notice from the Buyer designate another Shareholder Representative (the "**Successor Shareholder Representative**") who shall have all of the rights, powers and authority conferred to the Shareholder Representative pursuant to this Agreement. Notwithstanding the foregoing, if the Shareholders fail to designate such Shareholder Representative within such fifteen (15) day period, the Buyer shall be entitled to and will designate the Successor Shareholder Representative for and on behalf of all of the Shareholders, from among the Shareholders. If for any reason there is no Shareholder Representative at any time, all references in this Agreement to the Shareholder Representative shall be deemed to refer to the Shareholders.

(b) Shareholder Representative Not Liable. In performing any duties under this Agreement, the Shareholder Representative shall not be liable in its capacity as Shareholder Representative to any party for damages, losses, or expenses, except for gross negligence or willful misconduct on the part of the Shareholder Representative. The Shareholder Representative shall not incur any such liability for (x) any act or failure to act made or omitted in good faith, or (y) any action taken or omitted in reliance upon any instrument, including any written statement of affidavit provided for in this Agreement that the Shareholder Representative shall in good faith believe to be genuine, nor will the Shareholder Representative be liable or responsible for forgeries, fraud, impersonations or determining the scope of any representative authority. In addition, the Shareholder Representative may consult with legal counsel in connection with Shareholder Representative's duties under this Agreement. The Shareholder Representative shall not be liable for any act done or omitted hereunder as Shareholder Representative while acting in good faith and in the exercise of reasonable judgment, and any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith.

(c) Indemnification of Shareholder Representative. The Shareholders hereby agree jointly and severally to indemnify and hold the Shareholder Representative harmless against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation and counsel fees, including allocated costs of in-house counsel (if applicable) and disbursements that may be imposed on Shareholder Representative or incurred by Shareholder Representative in connection with the performance of its duties under this Agreement, including, but not limited to, any litigation arising from this Agreement or involving its subject matter other than arising out of Shareholder Representative's gross negligence or willful misconduct.

9.7. **Expenses.** Subject to Sections 6.6(c) and 9.3, each party shall bear its own expenses related to this Section 9, except that the Company will reimburse the Buyer for reasonable legal fees incurred in connection with the enforcement of Buyer's rights under this Section 9 if the Buyer is successful in its claims under Section 9.2 (i.e., if there are Losses in excess of the Deductible identified in Section 9.5(e)).

ARTICLE X

TERMINATION

10.1. **Termination**. This Agreement shall continue in full force and effect unless otherwise terminated in accordance with the provisions of this Article X. Notwithstanding any other provision of this Agreement, this Agreement may be terminated

(a) by the written consent of each of the parties hereto,

(b) by either the Buyer or the Company upon the entry or issuance by any Agency or by any court of competent jurisdiction of any injunction, order or decree seeking to restrain or otherwise prohibit the transactions contemplated hereby or that could reasonably be expected to have a Material Adverse Effect or Buyer Material Adverse Effect, as applicable,

(c) by the Buyer upon the breach of a representation, warranty or covenant of the Company and/or the Shareholders, which breach could reasonably be expected to have a Material Adverse Effect,

(d) by the Company upon the breach of a representation, warranty or covenant of the Buyer, which breach could reasonably be expected to have a Buyer Material Adverse Effect,

(e) by either the Buyer or the Company if the Closing shall not have occurred on or before May 31, 2006.

10.2. **Effect of Termination**. Upon any termination of this Agreement in accordance with the provisions of Section 10.1, this Agreement shall expire and shall be of no further force or effect, and none of the parties hereto shall have any further obligations hereunder; provided, however, that, notwithstanding any other provision of this Agreement to the contrary, the provisions of Sections 6.6(c) and 6.6(d), 11.7, 11.8 and any obligations of the parties pursuant thereto, shall survive and continue unaffected following any termination of this Agreement; provided, however, that, if such termination shall result from the willful and deliberate failure of any party to fulfill a condition to the performance of the obligations of any other party, or the willful and deliberate failure of any party to perform a covenant of such party contained in this Agreement or the willful and deliberate breach by any party of any representation, warranty or agreement contained herein, then such breaching party shall pay the other party's Expenses.

ARTICLE XI

GENERAL

11.1. **Cooperation; Further Assurances**.

(a) The Buyer, the Company, and the Shareholders shall each deliver or cause to be delivered to the other on the Closing Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The Company and the Shareholders will cooperate and use its reasonable efforts to have the present officers, directors and employees of the Company cooperate with the Buyer on and after the

Closing Date in furnishing information, evidence, testimony and other assistance in connection with any Tax Return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Closing Date.

(b) To the extent required by the Buyer under GAAP or the rules or regulations of the SEC, the Shareholders shall seek to have the Company's Accountant furnish complete and unqualified consent to the Buyer to use the Financial Statements and the Company's historical financial statements for any reasonable business purpose at any time the same may be requested by the Buyer from time to time after the Closing Date.

11.2. **Amendment**. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument referencing this Agreement and signed by all parties to this Agreement.

11.3. **Survival of Covenants, Agreements, Representations and Warranties**.

(a) Covenants and Agreements. All covenants and agreements made hereunder or pursuant hereto or in connection with the transactions contemplated hereby shall survive the Closing and shall continue in full force and effect thereafter according to their terms without limit as to duration, including Article IX.

(b) Representations and Warranties. Except for the representations and warranties contained in Sections 4.9 or 4.12 hereof, all representations and warranties contained herein shall survive the Closing and shall continue in full force and effect thereafter until the earlier of the Indemnification Termination Date or May 31, 2007. The representations and warranties contained in Sections 4.9 or 4.12 hereof shall survive until the earlier of the expiration of the applicable statute of limitations or ten (10) years from the Closing Date.

(c) Claims Made Prior to Expiration. The parties will only have liability for indemnification under Article IX to the extent a Claim Notice relating to such indemnification is delivered prior to the expiration of the foregoing survival periods set forth in this Section 11.3. Notwithstanding the foregoing survival periods set forth in this Section 11.3, the termination of a survival period shall not affect the rights of any party in respect of any claim made in good faith by any party delivering a Claim Notice in accordance with this Agreement prior to the expiration of the applicable survival period.

11.4. **Successors and Assigns**. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, and the successors of Buyer.

11.5. **Entire Agreement**. This Agreement (including the schedules, exhibits and annexes attached hereto) and the Transaction Documents delivered pursuant hereto constitute the entire agreement and understanding among the Shareholders, the Company, and Buyer, and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms, and this Agreement and the Annexes hereto may be modified or amended only by a written instrument executed by the Company, the Shareholders and Buyer, acting through, as applicable, their respective officers, duly authorized by their respective Boards of Directors or Managers, as applicable.

11.6. **Counterparts**. This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

11.7. **Brokers and Agents**. Except for as set forth on Schedule 11.7, each party represents and warrants that it employed no broker or agent in connection with this transaction.

11.8. **Expenses**. Whether or not the Acquisition and related transactions herein contemplated shall be consummated, the Buyer will pay the fees, expenses and disbursements of the Buyer and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by the Buyer under this Agreement. The Shareholders will pay the fees, expenses and disbursements of the Company and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by the Company under this Agreement. Each Shareholder shall pay its, his or her own fees, expenses and disbursements. The Shareholders, and not the Company or the Buyer, will pay all taxes due upon receipt of the consideration payable to the Shareholders pursuant to Article VI, and all sales, use, real property, transfer, recording, gains, stock transfer and other similar fees in connection with the transactions contemplated by this Agreement.

11.9. **Notices**. All notices of communication required or permitted hereunder shall be in writing and may be given by (a) depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, (b) delivering the same in person to an officer or agent of such party or (c) sending a facsimile of the same with electronic confirmation of receipt.

(a) If to Buyer, addressed to:

U.S. AUTO PARTS NETWORK, INC.
17150 South Margay Avenue
Carson, California 90746
Facsimile: (310) 632-1676
Attn: Michael McClane, Chief Financial Officer

with a copy to:

Kirkpatrick & Lockhart Nicholson Graham LLP.
10100 Santa Monica Blvd, 7th Floor
Los Angeles, California 90067
Telephone (310) 552-5000
Facsimile: (310) 552-5001
Attention: Thomas J. Poletti, Esq.

(b) If to the Shareholders, addressed thereto at each of the addresses or facsimile numbers set forth on the signature page;

(c) If to the Company, addressed to:

The PartsBin.Com, Inc.
92 Youngs Road

Trenton, NJ

with a copy to:

Lowell E. Mann, Esquire
Mann Law Associates, P.C.
One Oxford Valley, Suite 850
Langhorne, PA 19047

or to such other address or counsel as any party hereto shall specify pursuant to this Section 11.09 from time to time.

11.10. **GOVERNING LAW; CONSENT TO JURISDICTION**. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. THE PARTIES HERETO EXPRESSLY CONSENT AND AGREE THAT ANY DISPUTE, CONTROVERSY, LEGAL ACTION OR OTHER PROCEEDING THAT ARISES UNDER, RESULTS FROM, CONCERNS OR RELATES TO THIS AGREEMENT MAY BE BROUGHT BEFORE THE AMERICAN ARBITRATION ASSOCIATION (AAA) IN LOS ANGELES COUNTY, CALIFORNIA, UNDER ITS COMMERCIAL RULES AND ACKNOWLEDGE THAT THEY WILL ACCEPT SERVICE OF PROCESS BY REGISTERED OR CERTIFIED MAIL OR THE EQUIVALENT DIRECTED TO THEIR LAST KNOWN ADDRESS AS DETERMINED BY THE OTHER PARTY IN ACCORDANCE WITH THIS AGREEMENT OR BY WHATEVER OTHER MEANS ARE PERMITTED BY THE AAA. THE PARTIES HERETO HEREBY ACKNOWLEDGE THAT THE AAA HAS JURISDICTION OVER ANY SUCH DISPUTE OR CONTROVERSY, AND THAT THEY HEREBY WAIVE ANY OBJECTION TO PERSONAL JURISDICTION OR VENUE BEFORE THE AAA.

11.11. **Exercise of Rights and Remedies**. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

11.12. **Reformation and Severability**. If any provision of this Agreement shall be invalid, illegal or unenforceable, then it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, then such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

11.13. **Remedies Cumulative**. Except as set forth in Article IX , no right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

11.14. **Specific Performance; Other Rights and Remedies**. Each party recognizes and agrees that in the event the other party or parties should refuse to perform any of its or their obligations under this Agreement, the remedy at law would be inadequate and agrees that for breach of such provisions, each party shall, in addition to such other remedies as may be available to it at law or in equity, be entitled to seek injunctive relief and to enforce its rights by an action for specific performance to the extent permitted by Applicable Law. Each party hereby waives any requirement for security or the posting of

any bond or other surety in connection with any temporary or permanent award of injunctive, mandatory or other equitable relief.

11.15. **Caption**. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

U.S. AUTO PARTS NETWORK, INC.

By: /s/ Mehran Nia
Name: Mehran Nia
Title: President and Chief Executive Officer

PARTSBIN, INC.

By: /s/ Mehran Nia
Name: Mehran Nia
Title: President and Chief Executive Officer

THEPARTSBIN.COM, INC.

By: /s/ Richard Pine
Name: Richard Pine
Title: President

ALL OEM PARTS, INC.

By: /s/ Richard Pine
Name: Richard Pine
Title: President

POWER HOST, INC.

By: /s/ Richard Pine
Name: Richard Pine
Title: President

[Signature page to Acquisition Agreement]

AUTO PARTS WEB SOLUTIONS, INC.

By: /s/ Richard Pine
Name: Richard Pine
Title: President

AUTO PARTS ONLINE CANADA, INC.

By: /s/ Richard Pine
Name: Richard Pine
Title: President

WEB CHAT SOLUTIONS, INC.

By: /s/ Richard Pine
Name: Richard Pine
Title: President

EVERYTHING INTERNET, LLC

By: /s/ Richard Pine
Name: Richard Pine
Title: President

SHAREHOLDERS:

By: /s/ Richard Pine
Name: Richard Pine
Address: 85 Cranberry Run
Southampton, New Jersey 08088

By: /s/ Lowell Mann
Name: Lowell Mann
Address: 351 Denny Drive
Yardley, Pennsylvania 19067

[Signature page to Acquisition Agreement]

By: /s/ Brian Tinari
Name: Brian Tinari
Address: 4959 Cabin Run Road
Pipersville, Pennsylvania 18947

By: /s/ Todd Daugherty
Name: Todd Daugherty
Address: 2 Lambs Lane
Manalapan, New Jersey 07726

[Signature page to Acquisition Agreement]

EXHIBITS

EXHIBIT A Sellers' Note and Note and Security Agreement

EXHIBIT B Escrow Agreement

EXHIBIT C-1 Schedule of Exceptions – Company and Shareholders

EXHIBIT C-2 Schedule of Exceptions – Buyer

EXHIBIT D Shareholders' Employment Agreements

EXHIBIT E Form of Noncompetition Agreement

EXHIBIT F Form of Nondisclosure Agreement

EXHIBIT G Opinion of Kirkpatrick & Lockhart Nicholson Graham LLP

EXHIBIT H Form of Shareholder's Release

EXHIBIT I Form of Lock-Up Agreement

EXHIBIT J Transfer of Registrant Form from Register.com

EXHIBIT K Opinion of Mann Law Associates, P.C.

EXHIBIT L Right of First Refusal and Voting Agreement

OTHER SCHEDULES

2.2(a) Accounts and Allocation of Cash Payment

2.2(b) Buyer Common Stock and Stock Option Allocation

Exhibit 3.1

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION OF

U.S. AUTO PARTS NETWORK, INC.

U.S. Auto Parts Network, Inc., a corporation organized and existing under the laws of the State of Delaware (the "**Corporation**"), certifies that:

A. The name of the Corporation is U.S. Auto Parts Network, Inc. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 27, 2006.

B. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware, and restates, integrates and further amends the provisions of the Corporation's Certificate of Incorporation.

C. The text of the Certificate of Incorporation is amended and restated to read as set forth in EXHIBIT A attached hereto.

IN WITNESS WHEREOF, U.S. Auto Parts Network, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by Mehran Nia, a duly authorized officer of the Corporation, on March 3, 2006.

/s/ Mehran Nia

Mehran Nia, Chief Executive Officer

EXHIBIT A

ARTICLE I

The name of the Corporation is U.S. Auto Parts Network, Inc.

ARTICLE II

The purpose of this corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE III

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle. The name of the registered agent at such address is Corporation Service Company.

ARTICLE IV

The total number of shares of stock that the corporation shall have authority to issue is 61,100,000, consisting of 50,000,000 shares of Common Stock, $0.001 par value per share, and 11,100,000 shares of Preferred Stock, $0.001 par value per share. The first Series of Preferred Stock shall be designated "Series A Preferred Stock" and shall consist of 11,100,000 shares.

ARTICLE V

The terms and provisions of the Common Stock and Preferred Stock are as follows:

1. Definitions. For purposes of this ARTICLE V, the following definitions shall apply:

(a) "Affiliate Transaction" shall mean any transaction that it is reasonably likely would be required to be disclosed pursuant to Item 404(a) of Regulation S-K promulgated under the Securities Act and the Exchange Act (or any successor rule thereto, and as 404(a) is amended from time to time), assuming the Corporation were at such time subject to the periodic reporting obligations of Section 13 or Section 15(d) of the Exchange Act (even if the Corporation is not in fact at such time subject to such requirements), but excluding any compensation arrangements approved by the Corporation's Board of Directors, including at least one Preferred Director (as defined in Section 5(d)).

(b) "Conversion Price" shall mean $4.0704 per share for the Series A Preferred Stock (subject to adjustment from time to time for Recapitalizations and as otherwise set forth elsewhere herein).

(c) "Convertible Securities" shall mean any evidences of indebtedness, shares or other securities convertible into or exchangeable for Common Stock.

(d) "Corporation" shall mean U.S. Auto Parts Network, Inc.

(e) "Delaware Reorganization" shall mean the following:

(i) The Corporation's final S corporation distribution of up to an aggregate of $1,676,209.58 to its holders of Common Stock on or before the Original Issue Date; and

(ii) The Corporation's payment of a distribution of up to an aggregate of $50,000,000 to the holders of its outstanding Common Stock on or immediately after the Original Issue Date.

(f) "Distribution" shall mean the transfer of cash or other property without consideration whether by way of dividend or otherwise, other than dividends on Common Stock payable in Common Stock, or the purchase or redemption of shares of the Corporation for cash or property other than: (i) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, (ii) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries pursuant to rights of first refusal contained in agreements providing for such right, (iii) any other repurchase or redemption of capital stock of the Corporation approved by the holders of the Common and Preferred Stock of the Corporation voting as separate classes or (iv) any dividends paid pursuant to the Delaware Reorganization.

(g) "Dividend Rate" shall mean an annual rate of $0.20352 per share for the Series A Preferred Stock (subject to adjustment from time to time for Recapitalizations as set forth elsewhere herein).

(h) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(i) "Liquidation Preference" shall mean $4.0704 per share for the Series A Preferred Stock (subject to adjustment from time to time for Recapitalizations as set forth elsewhere herein).

(j) "Options" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(k) "Original Issue Date" shall mean the date after the filing of this Amended and Restated Certificate of Incorporation that the first share of Series A Preferred Stock is issued.

(l) "Original Issue Price" shall mean $4.0704 per share for the Series A Preferred Stock (subject to adjustment from time to time for Recapitalizations as set forth elsewhere herein).

(m) "Preferred Stock" shall mean the Series A Preferred Stock.

(n) "Recapitalization" shall mean any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification or other similar event.

(o) "Securities Act" shall mean the Securities Act of 1933, as amended.

2. Dividends.

(a) Preferred Stock. In any calendar year, the holders of outstanding shares of Preferred Stock shall be entitled to receive dividends, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, at the Dividend Rate specified for such shares of Preferred Stock payable in preference and priority to any declaration or payment of any Distribution on Common Stock of the Corporation in such calendar year. No Distributions shall be made with respect to the Common Stock, other than those contemplated by the Delaware Reorganization, until all declared dividends on the Preferred Stock have been paid or set aside for payment to the Preferred Stock holders. Payment of any dividends to the holders of the Preferred Stock shall be on a pro rata, pari passu basis in proportion to the Dividend Rates for each series of Preferred Stock. The right to receive dividends on shares of Preferred Stock shall not be cumulative, and no right to such dividends shall accrue to holders of Preferred Stock by reason of the fact that dividends on said shares are not declared or paid in any calendar year.

(b) Additional Dividends. After the payment or setting aside for payment of the dividends described in Section 2(a), any additional dividends (other than dividends on Common Stock payable solely in Common Stock and other than dividends paid in connection with the Delaware Reorganization) declared or paid in any fiscal year shall be declared or paid among the holders of the Preferred Stock and Common Stock then outstanding in proportion to the greatest whole number of shares of Common Stock which would be held by each such holder if all shares of Preferred Stock were converted at the then-effective Conversion Rate (as defined in Section 4 hereof).

(c) Non-Cash Distributions. Whenever a Distribution provided for in this Section 2 shall be payable in property other than cash, the value of such Distribution shall be deemed to be the fair market value of such property as determined in good faith by the Board of Directors.

(d) Consent to Certain Distributions. As authorized by Section 402.5(c) of the California Corporations Code, if Section 502 or Section 503 of the California Corporations Code (the "CGCL") is applicable to a payment made by the Corporation then such applicable section or sections shall not apply if such payment is a payment made by the Corporation in connection with (i) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, (ii) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries pursuant to rights of first refusal contained in agreements providing for such right, or (iii) any other repurchase or redemption of Common Stock or Preferred Stock approved by the holders of Preferred Stock of the Corporation.

3. Liquidation Rights.

(a) Liquidation Preference. In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of the Preferred Stock

shall be entitled to receive, prior and in preference to any Distribution of any of the assets of the Corporation to the holders of the Common Stock by reason of their ownership of such stock, an amount per share for each share of Preferred Stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in this Section 3(a), then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive pursuant to this Section 3(a).

(b) Remaining Assets. After the payment to the holders of Preferred Stock of the full preferential amounts specified above, the entire remaining assets of the Corporation legally available for distribution by the Corporation shall be distributed with equal priority and pro rata among the holders of the Preferred Stock and Common Stock in proportion to the number of shares of Common Stock held by them, with the shares of Preferred Stock being treated for this purpose as if they had been converted to shares of Common Stock at the then applicable Conversion Rate. Notwithstanding the foregoing, the aggregate distributions made pursuant to one or more subsections of this Section 3 with respect to any share of Preferred Stock shall not exceed an amount equal to two times the applicable Liquidation Preference for that share of Preferred Stock plus any declared but unpaid dividends.

(c) Shares not Treated as Both Preferred Stock and Common Stock in any Distribution. A holder of Preferred Stock may elect to avoid treatment as a holder of Preferred Stock by converting to Common Stock in connection with any Distribution, liquidation, dissolution or winding up; provided, however, that shares of Preferred Stock shall not be entitled to be converted into shares of Common Stock in order to participate in any Distribution, or series of Distributions, as shares of Common Stock, without first foregoing participation in the Distribution, or series of Distributions, as shares of Preferred Stock.

(d) Reorganization. For purposes of this Section 3, a liquidation, dissolution or winding up of the Corporation shall be deemed to be occasioned by, or to include, (a) the acquisition of the Corporation by another entity, person or group of affiliated entities or persons by means of any transaction or series of related transactions to which the Corporation is party (including, without limitation, any stock acquisition, reorganization, merger or consolidation but excluding any sale of stock for capital raising purposes) other than a transaction or series of transactions in which the holders of the voting securities of the Corporation outstanding immediately prior to such transaction continue to retain (either by such voting securities remaining outstanding or by such voting securities being converted into voting securities of the surviving entity), as a result of shares in the Corporation held by such holders prior to such transaction, at least fifty percent (50%) of the total voting power of such surviving entity outstanding immediately after such transaction or series of transactions, and (b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation, of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its

subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation (a "Deemed Liquidation").

(e) Valuation of Non-Cash Consideration. If any assets of the Corporation distributed to stockholders in connection with any liquidation, dissolution, or winding up of the Corporation are other than cash, then the value of such assets shall be their fair market value as determined in good faith by the Board of Directors, except that any publicly-traded securities to be distributed to stockholders in a liquidation, dissolution, or winding up of the Corporation shall be valued as follows:

(i) If the securities are then traded on a national securities exchange or the Nasdaq Stock Market (or a similar national quotation system), then the value of the securities shall be deemed to be the average of the closing prices of the securities on such exchange or system over the ten (10) trading day period ending five (5) trading days prior to the Distribution;

(ii) if the securities are actively traded over-the-counter, then the value of the securities shall be deemed to be the average of the closing bid prices of the securities over the ten (10) trading day period ending five (5) trading days prior to the Distribution.

In the event of a merger or other acquisition of the Corporation by another entity, the Distribution date shall be deemed to be the date such transaction closes.

For the purposes of this Section 3(e), "trading day" shall mean any day which the exchange or system on which the securities to be distributed are traded is open and "closing prices" or "closing bid prices" shall be deemed to be: (i) for securities traded primarily on the New York Stock Exchange, the American Stock Exchange or Nasdaq, the last reported trade price or sale price, as the case may be, at 4:00 p.m., New York time, on that day and (ii) for securities listed or traded on other exchanges, markets and systems, the market price as of the end of the regular hours trading period that is generally accepted as such for such exchange, market or system. If, after the date hereof, the benchmark times generally accepted in the securities industry for determining the market price of a stock as of a given trading day shall change from those set forth above, the fair market value shall be determined as of such other generally accepted benchmark times.

(f) In the event the requirements of this Section 3 are not complied with, the Corporation shall forthwith either:

(i) cause such closing to be postponed until such time as the requirements of this Section 3 have been complied with; or

(ii) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in Section 4(j) hereof related to such transaction.

4. Conversion. The holders of the Preferred Stock shall have conversion rights as follows:

(a) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Corporation or any transfer agent for the Preferred Stock, into that number of fully-paid, nonassessable shares of Common Stock determined by dividing the Original Issue Price for the relevant series by the Conversion Price for such series. (The number of shares of Common Stock into which each share of Preferred Stock of a series may be converted is hereinafter referred to as the "Conversion Rate" for each such series.) Upon any decrease or increase in the Conversion Price for any series of Preferred Stock, as described in this Section 4, the Conversion Rate for such series shall be appropriately increased or decreased.

(b) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into fully-paid, non-assessable shares of Common Stock at the then effective Conversion Rate for such share (i) immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act, covering the offer and sale of the Corporation's Common Stock, provided that (A) the Common Stock sold in such offering is listed on the NASDAQ or the New York Stock Exchange following such offering, (B) the offering price per share is not less than the Original Issue Price multiplied by the Adjusted Multiple (as defined below) and (C) the aggregate gross proceeds to the Corporation are not less than $40 million, or (ii) upon the receipt by the Corporation of a written consent to such conversion from the holders of a majority of the Preferred Stock then outstanding, or, if later, the effective date for conversion specified in such consent (each of the events referred to in (i) and (ii) are referred to herein as an "Automatic Conversion Event"). The "Adjusted Multiple" is (x) 1.5 (one and 1/2), if such initial public offering closes on or before the one year anniversary of the Original Issue Date, (y) 1.75 (one and 3/4), if such initial public offering closes after the one year anniversary of the Original Issue Date and on or before the 18 month anniversary of the Original Issue Date, and (z) 2 (two), if such offering closes after the 18 month anniversary of the Original Issue Date.

(c) Mechanics of Conversion. No fractional shares of Common Stock shall be issued upon conversion of Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then fair market value of a share of Common Stock as determined by the Board of Directors. For such purpose, all shares of Preferred Stock held by each holder of Preferred Stock shall be aggregated, and any resulting fractional share of Common Stock shall be paid in cash. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock, and to receive certificates therefor, he shall either (A) surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Preferred Stock or (B) notify the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and execute an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates, and shall give written notice to the Corporation at such office that he elects to convert the same; provided, however, that on the date of an Automatic Conversion Event, the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are

surrendered to the Corporation or its transfer agent; provided further, however, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such Automatic Conversion Event unless either the certificates evidencing such shares of Preferred Stock are delivered to the Corporation or its transfer agent as provided above, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. On the date of the occurrence of an Automatic Conversion Event, each holder of record of shares of Preferred Stock shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, notwithstanding that the certificates representing such shares of Preferred Stock shall not have been surrendered at the office of the Corporation, that notice from the Corporation shall not have been received by any holder of record of shares of Preferred Stock, or that the certificates evidencing such shares of Common Stock shall not then be actually delivered to such holder.

The Corporation shall, as soon as practicable after such delivery, or after such agreement and indemnification, issue and deliver at such office to such holder of Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which he shall be entitled as aforesaid and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common Stock, plus any declared and unpaid dividends on the converted Preferred Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted (or on such later date requested by such holder or such earlier date agreed to by such holder and the Corporation), and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date; provided, however, that if the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act or a merger, sale, financing, or liquidation of the Corporation or other event, the conversion may, at the option of any holder tendering Preferred Stock for conversion and unless such transaction is an Automatic Conversion Event, be conditioned upon the closing of such transaction or upon the occurrence of such event, in which case the person(s) entitled to receive the Common Stock issuable upon such conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such transaction or the occurrence of such event.

