UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from ______ to ______

Commission file number: 001-33264

U.S. AUTO PARTS NETWORK, INC.

(Exact name of registrant as specified in its charter)

Delaware	**68-0623433**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

17150 South Margay Avenue
Carson, CA 90746
(Address of Principal Executive Office) (Zip Code)

(310) 735-0085
(Registrant's telephone number, including area code)

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

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒

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

As of May 9, 2007, the registrant had 29,832,927 shares of common stock, $0.001 par value, outstanding.

U.S. AUTO PARTS NETWORK, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2007

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Unless the context requires otherwise, as used in this report, the terms "U.S. Auto Parts," the "Company," "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 report are the property of their respective owners.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. 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. These forward-looking statements include but are not limited to statements regarding our anticipated sales, revenue, expenses, profits, capital needs, product offerings, competition and the status of our facilities. 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 greater detail under the heading "Risk Factors" in Item 1A of this report. Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this report and the documents that we reference in this report and have filed as exhibits to the report completely and with the understanding that our actual future results may be materially different from what we expect. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this report. 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.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

U.S. AUTO PARTS NETWORK, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,611	$ 2,381
Accounts receivable, net	3,024	2,789
Inventory, net	10,218	8,796
Deferred income taxes	934	934
Other current assets	1,691	1,149
Total current assets	61,478	16,049
Property and equipment, net	3,676	2,716
Intangible assets, net	31,308	33,362
Goodwill	14,201	14,179
Deferred income taxes	1,703	1,703
Other non-current assets	157	1,901
Total assets	$112,523	$ 69,910
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,153	$ 9,091
Accrued expenses	3,341	2,912
Line of credit	—	2,000
Notes payable	1,000	10,805
Capital leases payable, current portion	63	62
Other current liabilities	1,972	2,392
Total current liabilities	19,529	27,262
Notes payable less current portion, net	—	21,922
Capital leases payable, less current portion	92	114
Total liabilities	19,621	49,298
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 and 11,100,000 shares authorized at March 31, 2007 and December 31, 2006, respectively; none and 11,055,425 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	—	11
Common stock, $0.001 par value; 100,000,000 and 50,000,000 shares authorized at March 31, 2007 and December 31, 2006, respectively; 29,832,927 and 15,199,672 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	30	15
Additional paid-in capital	140,948	68,906
Accumulated other comprehensive income	14	5
Accumulated deficit	(48,090)	(48,325)
Total stockholders' equity	92,902	20,612
Total liabilities and stockholders' equity	$112,523	$ 69,910

See accompanying notes to unaudited condensed consolidated financial statements.

U.S. AUTO PARTS NETWORK, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share amounts)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Net sales	$ 43,743	$ 18,005
Cost of sales	30,074	10,259
Gross profit	13,669	7,746
Operating expenses:		
General and administrative	2,876	1,965
Marketing	5,900	1,976
Fulfillment	1,717	1,152
Technology	449	194
Amortization of intangibles	2,054	4
Total operating expenses	12,996	5,291
Income from operations	673	2,455
Other income (expense):		
Loss from disposition of assets	—	(5)
Other income	2	154
Interest expense, net	(280)	(40)
Other income (expense), net	(278)	109
Income before income taxes	395	2,564
Income tax provision (benefit)	160	(156)
Net income	$ 235	$ 2,720
Basic net income per share	$ 0.01	$ 0.21
Diluted net income per share	$ 0.01	$ 0.18
Shares used in computation of basic net income per share	23,491,850	13,200,000
Shares used in computation of diluted net income per share	26,564,603	15,382,341

See accompanying notes to unaudited condensed consolidated financial statements.