(d) Adjustments to Conversion Price for Diluting Issues.

(i) Special Definition. For purposes of this Section 4(d), "Additional Shares of Common" shall mean all shares of Common Stock issued (or, pursuant to Section 4(d)(iii), deemed to be issued) by the Corporation after Original Issue Date, other than issuances or deemed issuances of:

(1) shares of Common Stock issued or issuable to officers, directors and employees of, or consultants to, the Corporation pursuant to stock grants, option plans, purchase plans or other employee stock incentive programs or arrangements approved by the Board of Directors, or upon exercise of options or warrants granted to such parties pursuant to any such plan or arrangement;

(2) shares of Common Stock issued upon the exercise or conversion of Options or Convertible Securities outstanding as of the Original Issue Date;

(3) shares of Common Stock issued or issuable as a Distribution on Preferred Stock or pursuant to any event for which adjustment is made pursuant to Section 4(e), 4(f) or 4(g) hereof,

(4) shares of Common Stock issued in a registered public offering under the Securities Act pursuant to which all outstanding shares of Preferred Stock are automatically converted into Common Stock pursuant to an Automatic Conversion Event;

(5) shares of Common Stock issued or issuable to a bona fide third party pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets or other reorganization or to a joint venture agreement, provided, that such issuances are approved by the Board of Directors, and that such issuance is approved by one Preferred Director or that the primary purpose of the issuance is not the raising of capital;

(6) shares of Common Stock issued or issuable to bona fide third party banks, equipment lessors or other financial institutions pursuant to a debt financing or commercial leasing transaction approved by the Board of Directors, and that such issuance is approved by one Preferred Director or that the primary purpose of the issuance is not the raising of capital;

(7) shares of Common Stock issued or issuable to a bona fide third party in connection with any settlement of any action, suit, proceeding or litigation approved by the Board of Directors, and that such issuance is approved by one Preferred Director or that the primary purpose of the issuance is not the raising of capital;

(8) shares of Common Stock issued or issuable to a bona fide third party in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board of Directors, and that such issuance is approved by one Preferred Director or that the primary purpose of the issuance is not the raising of capital; and

(9) shares of Common Stock issued or issuable to bona fide third party suppliers or bona fide third party service providers in connection with the provision of goods or services pursuant to transactions approved by the Board of Directors, and that such issuance is approved by one Preferred Director or that the primary purpose of the issuance is not the raising of capital.

(ii) No Adjustment of Conversion Price. No adjustment in the Conversion Price of a particular series of Preferred Stock shall be made in respect of the issuance of Additional Shares of Common unless the consideration per share (as determined pursuant to Section 4(d)(v)) for an Additional Share of Common issued or deemed to be issued by the Corporation is less than the Conversion Price in effect on the date of, and immediately prior to such issuance or deemed issuance, for such series of Preferred Stock.

(iii) Deemed Issue of Additional Shares of Common. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities, the conversion or exchange of such Convertible Securities or, in the case of Options for Convertible Securities, the exercise of such Options and the conversion or exchange of the underlying securities, shall be deemed to have been issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that in any such case in which shares are deemed to be issued:

(1) no further adjustment in the Conversion Price of any series of Preferred Stock shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock in connection with the exercise of such Options or conversion or exchange of such Convertible Securities;

(2) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Corporation or in the number of shares of Common Stock issuable upon the exercise, conversion or exchange thereof (other than a change pursuant to the anti-dilution provisions of such Options or Convertible Securities such as this Section 4(d) or pursuant to Recapitalization provisions of such Options or Convertible Securities such as Sections 4(e), 4(f) and 4(g) hereof), the Conversion Price of each series of Preferred Stock and any subsequent adjustments based thereon shall be recomputed to reflect such change as if such change had been in effect as of the original issue thereof (or upon the occurrence of the record date with respect thereto);

(3) no readjustment pursuant to clause (2) above shall have the effect of increasing the Conversion Price of a series of Preferred Stock to an amount above the Conversion Price that would have resulted from any other issuances of Additional Shares of Common and any other adjustments provided for herein between the original adjustment date and such readjustment date;

(4) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price of each Series of Preferred Stock computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration, be recomputed as if:

(a) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common issued were the shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of such exercised Options plus the consideration actually received by the Corporation upon such exercise or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional

consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(b) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Shares of Common deemed to have been then issued was the consideration actually received by the Corporation for the issue of such exercised Options, plus the consideration deemed to have been received by the Corporation (determined pursuant to Section 4(d)(v)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised;

(5) in the event of any change (by amendment or otherwise, other than a change identified in Section 4(d)(iii)(2) or a change pursuant to anti-dilution provisions of such as this Section 4(d) or pursuant to Recapitalization provisions of such Options or Convertible Securities such as Sections 4(e), 6(f) and 6(g) hereof) in the number of shares of Common Stock deliverable or in the consideration payable to the Corporation upon the exercise of such Options or upon the conversion of or in exchange for such Convertible Securities, the applicable Conversion Price of each such series of Preferred Stock (to the extent said applicable Conversion Price is in any way affected by or computed using such Options or Convertible Securities), shall be recomputed to reflect such change; and

(6) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this Section 4(d)(iii) as of the actual date of their issuance.

(iv) Adjustment of Conversion Price Upon Issuance of Additional Shares of Common. In the event this Corporation shall issue Additional Shares of Common (including Additional Shares of Common deemed to be issued pursuant to Section 4(d)(iii)) without consideration or for a consideration per share less than the applicable Conversion Price of a series of Preferred Stock in effect on the date of and immediately prior to such issuance or deemed issuance, then, the Conversion Price of the affected series of Preferred Stock shall be reduced, concurrently with such issuance or deemed issuance, to a price (calculated to the nearest $1/100^{th}$ of a cent) determined by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance or deemed issuance plus the number of shares that the aggregate consideration received by the Corporation for the total number of Additional Shares of Common so issued would purchase at such Conversion Price, and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance or deemed issuance plus the number of such Additional Shares of Common so issued. Notwithstanding the foregoing, the Conversion Price shall not be reduced at such time if the amount of such reduction would be less than $0.01, but any such amount shall be carried forward, and a reduction will be made with respect to such amount at the time of, and together with, any subsequent reduction which, together with such amount and any other amounts so carried forward, equal $0.01 or more in the aggregate. For the purposes of this Subsection 4(d)(iv), all shares of Common Stock issuable

upon conversion of all outstanding shares of Preferred Stock and the exercise and/or conversion of any other outstanding Convertible Securities and all outstanding Options shall be deemed to be outstanding.

(v) Determination of Consideration. For purposes of this Section 4(d), the consideration received by the Corporation for the issue (or deemed issuance) of any Additional Shares of Common shall be computed as follows:

(1) Cash and Property. Such consideration shall:

(a) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with such issuance;

(b) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issuance or deemed issuance, as determined in good faith by the Board of Directors; and

(c) in the event Additional Shares of Common are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (a) and (b) above, as reasonably determined in good faith by the Board of Directors.

(2) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common deemed to have been issued pursuant to Section 4(d)(iii) shall be determined by dividing

(x) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities by

(y) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(e) Adjustments for Subdivisions or Combinations of Common Stock. In the event the outstanding shares of Common Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Common Stock, the Conversion Price of each series of Preferred Stock in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined (by

reclassification or otherwise) into a lesser number of shares of Common Stock, the Conversion Prices in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

(f) Adjustments for Subdivisions or Combinations of Preferred Stock. In the event the outstanding shares of Preferred Stock or a series of Preferred Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Preferred Stock, the Dividend Rate, Original Issue Price and Liquidation Preference of the affected series of Preferred Stock in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Preferred Stock or a series of Preferred Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Preferred Stock, the Dividend Rate, Original Issue Price and Liquidation Preference of the affected series of Preferred Stock in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

(g) Adjustments for Reclassification, Exchange and Substitution. Subject to Section 3 above ("Liquidation Rights"), if the Common Stock issuable upon conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), then, in any such event, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive each holder of such Preferred Stock shall have the right thereafter to convert such shares of Preferred Stock into a number of shares of such other class or classes of stock which a holder of the number of shares of Common Stock deliverable upon conversion of such series of Preferred Stock immediately before that change would have been entitled to receive in such reorganization or reclassification, all subject to further adjustment as provided herein with respect to such other shares.

(h) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Preferred Stock.

(i) Waiver of Adjustment of Conversion Price. Notwithstanding anything herein to the contrary, any downward adjustment of the Conversion Price of any series of Preferred Stock may be waived by the consent or vote of the holders of the majority of the outstanding shares of such series either before or after the issuance causing the adjustment.

(j) Notices of Record Date. In the event that this Corporation shall propose at any time:

(i) to declare any Distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;

(ii) to effect any reclassification or Recapitalization of its Common Stock; or

(iii) to voluntarily liquidate, dissolve, wind up or to enter into any Deemed Liquidation;

then, in connection with each such event, this Corporation shall send to the holders of the Preferred Stock at least 10 days' prior written notice of the date on which a record shall be taken for such Distribution (and specifying the date on which the holders of Common Stock shall be entitled thereto and, if applicable, the amount and character of such Distribution) or for determining rights to vote in respect of the matters referred to in (ii) and (iii) above.

Such written notice shall be given by first class mail (or express courier), postage prepaid, addressed to the holders of Preferred Stock at the address for each such holder as shown on the books of the Corporation and shall be deemed given on the date such notice is mailed.

The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the vote or written consent of the holders of a majority of the Preferred Stock.

(k) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

5. Voting.

(a) Restricted Class Voting. Except as otherwise expressly provided herein or as required by law, the holders of Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

(b) No Series Voting. Other than as provided herein or required by law, there shall be no series voting.

(c) Preferred Stock. Each holder of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which the shares of

Preferred Stock held by such holder could be converted as of the record date. The holders of shares of the Preferred Stock shall be entitled to vote on all matters on which the Common Stock shall be entitled to vote. Holders of Preferred Stock shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted), shall be disregarded.

(d) Election of Directors. The Board of Directors shall consist of five members, subject to increase in accordance with Section 6, the Bylaws of the Corporation and, until terminated by the parties or under its terms, the Voting Agreement dated on or around the Original Issue Date among Oak Investment Partners XI, Limited Partnership, a Delaware limited partnership, and the holders of the Corporation's Common Stock (as amended from time to time in accordance with its terms, the "Voting Agreement"). Pursuant to the Voting Agreement (until the applicable provisions thereof are amended or terminated, and subject to any waivers consistent with the terms thereof), until such time as (i) the automatic or voluntary conversion of all outstanding shares of Preferred Stock into Common Stock; (ii) the closing of an Investor-Requested Initial Public Offering (as such term is defined in the Corporation's Investor Rights Agreement dated on or around the Original Issue Date); (iii) such time as in the aggregate fewer than 2,000,000 shares of Series A Preferred Stock (as adjusted for Recapitalizations) are outstanding; (iv) closing of a Deemed Liquidation; or (v) the agreement of the Investor (as such term is defined in the Voting Agreement, the "Investor")) (with no consent from the Corporation or any other party required):

(1) The holders of Preferred Stock, voting as a separate class, shall be entitled to elect two members of the Corporation's Board of Directors (each, a "Preferred Director") at each meeting or pursuant to each consent of the Corporation's stockholders for the election of directors (subject to increase in accordance with the terms of the Voting Agreement);

(2) The holders of Common Stock, voting as a separate class, shall be entitled to elect two members of the Corporation's Board of Directors at each meeting or pursuant to each consent of the Corporation's stockholders for the election of directors (subject to increase in accordance with the terms of the Voting Agreement); and

(3) An initial fifth director shall be chosen, subject to the reasonable objection of the holders of Preferred Stock, by the holders of the Common Stock, voting as a separate class. At the earlier of the first anniversary of the Original Issue Date or upon the initial filing of a registration statement with the Securities and Exchange Commission relating to the Corporation's first bona fide underwritten firm commitment public offering of its Common Stock pursuant to the Securities Act of 1933, as amended, the Common Holders (as such term is defined in the Voting Agreement) will use reasonable efforts to cause such initial fifth director to be replaced by an Independent Common Designee (as such term is defined in the Voting Agreement, an "Independent Common Designee"), who shall be chosen, subject to the reasonable objection of the holders of the Preferred Stock, by the holders of the Common Stock, voting as a separate class.

(4) At such time as the Board increases in size pursuant Section 2(g) of the Voting Agreement, the holders of the Common Stock, voting as a separate class, shall choose another Independent Common Designee as the sixth director and the holders of the Preferred Stock, voting as a separate class, shall choose as the seventh director an Independent Series A Designee (as such term is defined in the Voting Agreement), subject to the reasonable objection of the holders of the Common Stock.

(e) Adjustment in Authorized Common Stock. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by an affirmative vote of the holders of a majority of the stock of the Corporation.

(f) Common Stock. Each holder of shares of Common Stock shall be entitled to one vote for each share thereof held.

(g) California Section 2115. So long as Section 2115 of the California General Corporation Law purports to make Section 708 subdivisions (a), (b) and (c) of the California General Corporation Law applicable to the Corporation, the Corporation's stockholders shall have the right to cumulate their votes in connection with the election of directors as provided by Section 708 subdivisions (a), (b) and (c) of the California General Corporation Law.

6. Amendments and Changes. As long as 2,000,000 shares (as adjusted for Recapitalizations) of the Preferred Stock shall be issued and outstanding, the Corporation shall not (either directly or indirectly through merger, consolidation or otherwise), without first obtaining the approval (by vote or written consent as provided by law) of the holders of more than 50% of the outstanding shares of the Preferred Stock:

(a) amend, alter or repeal any provision of this Amended and Restated Certificate of Incorporation or Bylaws of the Corporation if such action would adversely affect the rights, preferences, privileges or powers of, or restrictions provided for the benefit of the Preferred Stock or any series thereof;

(b) increase or decrease (other than for decreases resulting from conversion of the Preferred Stock) the authorized number of shares of Preferred Stock or any series thereof;

(c) authorize, create or issue any new class or series of shares having rights, preferences or privileges with respect to dividends, or payments upon liquidation senior to or on a parity with any series of Preferred Stock or having voting rights other than those granted to the Preferred Stock generally;

(d) enter into any transaction or series of related transactions that constitutes a Deemed Liquidation unless, in connection with such Deemed Liquidation, the per share valuation of the Common Stock (determined in accordance with Section 3(e) hereof and assuming for this purpose that all outstanding in-the-money Options have been exercised in full and all convertible securities, including the Preferred Stock, have been converted in full), in connection with such Deemed Liquidation is more than 200% of the Original Issue Price;

(e) voluntarily liquidate or dissolve;

(f) increase the size of the Board of Directors;

(g) declare or pay any Distribution with respect to the Preferred Stock or Common Stock of the Corporation; or

(h) enter into or permit any subsidiary to enter into any Affiliate Transaction, or amend or alter any existing agreement that constitutes an Affiliate Transaction.

7. Reissuance of Preferred Stock. In the event that any shares of Preferred Stock shall be converted pursuant to Section 4 or otherwise repurchased by the Corporation, the shares so converted, redeemed or repurchased shall be cancelled and shall not be issuable by this Corporation.

8. Notices. Any notice required by the provisions of this ARTICLE V to be given to the holders of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at such holder's address appearing on the books of the Corporation.

ARTICLE VI

The Corporation is to have perpetual existence.

ARTICLE VII

Elections of directors need not be by written ballot unless a stockholder demands election by written ballot at the meeting and before voting begins or unless the Bylaws of the Corporation shall so provide.

ARTICLE VIII

Except as otherwise set forth herein, the number of directors which constitute the Board of Directors of the Corporation shall be designated in the Bylaws of the Corporation.

ARTICLE IX

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

ARTICLE X

1. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director.

2. The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Corporation or any predecessor of the Corporation or serves or served at any other enterprise as a director, officer or employee at the request of the Corporation or any predecessor to the Corporation.

If and to the extent that the Corporation may from time to time be or become subject to certain provisions of the CGCL pursuant to operation of Section 2115 thereof, then, as authorized by Section 317(g) of CGCL, for the duration of any such period, the Corporation is authorized to indemnify officers, directors, employees, and agents of this corporation (and any other person to which applicable law permits this corporation to provide indemnification) in excess of that which is otherwise permitted under Section 317 of the CGCL, subject only to the limits created by applicable Delaware law (statutory or non-statutory).

3. Neither any amendment nor repeal of this ARTICLE X, nor the adoption of any provision of this Corporation's Certificate of Incorporation inconsistent with this ARTICLE X, shall eliminate or reduce the effect of this ARTICLE X, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this ARTICLE X, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE XI

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

Exhibit 3.2

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
U.S. AUTO PARTS NETWORK, INC.
(a Delaware corporation)

U.S. Auto Parts Network, Inc., a Delaware corporation, does hereby certify that:

A. Section 2 of Article V of the Amended and Restated Certificate of Incorporation of said corporation is hereby amended and restated in its entirety to read as follows:

"2. Dividends.

(a) Preferred Stock. In any calendar year, the holders of outstanding shares of Preferred Stock shall be entitled to receive dividends, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, at the Dividend Rate specified for such shares of Preferred Stock payable in preference and priority to any declaration or payment of any Distribution on Common Stock of the Corporation in such calendar year. No Distributions shall be made with respect to the Common Stock, other than those contemplated by the Delaware Reorganization, until all declared dividends on the Preferred Stock have been paid or set aside for payment to the Preferred Stock holders. Payment of any dividends to the holders of the Preferred Stock shall be on a pro rata, *pari passu* basis in proportion to the Dividend Rates for each series of Preferred Stock. The right to receive dividends on shares of Preferred Stock shall not be cumulative, and no right to such dividends shall accrue to holders of Preferred Stock by reason of the fact that dividends on said shares are not declared or paid in any calendar year.

(b) Non-Cash Distributions. Whenever a Distribution provided for in this Section 2 shall be payable in property other than cash, the value of such Distribution shall be deemed to be the fair market value of such property as determined in good faith by the Board of Directors.

(c) Consent to Certain Distributions. As authorized by Section 402.5(c) of the California Corporations Code, if Section 502 or Section 503 of the California Corporations Code (the "CGCL") is applicable to a payment made by the Corporation then such applicable section or sections shall not apply if such payment is a payment made by the Corporation in connection with (i) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, (ii) repurchases of

Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries pursuant to rights of first refusal contained in agreements providing for such right, or (iii) any other repurchase or redemption of Common Stock or Preferred Stock approved by the holders of Preferred Stock of the Corporation."

B. The foregoing amendment has been duly adopted in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment on this 2nd day of November, 2006.

By: /S/ MEHRAN NIA
Mehran Nia
Chief Executive Officer and President

Exhibit 3.3

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
U.S. AUTO PARTS NETWORK, INC.

U.S. Auto Parts Network, Inc., a Delaware corporation, does hereby certify that:

1. Article IV of the Amended and Restated Certificate of Incorporation of said corporation is hereby amended and restated in its entirety to read as follows:

"ARTICLE IV

The total number of shares of stock that the corporation shall have authority to issue is Sixty-One Million One Hundred Thousand (61,100,000), consisting of Fifty Million (50,000,000) shares of Common Stock, $0.001 par value per share, and Eleven Million One Hundred Thousand (11,100,000) shares of Preferred Stock, $0.001 par value per share. The first Series of Preferred Stock shall be designated "Series A Preferred Stock" and shall consist of Eleven Million One Hundred Thousand (11,100,000) shares.

Upon the filing of this Certificate of Amendment to the Amended and Restated Certificate of Incorporation with the Delaware Secretary of State, without any further action on the part of the holders thereof, each outstanding share of the corporation's Common Stock shall be automatically converted into six-tenths (0.6) of a share of Common Stock. No fractional shares of Common Stock shall be issued as a result of this conversion. If any fractional share of Common Stock would be delivered upon such conversion to any stockholder, the corporation shall pay to the stockholder entitled to such fractional share an amount in cash equal to the current market price of such fractional share (as determined in good faith by the Board of Directors of the corporation) as of the date of filing of this Certificate of Amendment to the Amended and Restated Certificate of Incorporation with the Delaware Secretary of State (the "Filing Date"). Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Common Stock held by such stockholder as of the Filing Date and the number of shares of Common Stock issuable to such stockholder, on an aggregate basis, upon such conversion."

2. The foregoing amendments have been duly adopted in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment on this 9th day of January 2007.

By: /S/ MEHRAN NIA
Mehran Nia
Chief Executive Officer and President

Exhibit 3.5

BYLAWS
OF
U.S. AUTO PARTS NETWORK, INC.
A Delaware Corporation

ARTICLE I: OFFICES

SECTION 1.1 ***Registered Office***.

The registered office of U.S. Auto Parts Network, Inc. (the "Corporation") shall be at and the name of its registered agent at that address is 2711 Centerville Road, Suite 400 in the City of Wilmington, County of New Castle and the name of its registered agent at that address is Corporation Service Company.

SECTION 1.2 ***Principal Office***.

The principal office for the transaction of the business of the Corporation shall be 17150 South Margay Avenue, Carson, CA 90746, or otherwise as set forth in a resolution adopted by the Board.

SECTION 1.3 ***Other Offices***.

The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board may from time to time determine or as the business of the Corporation may require.

ARTICLE II: MEETINGS OF STOCKHOLDERS

SECTION 2.1 ***Place of Meetings***.

All annual meetings of stockholders and all other meetings of stockholders shall be held either at the principal office of the Corporation or at any other place within or without the State of Delaware that may be designated by the Board pursuant to authority hereinafter granted to the Board.

SECTION 2.2 ***Annual Meetings***.

Annual meetings of stockholders of the Corporation for the purpose of electing directors and for the transaction of such other business as may properly come before such meetings may be held at such time and place and on such date as the Board shall determine by resolution.

SECTION 2.3 ***Special Meetings***.

A special meeting of the stockholders for the transaction of any proper business may be called at any time exclusively by the Board or the Chairman.

SECTION 2.4 ***Notice of Meetings***.

Except as otherwise required by law, notice of each meeting of stockholders, whether annual or special, shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to vote at such meeting by delivering a typewritten or printed notice thereof to such stockholder personally, or by depositing such notice in the United States mail, in a postage prepaid envelope, directed to such stockholder at such stockholder's post office address furnished by such stockholder to the Secretary of the Corporation for such purpose, or, if such stockholder shall not have furnished an address to the Secretary for such purpose, then at such stockholder's post office address last known to the Secretary, or by transmitting a notice thereof to such stockholder at such address by telegraph, cable, wireless or facsimile. Except as otherwise expressly required by law, no publication of any notice of a meeting of stockholders shall be required. Every notice of a meeting of stockholders shall state the place, date and hour of the meeting and, in the case of a special meeting, shall also state the purpose for which the meeting is called. Notice of any meeting of stockholders shall not be required to be given to any stockholder to whom notice may be omitted pursuant to applicable Delaware law or who shall have waived such notice, and such notice shall be deemed waived by any stockholder who shall attend such meeting in person or by proxy, except a stockholder who shall attend such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Except as otherwise expressly required by law, notice of any adjourned meeting of stockholders need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken.

SECTION 2.5 ***Fixing Date for Determination of Stockholders of Record***.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion or exchange of stock or for the purpose of any other lawful action other than to consent to corporate action in writing without a meeting, the Board may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any such other action. If in any case involving the determination of stockholders for any purpose other than notice of or voting at a meeting of stockholders the Board shall not fix such a record date, then the record date for determining stockholders for such purpose shall be the close of business on

the day on which the Board shall adopt the resolution relating thereto. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

SECTION 2.6 ***Quorum***.

Except as otherwise required by law, the holders of record of a majority in voting interest of the shares of stock of the Corporation entitled to be voted thereat, present in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of stockholders of the Corporation or any adjournment thereof. Subject to the requirement of a larger percentage vote, if any, contained in the Certificate of Incorporation, these Bylaws or by statute, the stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding any withdrawal of stockholders that may leave less than a quorum remaining, if any action taken (other than adjournment) is approved by the vote of at least a majority in voting interest of the shares required to constitute a quorum. In the absence of a quorum at any meeting or any adjournment thereof, a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat or, in the absence therefrom of all the stockholders, any officer entitled to preside at, or to act as secretary of, such meeting may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally called.

SECTION 2.7 ***Voting***.

(A) Each stockholder shall, at each meeting of stockholders, be entitled to vote, in the manner prescribed by the Corporation's Certificate of Incorporation, in person or by proxy each share of the stock of the Corporation that has voting rights on the matter in question and that shall have been held by such stockholder and registered in such stockholder's name on the books of the Corporation:

(i) on the date fixed pursuant to Section 2.5 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting; or

(ii) if no such record date shall have been so fixed, then (a) at the close of business on the business day next preceding the day upon which notice of the meeting shall be given or (b) if notice of the meeting shall be waived, at the close of business on the business day next preceding the day upon which the meeting shall be held.

(B) Shares of the Corporation's own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors in such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes. Persons holding stock of the Corporation in a fiduciary capacity shall be entitled to vote such stock. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the Corporation the pledgor shall have expressly empowered the pledgee to vote thereon, in which case only the pledgee, or the pledgee's proxy, may represent such stock and vote thereon. Stock having voting power standing of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or with respect to which

two or more persons have the same fiduciary relationship, shall be voted in accordance with the provisions of the Delaware General Corporation Law, as the same exists or may hereafter be amended (the "DGCL").

(C) Subject to the provisions of the Corporation's Certificate of Incorporation, any such voting rights may be exercised by the stockholder entitled thereto in person or by such stockholder's proxy appointed by an instrument in writing, subscribed by such stockholder or by such stockholder's attorney thereunto authorized and delivered to the secretary of the meeting. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless such stockholder shall in writing so notify the secretary of the meeting prior to the voting of the proxy. At any meeting of stockholders at which a quorum is present, all matters, except as otherwise provided in the Certificate of Incorporation, in these Bylaws or by law, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat and thereon. The vote at any meeting of stockholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, if there be such proxy, and it shall state the number of shares voted.

SECTION 2.8 ***Inspectors of Election***.

Prior to each meeting of stockholders, the Chairman of such meeting shall appoint an inspector(s) of election to act with respect to any vote. Each inspector of election so appointed shall first subscribe an oath faithfully to execute the duties of an inspector of election at such meeting with strict impartiality and according to the best of such inspector of election's ability. Such inspector(s) of election shall decide upon the qualification of the voters and shall certify and report the number of shares represented at the meeting and entitled to vote on any question, determine the number of votes entitled to be cast by each share, shall conduct the vote and, when the voting is completed, accept the votes and ascertain and report the number of shares voted respectively for and against each question, and determine, and retain for a reasonable period a record of the disposition of, any challenge made to any determination made by such inspector(s) of election. Reports of inspector(s) of election shall be in writing and subscribed and delivered by them to the Secretary of the Corporation. The inspector(s) of election need not be stockholders of the Corporation, and any officer of the Corporation may be an inspector(s) of election on any question other than a vote for or against a proposal in which such officer shall have a material interest. The inspector(s) of election may appoint or retain other persons or entities to assist the inspector(s) of election in the performance of the duties of the inspector(s) of election.

SECTION 2.9 ***Advance Notice of Stockholder Proposals and Stockholder Nominations***.