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U.S. AUTO PARTS NETWORK, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31,	
	2007	2006
Operating activities		
Net income	$ 235	$ 2,720
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	243	531
Amortization of intangibles	2,054	4
Non-cash interest expense	273	4
Loss from disposition of assets	—	5
Share-based compensation and other	406	104
Deferred income taxes	—	(574)
Changes in operating assets and liabilities:		
Accounts receivable, net	(235)	343
Inventory, net	(1,422)	1,327
Prepaid expense and other current assets	(541)	(83)
Other non-current assets	1,744	(353)
Accounts payable and accrued expenses	4,463	(508)
Other current liabilities	(420)	7
Net cash provided by operating activities	6,800	3,527
Investing activities		
Additions to property, equipment and intangibles	(1,073)	(193)
Adjustment in goodwill associated with business acquisition	(22)	—
Net cash used in investing activities	(1,095)	(193)
Financing activities		
Payments of credit line	(2,000)	—
Proceeds received from notes payable, net of discount	—	9,800
Payments made on notes payable	(32,000)	(96)
Proceeds received on issuance of common stock in connection with initial public offering, net of offering costs	71,537	—
Proceeds received on issuance of Series A convertible preferred stock, net of offering costs	—	42,246
Payments of short-term financing	(21)	(73)
Stockholder distributions	—	(1,700)
Recapitalization distribution	—	(50,000)
Net cash provided by financing activities	37,516	177
Effect of changes in foreign currencies	9	(2)
Net increase in cash and cash equivalents	43,230	3,509
Cash and cash equivalents at beginning of period	2,381	1,353
Cash and cash equivalents at end of period	$ 45,611	$ 4,862

See accompanying notes to unaudited condensed consolidated financial statements.

U.S. AUTO PARTS NETWORK, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements of U.S. Auto Parts Network, Inc. (collectively with its subsidiaries, the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions to Securities and Exchange Commission (“SEC”) Form 10-Q and Article 10 of SEC Regulation S-X. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company as of March 31, 2007 and December 31, 2006, and the consolidated results of operations for the three months ended March 31, 2007 and 2006, and cash flows for the three months ended March 31, 2007 and 2006. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of those to be expected for the entire year. The accompanying consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2006, which was filed with the SEC on April 2, 2007.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 and liabilities, estimated useful lives of property, equipment and software, valuation of intangible assets, including goodwill, recoverability of software development costs, estimation of sales returns and allowances, and the provision for doubtful accounts. Actual results could differ from these estimates.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, *“Fair Value Measurements”* (“SFAS 157”). This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of this statement on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *“The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115”* (“SFAS 159”). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS 159 are elective; however, the amendment to FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS 157, “Fair Value Measurements.” The Company is currently evaluating whether the adoption of this statement will have a material effect on its financial condition, results of operations or liquidity.

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Seasonality

Historically, the market for auto parts has been seasonal. Inclement weather conditions drive the demand for automobile body parts. During the winter months or wet season, there are more damages to automobile bodies. Consumers undertake these repairs as they occur, leading to increased demand for automobile body parts during the winter. During the summer months, consumers often undertake projects to maintain and enhance the performance of their automobiles. This factor increases the demand for the Company's performance products. The Company believes seasonality will continue to have a material impact on the Company's financial condition and results of operations in future years.

Note 2—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. The Company purchases inventory from suppliers both domestically and internationally. The Company believes that its inventoried products are generally available from more than one supplier and seeks to maintain multiple sources for its products, both internationally and domestically.

The Company primarily purchases products in bulk quantities to take advantage of quantity discounts and to improve inventory availability. Inventory is reported net of inventory reserves for excess or obsolete 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 at March 31, 2007 and December 31, 2006 are as follows:

	March 31, 2007 (unaudited)	December 31, 2006
	(in thousands)	
Gross inventory	$ 10,757	$ 9,488
Inventory reserves	(539)	(692)
Total net inventory	$ 10,218	$ 8,796

Note 3—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 Do-It-Yourself consumers. The acquisition has been accounted for as a purchase in accordance with SFAS No. 141, "Business Combinations" and, accordingly, the acquired assets and liabilities have been recorded at fair value.

The total purchase price for the acquisition was $50.0 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 $573,000 of direct transaction costs related to the acquisition. Immediately following the Company's initial public offering, the Company repaid $4.0 million on the notes payable, resulting in $1.0 million outstanding as of March 31, 2007. Interest expense on the notes payable was accrued in the accompanying consolidated statement of income.

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. Amounts are considered preliminary until the final purchase price allocation is approved by both the Company and the selling stockholders of Partsbin according to the terms of the purchase agreement which includes the right of offset on the notes for any indemnification claims the Company could make against the selling stockholders of Partsbin.

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.

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Note 4—Intangibles

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, $3.0 million and $14.2 million, respectively. Capitalized amounts are amortized on a straight-line basis over a two to five year period for software assets, over five years for website assets, and over a three-year period for the vendor agreements, representing the estimated useful lives. Goodwill and generally domain names have indefinite lives and are not amortizable. Amortization expense relating to intangibles totaled $2.1 million and $4,000 for the three months ended March 31, 2007 and 2006, respectively.

Intangibles, excluding goodwill, consisted of the following at March 31, 2007 and December 31, 2006:

	March 31, 2007			December 31, 2006		
	Gross Carrying Amount	Accum. Amort.	Net Carrying Amount	Gross Carrying Amount	Accum. Amort.	Net Carrying Amount
	(in thousands)					
Intangible assets subject to amortization:						
Websites	$28,988	$(5,018)	$23,970	$28,988	$(3,569)	$25,419
Software	4,089	(1,180)	2,909	4,089	(839)	3,250
Vendor agreements	2,996	(864)	2,132	2,996	(614)	2,382
Purchased domain names	165	(98)	67	165	(84)	81
	36,238	(7,160)	29,078	36,238	(5,106)	31,132
Intangible assets not subject to amortization:						
Partsbin domain names	2,230	—	2,230	2,230	—	2,230
Total	$38,468	$(7,160)	$31,308	$38,468	$(5,106)	$33,362

Note 5—Initial Public Offering

On February 8, 2007, the SEC declared effective the Company's Registration Statement on Form S-1 for its initial public offering. The Company's common stock commenced trading on February 9, 2007. The Company and the selling stockholders sold a total of 11.5 million shares of the Company's common stock at a price of $10.00 per share, of which 3.5 million of the shares were offered by selling stockholders (which included 1.5 million shares sold pursuant to the exercise of the underwriters' over-allotment option). A total of $115 million was generated through the offering, which was distributed as follows: $8.1 million for underwriting discounts and commissions, $32.5 million to the selling stockholders and $74.4 million to the Company. The Company incurred additional offering costs of approximately $2.9 million. RBC Capital Markets Corporation, Thomas Weisel Partners LLC, Piper Jaffray & Co., and JMP Securities LLC acted as the underwriters for the offering. Upon the closing of the Company's initial public offering, 11,055,425 shares of the Company's Series A convertible preferred stock converted into an aggregate of 6,633,255 shares of common stock.

Approximately $28.0 million of the net proceeds from the offering was used to repay outstanding indebtedness of approximately $18.0 million and $10.0 million under two term loans. In addition, $4.0 million of the net proceeds from the offering was used to repay the notes payable to the former stockholders of Partsbin. The remaining net proceeds from the offering have been invested in money market funds.

Note 6—Contingencies

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the potential loss, if any, cannot be reasonably estimated. However, the Company believes that the final disposition of such matters will not have a material adverse effect on the financial position, results of operations or cash flow of the Company. The Company maintains various liability insurance coverages to protect the Company's assets from losses arising out of or involving activities associated with ongoing and normal business operations.

Ford Global Technologies, LLC

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 charged 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.

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 was 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 invalidating three of the ten patents. This ruling was subject to review by the USITC but became the final determination of the USITC upon notice by the USITC in March 2007 of its decision not to review the determination made by the administrative law judge. Pursuant to such a final ruling, the USITC 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.