Nominations of persons for election to the board of directors of the Corporation and the proposal of business to be considered by the stockholders may be made at any meeting of stockholders only (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board, or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in these bylaws, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.9.

To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the sixtieth (60^{th})day

nor earlier than the close of business on the ninetieth (90 th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from such anniversary date or if the Corporation has not previously held an annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of a postponement or adjournment of an annual meeting to a later date or time commence a new time period for the giving of a stockholder's notice as described above.

Such stockholder's notice shall set forth (I) as to each person whom the stockholder proposes to nominate for election or reelection as a director (a) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (or any successor thereto) and Rule 14a-11 thereunder (or any successor thereto) (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (b) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated, (c) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting and nominate the person or persons specified in the notice; (d) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; and (e) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the United States Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board, (II) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (III) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (a) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, and (b) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner. In addition, the stockholder making such proposal shall promptly provide any other information reasonably requested by the Corporation. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any meeting of the stockholders except in accordance with the procedures set forth in this Section 2.9(A). The Chairman of any such meeting shall direct that any nomination or business not properly brought before the meeting shall not be considered.

SECTION 2.10 ***Action Without Meeting***.

Any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may, if such action has been earlier approved by the Board, be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the

corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III: BOARD OF DIRECTORS

SECTION 3.1 ***General Powers***.

Subject to any requirements in the Certificate of Incorporation, these Bylaws, or of the DGCL as to action which must be authorized or approved by the stockholders, any and all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be under the direction of, the Board to the fullest extent permitted by law. Without limiting the generality of the foregoing, it is hereby expressly declared that the Board shall have the following powers:

(A) to select and remove all the officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, the Certificate of Incorporation or these Bylaws, fix their compensation, and require from them security for faithful service;

(B) to conduct, manage and control the affairs and business of the Corporation, and to make such rules and regulations therefor not inconsistent with law, the Certificate of Incorporation or these Bylaws, as it may deem best;

(C) to change the location of the registered office of the Corporation in Section 1.1 hereof; to change the principal office and the principal office for the transaction of the business of the Corporation from one location to another as provided in Section 1.2 hereof; to fix and locate from time to time one or more offices of the Corporation within or without the State of Delaware as provided in Section 1.3 hereof; to designate any place within or without the State of Delaware for the holding of any meeting or meetings of stockholders; and to adopt, make and use a corporate seal, and to prescribe the forms of certificates of stock, and to alter the form of such seal and of such certificates from time to time, and in its judgment as it may deem best, provided such seal and such certificate shall at all times comply with the provisions of law;

(D) to authorize the issuance of shares of stock of the Corporation from time to time, upon such terms and for such considerations as may be lawful;

(E) to borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust and securities therefor; and

(F) by resolution adopted by a majority of the whole Board to designate an executive and other committees of the Board, each consisting of one or more directors, to serve at the pleasure of the Board, and to prescribe the manner in which proceedings of such committee or committees shall be conducted.

SECTION 3.2 ***Number and Term of Office***.

Until this Section 3.2 is amended by a resolution duly adopted by the Board or by the

stockholders of the Corporation, the number of directors constituting the entire Board shall be not less than two (2) members nor more than nine (9) members and shall initally consist of five (5) members. Directors need not be stockholders. At each annual meeting of stockholders, commencing with the first regularly-scheduled annual meeting of stockholders, each of the successors elected to replace the directors whose term shall have expired at such annual meeting shall be elected to hold office until the first annual meeting succeeding his or her election and until his or her respective successor shall have been duly elected and qualified.

Notwithstanding the foregoing provisions of this Article, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation, or removal.

SECTION 3.3 ***Chairman of the Board***.

The Chairman of the Board, when present, shall preside at all meetings of the Board and all meetings of stockholders. The Chairman of the Board shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

SECTION 3.4 ***Election of Directors***.

The directors shall be elected by the stockholders of the Corporation, and at each election, the persons receiving the greater number of votes, up to the number of directors then to be elected, shall be the persons then elected. The election of directors is subject to any provision contained in the Certificate of Incorporation relating thereto, including any provision regarding the rights of holders of preferred stock to elect directors.

SECTION 3.5 ***Resignations***.

Any director of the Corporation may resign at any time by giving written notice to the Board or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time is not specified, it shall take effect immediately upon receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.6 ***Vacancies***.

Except as otherwise provided in the Certificate of Incorporation, any vacancy in the Board, whether because of death, resignation, disqualification, an increase in the number of directors, removal, or any other cause, may be filled by vote of the majority of the remaining directors, although less than a quorum. When the Board fills a vacancy, the director chosen to fill that vacancy shall complete the term of the director he succeeds and shall hold office until such

director's successor shall have been elected and shall qualify or until such director shall resign or shall have been removed. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

SECTION 3.7 ***Place of Meeting***.

The Board or any committee thereof may hold any of its meetings at such place or places within or without the State of Delaware as the Board or such committee may from time to time by resolution designate or as shall be designated by the person or persons calling the meeting or in the notice or a waiver of notice of any such meeting. Directors may participate in any regular or special meeting of the Board or any committee thereof by means of conference telephone or similar communications equipment pursuant to which all persons participating in the meeting of the Board or such committee can hear each other, and such participation shall constitute presence in person at such meeting.

SECTION 3.8 ***Regular Meetings***.

Regular meetings of the Board may be held at such times as the Board shall from time to time by resolution determine.

SECTION 3.9 ***Special Meetings***.

Special meetings of the Board for any purpose or purposes shall be called at any time by the Chairman of the Board or, if the Chairman of the Board is absent or unable or refuses to act, by the Chief Executive Officer or the President, and may also be called by any two members of the Board. Except as otherwise provided by law or by these Bylaws, written notice of the time and place of special meetings shall be delivered personally or by facsimile to each director, or sent to each director by mail or by other form of written communication, charges prepaid, addressed to such director at such director's address as it is shown upon the records of the Corporation, or, if it is not so shown on such records and is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company in the County in which the principal office for the transaction of the business of the Corporation is located at least forty-eight (48) hours prior to the time of the holding of the meeting. In case such notice is delivered personally or by facsimile as above provided, it shall be delivered at least twenty-four (24) hours prior to the time of the holding of the meeting. Such mailing, telegraphing, delivery or facsimile transmission as above provided shall be due, legal and personal notice to such director. Except where otherwise required by law or by these Bylaws, notice of the purpose of a special meeting need not be given. Notice of any meeting of the Board shall not be required to be given to any director who is present at such meeting, except a director who shall attend such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 3.10 ***Quorum and Manner of Acting***.

Except as otherwise provided in these Bylaws, the Certificate of Incorporation or by applicable law, the presence of a majority of the authorized number of directors shall be required to constitute a quorum for the transaction of business at any meeting of the Board, and all matters

shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of the directors present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, provided any action taken is approved by at least a majority of the required quorum for such meeting. In the absence of a quorum, a majority of directors present at any meeting may adjourn the same from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. The directors shall act only as a Board, and the individual directors shall have no power as such.

SECTION 3.11 ***Action by Unanimous Written Consent***.

Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if consent in writing is given thereto by all members of the Board or of such committee, as the case may be, and such consent is filed with the minutes of proceedings of the Board or of such committee.

SECTION 3.12 ***Compensation***.

Directors, whether or not employees of the Corporation or any of its subsidiaries, may receive an annual fee for their services as directors in an amount fixed by resolution of the Board plus other compensation, including options to acquire capital stock of the Corporation, in an amount and of a type fixed by resolution of the Board, and, in addition, a fixed fee, with or without expenses of attendance, may be allowed by resolution of the Board for attendance at each meeting, including each meeting of a committee of the Board. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

SECTION 3.13 ***Committees***.

The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one (1) or more of the directors of the Corporation. Any such committee, to the extent provided in the resolution of the Board and subject to any restrictions or limitations on the delegation of power and authority imposed by applicable law, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Any such committee shall keep written minutes of its meetings and report the same to the Board at the next regular meeting of the Board. Unless the Board or these Bylaws shall otherwise prescribe the manner of proceedings of any such committee, meetings of such committee may be regularly scheduled in advance and may be called at any time by the chairman of the committee or by any two (2) members thereof; otherwise, the provisions of these Bylaws with respect to notice and conduct of meetings of the Board shall govern.

ARTICLE IV: OFFICERS

SECTION 4.1 ***Officers***.

The officers of the Corporation shall be a Chief Executive Officer, a President, one or more Vice Presidents (the number thereof and their respective titles to be determined by the Board), a Secretary, a Chief Financial Officer, and such other officers as may be appointed at the

discretion of the Board in accordance with the provisions of Section 4.3 hereof.

SECTION 4.2 ***Election***.

The officers of the Corporation, except such officers as may be appointed or elected in accordance with the provisions of Sections 4.3 or 4.5 hereof, shall be chosen annually by the Board at the first meeting thereof after the annual meeting of stockholders, and each officer shall hold office until such officer shall resign or shall be removed or otherwise disqualified to serve, or until such officer's successor shall be elected and qualified.

SECTION 4.3 ***Other Officers***.

In addition to the officers chosen annually by the Board at its first meeting, the Board also may appoint or elect such other officers as the business of the Corporation may require, each of whom shall have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time specify, and shall hold office until such officer shall resign or shall be removed or otherwise disqualified to serve, or until such officer's successor shall be elected and qualified.

SECTION 4.4 ***Removal and Resignation***.

Except as provided by DGCL Section 141(k), any officer may be removed, either with or without cause, by resolution of the Board, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board. Any officer or assistant may resign at any time by giving written notice of his resignation to the Board or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time is not specified, upon receipt thereof by the Board or the Secretary, as the case may be; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4.5 ***Vacancies***.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause may be filled by the vote of the majority of the directors present at any meeting in which a quorum is present, or pursuant to Section 3.11 of these Bylaws.

SECTION 4.6 ***Chief Executive Officer***.

The Chief Executive Officer shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board has been appointed and is present. The Chief Executive Officer shall be the chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the Corporation. The Chief Executive Officer shall also perform such other duties and have such other powers as the Board of Directors may designate from time to time.

SECTION 4.7 ***President***.

The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board has been appointed and is present or, in the absence of the Chairman of the Board, the Chief Executive Officer has been appointed and is present. Subject to the provisions of these Bylaws and to the direction of the Board of Directors and Chief Executive Officer, the President shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of President or which are delegated to him by the Board of Directors. The President shall have the power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all the other officers, employees and agents of the corporation.

SECTION 4.8 ***Vice President***.

Each Vice President shall have such powers and perform such duties with respect to the administration of the business and affairs of the Corporation as are commonly incident to their office or as may from time to time be assigned to such Vice President by the Chairman of the Board, or the Board, or the Chief Executive Officer, or the President, or as may be prescribed by these Bylaws. In the absence or disability of the Chairman of the Board, the Chief Executive Officer and the President, the Vice Presidents in order of their rank as fixed by the Board, or if not ranked, the Vice President designated by the Board, shall perform all of the duties of the Chairman of the Board, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the Chairman of the Board.

SECTION 4.9 ***Secretary***.

(A) The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the Corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board shall designate from time to time.

(B) The Secretary shall keep, or cause to be kept, at the principal office of the Corporation or such other place as the Board may order, a book of minutes of all meetings of directors and stockholders, with the time and place of holding, whether regular or special, and if special, how authorized and the notice thereof given, the names of those present at meetings of directors, the number of shares present or represented at meetings of stockholders, and the proceedings thereof.

(C) The Secretary shall keep, or cause to be kept, at the principal office of the Corporation’s transfer agent, a share register, or a duplicate share register, showing the name of each stockholder, the number of shares of each class held by such stockholder, the number and date of certificates issued for such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

SECTION 4.10 ***Chief Financial Officer***.

The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer. The Chief Financial Officer, subject to the order of the Board, shall have the custody of all funds and securities of the Corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board or the Chief Executive Officer shall designate from time to time.

ARTICLE V: CORPORATE INSTRUMENTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

SECTION 5.1 ***Execution of Corporate Instruments***.

The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the Corporation the corporate name without limitation, or enter into contracts on behalf of the Corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the Corporation. Such authority may be general or confined to specific instances, and unless so authorized by the Board or by these Bylaws, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

SECTION 5.2 ***Checks, Drafts, Etc***.

All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board. Each such officer, assistant, agent or attorney shall give such bond, if any, as the Board may require.

SECTION 5.3 ***Deposits***.

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select, or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the Chairman of the Board, the Chief Executive Officer, the President, any Vice President (or any other officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation who shall from time to time be determined by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

SECTION 5.4 ***General and Special Bank Accounts***.

The Board may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board may select or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Bylaws, as it may deem expedient.

ARTICLE VI: SHARES AND THEIR TRANSFER

SECTION 6.1 ***Certificates for Stock***.

Every owner of stock of the Corporation shall be entitled to have a certificate or certificates, to be in such form as the Board shall prescribe, certifying the number and class or series of shares of the stock of the Corporation owned by such owner. The certificates representing shares of such stock shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the Chairman of the Board, the Chief Executive Officer, the President or any Vice President, and by the Secretary. Any or all of the signatures on the certificates may be a facsimile. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, any such certificate, shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person who signed such certificate, or whose facsimile signature shall have been placed thereupon, were such an officer, transfer agent or registrar at the date of issue. A record shall be kept of the respective names of the persons, firms or corporations owning the stock represented by such certificates, the number and class or series of shares represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be canceled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so canceled, except in cases provided for in Section 6.4 hereof.

SECTION 6.2 ***Transfers of Stock***.

Transfers of shares of stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by such holder’s attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, or with a transfer clerk or a transfer agent appointed as provided in Section 6.3 hereof, and upon surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation. Whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact shall be so expressed in the entry of transfer if, when the certificate or certificates shall be presented to the Corporation for transfer, both the transferor and the transferee request the Corporation to do so.

SECTION 6.3 ***Regulations***.

The Board may make such rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all certificates for stock to bear the signature or signatures of any of them.

SECTION 6.4 ***Lost, Stolen, Destroyed, and Mutilated Certificates***.

In any case of loss, theft, destruction, or mutilation of any certificate of stock, another may be issued in its place upon proof satisfactory to the Board of such loss, theft, destruction, or mutilation and upon the giving of a bond of indemnity to the Corporation in such form and in such sum as the Board may direct; provided, however, that a new certificate may be issued without requiring any bond when, in the judgment of the Board, it is proper so to do.

ARTICLE VII: INDEMNIFICATION

SECTION 7.1 ***Indemnification of Directors and Officers***.

To the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended (provided that the effect of any such amendment shall be prospective only) (the "Delaware Law"), a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of his or her fiduciary duty as a director. The Corporation shall indemnify, in the manner and to the fullest extent permitted by the Delaware Law (but in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), any person (or the estate of any person) who is or was a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit or proceeding, whether or not by or in the right of the Corporation, and whether civil, criminal, administrative, investigative or otherwise, by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. The Corporation may, to the fullest extent permitted by the Delaware Law, purchase and maintain insurance on behalf of any such person against any liability which may be asserted against such person. The Corporation may create a trust fund, grant a security interest or use other means (including without limitation a letter of credit) to ensure the payment of such sums as may become necessary or desirable to effect the indemnification as provided herein. To the fullest extent permitted by the Delaware Law, the indemnification provided herein shall include expenses as incurred (including attorneys' fees), judgments, fines and amounts paid in settlement and any such expenses shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the person seeking indemnification to repay such amounts if it is ultimately determined that he or she is not entitled to be indemnified. Notwithstanding the foregoing or any other provision of this Section 7.1, no advance shall be made by the Corporation if a determination is reasonably and promptly made by the Board by a majority vote of a quorum of disinterested Directors, or (if such a quorum is not obtainable or, even if obtainable, a quorum of disinterested Directors so directs) by independent legal counsel to the Corporation, that, based upon the facts known to the Board or such counsel at the time such determination is made, (a) the party seeking an advance acted in bad faith or deliberately breached his or her duty to the Corporation or its stockholders, and (b) as a result of such actions by the party seeking an advance, it is more likely than not that it will ultimately be determined that such party is not entitled to indemnification pursuant to the provisions of this

Section 7.1. The indemnification provided herein shall not be deemed to limit the right of the Corporation to indemnify any other person for any such expenses to the fullest extent permitted by the Delaware Law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from the Corporation may be entitled under any agreement, the Corporation's Bylaws, vote of stockholders or disinterested directors, or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The Corporation may, but only to the extent that the Board of Directors may (but shall not be obligated to) authorize from time to time, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Section 7.1 as it applies to the indemnification and advancement of expenses of directors and officers of the Corporation.

SECTION 7.2 ***Indemnification of Employees and Agents***.

Subject to Section 7.1, the Corporation may, but only to the extent that the Board may (but shall not be obligated to) authorize from time to time, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VII as they apply to the indemnification and advancement of expenses of directors and officers of the Corporation.

SECTION 7.3 ***Enforcement of Indemnification***.

The rights to indemnification and the advancement of expenses conferred above shall be contract rights. If a claim under this Article VII is not paid in full by the Corporation within 60 days after written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of such claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expenses of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its Board, independent legal counsel or stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board, independent legal counsel or stockholders) that the indemnitee has not met such applicable standard of conduct, shall either create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VII or otherwise shall be on the Corporation.

ARTICLE VIII: MISCELLANEOUS

SECTION 8.1 ***Seal***.

The Board shall adopt a corporate seal, which shall be in the form set forth in a resolution approved by the Board.

SECTION 8.2 ***Waiver of Notices***.

Whenever notice is required to be given by these Bylaws or the Certificate of Incorporation or by law, the person entitled to said notice may waive such notice in writing, either before or after the time stated therein, and such waiver shall be deemed equivalent to notice.

SECTION 8.3 ***Amendments***.

Except as otherwise provided herein, by law, or in the Certificate of Incorporation, these Bylaws or any of them may be altered, amended, repealed or rescinded and new Bylaws may be adopted by the Board or by the stockholders at any annual or special meeting of stockholders, provided that notice of such proposed alteration, amendment, repeal, recession or adoption is given in the notice of such meeting of stockholders.

CERTIFICATE OF INCORPORATOR OF ADOPTION OF BYLAWS

I, the undersigned, do hereby certify:

That I am the Sole Incorporator of U.S. Auto Parts Network, Inc., a Delaware corporation, that the foregoing By-Laws, comprising sixteen pages, constitute the By-Laws of said corporation as duly adopted by the Sole Incorporator of the corporation on February 27, 2006.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation on this 27th day of February 2006.

By: /s/ Kasey Hannah
Kasey Hannah

CERTIFICATE OF SECRETARY

AMENDMENT TO THE BYLAWS OF
U.S. AUTO PARTS NETWORK, INC.

The undersigned does hereby certify that:

(1) He is the duly elected and acting secretary of U.S. Auto Parts Network, Inc., a Delaware corporation (the "***Corporation***"); and

(2) That Section 3.2 of Article III of the Bylaws of the Corporation has been amended and restated, effective as of June 6, 2006, to read in full as follows:

> "***Section 2. Number and Term of Office.*** The number of directors constituting the entire Board shall consist of not less than three (3) nor more than nine (9) directors, with the exact number of directors to be fixed, and may be changed from time to time, by resolution of the Board of Directors, except as otherwise provided by law or the Certificate of Incorporation. Directors need not be stockholders. At each annual meeting of stockholders, each of the successors elected to replace the directors whose term shall have expired at such annual meeting shall be elected to hold office until the first annual meeting succeeding his or her election and until his or her respective successor shall have been elected and qualified. Notwithstanding the foregoing provisions of this Article, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation or removal."

(3) The foregoing amendment to the Bylaws of the Corporation was duly adopted by the Board of Directors of the Corporation at a meeting held on June 6, 2006.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the 28th day of November, 2006.

/s/ Michael J. McClane
Michael J. McClane,
Secretary

Exhibit 5.1

[LETTERHEAD OF DORSEY & WHITNEY LLP]

U.S. Auto Parts Network, Inc.
17150 South Margay Avenue
Carson, CA 90746

Re: Registration Statement on Form S-1
(SEC File Number 333-138379)

Ladies and Gentlemen:

We have acted as counsel to U.S. Auto Parts Network, Inc., a Delaware corporation (the "Company"), in connection with a Registration Statement on Form S-1, as amended (the "Registration Statement"), relating to the proposed issuance and sale by the Company of up to 8,000,000 shares of the Company's common stock (the "Company Shares") and the sale by certain stockholders of the Company (the "Selling Stockholders") of up to 3,500,000 shares of the Company's common stock (the "Selling Stockholder Shares"), which includes 1,500,000 shares subject to the Underwriters' over-allotment option.

This opinion is being furnished in accordance with the requirements of Item 16(a) of Form S-1 and Item 601(b)(5)(i) of Regulation S-K.

We have examined such documents and have reviewed such questions of law as we have considered necessary and appropriate for the purposes of our opinions set forth below. In rendering our opinions set forth below, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures and the conformity to authentic originals of all documents submitted to us as copies. We have also assumed the legal capacity for all purposes relevant hereto of all natural persons and, with respect to all parties to agreements or instruments relevant hereto other than the Company, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, that such agreements or instruments have been duly authorized by all requisite action (corporate or otherwise), executed and delivered by such parties and that such agreements or instruments are the valid, binding and enforceable obligations of such parties. As to questions of fact material to our opinions, we have relied upon certificates of officers of the Company and of public officials. We have also assumed that the Company Shares and the Selling Stockholder Shares will be priced by the Pricing Committee established by the authorizing resolutions adopted by the Company's Board of Directors in accordance with such resolutions and will be issued and sold as described in the Registration Statement.

Based on the foregoing, and in reliance thereon, we are of the opinion that (i) the Company Shares and the Selling Stockholder Shares have been duly authorized by all requisite corporate action, (ii) the Company Shares, upon issuance, delivery and payment therefor as described in the Registration Statement and the related prospectus, as amended and supplemented through the date of issuance, will be validly issued, fully paid and nonassessable,

and (iii) the Selling Stockholder Shares have been validly issued and are fully paid and nonassessable.

Our opinions expressed above are limited to the Delaware General Corporation Law, and we express no opinion with respect to the applicability of any other laws.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement, and to the reference to our firm under the heading “Legal Matters” in the Prospectus constituting part of the Registration Statement.

This opinion letter is rendered as of the date of effectiveness of the Registration Statement and we disclaim any obligation to advise you of facts, circumstances, events or developments which may be brought to our attention after the effective date of the Registration Statement and which may alter, affect or modify the opinion expressed herein. Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company, the Company Shares or the Selling Stockholder Shares.

Very truly yours,

/s/ DORSEY & WHITNEY, LLP

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR CERTAIN REDACTED PROVISIONS OF THIS AGREEMENT. THE REDACTED PROVISIONS ARE IDENTIFIED BY THREE ASTERISKS AND ENCLOSED BY BRACKETS. THE CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

CATALOG LICENSE AND PARTS PURCHASE AGREEMENT

THIS CATALOG LICENSE AND PARTS PURCHASE AGREEMENT ("Agreement") is entered into as of the 20th day of November, 2006 (the "Effective Date"), by and between WORLDPAC, Inc., with its principal place of business at 37137 Hickory Street, Newark, CA 94560-5522 (hereinafter "WORLDPAC"), and US Auto Parts Network, Inc., with its principal place of business at 17150 S. Margay Avenue, Carson, CA. 90746 (hereinafter "Company"). WORLDPAC previously executed Catalog License and Parts Purchase Agreements with U.S. Auto Parts Network, Inc. on February 14, 2006 and with THE PARTS BIN.COM, Inc. on July 14, 2005. After February 14, 2006, Company acquired all of the shares of THE PARTS BIN.COM, INC. This Agreement supersedes the July 14, 2005 and February 14, 2006 agreements, which are null and void as of the date of this Agreement.

Background

WORLDPAC is in the business of selling original equipment quality automotive replacement parts and accessories ("Parts"). WORLDPAC has developed a proprietary electronic Parts catalog commonly known as the "WebParts" catalog which consists of various Data Records (as defined herein) and other data (hereinafter, the "Catalog"). WORLDPAC has also developed a proprietary electronic Parts ordering system that integrates with the Catalog and is also marketed under the "WebParts" brand name and which includes, without limitation, a proprietary application program interface that allows customers to purchase Parts directly from WORLDPAC via the Internet (the "System"). Company desires to access the System online to purchase Parts from WORLDPAC for resale to Company's End Users (as defined herein). Company further desires to display the Catalog to its End Users online via Company's Websites (as defined herein) to facilitate the End Users' purchase of Parts from Company. Pursuant to the terms of this Agreement, WORLDPAC desires to (i) sell Parts to Company via the System, and (ii) allow End Users to view the Catalog via Company's Websites. Therefore, in consideration of the mutual covenants and agreements set forth herein, the parties hereto, intending to be legally bound hereby, agree as follows.

Terms and Conditions

1. **LICENSE**. Subject to the terms of this Agreement, WORLDPAC hereby grants to Company: (a) a non-exclusive, non-transferable, revocable, limited license to display the Catalog to End Users via Company's Websites; and (b) a non-exclusive, non-transferable, revocable, limited license to access the System.

2. **CATALOG USE RESTRICTIONS**.

a) For the purposes of this Agreement, "Websites" means and includes those Internet websites owned and operated by Company and located at the domain names listed on attached Exhibit B, as amended from time to time by the parties in writing. WORLDPAC reserves the right, in its sole discretion, to disapprove the domain name of any Website at which the Catalog is to be displayed. Upon receiving notice from WORLDPAC that it disapproves of any Website domain name, Company shall be prohibited from displaying the Catalog via that Website and shall immediately cease any such display.

b) For the purposes of this Agreement, "End User" means any individual or entity that accesses Company's Website for the purpose of purchasing Parts.

c) For the purposes of this Agreement, a "Data Record" is a Catalog record provided by WORLDPAC that corresponds to a particular Part and that consists of an image and brief description of the Part, and the Part's name, proprietary WORLDPAC Part number, and brand. The Websites may only simultaneously display Data Records related to a single automobile year, make and model (e.g., year = 1993, make = Acura, model = Integra) and a single Part (e.g., floor mat). For example, a Website may simultaneously display Data Records for all floor mats available for a 1993 Acura Integra but a Website may not simultaneously display Data Records for all available floor mats and Data Records for all available Parts for a 1993 Acura Integra.

d) Company may only display the Catalog via Websites in accordance with the terms of this Agreement and solely for the purpose of allowing End Users to purchase from Company Parts that Company has purchased from WORLDPAC.

e) The Catalog shall only be accessed by Company via WORLDPAC's Catalog servers in accordance with this Agreement and any written instructions provided by WORLDPAC. Company may only display the Catalog to an End User by presenting a link on a Website, which shall allow the End User to access the Catalog via WORLDPAC's servers in accordance with this Agreement and any written instructions provided by WORLDPAC. For clarity, any information or data from the Catalog displayed to End Users via Company's Websites shall be delivered directly from WORLDPAC's Catalog servers to the End User's browser via a "frame" or "pop-up" window and may not be routed to any intermediary computer system or other location or otherwise intercepted by Company.

f) Company shall not, and shall not permit any third party to, copy, modify, create derivative works from, distribute, decompile, or reverse compile the Catalog (or the data contained therein) or any accompanying software provided by WORLDPAC. Without limiting the generality of the foregoing, Company shall not, and shall not permit any third party to, download, copy or otherwise duplicate any images contained in the Catalog or any Data Record.

g) Except as expressly provided in Section 2(i), all Parts purchased by End Users through any Website shall have been purchased by Company from WORLDPAC, and no Website shall allow or facilitate (via a hyperlink or otherwise) an End User's purchase of Parts (i) directly from an entity other than WORLDPAC, or (ii) from Company if such Parts were not purchased by Company from WORLDPAC.

h) Except as expressly provided in Section 2(i), and except for Data Records from the Catalog, no Website shall display any Parts catalog or any Parts information, including, without limitation, import Part numbers, names, pictures and descriptions.

i) Notwithstanding Sections 2(g) and 2(h), if WORLDPAC does not Stock (defined below) a Part, or, if a Part is Unavailable (defined below) from WORLDPAC, the Websites may (i) display information related to that Part that is not a Data Record from the Catalog, and (ii) allow End Users to purchase that Part regardless of what entity sells that Part to either Company or the End User. WORLDPAC will be deemed to "Stock" a Part if it offers that Part for sale via the System or if a Data Record related to the Part is contained in the Catalog. If WORLDPAC Stocks a Part, that Part will nonetheless be deemed "Unavailable" if the System or Catalog indicates that the Part is currently not available for purchase. For clarity, the term "Part" as used in this Agreement refers to a part or accessory item generically so that if WORLDPAC Stocks one brand of a Part (e.g., one brand of floor mats), WORLDPAC shall be deemed to Stock that Part even if other brands of that Part exist which WORLDPAC does not Stock.

j) Company may only display Data Records as part of the Catalog pursuant to the terms of this Agreement.

k) Company will take all reasonably necessary technological and security measures to prevent unauthorized access, downloading, or copying of the Catalog and the data contained therein.

l) Except as expressly set forth herein, Company shall not permit any third party to view, download, compile or otherwise access the Catalog or the data contained therein.

m) For the purposes of this Agreement, "Direct Competitors" means and includes the following entities: [***], and such other entities as WORLDPAC may, in its sole discretion, designate from time to time in writing as Direct Competitors. No Website shall display data or information (i) that has been published or otherwise provided by the Direct Competitors, or (ii) related to any product or service offered by the Direct Competitors.

n) Prior to allowing an End User to view any data from the Catalog (including, without limitation, any Data Records) via any Website, Company shall require the End User to agree to restrictions regarding the use of, and access to, the Catalog (and the Data Records and other data contained therein) which are at least as strict as those set forth in this Agreement (the "End User Restrictions"). The End User Restrictions shall be presented to End Users via a "click through," "browse-wrap" or other similar method and shall be subject to the approval of WORLDPAC.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

3. **SYSTEM USE RESTRICTIONS**. Company shall only use the System in accordance with this Agreement as necessary to purchase Parts directly from WORLDPAC. Company shall not use or access the System in any way, which, in WORLDPAC's reasonable judgment, adversely affects the performance or function of the System or interferes with the ability of authorized parties to access the System. Company may not gain access, or attempt to gain access, by any means, to any WORLDPAC computer system or database, other than the System to which Company is expressly permitted access via this Agreement. Any access to or use of the System that is inconsistent with the terms herein is unauthorized and strictly prohibited without the express prior written consent of WORLDPAC.

4. **SYSTEM AND CATALOG MAINTENANCE**. Subject to Section 10, WORLDPAC shall make reasonable commercial efforts to maintain and support the System. WORLDPAC, in its sole discretion, shall determine the content and data that shall comprise the Catalog as well the portion of the Catalog that shall be available for access by Company and End Users at any given time.

5. **OWNERSHIP**.

   a) By permitting limited usage of the System and Catalog as set forth herein, WORLDPAC does not convey any interest in or to the System, the Catalog or any other WORLDPAC property or services. Company hereby acknowledges and agrees that WORLDPAC owns all right, title and interest in and to, the System, the Catalog (including, without limitation, the Data Records and other data contained therein) and all Confidential Information disclosed by WORLDPAC to Company (collectively, the "WORLDPAC Materials"). Company acknowledges that it has not acquired any ownership interest in the WORLDPAC Materials and will not acquire any such ownership interest by reason of this Agreement. Company will not at any time do or knowingly permit to be done any act or thing that would in any way impair the rights of WORLDPAC or its licensors in and to the WORLDPAC Materials. WORLDPAC reserves all rights pertaining to the WORLDPAC Materials not specifically granted herein.

   b) For the purposes of this Agreement, "Marks" means all trade marks and service marks, including, without limitation, all names, logos, symbols, designations, trade dress, emblems, designs, labels, and insignia. Company recognizes that it is not authorized to use any of WORLDPAC's Marks without the prior written approval of WORLDPAC. Company shall not file, register or record with any federal, state or local government any name, design or form which may be confused with a WORLDPAC Mark. Company acknowledges WORLDPAC's exclusive ownership of, and the validity of, WORLDPAC's Marks and all registrations thereof, and shall not during the term of this Agreement or any time thereafter, contest WORLDPAC's exclusive ownership of, or the validity of, any WORLDPAC Marks or any registrations thereof.

6. **PARTS PURCHASE**. Company's purchase of Parts from WORLDPAC shall be governed by the WORLDPAC TERMS AND CONDITIONS OF SALE attached as Exhibit A to this Agreement. Company agrees that the price for a particular Part as displayed to Company via the System is the price which WORLDPAC will charge for Company to purchase that Part (the "WORLDPAC Price"). Company acknowledges that the WORLDPAC Prices are subject to change from time to time without notice to Company, and, that it is Company's responsibility to monitor WORLDPAC Prices via the System to verify the current WORLDPAC Price for each Part. As further specified in Section 9(d), Company shall not display any WORLDPAC Price to any third party (including, without limitation, any End User) via any Website or otherwise. For clarity, Company shall establish its own price for the sale of each Part to an End User (the "Company Price") and only the Company Price may be displayed to third parties (including, without limitation, End Users). WORLDPAC will offer Company a monthly cooperative marketing expense credit, and certain other credits and incentives, as specified in Section 8(c) of the WORLDPAC TERMS AND CONDITIONS OF SALE attached as Exhibit A to this Agreement.

7. **TERM AND TERMINATION**.

   a) This Agreement shall have an initial term of twenty-four (24) months (the "Initial Term"). After the Initial Term, this Agreement shall automatically renew for [***] (each a "Renewal Term") unless one of the parties provides notice of its intent to terminate this Agreement at least [***]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

days prior to the expiration of the Initial Term or the applicable Renewal Term. The Initial Term and any Renewal Terms shall constitute the "Term."

b) Either party may terminate this Agreement with or without cause upon [***] days written notice to the other party.

c) Company may, upon thirty (30) days' prior written notice, terminate this Agreement if (i) the dollar value of Company's Parts sales, less returns, to End Users in any calendar year is less than [***]; or (ii) WORLDPAC fails to perform any of its obligations under this Agreement.

d) WORLDPAC may, upon thirty (30) days' prior written notice, terminate this Agreement if: (i) Company breaches or fails to perform any of its obligations to WORLDPAC under this Agreement, including, but not limited to, the timely payment of amounts due WORLDPAC; or (ii) Company returns more than [***] of the Parts purchased by it in any given calendar month.

e) Either party may terminate this Agreement upon ten (10) days' written notice if: (i) the other party is insolvent, files a petition in bankruptcy, or has made any assignment by operation of law or otherwise of this Agreement or any of its rights hereunder for the benefit of creditors: (ii) any involuntary petition under any bankruptcy statute shall be filed with respect to the other party, or a receiver or trustee shall be appointed to take possession of all or a substantial part of the assets of the other party and the same has not been dismissed or terminated within sixty (60) days of the date of such filing or appointment; (iii) the other party shall generally become unable to pay its obligations as they become due; or (iv) the other party shall institute any proceedings for liquidation or the winding up of its business other than for purposes of reorganization, consolidation or merger.

f) WORLDPAC may terminate this Agreement as provided in Section 2(a) of the WORLDPAC TERMS AND CONDITIONS OF SALE attached to this Agreement as Exhibit A.

8. FEES.

a) In consideration of the rights granted to Company in Section 1, Company shall pay WORLDPAC a Catalog access fee of [***] (the "Access Fee"). The Access Fee is due upon the Effective Date. The Access Fee is exclusive and free and clear of all sales, use and other taxes imposed by any governmental or other authority related to Company's use of the Catalog or System and Company shall pay to WORLDPAC any such sales, use or other tax required by any applicable government authority based upon Company's receipt or use of the Catalog or System. The Access Fee is nonrefundable.

b) From time to time, Company may request from WORLDPAC certain services related to the Catalog or the System, including, without, limitation, technical advice, system maintenance, training or other services associated with Company's use of the Catalog or System ("Consulting Services"). WORLDPAC may, in its sole discretion, choose to provide Consulting Services to Company and the fees for such Consulting Services and any additional terms and conditions on which they shall be provided shall be mutually agreed to by the parties in writing. All fees and charges for any Consulting Services rendered are due upon receipt of an invoice from WORLDPAC and Company shall be responsible for all applicable taxes, fees, charges and assessments, except United States income tax on WORLDPAC's net income, due in connection with WORLDPAC's provision of Consulting Services. If Company does not pay any invoice within thirty (30)
days from the date it is submitted by WORLDPAC, Company shall pay interest on any overdue amounts at the rate of [***] per month or the maximum amount allowed by law, whichever is greater.

9. CONFIDENTIAL INFORMATION.

a) For the purposes of this Agreement, "Representatives" means the officers, employees, affiliates, agents, programmers, representatives and contractors of a party.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

b) For the purpose of this Agreement, "Confidential Information" means any proprietary information disclosed by either party to the other, including, without limitation, marketing plans, identity of customers, trade secrets, technical data, financial data, test or evaluation results, system concepts, drawings, models, product designs, product specifications, product performance data, or any other commercial information. Company expressly agrees that the Catalog, and the Data Records and other data contained therein, constitute Confidential Information of WORLDPAC. Confidential Information does not include any information that (i) has been or is obtained by the receiving party from a third party without breach by the receiving party or such third party of an obligation to the disclosing party, (ii) is or becomes generally available to the public other than as a result of an unauthorized disclosure by the receiving party or its Representatives, (iii) is independently developed by the receiving party without reliance in any way on the Confidential Information provided by the disclosing party, or (iv) must be disclosed by court or government order after the disclosing party has been given reasonable notice of, and opportunity to contest, such order.

c) Each party agrees that the receiving party and its Representatives will (i) hold the disclosing party's Confidential Information in strict confidence; (ii) exercise at least the same care in protecting the disclosing party's Confidential Information from disclosure as the receiving party uses with regard to its own Confidential Information (but in no case less than reasonable care); (iii) not disclose or use such Confidential Information except as expressly authorized under this Agreement. For clarity, the receiving party may disclose the disclosing party's Confidential Information to its Representatives with a bona fide need to know, but only to the extent necessary to carry out the purposes of this Agreement. The receiving party agrees that all such Representatives shall be bound by agreements related to their use of Confidential Information that contain restrictions on use and disclosure at least as strict as those contained herein.

d) Company expressly agrees that (i) information related to WORLDPAC's Parts inventory levels ("Inventory Information"), and (ii) the WORLDPAC Prices are Confidential Information under this Agreement. Company further agrees that, to the extent WORLDPAC provides Company with Inventory Information or WORLDPAC Prices, Company will use such Inventory Information and WORLDPAC Prices solely for Company's internal inventory, logistics and accounting purposes and that Company will not disclose or display any such Inventory Information or WORLDPAC Prices to any third parties, including, without limitation, End Users, via any Website or otherwise.

e) The receiving party will promptly return or destroy any and all copies of the disclosing party's Confidential Information possessed by the receiving party in any form whatsoever upon the earlier of (i) the expiration or termination of this Agreement, or (ii) the request of the disclosing parry,

f) Each party acknowledges that if it breaches any restrictions or obligations related to its use of Confidential Information, the disclosing party will not have an adequate remedy in money or damages and that the disclosing party shall therefore, in addition to any other available remedy, be entitled to obtain injunctive relief without posting bond.

10. <u>WARRANTIES; DISCLAIMER</u>.

a) Company makes the following representations and warranties to WORLDPAC:

(i) Company will comply with all applicable laws, rules and regulations in performing its obligations under this Agreement, including, without limitation, all laws, rules and regulations applicable to the storage, transmission, and use of End User contact details and other identifying information ("End User Information");

(ii) Company will not use any End User information for any purpose other than billing an End User for Parts purchased from Company;

(iii) Except if the Part is Unavailable, Company will not sell a Part that WORLDPAC Stocks to an End User unless Company purchased such Part from WORLDPAC;

(iv) Except if the Part is Unavailable, Company will not facilitate, via the Websites or otherwise, an End User's purchase of a Part that WORLDPAC Stocks from a third party;

(v) Other than Data Records from the Catalog, the Websites will not display information (including, without limitation, Part numbers, names, images, descriptions, etc.) regarding any Part that WORLDPAC Stocks, unless such Part is Unavailable from WORLDPAC; and

(vi) Company will not solicit, induce or attempt to induce any End User to cease doing business in whole or in part with WORLDPAC or to do business with any person or entity that competes with WORLDPAC in the business of selling Parts.

b) Disclaimer of Warranties. THE CATALOG AND THE SYSTEM ARE PROVIDED "AS IS" AND IN THEIR PRESENT STATE AND CONDITION. NO WARRANTY, REPRESENTATION, CONDITION, UNDERTAKING OR TERM, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AS TO THE CONDITION, QUALITY, AVAILABILITY, DURABILITY, PERFORMANCE, NON-INFRINGEMENT. MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OR USE OF THE SYSTEM OR THE CATALOG IS GIVEN OR ASSUMED BY WORLDPAC, ITS AFFILIATES, LICENSORS AND SUPPLIERS OR THEIR AGENTS AND ALL SUCH WARRANTIES, REPRESENTATIONS, CONDITIONS, UNDERTAKINGS AND TERMS ARE HEREBY EXCLUDED TO THE FULLEST EXTENT PERMITTED BY LAW. WORLDPAC, ITS AFFILIATES, LICENSORS AND SUPPLIERS MAKE NO WARRANTY WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE DATA CONTAINED IN THE CATALOG. WORLDPAC, ITS AFFILIATES, LICENSORS AND SUPPLIERS DO NOT GUARANTEE CONTINUOUS, UNINTERRUPTED, OR SECURE ACCESS TO THE SYSTEM OR CATALOG AND ACCESS TO THE SYSTEM AND CATALOG MAY BE INTERFERED WITH BY NUMEROUS FACTORS OUTSIDE OF WORLDPAC'S CONTROL. WORLDPAC, ITS AFFILIATES, LICENSORS AND SUPPLIERS ARE NOT LIABLE FOR ANY DAMAGES OF ANY TYPE CAUSED BY SUCH INTERFERENCE. COMPANY AGREES AND ACKNOWLEDGES THAT THE LIMITATIONS AND EXCLUSIONS OF LIABILITY AND WARRANTY PROVIDED IN THIS AGREEMENT ARE FAIR AND REASONABLE.

11. **LIMITATION ON LIABILITY**. IN NO EVENT SHALL WORLDPAC OR ITS AFFILIATES, LICENSORS, AGENTS OR SUPPLIERS BE LIABLE FOR ANY PUNITIVE, EXEMPLARY, INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR PENALTIES (INCLUDING LOST PROFITS, LOST SAVINGS AND THE INABILITY TO USE THE CATALOG OR THE SYSTEM), PERSONAL INJURY, WRONGFUL DEATH, OR DAMAGES RESULTING FROM THE DELAY, FAILURE OR INTERRUPTION OF THE CATALOG OR THE SYSTEM, NOR FROM BUSINESS INTERRUPTION AND/OR LOSS OF DATA RESULTING FROM COMPANY'S USE OR INABILITY TO USE THE CATALOG OR SYSTEM, WHETHER OR NOT WORLDPAC HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR PENALTIES. THIS LIMITATION OF LIABILITY SHALL BE APPLICABLE ONLY TO THE EXTENT PERMITTED BY LAW IN THE EVENT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF WORLDPAC OR IN THE EVENT OF PERSONAL INJURY OR DEATH. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, IN NO EVENT SHALL WORLDPAC'S LIABILITY FOR ANY DAMAGES (DIRECT OR OTHERWISE) OR PENALTIES OR LOSS UNDER THIS SECTION RELATED TO ACCESS AND USE OF THE SYSTEM OR CATALOG, REGARDLESS OF THE FORM OF ACTION OR CLAIM, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), DELICT OR OTHERWISE, EXCEED [***], ANY CLAIM UNDER THIS AGREEMENT FOR DAMAGES OR PENALTIES ABOVE SUCH LIMIT BEING EXPRESSLY WAIVED BY COMPANY.

12. **INDEMNIFICATION**. Company agrees to indemnify, defend, and hold harmless WORLDPAC, and its officers, directors, agents, servants, employees, affiliates, successors, and assigns, from any and all claims, actions, causes of action, damages, costs, and expenses, including reasonable attorneys' fees and other expenses of litigation, arising out of or resulting in any manner in whole or in part from:

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

a) A third party's claim that any content displayed on any Website (other than the Catalog as supplied to Company by WORLDPAC) infringes or violates that third party's patent, copyright, trade mark, trade secret, confidentiality or privacy rights or other personal or proprietary rights;

b) Damages to, or failure of, the Catalog or System that occur as a result of facilities, systems, action or inactions that are in the reasonable control of Company; and

c) A third party's claim that the use or disclosure of any Confidential Information or End User Information by Company violates any legal, contractual or other rights of that third party.

13. **AUDIT**. During the Term, and for a period of at least three (3) years following the expiration or termination of this Agreement, Company agrees to keep and maintain clear, accurate and complete records related to this Agreement, Company's Account (defined below), Company's use of the Catalog and System, and Company's Parts sales. Company further agrees to permit its books and records to be examined by an independent auditor selected by WORLDPAC from time-to-time, but not more frequently than once a year for the purpose of validating Company's compliance with this Agreement and the accuracy of the payments made to WORLDPAC hereunder. Such examination by an independent auditor is to be made at the expense of WORLDPAC. However, if the independent auditor finds that Company has failed to pay any sums called for under this Agreement, Company shall promptly pay such sums to WORLDPAC, and, if such underpayment is greater than five percent (5%) of the total amounts required to be paid to WORLDPAC during the period to which the audit relates, Company shall pay the fees and costs of the independent auditor.

14. **CONTINGENCIES**. Neither party shall be responsible for its failure to perform due to causes beyond its reasonable control, such as acts of God, fire, theft, war, riot, embargoes, civil insurrections, labor or transportation strikes, flood, earthquake, volcanic eruption, shortages of material or energy or acts of civil or military authorities. If delivery of any Parts is to be delayed by such contingencies, WORLDPAC shall immediately notify Company in writing, and Company may either (i) extend the time for delivery, or (ii) terminate the incomplete portion of the order at no cost to Company.

15. **ASSIGNMENT**. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, successors, personal representatives and permitted assigns. WORLDPAC may assign this Agreement to a third party of its choosing. Company may not assign this Agreement nor any rights, responsibilities, or obligations contained herein, whether by operation of law or otherwise, without the prior written approval of WORLDPAC. For the purposes of this Agreement, a Change of Control shall constitute an assignment of this Agreement. As used herein, a "Change of Control" shall mean any of the following: (i) the sale to a third party of more than fifty percent (50%) of the ownership interest of Company; (ii) the sale to a third party of all or substantially all of the assets of Company; or (iii) a merger, share exchange or other business combination involving Company and a third party in which the equity owners of Company immediately before the transaction own less than fifty percent (50%) of the surviving entity.

16. **WAIVER OF TERMS AND CONDITIONS**. The failure of WORLDPAC or Company in any one or more instances to insist upon performance of any of the terms and conditions of this Agreement, or to exercise any right or privilege contained in this Agreement or the waiver of any breach of the terms or conditions of this Agreement shall not be construed as thereafter waiving any such terms, conditions, rights or privileges, and the same shall continue and remain in force and effect as if no waiver had occurred.

17. **APPLICABLE LAW AND EXCLUSIVE JURISDICTION**. This Agreement shall be governed and construed in accordance with the laws of the State of California, without regard to conflict or choice of law statutes or principles. The parties further agree that any and all claims shall be brought only in a court of competent jurisdiction in Alameda County, Newark, California.

18. **NOTICES**. Except as otherwise specifically provided in this Agreement, notices, reports and other communications made with respect to this Agreement shall be given in writing, addressed to the parties at the following addresses or such other address as may be designated in writing by the applicable party. Except as otherwise specifically provided in this Agreement, all notices required to be given hereunder shall become effective when received at the address below by personal delivery, by mail (with proper postage for first class

mail prepaid and registered or certified return receipt requested), or by reputable express carrier (e.g., UPS, FedEx, etc.):

If to WORLDPAC:	If to US Auto Parts Network, Inc.:
Robert B. Cushing	Michael McClane
19. 37137 Hickory St.	20. 17150 South Margay Avenue
21. Newark, CA 94560	22. Carson, CA 90746

19.. **SURVIVAL; ENTIRE AGREEMENT**. Section 2, 3, 5, and 9-19 shall survive the expiration or termination of this Agreement. This Agreement and any attached Exhibits hereto, which are incorporated herein by this reference, contain the entire agreement between the parties, and no modifications or waiver of any of the provisions, or any future representation, promise or addition shall he binding upon the parties unless agreed to in writing. This Agreement supersedes and cancels any prior agreements related to the subject matter hereof in their entirety.

IN WITNESS WHEREOF, the parties hereto set their hands and seals.

WORLDPAC	**Company**
/s/ Robert B. Cushing	/s/ Michael McClane
By: Robert B. Cushing Executive Vice President	Print Name: Michael McClane Title: Financial Officer

EXHIBIT A

WORLDPAC TERMS AND CONDITIONS OF SALE

Pursuant to the Catalog License and Parts Purchase Agreement between Company and WORLDPAC, Company agrees that its purchase of Parts from WORLDPAC is governed by these WORLDPAC TERMS AND CONDITIONS OF SALE. Terms not otherwise defined in these WORLDPAC TERMS AND CONDITIONS OF SALE shall have the meanings ascribed to them in the Catalog License and Parts Purchase Agreement.

1. PRICES:

WORLDPAC Prices are subject to change without notice from time to time. All WORLDPAC Prices are stated FOB WORLDPAC's warehouse. WORLDPAC Prices do not include sales, use, excise, or similar taxes. Taxes or assessments that WORLDPAC is required by law to collect will be separately invoiced.

2. PAYMENT:

WORLDPAC will establish an account for Company that shall track the purchase of Parts by Company (the "Account"). For each Part purchased from WORLDPAC by Company, Company shall pay to WORLDPAC the Price for that Part. Company shall pay shipping charges for all Parts purchased by Company and shipped by WORLDPAC on Company's behalf to End Users. Payment terms and conditions for Company's Account are as follows:

(a) DAILY CREDIT CARD PAYMENT:

Unless WORLDPAC authorizes Company in writing to make monthly payment of its Account balance in accordance with Section 2(b) of these WORLDPAC TERMS AND CONDITIONS OF SALE, Company shall pay its account balance as provided in this Section 2(a) of these WORLDPAC TERMS AND CONDITIONS OF SALE.

(i) Company will provide to WORLDPAC valid credit card information (e.g., number, expiration date, etc.) for a Company credit card that will be used to pay Company's account balance (the "Credit Card"). Company authorizes WORLDPAC to charge Company's net account activity to the Credit Card on a daily basis. A report will be mailed to Company summarizing each charge. In the event that the Credit Card is declined, Company will be contacted and asked for another form of payment and until Company provides that alternate form of payment, WORLDPAC may disable access to the System and Catalog. If Company's Credit Card is declined more than two times, WORLDPAC reserves the right to terminate this Agreement upon ten (10) days' written notice to Company. All late payments are subject to a service charge of [***] per month charged against all amounts that are past due. Company agrees to provide financial information to WORLDPAC related to Company's credit worthiness as may reasonably be requested by WORLDPAC from time to time.

(ii) Any time Company's outstanding Account balance exceeds the credit limit, WORLDPAC may disable the ability to access to the System and Catalog.

(b) WEEKLY PAYMENT:

If authorized by WORLDPAC in writing, Company shall pay its Account balance on a weekly basis as provided in this Section 2(b) of these WORLDPAC TERMS AND CONDITIONS OF SALE. If Company is authorized to pay its Account balance on a weekly basis, WORLDPAC will invoice Company electronically via the System each month. Company shall pay all such invoices by the end of the week following the billing cycle week. A service charge of [***] per month will be collected against all amounts which are past due.

3 RISK OF LOSS:

Title to, and risk of loss of, a Part shall remain with WORLDPAC until the Part is delivered by WORLDPAC to the carrier used to ship the Part, at which time title to, and risk of loss of, the Part shall pass to Company.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

4. WARRANTY:

WORLDPAC warrants all products sold to be free from defects in material or workmanship for the shorter of twelve (12) months from purchase or twelve thousand (12,000) miles from installation; provided, however, that if the expressed manufacturer's warranty extends beyond that time period, Company shall be entitled to the benefit of the expressed manufacturer's warranty. For the purpose of the foregoing warranty (and for the purpose of submitting Part returns to WORLDPAC as described below), Company shall be deemed to purchase a Part on the earlier of (a) the date the Part is delivered to the carrier used to ship the Part; or (b) six (6) months after Company submits the purchase order for the Part via the System. WORLDPAC will, in its sole discretion, either replace free of charge, or issue a credit for, the Price of any Part, which, under normal condition of use and service, proves to be defective in material or workmanship. To submit a claim under the warranty provided by this Agreement, Company must: (c) reference the invoice number under which the part was purchased from WORLDPAC; (d) submit to WORLDPAC a copy of the repair order showing when the Part was first installed; and (e) submit to WORLDPAC a copy of the repair order covering the replacement of the allegedly defective Part.

5. LIMITATION OF LIABILITY:

Anything to the contrary in this Agreement notwithstanding. WORLDPAC shall have no liability for: (a) Part failures caused by misuse, negligence, modification, abuse, or improper diagnosis, application, installation, operation or vehicle condition; or (b) any labor cost for Part removal or damage resulting from delay or loss of use in automobile service; or (c) any punitive, exemplary, indirect, special, incidental, or consequential damages or penalties (including lost profits, or lost savings) arising out of breach of warranty even though caused by negligence or other fault and even if WORLDPAC has been advised of the possibility of such damages.

6. MERCHANDISE RETURNS:

Subject to the restrictions below, WORLDPAC will accept a Part for return if the Part was purchased by Company within the preceding forty-five (45) days.

(a) WORLDPAC will only accept a Part for return if the return has been authorized by WORLDPAC.

(b) To obtain authorization for a Part return, Company must contact its WORLDPAC sales associate and request a Return Merchandise Authorization ("RMA").

(c) The following Parts are not eligible for return:

(i) Electrical / electronic Parts.

(ii) Parts purchased on a special closeout.

(iii) Parts damaged due to misuse, abuse, fire or weather.

(iv) Parts that have been installed on a vehicle, unless such installation was the direct result of WORLDPAC error.

(v) Parts not specified in a validly issued RMA.

(d) Returns will only be accepted from Company and not from any End User.

7. CORES:

Subject to the restrictions below, WORLDPAC will issue a credit for each Part Core (defined below) that Company returns to WORLDPAC. For the purposes of this Agreement, "Core" means that portion of a Part that is typically recycled during the process of remanufacturing the Part according to recognized automotive part remanufacturing industry practices. Credits will be made to Company's Account in the month subsequent to the month during which the credit is earned. No credit will be made if Company's Account is past due or if Company has breached any other term of this Agreement. Credits will only be applied towards Company's Account (no checks will be issued) and in the event that this Agreement terminates at a time when Company's Account has a positive balance due to a credit issued under this Section, WORLDPAC shall not be obligated to pay Company the amount of such positive balance.

(a) The amount of the credit for a particular Part Core shall be the amount specified by WORLDPAC from time to time and shall be subject to change without notice.

(b) To return a Core, Company must have purchased from WORLDPAC, within the preceding ninety (90) days, a Part that contains a Core which corresponds to the Core Company seeks to return.

(c) All Cores must be returned in the original carton of the Part that contained the Core.

(d) Cores must be complete, assembled, and able to be rebuilt. Cores with missing parts, a broken housing, or demonstrating damage (whether by abuse, fire, water, weather, or otherwise) will not he accepted.

(e) Fuel distributor and control unit Cores that have been disassembled or tampered with may not be returned.

(f) No credit will be issued for Cores which the original equipment manufacturer will not accept for return from WORLDPAC.

8. (a) FREIGHT INCENTIVES

If Company is invoiced [***] or more from WORLDPAC through the System, net of returns and billed shipping charges, in a calendar month, WORLDPAC will pay UPS Ground shipping on all orders over [***] or more during the subsequent calendar month. If Company desires to ship via a premium service (i.e., overnight delivery) instead of UPS Ground, WORLDPAC will only pay the standard UPS Ground portion on all orders over [***] and Company will be billed the difference between the standard UPS Ground rate and the designated premium service charges during the subsequent month. The freight incentive is a month to month incentive and Company must qualify each calendar month for the subsequent month as outlined above.

(b) VOLUME AND MARKETING REBATE SCHEDULES

WORLDPAC offers volume and marketing expense rebates based on monthly net sales volume. All rebate schedules are subject to change from time to time in accordance with WORLDPAC's Terms and Conditions of Sale.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

EXHIBIT B

WEBSITE DOMAIN NAMES:

1. [***]
2. [***]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

DATA LICENSE ADDENDUM

This DATA LICENSE ADDENDUM (the "Addendum") is entered into between WORLDPAC, Inc., with its principal place of business at 37137 Hickory Street, Newark, CA 94560-5522 (hereinafter "WORLDPAC"), and US Auto Parts Network, Inc. with its principal place of business at 17150 S. Margay Avenue Carson, CA 90746 (hereinafter "Company").

BACKGROUND

WORLDPAC and Company are parties to that certain CATALOG LICENSE AND PARTS PURCHASE AGREEMENT, dated as of November 20, 2006 (the "Catalog Agreement"). The parties desire to supplement the terms of the Catalog Agreement as provided below.

TERMS AND CONDITIONS

1. Construction. Capitalized terms used in this Addendum and defined herein shall have the meanings ascribed to them in this Addendum. Capitalized terms used in this Addendum and not otherwise defined herein shall have the meanings ascribed to them in the Catalog Agreement. In the event of a conflict between the Catalog Agreement and this Addendum, this Addendum shall control and prevail. As used in this Addendum, "Agreement" means, collectively, the Catalog Agreement and this Addendum.

2. Additional Rights. Subject to the terms of this Agreement, WORLDPAC grants Company a nonexclusive, non-transferable, revocable, limited license to copy those data fields from the Catalog specified on Exhibit A to this Addendum (the "Data Fields").

3. Additional Restrictions.

3.1. Notwithstanding anything to the contrary contained in this Addendum, all of the restrictions contained in the Catalog Agreement (including those contained in Section 2 thereof) shall remain in full force and effect except that Sections 2(e) and 2(f) of the Catalog Agreement shall be modified so as to permit Company to: (a) copy the Data Fields to its computer systems solely for the purpose of displaying Data Records to End Users in accordance with this Agreement; and (b) display Data Records as part of the Catalog directly from its computer systems to End Users via Websites.

3.2. For clarity, nothing in this Addendum shall be construed so as to: (a) modify Sections 2(a)-(d) or Sections 2(g)-(n) of the Catalog Agreement; (b) permit Company or any third party to modify, create derivative works from, distribute, decompile, or reverse compile the Catalog (or any data contained therein, including, without limitation, Data Records, and the Data Fields) or any accompanying software provided by WORLDPAC:, or (c) permit any third party to copy the Catalog or any Data Records or other data contained therein or any accompanying software provided by WORLDPAC.

3.3. Company may make only that number of copies of the Data Fields as are necessary for Company to display Data Records as part of the Catalog to End Users in accordance with this Agreement.

3.4. Notwithstanding anything to the contrary contained in this Addendum, Company shall not, and shall not permit any third party to, download, copy or otherwise duplicate any images contained in the Catalog or any in Data Field or Data Record (including, without limitation, any picture of any Part). Such images may be viewed by COMPANY and any third parties only by accessing the images via WORLDPAC's Catalog servers in accordance with the terms of this Agreement and any written instructions provided by WORLDPAC.

4. Provision of Data Fields. On a weekly basis, or as otherwise agreed by the parties from time to time in writing, WORLDPAC will provide Company with its most recent version of the Data Fields in an electronic format and via a delivery method mutually acceptable to both parties.

5. Fees. In consideration of the rights granted to Company in Section 2 of this Addendum, Company shall pay to WORLDPAC the fees specified below ("Addendum Fees"). The Addendum Fees shall be invoiced one

month in arrears by WORLDPAC and Company shall pay all such invoices by the tenth (10th) day of the next month. A service charge of [***] per month will be collected against all amounts which are past due. The Addendum Fees shall be as follows:

Total Net Sales Price of Parts Purchased From WORLDPAC	Monthly Fee
[***]	[***]
[***]	[***]
[***]	[***]

As used above, "Net Sales Price" means the WORLDPAC Price for a Part less all applicable credits, sales, excise or use taxes, rebates, refunds, returns, discounts or similar amounts paid or credited by WORLDPAC for the Part.

6. Ratification. The Catalog Agreement is hereby ratified and, subject only to those modification expressly set forth in this Addendum, shall remain in full force and effect.

7. Term; Termination.

7.1. This Addendum shall come into force as of the Addendum Effective Date (defined below), and, unless earlier terminated as provided in this Addendum, shall remain in effect until termination of the Catalog Agreement.

7.2. Unless otherwise provided in writing by WORLDPAC, the total Net Sales Price of all Parts purchased by Company from WORLDPAC must exceed [***] per month for Company to remain eligible to receive the Data Fields from WORLDPAC under this Addendum. Notwithstanding anything to the contrary in this Addendum, and unless otherwise provided in writing by WORLDPAC, if the total Net Sales Price of all Parts purchased by Company from WORLDPAC is less than [***] for any given calendar month, then WORLDPAC may, in its sole discretion, terminate this Addendum immediately by providing notice to Company within twenty (20) days following the end of such calendar month. For clarity, the termination of this Addendum under this Section 7.2 shall not affect COMPANY's other rights or obligations under the Catalog Agreement.

7.3. For the purposes of Section 7 of the Catalog Agreement, a breach or failure to perform by either party of the terms of this Addendum shall be considered a breach and failure to perform the terms of the Catalog Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be signed by their respective duly authorized representatives effective as of November 16, 2006 (the "Addendum Effective Date").

Company:

US Auto Parts Network, Inc.

By: /s/ Michael McClane
Name: Michael McClane
Title: Chief Financial Officer

WORLDPAC:

WORLDPAC, Inc.

By: /s/ Robert B. Cushing
Name: Robert B. Cushing
Title: Executive Vice President

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

EXHIBIT A
CATALOG DATA FIELDS

[***]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR CERTAIN REDACTED PROVISIONS OF THIS AGREEMENT. THE REDACTED PROVISIONS ARE IDENTIFIED BY THREE ASTERISKS AND ENCLOSED BY BRACKETS. THE CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

EFFICIENT FRONTIER, INC.SERVICES AGREEMENT

THIS SERVICES AGREEMENT (the "***Agreement***"), by and between Efficient Frontier, Inc., ("***Efficient Frontier***") with an office located at 555 Ellis Street, Mountain View, CA 94043, and US Auto Parts Network, Inc. ("***Customer***"), with an office located at 17150 South Margay Avenue, Carson, CA 90746, is entered into and effective as of 10/3 , 2006 (the "***Effective Date***"). This Agreement includes the attached Terms and Conditions (this Agreement and the attached Terms and Conditions shall be collectively referred to as this "Agreement").

SERVICES:

Efficient Frontier will bid on a mutually agreed upon list of keywords at search engines chosen by the Customer. Efficient Frontier will use its proprietary technology to optimize Customer's bidding strategy for keywords. Beyond the initial setup process, keyword generation and management of ad copy, Customer will be responsible for the development and changes to the landing page on Customer's website.

FEES:

Initial Term Fees:

During the 30-day Initial Term Customer will pay Efficient Frontier a total of US$5,000, payment to be made within 10 days of Effective Date. This is a one-time fee and will allow Customer to add as many search engine accounts/campaigns as desired during the term of the Agreement.

Monthly Fees:

After the Initial Term, Efficient Frontier will charge Customer a service fee computed as a percentage of the Customer's total online marketing budget spent at search engines through the use of Efficient Frontier's Service during a given month in accordance with this Agreement (the "Marketing Budget"). The following tiered structure will apply:

Total Marketing Budget for the month less than [***] of the Marketing Budget for such month

Total Marketing Budget for the month greater than [***] but less than [***] of the Marketing Budget for such month

Total Marketing Budget for the month greater than [***] of the Marketing Budget for such month

As an example, in a month where the Marketing Budget totals [***], Customer would be charged [***]

Notwithstanding the foregoing, in any month where the Marketing Budget falls below [***], the service fee will be [***] for that month instead of [***] of the Marketing Budget for such month.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

EFFICIENT FRONTIER, INC.

By: /s/ Ellen Siminoff
Name: Ellen Siminoff
Title: CEO

US AUTO PARTS NETWORK, INC.

By: /s/ Michael J. McClane
Name: Michael J. McClane
Title: Chief Financial Officer

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission

TERMS OF SERVICE

1. SERVICES.

1.1 Performance of Services. Efficient Frontier will provide the services listed in the Agreement (the "Services"). While Efficient Frontier will attempt to provide the Services continuously, Customer agrees that Efficient Frontier does not control the availability of search engine web sites or interfaces. Customer agrees that (i) from time to time the Services may be inaccessible, unavailable or inoperable and (ii) Efficient Frontier is not responsible for the functionality of a search engine or web interface and (iii) while Efficient Frontier will promptly submit changes to a search engine on behalf of Customer, Efficient Frontier cannot guarantee that a search engine will make those changes in a timely manner or at all. Efficient Frontier reserves the right to change or upgrade the Services.

2. FEES AND PAYMENTS.

2.1 Fees. Customer will pay the fees for the Services listed in the Agreement. All fees are due and payable to Efficient Frontier fourteen days after the date of invoice. All fees are nonrefundable. A late fee of [***] annually or the highest rate allowed under the law, whichever is lower, will be assessed against any overdue amounts.

2.2 Service Costs. Customer will pay and will be solely responsible for charges and costs for reasonably necessary third party services and products, including, without limitation, accounts with search engines, that are acquired or incurred specifically for Customer's account, provided that Efficient Frontier obtains Customer's prior written authorization of such charges before incurring any amounts. Customer will own all materials purchased with such funds, which Efficient Frontier assigns and will assign or cause to be assigned to Customer.

3. PROPRIETARY RIGHTS AND RESTRICTIONS.

3.1 Restrictions to Use of Services. Customer will not allow any end user or third party under its direction and control to: (i) decompile, disassemble, or otherwise reverse engineer or attempt to reconstruct or discover any source code or underlying ideas or algorithms of the Services by any means whatsoever, or replicate the functionality of the Services for any purpose, to the extent such restriction is allowable under applicable law, (ii) license, share, or transfer the Services to any third party, or (iii) disclose any performance information or analysis (including, without limitation, benchmarks) from any source relating to the Services. Customer will not authorize or permit any unaffiliated third party to use the Services without Efficient Frontier's prior written consent.

3.2 Data Ownership. In order for Efficient Frontier to provide the Services, Efficient Frontier will collect information about Customer and about visitors to Customer's website ("**Customer User Data**"). All Customer User Data is sole property of Customer and Efficient Frontier has no ownership rights in any Customer User Data. Customer User Data includes, without limitation, all sales and marketing information provided by Customer to Efficient Frontier, Customer account information with search services, and all individually identifiable information about visitors to Customer's website, including statistical, demographic, and psychographic information.

Solely as necessary for Efficient Frontier to provide its Services to Customer, Customer grants to Efficient Frontier a limited license to use Customer User Data to perform its obligations to Customer. Additionally, Efficient Frontier will treat all Customer User Data as confidential, proprietary information of Customer, and will protect the confidentiality of Customer User Data with at least the same degree of care that Efficient Frontier uses to protect its own proprietary information, but with no less than reasonable care, including, without limitation, as may be required to transfer, store and administer such information in accordance with all applicable laws, rules and regulations. Customer's license to Efficient Frontier includes the right to collect Customer User Data, either directly from Customer or through other means

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[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission

such as the use of redirects and I-by-I pixels. Efficient Frontier will not disclose Customer User Data to any third party unless such disclosure is (i) approved in writing in advance by Customer, or (ii) is made by Efficient Frontier in response to legal process, and provided that Efficient Frontier has given Customer reasonable notice of, and an opportunity to contest, such legal process. Efficient Frontier will (a) store Customer User Data only for so long as necessary to perform the Services and will delete the Customer User Data after it no longer has application to provision of the Services; and (b) will immediately notify Customer of any breach of Efficient Frontier's systems that might compromise any Customer User Data and cooperate with Customer in its attempts to address such breach and comply with any legal obligations arising in connection therewith.

So that Efficient Frontier may improve and promote its service offerings, Efficient Frontier may aggregate Customer User Data with other data, (and/or segregate portions of the Customer User Data) so that it is non-personally identifiable with respect to both Customer and visitors to Customer Website(s). Such anonymous data is known as "**Aggregated Anonymous Data**". Customer agrees that Efficient Frontier may create Aggregated Anonymous Data, and may use, execute, display and commercially exploit the Aggregated Anonymous Data. Efficient Frontier may disclose Aggregated Anonymous Data to third parties, and may transfer or sublicense its rights with respect to Aggregated Anonymous Data.

3.3 Grant Of License To Efficient Frontier Proprietary Technology. Except as expressly licensed or assigned in this Agreement, Efficient Frontier retains all right, title and interest in (including but not limited to all confidentiality, copyright, trade secret, and patent rights) to the "***Efficient Frontier Proprietary Technology***", and any and all upgrades, enhancements, modifications or derivative works of any of the foregoing. "Efficient Frontier Proprietary Technology" means all information or data (but not any Customer User Data or Confidential Information of Customer) relating to products, services or technology of Efficient Frontier, including but not limited to software code, algorithms or technology owned or developed by or for Efficient Frontier.

4. TERM AND TERMINATION.

4.1 Term. Subject to Section 4.2, the term of the Agreement begins on the Effective Date and will remain in effect for one (1) month (the "***Initial Term***"). Thereafter, the Agreement will be automatically renewed for subsequent six (6) month terms each (a "***Renewal Term***").

4.2 Termination. Either party may terminate this Agreement for any reason by providing written notice no earlier than thirty (30) days before the end of any Renewal Term.

4.3 Effect of Termination. Except to the extent expressly provided to the contrary in this Agreement, any rights to accrued payments, any right of action for breach of the Agreement prior to termination, and the following provisions will survive the termination of this Agreement: Sections 3-7. Upon the expiration or earlier termination of this Agreement, Customer's right to use the Service or any part thereof will end immediately and Customer may no longer use or access the Service.

5. REPRESENTATIONS AND INDEMNITIES.

5.1 Intellectual Property Representation. Efficient Frontier represents to Customer that to the best of Efficient Frontier's knowledge, the Efficient Frontier Proprietary Technology does not infringe any third party's patent, copyright or trade secret rights.

5.2 Indemnity. Subject to Section 6 below, Efficient Frontier will defend, or at its option settle, any claim, suit, proceeding, or demand brought against Customer, and pay all resulting third-party damages, liabilities, expenses or judgments, to the extent arising out of any claim that the Efficient Frontier Proprietary Technology and/or Services infringes any copyright, patent, trademark or trade secret, violates any applicable law, rule or regulation, or violates the terms of any search engine terms

of use or other contracts. Efficient Frontier will have no obligation with respect to any such claim unless: (i) Efficient Frontier is promptly notified of such claim; (ii) Customer allows Efficient Frontier sole control of the defense and settlement of such claim; and (iii) Customer provides Efficient Frontier with reasonable assistance, at Efficient Frontier's expense, in connection with Efficient Frontier's defense and settlement of such claim. If Efficient Frontier is required to indemnify Customer under this Agreement, Efficient Frontier will have the option to (a) procure for Customer a license so that the Services are non-infringing or (b) replace or modify the infringing elements; and (c) if neither of the above options are reasonably available, Efficient Frontier may terminate the Agreement.

5.3 Disclaimer. EACH PARTY MAKES NO WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND SPECIFICALLY DISCLAIMS, ON ITS OWN BEHALF ON AND BEHALF OF ITS SUPPLIERS AND LICENSORS, ANY IMPLIED WARRANTIES OF MERCHANTABILITY.

6. LIMITATIONS OF LIABILITY.

6.1 EXCEPT FOR A BREACH OF PARTY'S OBLIGATIONS OF CONFIDENTIALITY HEREUNDER, NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY OR ANY OTHER ENTITY FOR ANY LOST PROFITS, COST OF SUBSTITUTE GOODS OR SERVICES, OR ANY FORM OF INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES FROM ANY CAUSES OF ACTION ARISING WITH RESPECT TO THIS AGREEMENT OR THE PRODUCTS OR SERVICES PROVIDED OR LICENSED HEREUNDER, WHETHER ARISING IN TORT (INCLUDING NEGLIGENCE), CONTRACT, STRICT LIABILITY OR OTHERWISE, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

6.2 EXCEPT FOR A BREACH OF PARTY'S OBLIGATIONS OF CONFIDENTIALITY HEREUNDER OR IN CONNECTION WITH A PARTY'S OBLIGATIONS OF INDEMNIFICATION HEREUNDER, IN NO EVENT WILL EITHER PARTY'S AGGREGATE LIABILITY EXCEED THE AMOUNTS PAID UNDER THIS AGREEMENT BY CUSTOMER TO EFFICIENT FRONTIER IN THE [***] IMMEDIATELY PRECEDING THE DATE THE CAUSE OF ACTION IS FIRST SERVED ON EFFICIENT FRONTIER OR THE CUSTOMER.

6.3 THE LIMITATIONS IN THIS SECTION 6 DO NOT APPLY TO ANY BREACH OF SECTIONS 3 OF THIS AGREEMENT.

7. GENERAL PROVISIONS.

This Agreement contains the entire agreement of the parties, supersedes all prior and contemporaneous understandings or agreements of the parties regarding the subject matter of this Agreement, and is governed by California law, without regard to conflicts of laws provisions. The parties hereby consent to the venue and exclusive personal and subject matter jurisdiction of the federal and state courts in the County of San Francisco in the State of California. Except as expressly provided in this Agreement, neither this Agreement nor any rights, licenses or obligations under it may be assigned by either party without the prior written reasonable consent of the non-assigning party; but either party may assign this Agreement to (i) an affiliate of such party, or (ii) any acquirer of all or of substantially all of such party's equity securities, assets or business related to the subject matter of this Agreement. Both parties will comply with applicable law and prevailing industry standards regarding end-user privacy. All notices and consents must be in writing and sent to the addresses set forth on the initial page of this Agreement, or to such other address as designated. Notices shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by facsimile, or (d) by a commercial overnight courier that guarantees next day delivery and provides a receipt. This Agreement may be amended only by written consent of the parties. The failure of either party

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[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission

to enforce its rights under this Agreement at any time for any period may not be construed as a waiver of such rights. If any of the provisions of this Agreement are held by a court or other tribunal of competent jurisdiction to be unenforceable, such provisions will be limited or eliminated to the minimum extent necessary so that this Agreement otherwise remains enforceable as much as possible. This Agreement may be executed in counterparts and by facsimile. Customer and Efficient Frontier acknowledge and agree that both parties are operating independently and neither party shall be construed as an agent, partner or joint venturer of the other party nor represent themselves as such. All public announcements pertaining to this Agreement are subject to both parties' prior approval.

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR CERTAIN REDACTED PROVISIONS OF THIS AGREEMENT. THE REDACTED PROVISIONS ARE IDENTIFIED BY THREE ASTERISKS AND ENCLOSED BY BRACKETS. THE CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

MASTER SERVICES AGREEMENT

This Master Service Agreement (the "Agreement") effective 8/5/05 (the "Effective Date") is entered into by and between Access Worldwide Communications, Inc., a Delaware corporation with its principal offices at 4950 Communication Avenue, Suite 300, Boca Raton, FL 33431 ("ACCESS") and All OEM Parts, Inc. located at 92 Youngs Road, Trenton, NJ 98619 ("OEM").

ACCESS and OEM shall be referred to individually as the party and collectively as the parties.

RECITALS

WHEREAS, OEM is willing to appoint, upon the terms and conditions of this Agreement, ACCESS as a non-exclusive representative to provide the Services, defined in Section. 1.3 below, and described in detail in Exhibit A, (the "Scope of Work"), incorporated herein by reference.

WHEREAS, ACCESS desires to accept such appointment, upon the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises herein, and intending to be legally bound hereby, the parties agree as follows:

1. DEFINITIONS.

1.1 Customers. "Customers" means all commercial and residential end-users of the Services.

1.2 Price. "Price" means the price for the Services as set forth in the Scope of Work.

1.3 Services. "Services" shall mean the services described in Exhibit A, the Scope of Work, attached hereto. Services may be modified from time to time upon thirty (30) days written notice from the requesting party. In the event that OEM or ACCESS elects to modify the Services as provided in this Section, the requesting party will notify the other party in writing with a Service Change Request ("SCR") (defined in Section 1.4 below), form and format to be mutually agreed upon by the parties. All price adjustments associated with any SCR will be done so in accordance to Section 1.4 below.

1.4 Service Change Request. A Service Change Request ("SCR") is a request by either OEM or ACCESS to change the Service and/or the payment terms so listed in the Scope of Work (the "Payment Terms") hereunder. SCR's are designed to facilitate all proposed material changes (not including minor modifications or adjustments within the scope of the original Scope of Work) to an existing Scope of Work and shall incorporate any additional service, programming, scripting, reporting, training and pricing requirements. The receiving party will respond to a SCR within ten (10) business days of receipt with any time and cost

estimated adjustments. Except as permitted in Section 1.3 above and this 1.4, no changes in the Service shall be incorporated absent a completed SCR executed by both parties.

1.5.1 It is understood that neither OEM nor ACCESS is obligated to issue any SCR(s) hereunder and that neither party is obligated to accept any SCR(s), but whenever any SCR is issued and accepted, the terms and conditions of this Agreement shall be automatically applicable to said SCR and any inconsistent or printed terms and conditions contained in the SCR shall be null and void and shall not modify the terms and conditions of this Agreement.

1.5.2 Each accepted SCR shall constitute a separate and distinct agreement and any inconsistent or printed terms and conditions contained in the new SCR that conflict with a previous SCR will supersede the previous SCR.

1.5.3 Additional Scope and Specifics of Services may be agreed upon by both parties and shall be contained in appropriate SCR's, incorporated by reference.

2. APPOINTMENT.

2.1 OEM hereby appoints ACCESS as a non-exclusive representative to provide the Services.

2.2 ACCESS acknowledges and agrees that OEM may enter into marketing arrangements with other entities to provide the Services under this Agreement.

3. TERM.

3.1 The initial term of this Agreement shall commence on and, unless sooner terminated as provided herein, shall terminate twelve (12) month(s) later on _____ (the" "Initial Term"). This Agreement shall be automatically renewed for additional twelve (12) month term(s) ("Renewal Term(s)") unless (a) either party gives the other written notice of its intent not to renew at least thirty (30) days prior to the expiration of the Initial Term or any Renewal Term or (b) this Agreement is otherwise terminated in accordance with the terms herein, and as set forth in the SOW's.

4. OBLIGATIONS OF ACCESS.

4.1 ACCESS represents and warrants that (a) in providing the Services, ACCESS shall act in accordance, in all material respects, with all laws, statutes, and ordinances and all rules, regulations, and orders of courts of competent jurisdiction and regulatory and other governmental authorities (including, if applicable, but not limited to the Telephone Consumer Protection Act, Telemarketing Sales Rule and any other individual state telemarketing and/or "Do Not Call" Regulations) to the extent such laws, statutes, ordinances, orders, rules and regulations are applicable to the Services; (b) ACCESS shall further comply with all reasonable requirements, rules and guidelines of OEM, provided such requirements, rules and guidelines are provided to ACCESS in writing and with advance notice but only to the extent they are

applicable to the activities of ACCESS under the Agreement and (c) ACCESS shall act in a lawful, ethical and honest manner at all times performing the Services.

4.2 ACCESS shall use its commercially reasonable resources at all times to provide prompt and efficient services levels that the parties mutually agree are adequate to provide the Services. Without limiting the foregoing or any other service level requirements herein, in the event that any errors or omissions occur as a direct result of an act or omission of ACCESS, ACCESS shall, without prejudice to any other rights or remedies of OEM, resolve such errors as promptly as practicable, attempting to resolve such errors within one business day of the date ACCESS is notified of such error.

4.3 ACCESS shall provide the Services only in the name of or on behalf of OEM, or otherwise in accordance with the terms of this Agreement.

4.4 ACCESS shall employ and train such personnel or increase capacity or supervision as is reasonably necessary to ensure that the Services are performed with due care, in a professional manner, and in accordance with commercially reasonable industry standards.

4.5 ACCESS represents and warrants that the Services hereunder shall not, to the best of its knowledge, violate the patent, trademark, copyright, trade secret or other personal or proprietary rights of any third party. This section 4.5 shall survive termination of this Agreement.

4.6 EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, ACCESS MAKES NO WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE SERVICES, INCLUDING WITHOUT LIMITATION ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

5. OBLIGATIONS OF OEM.

5.1 OEM agrees that all information relating to the pricing of ACCESS shall be deemed confidential information and shall not be disclosed to any third party other than OEM's client's affiliates and ACCESSs.

5.2 OEM represents and warrants that, OEM is solely responsible for the content and representations of all OEM and other materials provided by OEM to Customers.

5.3 OEM agrees to provide scripts, literature and other written communications to the extent specified in Exhibit A.

5.4 To the extent commercially reasonable, OEM will provide data feed and report specifications, data and statistical definitions, data validation rules, communication specifications, list management parameters, media plans and/or call forecast and any special hardware or software requirements prior to ACCESS engagingin the setup of the OEM services.

5.5 OEM represents and warrants that (a) it shall act in accordance, in all material respects, with all laws, statutes, and ordinances and all rules, regulations, and orders of courts of competent jurisdiction and regulatory and other governmental authorities (including, if applicable, but not limited to the Telephone Consumer Protection Act, Telemarketing Sales Rule and any other individual state telemarketing and/or "Do Not Call" Regulations) to the extent such laws, statues, ordinances, orders, rules and regulations are applicable to its operations and to its marketing of the Services; (b) OEM shall act in a lawful, ethical and honest manner at all times in promoting, marketing or soliciting orders, or procuring subscriptions from, Customers for the Services; and (c) all calling scripts, solicitations and products created or provided by OEM and associated with this Agreement shall comply, in all material respects, with all applicable Federal, state and local laws and regulations (including, but not limited to, rules and regulations of the Food and Drug Administration).

5.6 OEM represents and warrants that any materials provided by OEM to ACCESS in connection with this Agreement shall not violate, to the best of its knowledge, the patent, trademark, copyright, trade secret or other personal or proprietary rights of any third party.

5.7 Sections 5.2 and 5.6 will survive the term of this Agreement.

5.8 **EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, OEM MAKES NO WARRANTIES, EXPRESS OR IMPLIED, CONCERNING ITS PERFORMANCE HEREUNDER, INCLUDING WITHOUT LIMITATION ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

6. PAYMENT.

ACCESS will invoice OEM on a monthly basis for sales and services provided during the previous month as outlined in Exhibit A ("Payment"). Invoices are payable in US Dollars and due within thirty (30) days of the invoice date.

7. USE OF OEM/ACCESS NAME.

7.1 During the term of this Agreement and thereafter, neither party shall make use of the other party's trademarks, names, logos or other intellectual property without the express prior written approval of the other party.

8. INDEPENDENT CONTRACTOR.

8.1 This Agreement does not constitute ACCESS as a legal representative, joint venturer, partner or employee of OEM for any purpose. Other than actions authorized under this Agreement, ACCESS is not authorized to make any contract, agreement, warranty, statement or representation or to take any other action which could be deemed to establish an apparent relationship of agency, joint venture, partnership or employment with OEM.

Except with respect to authorized actions taken pursuant to this Agreement, OEM shall not be bound in any manner by any contract, agreement, warranty, statement, or representation made by ACCESS to any other person or by any other action, by ACCESS. OEM shall have no control over ACCESS's employees; including the terms and conditions of their employment, or over ACCESS's methods of doing business except as set forth herein. OEM and ACCESS agree that neither shall undertake any action, or purposely fail to take any action, which would imply or otherwise mislead any third party, including, but not limited to, the public-at-large, that the OEM and ACCESS have formed or otherwise established a business relationship or combination other than that specifically described in this Section 8.

8.2 ACCESS, its agents or employees, shall not be entitled to participate in or receive any benefit or right as an employee under any OEM benefit plans, including, but not limited to, employee insurance, pension, or security plans, as a result of entering into this Agreement.

8.3 ACCESS further agrees that it will make no representation with respect to its relationship with OEM except to state that it is authorized by OEM to perform Services as set forth in this Agreement as an independent contractor hereunder.

8.4 In the event that OEM requests ACCESS to travel on OEM's behalf or to otherwise make itself available to OEM at any off site location, OEM shall be responsible for any and all documented expenses incurred by ACCESS in performing its duties hereunder, including, but not limited to, all transportation, lodging and meal expenses.

9. INDEMNIFICATION.

9.1 Both OEM and ACCESS shall indemnify, defend and hold harmless the other party, its officers, directors, employees, members and agents (the "Indemnified Parties") from and against any and all losses, liabilities, claims, obligations, costs, expenses (including, without limitation, reasonable attorneys' fees) which result from, arise in connection with or are related in anyway to: (i) any misrepresentation or breach by either party of any of either party's representations, warranties or obligations set forth herein; and/or (ii) the negligence, misrepresentation, or error or omission of either party or representatives of either party, including, but not limited to, any claim of damages brought or sought against either party by any third parties with respect to the manner in which ACCESS or OEM conducts its promotion, marketing and solicitation of orders for the Services. The obligations of this paragraph are contingent on (i) giving prompt written notice of any such claim; and (ii) providing full cooperation in the defense and all related settlement negotiations. Neither party shall settle any matter,for which- the other party is providing defense and/or indemnity without the other party's prior written authorization. The obligations of this Section 9 shall survive the termination of this Agreement.

10. ASSIGNMENT.

10.1 ACCESS may not assign its rights, obligations, or interest under this Agreement to any unaffiliated third party without the prior written consent of OEM.

10.2 OEM may not assign its rights, obligations, or interest under this Agreement to any unaffiliated third party (other than its OEM or its OEMs' agents) without prior written consent of ACCESS.

10.3 With respect to this Section 10, neither ACCESS nor OEM will unreasonably withheld their consent.

11. TERMINATION AND TRANSITION.

11.1 In the event of a change in any applicable law, regulation, or a change in any interpretation of any applicable law or regulation which would make ACCESS' performance under this Agreement illegal, or which would, in OEM's good faith judgment and supported by the written opinion of OEM's outside counsel, materially and adversely affect ACCESS' ability to perform according to the terms specified in this Agreement (each such change, a "Qualifying Change"), then, (a) as soon as practicable following such Qualifying Change, and prior to such Qualifying Change if possible, ACCESS and OEM shall confer to determine if alternative services can be provided to OEM which are in compliance with the Qualifying Change, or (b) if no such alternatives presented are acceptable to both parties, then either party shall be entitled to terminate this Agreement immediately upon written notice, without further liability as a result of such termination, with the exception that OEM shall pay for all services and expenses to said date of termination.

11.2 Either party may terminate this Agreement upon breach by the other party of any material covenant, term, or condition of this Agreement, if such breach is not cured within Ten (10) business days after written notice thereof.

11.3 Either party may terminate this Agreement upon the institution of any proceeding for relief under the Bankruptcy Code or if such proceeding is instituted against either party, if either party becomes insolvent, if a receiver (permanent or temporary) of either party's property or any part thereof is appointed by a court of competent authority, if either party makes a general assignment for the benefit of creditors, or if execution is levied against either party's assets and such levied or suit is nor dismissed within ten (10) days thereafter.

11.4 Upon termination or expiration of this Agreement for any reason, (i) the rights to payment and the obligations of either party that have come due before termination will continue in full force and effect; (ii) OEM shall within thirty (30) days pay ACCESS all monies owed to it, including, but not limited to, all service fees as outlined in Exhibit A or the applicable SCR, and all unrecovered training and programming fees, ramp-up and ramp-down costs and other relevant expenses, under the Agreement; and (iii) ACCESS shall immediately return to OEM all materials, including, but not limited to, manuals, sales contracts, promotional or marketing materials, demonstration materials, and other such materials supplied to ACCESS by OEM or relating to performance of Services under this Agreement.

11.5 Transitional Services: Upon termination of the Services by either party, ACCESS will, at OEM's written request, provide to OEM such transitional services as are reasonably necessary to permit OEM to transfer promptly the performance of the Services to OEM's own personnel and/or to another provider or providers, such as, by way of example, (i) the orderly delivery to OEM of all OEM Property (as defined below), including, without limitation, OEM's databases in suitable form, fulfillment materials, business reply cards and all other material, (ii) the continuation and reduction (i.e., "ramp-down") of Services as necessary to minimize disruption, (iii) training or support services. Once OEM and ACCESS have reached agreement on the nature, scope, timeframe and "ramp down" schedule of all transitional services, ACCESS shall provide to OEM an estimate of the entire cost thereof, which cost shall be based on the Fee Schedules set forth in Exhibit A or the applicable SCR. On a monthly basis, ACCESS shall deliver to OEM reasonably detailed invoices covering all transitional services for the prior month and all Services performed through the effective date of termination not previously invoiced, which shall be prepared based upon all of the rates and charges contained in ACCESS' estimate or if not included in the estimate, Exhibit A or the applicable SCR. OEM shall pay such invoices in accordance with the terms of this Agreement.

11.6 Neither termination nor expiration of this Agreement shall relieve either party of liabilities previously accrued hereunder or any liability, obligation or agreement which is to survive or be performed after such termination or expiration. Except as otherwise provided in the Agreement, neither party shall, by reason of termination or expiration of this Agreement without breach and as permitted in accordance with this Agreement, be liable to the other party for compensation, reimbursement or damage of any kind on account of loss profits on anticipated sales or on account of expenditures, investments, leases or commitments in connection with the business or goodwill of the other party.

11.7 Section 11.4, 11.5 and 11.6 above shall survive the termination of this Agreement.

12. LIMITATION OF LIABILITY.

12.1 NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE HELD RESPONSIBLE TO THE OTHER PARTY FOR INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE OR OTHER FORMS OF INDIRECT DAMAGES INCURRED FOR ANY ACT OR FAILURE TO ACT UNDER THIS AGREEMENT OR BY REASON OF THE EXPIRATION OR TERMINATION OF THIS AGREEMENT EVEN IF INFORMED OF THE POSSIBILITY OF SUCH DAMAGES, REGARDLESS OF THE FORM OF ACTION IN WHICH SUCH LIABILITY IS ASSERTED.

12.2 The provisions of this Section 12 shall survive the termination or expiration of this Agreement. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY'S LIABILITY TO THE OTHER PARTY EXCEED ONE HUNDRED THOUSAND DOLLARS ($100,000), EXCEPT THAT THE FOREGOING LIMITATION SHALL NOT APPLY TO (i) OEM'S PAYMENT OBLIGATIONS UNDER THIS AGREEMENT, (ii) LIABILITY OF EITHER PARTY

ARISING OUT OF FRAUD, NEGLIGENCE, WILLFUL MISCONDUCT OR ILLEGAL ACTS ON THE PART OF SUCH PARTY OR ITS EMPLOYEES, AGENTS OR ACCESS, (iii) CLAIMS OF DEATH OR INJURY TO PERSONS OR DAMAGE TO PROPERTY, OR (iv) SECTION 9, INDEMNIFICATION, OF THIS AGREEMENT, COVERING THIRD PARTY CLAIMS.

13. CONFIDENTIALITY.

13.1 ACCESS acknowledges that, in the course of performing its duties under this Agreement, it may obtain non-public information relating to OEM, its products and services, or its Customers, which ACCESS knows or has reason to know is of a confidential and/or proprietary nature ("OEM Confidential Information"). Such OEM Confidential Information shall include, but not be limited to, trade secrets, pricing and discount schedules, customer lists, financial information, sales and marketing plans and all information pertaining to Customers and the OEM. Without limiting the foregoing, OEM Confidential Information shall also include all information contained in all databases developed and/or maintained by ACCESS on behalf OEM or the OEM.

13.2 Except as OEM may expressly allow in writing or except pursuant to a valid court order or as otherwise required by law, ACCESS shall at all times keep and hold the OEM Confidential Information in the strictest confidences, and shall not use such information for any purpose other than as may be reasonably necessary in connection with this Agreement Except as set forth herein, ACCESS shall not disclose any OEM Confidential Information to any person or entity, other than such ACCESS employees or consultants as may be reasonably necessary for purpose of performing its duties hereunder and who have agreed in writing to be bound by the terms of this Agreement. ACCESS agrees to be liable for any breach of this Section 13 by its employees or subcontractors.

13.3 OEM acknowledges that, it may obtain non-public information relating to ACCESS and its Services which OEM knows or has reason to know is of a confidential and/or proprietary nature ("ACCESS Confidential Information"). Such ACCESS Confidential Information shall include, but not be limited to, trade secrets, computer software and programs (including, but not limited to, mathematical equations, algorithms and datebase schema), pricing and discount schedules, customer lists, financial information, sales, and marketing plans.

13.4 Except as ACCESS may expressly allow in writing or except pursuant to a valid court order or as otherwise required by law, OEM shall at all times keep and hold the ACCESS Confidential Information in the strictest confidences, and shall not use such information for any purposes other than as may be reasonably necessary in connection with this Agreement. Except as set forth herein, OEM shall not disclose any ACCESS Confidential Information to any person or entity, other than its OEM or such OEM or OEM employees or consultants as may be reasonably necessary for purposes of performing its duties hereunder or accomodating requests of its OEM, and who have agreed in writing to be bound by the terms of this Agreement. OEM agrees to be liable for any breach of this Section 13 by its employees or subACCESSs. The obligations of this Section 13 shall not be deemed to limit in any way OEM's rights to use and exploit the Deliverables as permitted herein.

13.5 The obligations of this Section 13 shall survive the termination or expiration of this Agreement.

14. INTELLECTUAL PROPERTY RIGHTS.

14.1 All Confidential Information and other intellectual property rights supplied by OEM to ACCESS for use relating to the Services remains, as between ACCESS and OEM, the sole property of OEM ("OEM Property"). This provision shall survive termination of this Agreement.

14.2 All ACCESS Confidential Information and other intellectual property rights belonging to ACCESS as of the date of this Agreement shall remain the sole and exclusive property of ACCESS. This provision shall survive the termination or expiration of this Agreement.

14.3 ACCESS agrees that: (a) It shall ensure that its employees and representatives adhere to all scripts provided by OEM (the "Scripts") for use in the provision of Services and that (b) all Scripts in all agent materials, including, without limitation, on each employee's desktop PC screen, are accurate; (c) It shall advise OEM of all non-routine or unusual customer or trade inquiries; and (d) subject to being provided with advance written copies thereof, it shall comply with all reasonable guidelines or business policies developed by OEM. For the avoidance of doubt, the foregoing is intended to be illustrative and not exhaustive.

15. MISCELLANEOUS.

15.1 Notices. All notices or other communications make pursuant to this Agreement shall be in writing and shall be made by certified mail (return receipt requested), by a reputable overnight delivery service or personal delivery to the following on behalf of the respective parties:

If to OEM at its address above:

Attention: Richard Pine
President

With a copy to:

If to ACCESS:

Access Worldwide Communications, Inc.
1820 North Fort Myer Drive
3rd Floor
Arlington, VA 22209
Attention: Georges Andre, President

With a copy to:

Access Worldwide Communications, Inc.
4950 Communications Avenue, Suite 300
Boca Raton, FL 33431
Attention: Mark Wright, General Counsel

15.2 Waiver. No course of dealing or failure of either party to strictly enforce the terms of this Agreement will be construed as a waiver of the future performance of that term or condition.

15.3 Excusable Delay. Any event that prevents either party from performing its obligations hereunder, that is beyond the reasonable control, and without the fault or negligence of the party so prevented, shall constitute an excusable delay, In such event, the performance obligations of the parties hereunder shall be suspended and the terms of this Agreement shall be extended for the period of time equal to the length of the excusable delay, provided, however, the delayed party shall promptly notify the other party of the nature of such delay and the estimated time that the delay will continue. In the event any delay continues for more than thirty (30) days, and such delay has material adverse impact on the other party, such other party may, at its option, terminate this Agreement by written notice.

16. LAW.

This Agreement and any exhibits and the rights and obligations of the parties hereunder and thereunder, shall be, governed by and construed and interpreted in accordance with the laws of the State of Florida as applied to agreements executed and to be performed exclusively within such state, without regard to choice of law principles. The undersigned irrevocably agree that any dispute between the undersigned will be resolved in arbitration in Boca Raton, Florida before the American Arbitration Association under its commercial rules exclusively in a court of competent jurisdiction located in the Palm Beach County, Florida, unless both parties otherwise agree in writing. Both parties further irrevocably consent to the personal jurisdiction and venue of any such court and to service of process in any such action by certified mail, return receipt requested or by any means giving actual notice of such process to such party. Both parties hereby irrevocably waive any right to trial by jury in any such action.

17. ENTIRE AGREEMENT.

This Agreement including the Exhibits hereto contain the entire and only agreement between the parties with respect to the subject matter hereof. Any representations, promises, or conditions in connection herewith not incorporated herein or therein shall not be binding on either party. This Agreement supersedes all prior understandings, representations, negotiations, promises, and agreements relative to the subject matter hereof. No modification of this Agreement or any of its provisions shall be binding unless made in writing and signed by an authorized representative of each party.

18. BOOKS AND RECORDS.

ACCESS will maintain complete and accurate books, records and accounts of all contracts, papers, correspondence, contacts, invoices and other information in connection with its performance of the Services. OEM, through its employees its legal counsel and its certified public accountants, shall be entitled to make such examination of the books and records of ACCESS as shall be reasonably necessary to verify the information set forth in any invoice and to ensure ACCESS's compliance with the terms of this Agreement. Any such examination shall be made during normal business hours upon reasonable prior notice with the full cooperation of ACCESS and its employees and representatives.

[SIGNATURE PAGE OF MASTER SERVICE AGREEMENT FOLLOWS]

[SIGNATURE PAGE TO MASS SOMME AGREEMENT]

ALL OEM Parts, Inc.
"OEM"

Signature /s/ Richard Pine
Name: Richard Pine
Title: President
Date: 8-5-05

ACCESS WORLDWIDE COMMUNICATIONS, INC.
"ACCESS"

Signature /s/ Georges G. Andre
Name: Georges G. Andre
Title: President & CEO
Date: 8-15-05

Exhibit A

Scope of Work

This is a Scope of Work ("SOW") to that certain Master Service Agreement dated (the "Agreement") between All OEM Parts, Inc. ("OEM") and Access Worldwide Communications, Inc. ("Access") and is incorporated by reference therein. Capitalized terms used in this SOW not otherwise defined herein shall have the definitions specified in the Agreement. This SOW, and each such additional SOW issued by OEM shall constitute a separate and distinct contract between the parties, it being understood and agreed, however, that the terms and conditions of the Master Service Agreement shall be deemed incorporated by reference into this, and any additional Service Change Request ("SCR") (as defined in the Agreement), and shall take precedence over any contrary or inconsistent terms and conditions appearing or referred to in this Scope of Work. No such contrary or inconsistent terms and conditions, nor any contrary, inconsistent or additional terms in any document issued by either party shall become part of any such contract unless accepted in writing by the parties. Subject to the Master Service Agreement, and alterations and amendments contained in additional SCR's, the parties ratify and confirm this Agreement in all other respects. The Parties hereby agree as follows:

1. **Term and Termination**. This SOW shall become effective once executed by both Parties and shall remain in effect until terminated as set forth herein. Either party may terminate this SOW upon thirty (30) days prior written notice (a "Termination Without Cause"); or as follows (each a "Termination For Cause"):

   1.1. By either party upon the failure by the other party to perform any material obligation hereunder that is not cured within ten (10) business days after receipt of written notice and demand for cure from the affected party.

   1.2. Immediately by either party upon the material violation by the other party of any applicable state or federal law, statute, rule or regulation in relation to its performance of this SOW.

   In the event of any termination hereunder, OEM shall compensate Access for all Services provided and costs incurred in accordance with this SOW and the Agreement.

2. **Services.**

   Access will consult with and assist OEM with developing and executing an inbound telesales program to: (a) recruit and train qualified marketing representatives ("Marketing Representatives"), (b) receive and handle inbound calls in response to OEM advertising campaigns for the purpose of signing up new customers for designated OEM products or services, and (c) report results to OEM.

3. **Training**. Access will train and staff in accordance with the estimated call volumes provided by OEM and maintain said staff to support on-going call volumes. OEM shall be responsible for the costs of all initial training required for calling campaign as well as all increases in staffing due to increased volume.

4. **Reporting**. Access will provide reports to the OEM on a daily basis, or as reasonably requested, detailing the results of the Telemarketing Program. Unless different instructions are given in writing, Access will send all reports via e-mail.

5. **Program Pricing**. OEM agrees to pay Access the following sums for services performed and provided hereunder. All remittances are to be deposited electronically to Access, specifics of which will be provided by Access.

Telemarketing [***]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Training Charges – Marketing Representatives [***] per Marketing Representative
Setup Charge – for any IT programming [***]
Voice Recording Storage. (Available at your request)

Call Length (in minutes)	**Storage Charge (per year)**
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

Assisted Monitoring Charge: Assisted monitoring is provided at no charge according to the total Telemarketing Hours billed to OEM each month:

Telemarketing Hours Per Month	**Monitoring Hrs. at No Charge**
[***]	[***] hours per month
[***]	[***] hours per month
[***]	[***] hours per month
[***]	[***] hours per month
[***]	[***]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

5.1. **Price Increases**. On each twelve (12) month anniversary of this Agreement Access reserves the right to increase the Telemarketing Hourly Charge herein by a minimum, of [***] and not to exceed [***] for the same period. OEM will be notified in writing thirty (30) days prior to the effective date of any price increases.

6. <u>Inbound Telesales Program Administration</u>.

Key Performance Indicators will not be applicable until after a mutually agreed upon ramp-up period for all new or initial Programs.

Hours of operation	
Days of operation	
Time Zones Covered	
Scripting	Provided by OEM
Reporting and Data Transmitting Requirements	
Conversion Rate Goal	
Service levels (%)	
Average speed of answer (ASA)	
Total Service Factor (TSF) or Percentage of calls answered within a specific time frame.	
Average Abandon Rate	

Average monthly call volume to be serviced	N/A
Transfer rate to OEM/3rd party	
Others	

IN WITNESS WHEREOF, Access and OEM have each caused this Agreement to be signed and delivered by its duly authorized officer, all as of the date last set forth below.

OEM		**ACCESS**	
Signature	_____	Signature	_____
Name:	_____	Name:	_____
Title:	_____	Title:	_____
Date:	_____	Date:	_____

Exhibit 10.32

US Auto Parts
The Auto Parts Experts

January 1, 2006

Houman Akhavan
1811 Fairburn #101
Los Angeles, CA 90025

Dear Houman:

We are pleased to offer you the position of Vice President of Marketing. You will report to Mehran Nia, U.S.Auto Parts Network's CEO.

Your employment will commence on January 1, 2006. Your pay will be based on a percentage of net sales. Your percentage is 0.8% of net sales as defined. Net sales shall be calculated as follows. Internet sales plus internet phone sales, less shipping, less returns, refunds and exchanges, less adjustments. Regardless of actual net sales, you will be guaranteed to receive a minimum monthly payment of Two-Thousand Three-Hundred and Fifty Dollars ($2,350.00) per month.

You will be classified as an exempt employee, which means you will not be eligible for overtime pay. You will be expected to work forty (40) or more hours per week and regularly exercise discretion and independent judgment in the performance of your duties.

The Company provides its employees with a comprehensive package of benefits including Kaiser HMO medical insurance, ten (10) days of vacation, and six (6) paid holidays plus one (1) floating holiday, which may be changed from time to time at the discretion of the Company.

You will be a full time "at will" employee. This means that you are not employed for any specified period of time and either you or the Company may terminate the employment relationship at any time, with or without cause, and with or without prior warning. Nothing in this letter, or in any conversations with Company officers or employees, or pursuant to any Company personnel policies or practices, shall modify or limit your "at will" employment status, which may only be changed by a written agreement signed by the CFO of the Company.

Although you will be an "at will" employee, in the event the Company terminates your employment without "cause," the Company agrees to pay you six (6) months severance pay, less applicable statutory deductions and withholdings. The severance pay shall be calculated as the average pay for the preceding six (6) months following separation date. Grounds for termination of employment for "cause" include the occurrence of one or more of the following events:

(i) Employee commits an act or acts of dishonesty, fraud, embezzlement, or misappropriation of funds or proprietary information in connection with his employment duties or responsibilities; or

(ii) Employee's conviction of, or plea of nolo contenders to, a felony or any crime involving moral turpitude (other than minor traffic violations); or

(iii) Employee's failure to perform his job duties satisfactorily or failure to follow Company policies or any directive of the Company, if such failure or refusal is not cured by Employee within ten (10) days after receiving written notice of such from the Company; or

(iv) Employee's willful or gross misconduct in connection with his employment duties.

You are required to comply with all policies and procedures of the Company, whether or not described in writing, at all times during your employment. As a term and condition of employment, you will be required to sign the Confidential Information and Invention Assignment Agreement (Exhibit 1) upon commencement of your employment.

We are excited about you officially joining our team at U.S Auto Parts. Please feel to call me directly if you should have any questions at (310) 735-0085.

Sincerely,

/s/ Michael McClane

Michael McClane
U.S. Auto Parts Network, Inc.
Chief Financial Officer

By signing this letter, you acknowledge and agree that your employment with the Company is "at will." This letter supersedes any previous statement, document, or course of conduct indicating that your employment status is anything other than at will. Neither length of employment, nor any oral or implied representations or other conduct by the Company, such as promotions, wage increases or positive performance reviews, can alter the at-will employment relationship. The at-will employment status can be modified only by a written agreement, setting forth a specific term of employment, and signed by the CEO of the Company. Except for your "at will" employment status, the Company may change the terms and/or conditions of your employment at any time, with or without cause.

/s/ Houman Akhavan

Houman Akhavan

Exhibit 10.33

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement") is entered into as of _____, 2007 by and between U.S. Auto Parts Network, Inc., a Delaware corporation (the "Company"), and the director or officer of the Company identified on the signature page hereto (the "Indemnitee").

RECITALS

A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for its directors and officers, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.

B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.

C. The current protection available to directors and officers may not be adequate under the present circumstances, and directors and officers, including the Indemnitee, may not be willing to continue to serve or be associated with the Company in such capacities without additional protection for themselves.

D. The Company (i) desires to attract and retain the involvement of highly qualified persons, such as Indemnitee, to serve and be associated with the Company, and (ii) accordingly, wishes to provide for the indemnification and advancement of expenses to the Indemnitee.

AGREEMENT

NOW, THEREFORE, the Company and the Indemnitee hereby agree as follows:

1. Indemnification

(a) Indemnification of Expenses. The Company shall indemnify and hold harmless the Indemnitee to the fullest extent permitted by law if such Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that such Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "Claim") by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnitee is or was (or is alleged to be or to have been) a director, officer, employee, controlling person, fiduciary or other agent or affiliate of the Company, or any subsidiary of the Company, or is or was (or is alleged to be or to have been) serving at the request of the Company as a director, officer, employee, fiduciary or other agent or affiliate of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of such Indemnitee while serving or acting (or allegedly serving or acting) in such capacity, including, without limitation, any such Claim under the

Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any other federal or state statutory law or regulation, or any such Claim, at common law or otherwise, that relates directly or indirectly (i) to the registration, purchase, sale or ownership of any securities of the Company or (ii) to any fiduciary obligation owed with respect to the Company and its stockholders (hereinafter an "Indemnification Event"), against any and all losses, claims, damages, expenses and liabilities, joint or several, incurred in connection with such Claim (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) any such Claim and against any and all expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation related to such Claim), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses. The Company shall make such payment of Expenses as soon as practicable but in any event no later than thirty (30) days after written demand by the Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section l(a) shall be subject to the condition that the Reviewing Party (as defined in Section 9(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 9(d) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law or hereunder, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law or hereunder shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 9(c) hereof), the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control (i) which has been approved by a majority of the Company's Board of Directors prior to such Change in Control or (ii) following which a majority of the Board of Directors of the Company (or the ultimate parent entity thereof) is comprised of directors who were directors of the Company immediately prior to the Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 9(d) hereof

subject to the approval of the Indemnitee (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including reasonable attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Contribution. If the indemnification provided for in Section 1(a) above for any reason is held by a court of competent jurisdiction to be unavailable to Indemnitee in respect of any Claims referred to therein, then the Company, in lieu of indemnifying Indemnitee thereunder, shall contribute to the amount paid or payable by Indemnitee as a result of such losses, claims, damages, expenses or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Indemnitee, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Indemnitee in connection with the action or inaction which resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations.

(d) Survival Regardless of Investigation. The indemnification and contribution provided for in this Section 1 will remain in full force and effect regardless of any investigation made by or on behalf of the Indemnitee or any officer, director, employee, agent or controlling person of the Indemnitee.

(e) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement, to the extent that an Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in the defense of any action, suit, proceeding, inquiry or investigation referred to in Section (l)(a) hereof or in the defense of any claim, issue or matter therein, such Indemnitee shall be indemnified against all Expenses incurred by such Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by any Indemnitee. The advances to be made hereunder shall be paid by the Company to the Indemnitee as soon as practicable but in any event no later than thirty (30) days after written demand by such Indemnitee therefor to the Company, which written demand shall include reasonable detail and support for the amount of the Expenses to be so advanced.

(b) Notice/Cooperation by Indemnitees. Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether an Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that the Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that the Indemnitee should be indemnified under applicable law, shall be a defense to the Indemnitee's claim or create a presumption that the Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that the Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. If the Company has not paid such amounts directly, the Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of each Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company shall be entitled to assume the defense of such Claim, with counsel approved by the applicable Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to such Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided, however, that (i) Indemnitee shall have the right to employ Indemnitee's separate counsel in any such Claim at Indemnitee's expense and (ii) if (A) the employment of separate counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's separate counsel shall be at the expense of the Company. As long as the Company has otherwise complied with the terms hereof, the Company shall have the right to conduct such defense as it

sees fit in its sole discretion, including the right to settle any claim, action or proceeding against any Indemnitee without the consent of such Indemnitee, provided such settlement includes a full release of the Indemnitee by the claimant from all liabilities or potential liabilities under such Claim.

3. Additional Indemnification Rights: Nonexclusivity

(a) Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law and in accordance with the terms hereof, notwithstanding that such indemnification may not be specifically authorized by the Company's Amended and Restated Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, the Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Amended and Restated Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the Delaware General Corporation Law, or otherwise. The indemnification provided under this Agreement shall continue for any action that Indemnitee took or did not take while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Amended and Restated Certificate of Incorporation, the Bylaws or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification . If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for any portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which such Indemnitee is entitled.

6. Mutual Acknowledgment. The Company and Indemnitee acknowledge that in certain instances, federal law or applicable public policy may prohibit the Company from indemnifying its directors, controlling persons, fiduciaries or other agents or affiliates under this Agreement or otherwise. Indemnitee understands, acknowledges and agrees that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a

determination of the Company's rights under public policy to indemnify Indemnitee, notwithstanding any provision hereof to the contrary.

7. Liability Insurance . The Company shall, from time to time, make a good faith determination as to whether or not it is practicable for the Company to obtain and maintain a policy or policies with reputable insurance companies covering certain liabilities that may be incurred by its directors, officers, employees, control persons, fiduciaries or other agents and affiliates . Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provide by such insurance is limited by exclusions so as to provide an insufficient benefit, or if the Indemnitee is covered by similar insurance maintained by a parent or subsidiary of the Company. To the extent the Company maintains liability insurance applicable to directors, officers, employees, control persons, fiduciaries or other agents and affiliates, such Indemnitee shall be covered by such policies in such a manner as to provide to such Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if such Indemnitee is a director, or of the Company's officers, if such Indemnitee is not a director of the Company but is an officer.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for any intentional malfeasance by the Indemnitee or any act undertaken by the Indemnitee where the Indemnitee did not in good faith believe the Indemnitee was acting in the best interests of the Company, or for any other acts, omissions or transactions from which the Indemnitee may not be relieved of liability under applicable law;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to any Indemnitee with respect to Claims initiated or brought voluntarily by such Indemnitee and not by way of defense, except (i) with respect to actions or proceedings to establish or enforce a right to indemnity under this Agreement or any other agreement or insurance policy or under the Company's Amended and Restated Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnification Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under the Delaware General Corporation Law, regardless of whether such Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify any Indemnitee for any expenses incurred by such Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act or any similar successor statute.

9. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents, and fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent, control person, or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, control person, agent or fiduciary or another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, such Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as such Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on any Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, office, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if any Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, such Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if after the date of this Agreement (i) any "person" (as such term in used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then outstanding Voting Securities (as defined below), (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into

Voting Securities of the surviving entity) at least 60% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.

(d) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section l(b) hereof, who shall not have otherwise performed services for the Company or any Indemnitee within the last three years (other than with respect to matters concerning the right of any Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(e) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which an Indemnitee is seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

11. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company (and the Company may assign its rights and obligations under this Agreement in connection with any such transaction without the consent of Indemnitee), spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnification Events regardless of whether Indemnitee continues to serve as a director, officer, employee, agent, controlling person, or fiduciary of the Company or of any other enterprise at the Company's request.

12. Attorneys' Fees. In the event that any action is instituted by an Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action) incurred by Indemnitee with respect to such action, regardless of whether such Indemnitee is ultimately successful in

such action, unless, as part of such action, a court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In connection with such action, Indemnitee shall be entitled to the advancement of expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action) with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by such Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, the Indemnitee shall be entitled to be paid all expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action) incurred by such Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action) with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that each of such Indemnitee's material defenses to such action was not made in good faith or was frivolous.

13. Notice. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or otherwise delivered by hand or by messenger addressed: (i) if to an Indemnitee at such Indemnitee's address and facsimile number as set forth beneath the Indemnitee's signature to this Agreement, or, at such other address and facsimile number as the Indemnitee may furnish to the Company; or (ii) if to the Company, one copy should be sent to at the address of its principal corporate offices (attention: Chief Executive Officer), which is currently 17150 South Margay Avenue, Carson, California 90746, facsimile (310) 735-0088, Attn: Chief Executive Officer, or at such other address and facsimile number as the Company shall have furnished to the Indemnitee, with a copy to Ellen Bancroft, Esq. of Dorsey & Whitney, LLP located at 38 Technology Drive, Irvine, California 92618, facsimile number (949) 932-3601. Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid or, if sent by facsimile, upon confirmation of facsimile transfer when directed to the facsimile number provided as aforesaid.

14. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of California for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the courts located in Los Angeles County, California, which shall be the exclusive and only proper forum for adjudicating such a claim.

15. Severability . The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

16. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

17. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

18. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by the Company and Indemnitee. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto, including, without limitation, any prior written or oral indemnification agreement between the Indemnitee and the Company.

[Signature page follows.]

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

COMPANY:

U.S. AUTO PARTS NETWORK, INC.,
a Delaware corporation

By: _____
Name: Mehran Nia
Title: CEO/President

Address: 17150 South Margay Avenue
Carson, CA 90746

INDEMNITEE:

_____
Signature

_____
Printed Name

Address: _____

_____

[SIGNATURE PAGE TO INDEMNIFICATION AGREEMENT]

Exhibit 10.34

INDEMNIFICATION AGREEMENT

This Director or Officer Indemnification Agreement (this "Agreement") is entered into as of March 3, 2006 by and between U.S. Auto Parts Network, Inc., a Delaware corporation (the "Company"), and the director or officer of the Company identified on the signature page hereto (the "Director or Officer") and collectively with such Director or Officers' Affiliated Persons, as defined below, the "Indemnitees").

RECITALS

A. The Company and Director or Officer recognize the continued difficulty in obtaining liability insurance for its directors and officers, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.

B. The Company and Director or Officer further recognize the substantial increase in corporate litigation in general, subjecting directors to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.

C. The current protection available to directors may not be adequate under the present circumstances, and directors, including the Director or Officer, may not be willing to continue to serve or be associated with the Company in such capacities without additional protection for themselves and their Affiliated Persons.

D. The Company (i) desires to attract and retain the involvement of highly qualified persons, such as Indemnitees, to serve and be associated with the Company, and (ii) accordingly, wishes to provide for the indemnification and advancement of expenses to the Director or Officer and the Director or Officer's Affiliated Persons as provided herein.

AGREEMENT

NOW, THEREFORE, the Company and the Director or Officer hereby agree as follows:

1. Indemnification

(a) Indemnification of Expenses. The Company shall indemnify and hold harmless the Director or Officer and all of the Director or Officer's Affiliated Persons (as defined below) to the fullest extent permitted by law if any such Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that such Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "Claim") by reason of (or arising in part out of) any event or occurrence related to the fact that Director or Officer or an Affiliated Person is or was (or is alleged to be or to have been) a director, officer, employee, controlling person, fiduciary or other agent or affiliate of the Company, or any subsidiary of the Company, or is or was (or is alleged to be or to have been) serving at the request of the Company as a director, officer, employee,

fiduciary or other agent or affiliate of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of such Director or Officer or an Affiliated Person while serving or acting (or allegedly serving or acting) in such capacity, including, without limitation, any such Claim under the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any other federal or state statutory law or regulation, or any such Claim, at common law or otherwise, that relates directly or indirectly (i) to the registration, purchase, sale or ownership of any securities of the Company or (ii) to any fiduciary obligation owed with respect to the Company and its stockholders (hereinafter an "Indemnification Event"), against any and all losses, claims, damages, expenses and liabilities, joint or several, incurred in connection with such Claim (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) any such Claim and against any and all expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation related to such Claim), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses. The Company shall make such payment of Expenses as soon as practicable but in any event no later than ten (10) days after written demand by the Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section l(a) shall be subject to the condition that the Reviewing Party (as defined in Section 9(f) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 9(e) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law or hereunder, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law or hereunder shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitees' obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 9(d) hereof), the Reviewing Party shall be selected by the Board of Directors with the approval of the Indemnitee (which approval shall not be unreasonably withheld), and if there has been such a Change in Control

(other than a Change in Control (i) which has been approved by a majority of the Company's Board of Directors prior to such Change in Control or (ii) following which a majority of the Board of Directors of the Company (or the ultimate parent entity thereof) is comprised of directors who were directors of the Company immediately prior to the Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 9(e) hereof subject to the approval of the Indemnitee (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitees as to whether and to what extent Indemnitees would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including reasonable attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Contribution. If the indemnification provided for in Section 1(a) above for any reason is held by a court of competent jurisdiction to be unavailable to an Indemnitee in respect of any Claims referred to therein, then the Company, in lieu of indemnifying such Indemnitee thereunder, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages, expenses or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Indemnitees, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Indemnitee in connection with the action or inaction which resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. In connection with the registration of the Company's securities, the relative benefits received by the Company and any Indemnitee shall be deemed to be in the same respective proportions that the proceeds from the offering (before deducting expenses) received by the Company and the Indemnitee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Company and any Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and each Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section l(c) were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. In connection with the registration of the Company's securities, in no event shall an Indemnitee be required to contribute any amount under this Section l(c) in excess of the lesser of (i) that proportion of the total of such losses,

claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement which is being sold by such Indemnitee or (ii) the net proceeds received by such Indemnitee from its sale of securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 1 l(f) of the Securities Act) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

(d) Survival Regardless of Investigation. The indemnification and contribution provided for in this Section 1 will remain in full force and effect regardless of any investigation made by or on behalf of the Indemnitees or any officer, director, employee, agent or controlling person of the Indemnitees.

(e) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement, to the extent that an Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in the defense of any action, suit, proceeding, inquiry or investigation referred to in Section (l)(a) hereof or in the defense of any claim, issue or matter therein, such Indemnitee shall be indemnified against all Expenses incurred by such Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by any Indemnitee. The advances to be made hereunder shall be paid by the Company to the Indemnitee as soon as practicable but in any event no later than ten (10) days after written demand by such Indemnitee therefor to the Company, which written demand shall include reasonable detail and support for the amount of the Expenses to be so advanced.

(b) Notice/Cooperation by Indemnitees. Each Indemnitee shall, as a condition precedent to Indemnities right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement. In addition, each Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that any Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether an Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that the Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that the Indemnitee should be indemnified under applicable law, shall be a defense to the Indemnitee's claim or create a presumption that the Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether

the Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that the Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. If the Company has not paid such amounts directly, the Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of each Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company shall be entitled to assume the defense of such Claim, with counsel approved by the applicable Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to such Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to such Indemnitee under this Agreement for any fees of counsel subsequently incurred by such Indemnitee with respect to the same Claim; provided that, (i) the Indemnitee shall have the right to employ such Indemnitee's counsel in any such Claim at the Indemnitee's expense and (ii) if (A) the employment of counsel by the Indemnitee has been previously authorized by the Company, (B) such Indemnitee shall have reasonably concluded that there is an actual conflict of interest, or a potential conflict of interest that is material and reasonably likely, between the Company and such Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company. As long as the Company has otherwise complied with the terms hereof, the Company shall have the right to conduct such defense as it sees fit in its sole discretion, including the right to settle any claim, action or proceeding against any Indemnitee without the consent of such Indemnitee, provided such settlement includes a full release of the Indemnitee by the claimant from all liabilities or potential liabilities under such claim.

3. Additional Indemnification Rights: Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify each Indemnitee to the fullest extent permitted by law and in accordance with the terms hereof, notwithstanding that such indemnification may not be specifically authorized by the Company's Amended and Restated Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, it is the intent of the parties hereto that each Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this

Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement shall be in addition to any rights to which any Indemnitee may be entitled under the Company's Amended and Restated Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the Delaware General Corporation Law, or otherwise. The indemnification provided under this Agreement shall continue as to each Indemnitee for any action that Director or Officer took or did not take while serving in an indemnified capacity even though the Director or Officer may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against any Indemnitee to the extent such Indemnitee has otherwise actually received payment (under any insurance policy, Amended and Restated Certificate of Incorporation, the Bylaws or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If any Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for any portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which such Indemnitee is entitled.

6. Mutual Acknowledgment. The Company and each Indemnitee acknowledge that in certain instances, federal law or applicable public policy may prohibit the Company from indemnifying its directors, controlling persons, fiduciaries or other agents or affiliates under this Agreement or otherwise. Each Indemnitee understands, acknowledges and agrees that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's rights under public policy to indemnify the Indemnitees, notwithstanding any provision hereof to the contrary.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, control persons, fiduciaries or other agents and affiliates, such Indemnitee shall be covered by such policies in such a manner as to provide to such Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if such Indemnitee is a director, or of the Company's officers, if such Indemnitee is not a director of the Company but is an officer; or of the Company's controlling persons, fiduciaries or other agents or affiliates, if such Indemnitee is not and officer or director but is a control person, fiduciary, agent or affiliate.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify any Indemnitee for any intentional malfeasance by the Indemnitee or any act undertaken by the Indemnitee where the Indemnitee did not in good faith believe the Indemnitee was acting in the best interests of the

Company, or for any other acts, omissions or transactions from which the Indemnitee may not be relieved of liability under applicable law;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to any Indemnitee with respect to Claims initiated or brought voluntarily by such Indemnitee and not by way of defense, except (i) with respect to actions or proceedings to establish or enforce a right to indemnity under this Agreement or any other agreement or insurance policy or under the Company's Amended and Restated Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnification Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under the Delaware General Corporation Law, regardless of whether such Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify any Indemnitee for any expenses incurred by such Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify any Indemnitee for expenses and the payment of profits arising from the purchase and sale by such Indemnitee of securities in violation of Section 16(b) of the Exchange Act or any similar successor statute.

9. Construction of Certain Phrases.

(a) For the purposes of this Agreement, an "Affiliated Person" means Oak Investment -Partners XI, Limited Partnership.

(b) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents, fiduciaries and other Affiliated Persons, so that if Indemnitee is or was a director, officer, employee, agent, control person, fiduciary or an Affiliated Person of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, control person, agent or fiduciary or another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, such Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as such Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(c) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on any Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, office, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director,

officer, employee, agent, fiduciary or other Affiliated Person with respect to an employee benefit plan, its participants or its beneficiaries; and if any Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, such Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(d) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if after the date of this Agreement (i) any "person" (as such term in used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 60% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.

(e) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section l(b) hereof, who shall not have otherwise performed services for the Company or any Indemnitee within the last three years (other than with respect to matters concerning the right of any Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which an Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

11. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company (and the Company may assign its rights and obligations under this Agreement in connection with any such transaction without the consent of any Indemnitee), spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to each Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnification Events regardless of whether Director or Officer or any Indemnitee continues to serve as a director, officer, employee, agent, controlling person, or fiduciary of the Company or of any other enterprise at the Company's request.

12. Attorneys' Fees. In the event that any action is instituted by an Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, any Indemnitee shall be entitled to be paid all expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action) incurred by such Indemnitee with respect to such action, regardless of whether such Indemnitee is ultimately successful in such action, unless, as part of such action, a court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In connection with such action, Indemnitee shall be entitled to the advancement of expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action) with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by such Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted & or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, the Indemnitee shall be entitled to be paid all expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action) incurred by such Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action) with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that each of such Indemnitee's material defenses to such action was not made in good faith or was frivolous.

13. Notice. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or otherwise delivered by hand or by messenger addressed: (i) if to an Indemnitee at such Indemnitee's address and facsimile number as set forth beneath the Indemnitee's signature to this Agreement, or, at such other address and facsimile number as the Indemnitee may furnish to the Company; or (ii) if to the Company, one copy should be sent to at the address of its principal corporate offices (attention: Chief Executive Officer), which is currently 17 150 South Margay Avenue, Carson, CA 90746, facsimile (3 10) 735-0088, Attn: Chief Executive Officer, or at such other address and facsimile number as the Company shall have furnished to the Indemnitee, with a copy to Thomas J. Poletti of Kirkpatrick & Lockhart Nicholson Graham LLP located at 10100 Santa Monica Blvd, 7th Floor, Los Angeles, California, facsimile number (310) 552-5001. Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid or, if sent by facsimile, upon confirmation of facsimile transfer when directed to the facsimile number provided as aforesaid.

14. Consent to Jurisdiction. The Company and each Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of California for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in courts located in Santa Clara County, California, which shall be the exclusive and only proper forum for adjudicating such a claim.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

16. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

17. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of each Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

18. Third Party Beneficiaries. Each Indemnitee that is not a party hereto is an intended third party beneficiary of this Agreement.

19. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by the Company and the Director or Officer, whereupon all Indemnitees (including any that are third party beneficiaries hereunder) shall be bound. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto, including, without limitation, any indemnification agreement between the Director and Officer and the Company.

[Signature page follows.]

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

COMPANY

U.S. AUTO PARTS NETWORK, INC.,
a Delaware corporation

By: /s/ Mehran Nia
Name: Mehran Nia
Title: CEO/President

Address: 17150 South Margay Avenue
Carson, CA 90746

DIRECTOR OR OFFICER

/s/ Frederic W. Harman
Signature

Frederic W. Harman
Printed Name

Address: 525 University Avenue, Suite 1300
Palo Alto, CA 94301

[SIGNATURE PAGE TO DIRECTOR OR OFFICER INDEMNIFICATION AGREEMENT]

Exhibit 10.35

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED, made and executed this _____ day of September 2006 at _____, by and between:

SOL KHAZANI, of legal age, American, and resident of 18025 Green Meadow, Encino, CA, U.S.A. 91316, and hereafter referred to as "ASSIGNOR";

- and -

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17150 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as the "ASSIGNEE".

WITNESSETH: THAT-

WHEREAS, the ASSIGNOR is a stockholder and holds certain shares of stock of MBS Tek Corporation, a corporation organized and existing under and virtue of the laws of the Republic of the Philippines with office address at Astillero Building, Oro Site, Legazpi City, Philippines;

WHEREAS, the ASSIGNOR desires to assign Two Thousand One Hundred Eight (2,108) of his shares, as well as all his rights and interests accruing therefrom, in favor of the ASSIGNEE;

WHEREAS, the ASSIGNEE is willing to accept the ASSIGNOR'S aforesaid share;

NOW, THEREFORE, for and in consideration of the foregoing premises and, for good and valuable consideration, the receipt whereof is hereby acknowledged to the full satisfaction of ASSIGNOR, the ASSIGNOR does hereby cedes, transfers and conveys, in a manner absolute, all his rights, interests and title to and in the aforementioned Two Thousand One Hundred Eight (2,108) common shares of MBS Tek Corporation, including all his rights appurtenant thereto, in favor of the ASSIGNEE and the ASSIGNEE hereby accepts the same.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

/s/ Sol Khazani
SOL KHAZANI
Assignor

U.S. AUTO PARTS NETWORK, INC.
Assignee

PERSONALLY APPEARED

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
U.S. Auto Parts Network, Inc. represented by Michael J. McClane		
Sol Khazani		

All known to me and known to be the same persons who executed the foregoing DEED OF ASSIGNMENT consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this _____ day of September 2006, _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

SOL KHAZANI AND MICHAEL J. MCCLANE

known to me to be the same person(s) who executed the annexed instrument of **DEED OF ASSIGNMENT** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED, made and executed this _____ day of September 2006 at _____, by and between:

BENHOOR ELYASHAR, of legal age, American, and resident of 1411 Stradella Road, Los Angeles, CA, U.S.A. 90077, and hereafter referred to as "ASSIGNOR";

- and -

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17150 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as the "ASSIGNEE".

WITNESSETH: THAT-

WHEREAS, the ASSIGNOR is a stockholder and holds certain shares of stock of MBS Tek Corporation, a corporation organized and existing under and virtue of the laws of the Republic of the Philippines with office address at Astillero Building, Oro Site, Legazpi City, Philippines;

WHEREAS, the ASSIGNOR desires to assign Seven Hundred Forty Four (744) of his shares, as well as all his rights and interests accruing therefrom, in favor of the ASSIGNEE;

WHEREAS, the ASSIGNEE is willing to accept the ASSIGNOR'S aforesaid share;

NOW, THEREFORE, for and in consideration of the foregoing premises and, for good and valuable consideration, the receipt whereof is hereby acknowledged to the full satisfaction of ASSIGNOR, the ASSIGNOR does hereby cedes, transfers and conveys, in a manner absolute, all his rights, interests and title to and in the aforementioned Seven Hundred Forty Four (744) common

shares of MBS Tek Corporation, including all his rights appurtenant thereto, in favor of the ASSIGNEE and the ASSIGNEE hereby accepts the same.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

/s/ Benhoor Elyashar
BENHOOR ELYASHAR
Assignor

PERSONALLY APPEARED

U.S. AUTO PARTS NETWORK, INC.
Assignee

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
U.S. Auto Parts Network, Inc. represented by Michael J. McClane		
Benhoor Elyashar		

All known to me and known to be the same persons who executed the foregoing DEED OF ASSIGNMENT consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this _____ day of September 2006, _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

BENHOOR ELYASHAR AND MICHAEL J. MCCLANE

known to me to be the same person(s) who executed the annexed instrument of **DEED OF ASSIGNMENT** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED, made and executed this _____ day of September 2006 at _____, by and between:

MEHRAN NIA, of legal age, American, and resident of 1039 Centinela Avenue, Sta. Monica, CA, U.S.A. 90403, and hereafter referred to as "ASSIGNOR";

- and -

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17150 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as the "ASSIGNEE".

WITNESSETH: THAT-

WHEREAS, the ASSIGNOR is a stockholder and holds certain shares of stock of MBS Tek Corporation, a corporation organized and existing under and virtue of the laws of the Republic of the Philippines with office address at Astillero Building, Oro Site, Legazpi City, Philippines;

WHEREAS, the ASSIGNOR desires to assign Two Thousand One Hundred Eighteen (2,118) of his shares, as well as all his rights and interests accruing therefrom, in favor of the ASSIGNEE;

WHEREAS, the ASSIGNEE is willing to accept the ASSIGNOR'S aforesaid share;

NOW, THEREFORE, for and in consideration of the foregoing premises and, for good and valuable consideration, the receipt whereof is hereby acknowledged to the full satisfaction of ASSIGNOR, the ASSIGNOR does hereby cedes, transfers and conveys, in a manner absolute, all his rights, interests and title to and in the aforementioned Two Thousand One Hundred Eighteen (2,118) common shares of MBS Tek Corporation, including all his rights appurtenant thereto, in favor of the ASSIGNEE and the ASSIGNEE hereby accepts the same.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

/s/ Mehran Nia
MEHRAN NIA
Assignor

U.S. AUTO PARTS NETWORK, INC.
Assignee

PERSONALLY APPEARED

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
U.S. Auto Parts Network, Inc. represented by Michael J.McClane		
Mehran Nia		

All known to me and known to be the same persons who executed the foregoing DEED OF ASSIGNMENT consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this _____ day of September 2006, _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

MEHRAN NIA AND MICHAEL J. MCCLANE

known to me to be the same person(s) who executed the annexed instrument of **DEED OF ASSIGNMENT** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED, made and executed this _____ day of September 2006 at _____, by and between:

ROSEMARIE Q. REY, of legal age, Filipino, and resident of Tandang Sora Street, Pinaric, Legazpi City, and hereafter referred to as "ASSIGNOR";

- and -

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17150 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as the "ASSIGNEE".

WITNESSETH: THAT-

WHEREAS, the ASSIGNOR is a stockholder and holds certain shares of stock of MBS Tek Corporation, a corporation organized and existing under and virtue of the laws of the Republic of the Philippines with office address at Astillero Building, Oro Site, Legazpi City, Philippines;

WHEREAS, the ASSIGNOR desires to assign Twenty Six (26) of her shares, as well as all his rights and interests accruing therefrom, in favor of the ASSIGNEE;

WHEREAS, the ASSIGNEE is willing to accept the ASSIGNOR'S aforesaid share;

NOW, THEREFORE, for and in consideration of the foregoing premises and, for good and valuable consideration, the receipt whereof is hereby acknowledged to the full satisfaction of ASSIGNOR, the ASSIGNOR does hereby cedes, transfers and conveys, in a manner absolute, all her rights, interests and title to and in the aforementioned Twenty Six (26) common shares of MBS Tek

Corporation, including all her rights appurtenant thereto, in favor of the ASSIGNEE and the ASSIGNEE hereby accepts the same.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

/s/ Rosemarie Q. Rey
ROSEMARIE Q. REY
Assignor

U.S. AUTO PARTS NETWORK, INC.
Assignee

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

/s/ Rosemarie Q. Rey

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
U.S. Auto Parts Network, Inc. represented by Michael J. McClane		
Rosemarie Q. Rey	19916109	Jan. 05, 2006 / Leg. City

All known to me and known to be the same persons who executed the foregoing DEED OF ASSIGNMENT consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this _____ day of August 2006, _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2006.

ACKNOWLEDGMENT

Republic of the Philippines]
City of Legazpi] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
Rosemarie Q. Rey	19916109	Jan. 05, 2006/Leg. City

All known to me and known to be the same persons who executed the foregoing DEED OF ASSIGNMENT consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this 14th day of August 2006, _____.

/s/
Notary Public

Doc. No. 38;
Page No. 79;
Book No. 35;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

MICHAEL J. MCCLANE

known to me to be the same person(s) who executed the annexed instrument of **DEED OF ASSIGNMENT** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED, made and executed this _____ day of _____ 2006 at _____, by and between:

DIOSDADO B. QUINTO, of legal age, Filipino, and resident of Tandang Sora Street, Pinaric, Legazpi city, and hereafter referred to as "ASSIGNOR";

- and -

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17150 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as the "ASSIGNEE".

WITNESSETH: THAT-

WHEREAS, the ASSIGNOR is a stockholder and holds certain shares of stock of MBS Tek Corporation, a corporation organized and existing under and virtue of the laws of the Republic of the Philippines with office address at Astillero Building, Oro Site, Legazpi City, Philippines;

WHEREAS, the ASSIGNOR desires to assign One (1) of his shares, as well as all his rights and interests accruing therefrom, in favor of the ASSIGNEE;

WHEREAS, the ASSIGNEE is willing to accept the ASSIGNOR'S aforesaid share;

NOW, THEREFORE, for and in consideration of the foregoing premises and, for good and valuable consideration, the receipt whereof is hereby acknowledged to the full satisfaction of ASSIGNOR, the ASSIGNOR does hereby cedes, transfers and conveys, in a manner absolute, all his rights, interests and title to and in the aforementioned One (1) common shares of MBS Tek Corporation, including all his rights appurtenant thereto, in favor of the ASSIGNEE and the ASSIGNEE hereby accepts the same.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

/s/ Diosdado B. Quinto
DIOSDADO B. QUINTO
Assignor

U.S. AUTO PARTS NETWORK, INC.
Assignee

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

/s/ Diosdado B. Quinto

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
U.S. Auto Parts Network, Inc. represented by Michael J. McClane		
Diosdado B. Quinto	19916122	1/5/06 - Leg. City

ACKNOWLEDGMENT

Republic of the Philippines]
City of Legazpi] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
Diosdado B. Quinto	19916122	Jan. 05, 2006/Leg. City

All known to me and known to be the same persons who executed the foregoing DEED OF ASSIGNMENT consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this 14th day of August 2006, _____.

/s/
Notary Public

Doc. No. 387;
Page No. 79;
Book No. 35;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

MICHAEL J. MCCLANE

known to me to be the same person(s) who executed the annexed instrument of **DEED OF ASSIGNMENT** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED, made and executed this _____ day of September 2006 at _____, by and between:

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17150 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as "ASSIGNOR";

- and -

MICHAEL J. MCCLANE, of legal age, American, and with address at c/o 17150 South Margay Avenue, Carson, CA 90746, and hereafter referred to as the "ASSIGNEE".

WITNESSETH: THAT-

WHEREAS, the ASSIGNOR is a stockholder and holds certain shares of stock of MBS Tek Corporation, a corporation organized and existing under and virtue of the laws of the Republic of the Philippines with office address at Astillero Building, Oro Site, Legazpi City, Philippines;

WHEREAS, the ASSIGNOR desires to assign One (1) of its shares, as well as all his rights and interests accruing therefrom, in favor of the ASSIGNEE;

WHEREAS, the ASSIGNEE is willing to accept the ASSIGNOR'S aforesaid share;

NOW, THEREFORE, for and in consideration of the foregoing premises and, for good and valuable consideration, the receipt whereof is hereby acknowledged to the full satisfaction of ASSIGNOR, the ASSIGNOR does hereby cedes, transfers and conveys, in a manner absolute, all its rights, interests and title to and in the aforementioned One (1) common shares of MBS Tek Corporation, including all its rights appurtenant thereto, in favor of the ASSIGNEE and the ASSIGNEE hereby accepts the same.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

U.S. AUTO PARTS NETWORK, INC.
Assignor

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

/s/ Michael J. McClane
MICHAEL J. McCLANE
Assignee

PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	**Com. Tax Cert. No.**	**Date/Place Issued**
Michael J. McClane		

U.S. Auto Parts Network, Inc.
represented by Michael J. McClane

All known to me and known to be the same persons who executed the foregoing DEED OF ASSIGNMENT consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this _____ day of September 2006, _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

MICHAEL J. MCCLANE

known to me to be the same person(s) who executed the annexed instrument of **DEED OF ASSIGNMENT** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

By: /s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED, made and executed this _____ day of September 2006 at _____, by and between:

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17151 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as "ASSIGNOR";

- and -

MEHRAN NIA, of legal age, American, and resident of 1039 Centinela Avenue, Sta. Monica, CA, U.S.A. 90403, and hereafter referred to as the "ASSIGNEE".

WITNESSETH: THAT-

WHEREAS, the ASSIGNOR is a stockholder and holds certain shares of stock of MBS Tek Corporation, a corporation organized and existing under and virtue of the laws of the Republic of the Philippines with office address at Astillero Building, Oro Site, Legazpi City, Philippines;

WHEREAS, the ASSIGNOR desires to assign One (1) of its shares, as well as all his rights and interests accruing therefrom, in favor of the ASSIGNEE;

WHEREAS, the ASSIGNEE is willing to accept the ASSIGNOR'S aforesaid share;

NOW, THEREFORE, for and in consideration of the foregoing premises and, for good and valuable consideration, the receipt whereof is hereby acknowledged to the full satisfaction of ASSIGNOR, the ASSIGNOR does hereby cedes, transfers and conveys, in a manner absolute, all its rights, interests and title to and in the aforementioned One (1) common shares of MBS Tek Corporation, including all its rights appurtenant thereto, in favor of the ASSIGNEE and the ASSIGNEE hereby accepts the same.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

/s/ Mehran Nia

U.S. AUTO PARTS NETWORK, INC.
Assignor

MEHRAN NIA
Assignee

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
Mehran Nia		

U.S. Auto Parts Network, Inc.
represented by
Michael J. McClane

All known to me and known to be the same persons who executed the foregoing DEED OF ASSIGNMENT consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this _____ day of September 2006, _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

MICHAEL J. MCCLANE AND MEHRAN NIA

known to me to be the same person(s) who executed the annexed instrument of **DEED OF ASSIGNMENT** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

DECLARATION OF TRUST

KNOW ALL MEN BY THESE PRESENTS:

This Declaration of Trust, made and executed this ____ day of _____ 2006 at _____, by and between:

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17151 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as "TRUSTOR";

- and -

MEHRAN NIA, of legal age, American, and resident of 1039 Centinela Avenue, Sta. Monica, CA, U.S.A. 90403, and hereafter referred to as the "TRUSTEE".

WITNESSETH: THAT-

WHEREAS, the TRUSTEE appears in the stock and Transfer Book of MBS Tek Corporation, a corporation organized and existing under Philippine Laws as the registered owner of One (1) share of stock of the said Corporation (the "Share") on the strength of a Deed of Assignment dated _____ executed by and between the TRUSTEE and TRUSTOR;

NOW, THEREFORE, the parties agree as follows:

1. The TRUSTEE hereby acknowledges:

1.1 The absolute title and ownership of the TRUSTOR over the property;

1.2 His role as TRUSTEE and agent of TRUSTOR to hold naked title to the Share for and in behalf of the TRUSTOR;

2. The TRUSTEE and the TRUSTOR agree that all income derived from or earned on the Share shall be for the exclusive account and benefit of the

TRUSTOR, and the TRUSTEE shall deliver the same to the TRUSTOR, or to whomsoever the latter may designate.

3. With respect to the income referred to in part 2, the TRUSTOR warrants and hereby undertakes to hold the TRUSTEE free and harmless from liability for any and all taxes that may be due therein.

4. Taxes due on the Share shall be paid by TRUSTOR.

5. The TRUSTOR shall indemnify, defend and hold harmless the TRUSTEE and/or his representatives from and against any losses, liabilities, damages, claims, actions, judgments, cost and expenses arising from or as a consequence of the TRUSTEE's holding on the Share in trust for the TRUSTOR, and for all acts performed by the TRUSTEE pursuant to the instructions of the TRUSTOR.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

/s/ Mehran Nia

U.S. AUTO PARTS NETWORK, INC.
Trustor

MEHRAN NIA
Trustee

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
Mehran Nia		
U.S. Auto Parts Network, Inc. represented by Michael J. McClane		

All known to me and known to be the same persons who executed the foregoing DECLARATION OF TRUST consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this ____ day of _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

MICHAEL J. MCCLANE AND MEHRAN NIA

known to me to be the same person(s) who executed the annexed instrument of **DECLARATION OF TRUST** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

DECLARATION OF TRUST

KNOW ALL MEN BY THESE PRESENTS:

This Declaration of Trust, made and executed this ____ day of _____ 2006 at _____, by and between:

U.S. AUTO PARTS NETWORK, INC., a corporation duly organized and existing under the laws of the State of California and with principal business address at 17151 South Margay Avenue, Carson, CA 90746, represented by its Chief Finance Officer, Michael J. McClane, and hereafter referred to as "TRUSTOR";

- and -

MICHAEL J. McCLANE, of legal age, American, and with address at c/o 17151 South Margay Avenue, Carson, CA 90746, and hereafter referred to as the "TRUSTEE".

WITNESSETH: THAT-

WHEREAS, the TRUSTEE appears in the stock and Transfer Book of MBS Tek Corporation, a corporation organized and existing under Philippine Laws as the registered owner of One (1) share of stock of the said Corporation (the "Share") on the strength of a Deed of Assignment dated _____ executed by and between the TRUSTEE and TRUSTOR;

NOW, THEREFORE, the parties agree as follows:

1. The TRUSTEE hereby acknowledges:

1.1 The absolute title and ownership of the TRUSTOR over the property;

1.2 His role as TRUSTEE and agent of TRUSTOR to hold naked title to the Share for and in behalf of the TRUSTOR;

2. The TRUSTEE and the TRUSTOR agree that all income derived from or earned on the Share shall be for the exclusive account and benefit of the TRUSTOR, and the TRUSTEE shall deliver the same to the TRUSTOR, or to whomsoever the latter may designate.

3. With respect to the income referred to in part 2, the TRUSTOR warrants and hereby undertakes to hold the TRUSTEE free and harmless from liability for any and all taxes that may be due therein.

4. Taxes due on the Share shall be paid by TRUSTOR.

5. The TRUSTOR shall indemnify, defend and hold harmless the TRUSTEE and/or his representatives from and against any losses, liabilities, damages, claims, actions, judgments, cost and expenses arising from or as a consequence of the TRUSTEE's holding on the Share in trust for the TRUSTOR, and for all acts performed by the TRUSTEE pursuant to the instructions of the TRUSTOR.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and at the place first above written.

/s/ Michael J. McClane

U.S. AUTO PARTS NETWORK, INC.
Trustor

MICHAEL J. McCLANE
Trustee

By: /s/ Michael J. McClane
MICHAEL J. McCLANE
PERSONALLY APPEARED

PERSONALLY APPEARED

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared:

Name	Com. Tax Cert. No.	Date/Place Issued
Michael J. McClane		

U.S. Auto Parts Network, Inc.
represented by Michael J.
McClane

All known to me and known to be the same persons who executed the foregoing DECLARATION OF TRUST consisting of three (3) pages including this page, and acknowledged to me that the same is of their free and voluntary act and of the persons herein represented.

WITNESS MY HAND AND SEAL this _____ day of _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2006.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

MICHAEL J. MCCLANE

known to me to be the same person(s) who executed the annexed instrument of **DECLARATION OF TRUST** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

Resolution No. 001 Series of 2006

A resolution authorizing ROSEMARIE Q. REY to open Checking and Dollar Account with Metrobank, Mabini Branch, Legazpi City.

Resolved as it is hereby resolved that MBS Tek Corporation open and maintain a Checking and Dollar Account with Metrobank, Mabini Branch, Legazpi City.

Resolved as it is hereby further resolved, that ROSEMARIE Q. REY in her capacity as the Secretary of the Corporation to open the said Checking and Dollar Account and be the official signatory of the same:

Resolved finally that the Corporation as represented by the above – named officer accept all the terms and conditions imposed by Metrobank, Mabini Branch, Legazpi City in connection with the Checking and Dollar Account opened.

Approved this 14th day of August, 2006 in Legazpi City, Philippines.

/s/ Rosemarie Q. Rey
ROSEMARIE Q. REY
Corporate Secretary

/s/ Mehran Nia
MEHRAN NIA
President

/s/ Michael J. McClane
MICHAEL J. MCCLANE
Treasurer

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public for and in _____ this __ day of _____ personally appeared the following:

Names	CTC #	Date/Place Issued
Mehran Nia		
Michael J. McClane		
Rosemarie Q. Rey	19916109	Jan. 5, 2006 / Legazpi City

Known to me and known to be the same person who executed the foregoing Resolution and they acknowledge to me that the same is their free and voluntary act and deed as well as the free voluntary act and deed of the entity herein represented. This instrument refers to a Board Resolution consisting of one (1) page.

In witness whereof, I have hereunto set my hand & seal this 14 AUG 2006 at Legazpi City.

/s/
Notary Public

Doc. No. 388;
Page No. 79;
Book No. 35;
Series of 2006.

ACKNOWLEDGMENT

]
] S.S.

BEFORE ME, a Notary Public in and for the _____ personally appeared the following:

Names	CTC #	Date/Place Issued
Mehran Nia		
Michael J. McClane		

Known to me and known to be the same person who executed the foregoing Resolution and they acknowledge to me that the same is their free and voluntary act and deed as well as the free voluntary act and deed of the entity herein represented. This instrument refers to a Board Resolution consisting of one (1) page.

In witness whereof, I have hereunto set my hand & seal this _____ day of _____ 2006 at _____.

CONSULATE GENERAL OF THE PHILIPPINES]
CITY OF LOS ANGELES] S.S.
STATE OF CALIFORNIA, U.S.A.]

ACKNOWLEDGMENT

BEFORE ME, **MARY JO BERNARDO ARAGON, DEPUTY CONSUL GENERAL** in the City of Los Angeles, California, U.S.A., on this day of 06 September 2006, personally appeared:

MEHRAN NIA AND MICHAEL J. MCCLANE

known to me to be the same person(s) who executed the annexed instrument of **RESOLUTION NO. 001** and being informed by me of the contents of said instrument, he/she/they acknowledged and swore before me that he/she/they executed the same of his/her/their own free will and deed for the use and purpose therein set forth. For the contents of the annexed document, this Consulate General assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Consulate General of the Republic of the Philippines at Los Angeles, California, U.S.A., the above date.

/s/ Mary Jo Bernardo Aragon
MARY JO BERNARDO ARAGON
Deputy Consul General
of the Republic of the Philippines

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated February 3, 2006, in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-138379) and related Prospectus of U.S. Auto Parts Network, Inc., to be filed on or about January 9, 2007.

/s/ Ernst & Young LLP

Los Angeles, California
January 8, 2007

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 12, 2005, in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-138379) and the related Prospectus of U.S. Auto Parts Network, Inc., to be filed on or about January 9, 2007.

/s/ Stonefield Josephson, Inc.

Los Angeles, California
January 8, 2007

Exhibit 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the inclusion in this Amendment No. 2 to the registration statement on Form S-1 of U.S. Auto Parts Network, Inc. of our report dated March 10, 2006, except for Note 9 which is as of May 19, 2006, on our audits of the combined financial statements of All OEM Parts, Inc. and Affiliates. We also consent to the reference to our Firm under the caption "Experts."

/s/ J.H. Cohn LLP

Lawrenceville, New Jersey
January 8, 2007

January 10, 2007

VIA EDGAR AND FEDERAL EXPRESS

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Attn: Mr. H. Christopher Owings

Re: **U.S. Auto Parts Network, Inc.**
Amendment No. 1 to Registration Statement on Form S-1
(File No. 333-138379)

Dear Mr. Owings:

We are in receipt of the comments of the Staff of the Securities and Exchange Commission (the "**Commission**") set forth in the Staff's letter dated January 5, 2007 (the "**SEC Comment Letter**") regarding Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-138379) filed by U.S. Auto Parts Network, Inc. (the "**Registration Statement**"). Concurrently herewith, U.S. Auto Parts Network, Inc. (the "**Company**" or "**U.S. Auto Parts**") is filing with the Commission Amendment No. 2 (the "**Amendment**") to the Registration Statement. The changes made in the Amendment are principally in response to the Staff's comments as set forth in the SEC Comment Letter and to update information since the Company's previous filing.

The numbered responses set forth below contain each of the Staff's comments in total, set off in bold type and correspond to the numbered comments contained in the SEC Comment Letter. Page references in the text of the response correspond to the pages of the Amendment. Capitalized terms not otherwise defined herein have the meanings given to them in the Amendment.

*****

Table of Contents

1. We note your response to comment 6 in our letter dated November 27, 2006. We further note that your second paragraph continues to contain language that limits your responsibility for the information presented in the prospectus. Under the federal securities laws, the company is responsible for all information contained within its registration statement and should not include language that suggests otherwise. Please revise or delete this statement.

Response: The Company has revised the Registration Statement to delete the second paragraph regarding the limitation of responsibility for the market data and industry forecasts and projections.

Prospectus Summary, page 1

2. We note your response to comment 8 in our letter dated November 27, 2006. We reissue our prior comment. ***[Prior comment 8: As currently drafted, the summary section is too long. Also, much of the summary as currently drafted simply repeats disclosure in your business discussion. The summary should provide a brief, non-repetitive, non-generic discussion of the most material aspects of you and your offering. Please reduce the amount of detail by carefully considering and identifying those aspects of the offering that are the most significant and determine how best to highlight those points in clear, plain language. For example, consider deleting the subsections entitled "Our Solution" on page 2 and "Our Growth Strategy" on page 3. This disclosure is too detailed for the summary and is more appropriate for your business discussion. To further balance your summary, you should provide disclosure of net sales and other financial metrics for the prior year and prior period.]***

Response: In accordance with the Staff's comments, the Company has made further revisions to the Prospectus Summary to shorten the length of the summary and reduce repetition. The Company has also removed one of the paragraphs in "Business – Overview" that represents a summary of the Business Section as that brief summary is more appropriate in the Prospectus Summary on page 1 of the prospectus.

Capitalization, page 28

3. We note your response to comment 17 in our letter dated November 27, 2006. Please exclude cash and cash equivalents from your capitalization table. To the extent you believe the information is vital to an investor's understanding of the business you may include a discussion of cash in the liquidity and capital resources section of MD&A.

Response: The Company has revised the Registration Statement to exclude cash and cash equivalents from its capitalization table.

Management's Discussion and Analysis of Financial Condition and Results…, page 38

4. We note your response to comment 20 in our letter dated November 27, 2006. We reissue part of our prior comment. Please provide additional analysis concerning the quality and variability of your earnings and cash flows so that investors can ascertain the likelihood that past performance is indicative of future performance. Further, please augment your disclosure to provide a discussion of any economic or industry-wide factors relevant to your company, and material opportunities, challenges, and risks in the short and long term and the actions you are taking to address them.

Response: Pursuant to the Staff's request, the Company has revised the "Overview" of the MD&A to add a new "Industry Issues" paragraph to provide expanded disclosure regarding several industry events and risks that may impact its future operating performance. The Company is not aware of other specific economic factors that may impact its business other than general economic conditions effecting consumer purchases generally, which is already dedicated to a separate risk factor entitled, "Economic conditions may have an adverse effect on the demand for aftermarket auto parts and could adversely affect our sales and operating results." The Company also believes that future acquisitions represent an opportunity for the Company and has added disclosure to the "Overview" to reflect that the Company plans to use a portion of the proceeds of the offering to pursue additional acquisitions.

As a result of the recent Partsbin acquisition in May 2006, the Company significantly expanded the number of products offered, substantially increased its revenues, added a new fulfillment model and significantly expanded its operations. Because the Company has only been operating as a combined entity with Partsbin for a short time, it does not yet have sufficient combined operating experience to ascertain whether past performance will be indicative of future earnings and cash flows. The Company has, however, provided detailed information in the period to period comparisons regarding the variability of past financial performance. In addition, in Amendment No. 1 to the Registration Statement on page 52, the Company also added a discussion of the various items that the Company believes could impact its future operating results to supplement this disclosure in accordance with the Staff's request.

Basis of Presentation, page 39

5. Please disclose the fundamental differences between your company's websites, the online auction houses and other online stores. Specifically, disclose whether these are company owned and operated websites, related parties or third parties. It is not readily apparent why there is any distribution distinction between the e-commerce and online marketplaces.

Response: The Company has revised the Registration Statement to more clearly disclose the differences between the Company's websites and its online marketplaces.

Nine Months Ended September 30, 2005 compared to Nine Months Ended September 30, 2006, page 44

6. We note your response to comment 21 in our letter dated November 27, 2006. Your response states all sales activities relate to one channel; however, page 39 discloses you have three different distributions methods for your products. Page 44 further distinguishes between e-commerce and on-line marketplace channels. Please clarify your response to explain these apparent differences.

Response: The Company revises and clarifies its response to comment 21 of the Staff's letter dated November 27, 2006 as follows: Online marketplace sales are conducted through third party auction sites. E-commerce orders include orders placed directly on the Company's websites as well as orders placed telephonically with one of the Company's sales agents in our call centers. The Company almost exclusively markets its products online and, as such, the Company believes that the vast majority of its inbound calls are a result of Internet based activity on behalf of the Company's customers. The phone is only a mechanism used to execute the sale. In addition, a statistical discussion of e-commerce orders placed using the phone is not possible as the Company does not track orders by these different order placement methods and it would be extremely burdensome for it to determine this information. The Company has, however, provided further disclosure regarding these sales channels to clarify these differences. There are no other methods presently being used to receive orders.

7. We note your response to comment 22 in our letter dated November 27, 2006. Assuming you intend to discuss the three disclosed distribution methods, your discussion for the comparative nine month periods does not include a discussion of all significant or material changes for these separate methods. Please advise or revise to include:

- **A discussion of total sales in absolute dollar terms for each of the distribution methods. Currently, there is no discussion of total sales for any of the three methods.**
- **A discussion, in absolute dollar and percentage terms, of the comparative period changes. Presently, you only discuss a $3.7 million increase in online sales and present a $39.7 million increase in total sales. Further, you discuss a 119.8% increase attributable to e-commerce and online marketplace channels combined. We note your total net sales increased by 90.2% for the comparative period.**
- **A statistical discussion of the gross profits or margins for these three distribution methods or disclose that you are precluded from discussing gross profits and margins, as applicable.**

Please also advise or revise your discussion of sales and gross profits for the annual comparative periods in your registration statement. See Item 303(A)(3)(i) of Regulation S-K.

Response: The Company has revised the Registration Statement to include a discussion of all significant or material changes in net sales and the change in net sales for the three sales channels for all periods presented. In addition, the Company has disclosed that it does not track gross profit by each sales channel nor is it practicable to do so.

Our Proprietary Product Catalog, page 63

8. We note your response to comment 27 in our letter dated November 27, 2006. We further note that you do not hold any material patents or licenses. Please revise your disclosure concerning your business to include a discussion of the importance and duration of your trademarks.

Response: The Company revises its previous statements regarding trademarks contained in its response to comment 27 of the Staff's letter dated November 27, 2006. Although the Company has submitted applications for the registration of certain marks which are important for its business, including U.S. Auto Parts™, U.S. Auto Parts Network™ and PartsTrain™, the applications have not yet been approved by the U.S. Patent and Trademark Office. The Company has accordingly revised its statements regarding its trademarks on pages 3 and 19 of the Amendment.

Suppliers, page 64

9. We note your response to comment 28 in our letter dated November 27, 2006. We further note the inclusion of the WORLDPAC contract as an exhibit to be filed in the future. Please file both of the contracts discussed as exhibits.

Response: The WORLDPAC agreement is being filed as an Exhibit 10.27 to this Amendment. The Arrow Speed agreement will be filed in a subsequent amendment as soon as practicable after the terms thereof are finalized.

Index to Consolidated Combined Financial Statements, page F-1

Consolidated Balance Sheets, page F-4

10. We note your response to comment 36 in our letter dated November 27, 2006. In this regard, we note your risk factor on page 22 captioned "We will have broad discretion as to the use of proceeds..." Please revise this risk factor to reflect your obligation to use the proceeds from this offering to pay debt holders should a qualified initial public offering occur.

Response: The Company has revised the risk factor in accordance with the Staff's comments.

Consolidated Statements of Income, page F-5

11. We note the two pro forma earnings per share presentations with the first giving effect to the conversion of the Series A convertible preferred stock into common stock and the second giving effect only to the company being a C corporation for all periods. Please revise to provide one pro forma presentation for the last fiscal year and interim period giving effect to both the company being a C corporation and the conversion of the preferred stock.

Response: The Company has revised its consolidated statements of income to provide only one combined pro forma presentation to give effect to both events referenced above.

Consolidated Statements of Stockholders' Equity, page F-6

12. Please revise to reclass the undistributed earnings of the company on the date its S election was terminated to paid-in capital. See SAB Topic 4:B.

Response: The Company has revised the Registration Statement to reclass the undistributed earnings of the Company to paid-in capital on the date its S election was terminated. Please also see the changes to Note 5 regarding the recapitalization.

Summary of Significant Accounting Policies, page F-8

13. You disclose that revenues are recognized at the time of shipment and your stated shipping terms are FOB shipping point. Please explain to us your return policy. If your sales agreements do not specify when title passes, please explain to us why revenue recognition is appropriate upon shipment rather than upon delivery to the customer and acceptance by the customer. Refer to SAB 104.

Response: The Company's return policy, as stated under its terms and conditions on its websites, allows customers to return parts within a limited period of time

following the original date the order was shipped to the customer. Additionally, the Company's terms and conditions, which operate as the sales agreement with the customer, state "RISK OF LOSS: All items purchased from our website are made pursuant to our shipping terms, which are F.O.B. shipping point. This means that that risk of loss and title for such items pass to you at the shipping point which is when the carrier accepts the goods for transport." Question 1b of Section 3b of SAB 104 addresses situations where customer acceptance provisions exist that grant a right of return or exchange on the basis of subjective matters, and states that in these situations revenue should be recognized in accordance with Statement of Financial Accounting Standards (SFAS) No. 48, *Revenue Recognition When Right of Return Exists*. Paragraph 6 of SFAS No. 48 lists the criteria under which revenue may be recognized at the time of sale when a right of return exists, and requires that all criteria are met. In the Company's case, all of the criteria are met at the time of shipment. In addition, the Company is able to estimate future returns based upon historical experience. As such, it has been the Company's practice to record a reserve for estimated returns as disclosed in Note 1 to the financial statements. Accordingly, revenue is recognized upon shipment, not when delivery to the customer occurs.

Recapitalization, page F-20

14. We note your response to comment 43 in our letter dated November 27, 2006. Please include disclosure of your election to terminate your S corporation status in conjunction with these transactions. Also, with a view towards transparency, expand your disclosure to indicate the amount of the distribution in excess of accumulated earnings.

Response: The Company has revised the Registration Statement in Note 5 to disclose its election to terminate its S corporation status and has expanded the disclosure to include the amount of undistributed earnings included in additional paid-in capital, as well as the amount of the total distribution in excess of accumulated earnings.

Note 11, Recent Acquisition, page F-31

15. We note your response to comment 45 in our letter dated November 27, 2006. It appears the proposed revision to page F-31 is not included in the second expert reference on page 32. Please advise or revise your filing.

Response: The Company has revised the Registration Statement to remove the reference to a third party expert on page F-32 of the Amendment.

*****

Any comments or questions regarding the foregoing should be directed to the undersigned at (949) 932-3665. Thank you very much for your assistance with this matter.

Sincerely,

DORESEY & WHITNEY, LLP

/s/ J.R. Kang

By: J.R. Kang