On May 1, 2007, the Company and other respondents petitioned the USITC to reconsider its March 2007 ruling not to review the determination made by the ALJ. The USITC issued a "Notice of Commission Determination To Waive Reconsideration Rule Deadline And To Extend Target Date" on May 4, 2007. In this Notice, the ITC indicated that it will consider the petition and has extended the target date for issuing a final order to June 6, 2007. Ford and the USITC's Office of Unfair Import Investigations have opposed the Company's petition for reconsideration.

Securities Litigation

The Company and certain of its officers and directors have been served with two complaints associated with class action lawsuits alleging violations of federal securities law in connection with the Company's initial public offering. Based upon allegations made in the complaints that the Company has seen, the Company believes that such lawsuits are without merit and will defend vigorously any such claims made against it. As such, the Company believes that a potential liability is not probable or reasonably estimable and has recorded no amount related to this matter as of March 31, 2007.

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Note 7—Comprehensive Income

The Company reports comprehensive income in accordance with SFAS No. 130, “Reporting Comprehensive Income,” which defines comprehensive income (loss) as non-stockholder changes in equity. Comprehensive income for each of the three-month periods March 31, 2007 and 2006, respectively, includes the following:

	March 31,	
	2007	2006
	(in thousands)	
Net income	$ 235	$ 2,720
Foreign currency translation adjustments	9	(2)
Comprehensive income	$ 244	$ 2,718

Note 8—Reserve For Sales Returns

Sales discounts are recorded in the period in which the related sale is recognized. Credits are issued to customers for returned products. Credits amounted to $4.0 million and $1.4 million for the three months ended March 31, 2007 and 2006, respectively. The Company’s sales returns and allowances reserve totaled $866,000 and $1.4 million at March 31, 2007 and December 31, 2006, respectively.

The following table provides an analysis of the reserve for sales returns:

	Balance at Beginning of Period	Charged to Revenue	Deductions	Balance at End of Period
		(in thousands)		
Three Months Ended March 31, 2007				
Reserve for sales returns	$ 1,408	$ 3,960	$ (4,502)	$ 866

Note 9—Income Taxes

For the quarter ended March 31, 2007, the effective tax rate for the Company was 42.5%. This rate differed from the statutory rate due to various permanent non-deductible tax items, including share-based compensation and other permanent differences.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109” (“FIN 48”), which became effective for the Company on January 1, 2007. The Interpretation prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. As a result of the implementation of FIN 48, the Company recognized no material adjustment in the liability for unrecognized income tax benefits and no corresponding interest or penalties. The tax years 2004-2006 remain open to examination by the major taxing jurisdictions to which the Company is subject.

Note 10—Net Income Per Share

Net income per share has been computed in accordance with FASB Statement No. 128, “Earnings Per Share.” The following table sets forth the computation of basic and diluted net income per share:

	Three Months Ended March 31,	
	2007	2006
	(in thousands, except share and per share data)	
Net Income Per Share		
Numerator:		
Net income	$ 235	$ 2,720
Denominator:		
Weighted-average common shares outstanding (basic)	23,491,850	13,200,000
Common equivalent shares from conversion of preferred stock	2,874,411	2,137,382
Common equivalent shares from common stock options and warrants	198,342	44,959
Weighted-average common shares outstanding (diluted)	26,564,603	15,382,341
Basic net income per share	$ 0.01	$ 0.21
Diluted net income per share	$ 0.01	$ 0.18

Note 11—Share-Based Compensation

The Company accounts for share-based compensation in accordance with SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123(R)”), which was adopted on January 1, 2006. No stock options were granted prior to January 1, 2006. 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 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 the Company’s stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. As of March 31, 2007, the Company did not have an adequate history of market prices of its common stock as the Company only recently became a public company, and as such the Company estimates volatility in accordance with SAB No. 107 using historical volatilities of similar public entities. The expected life of an award is based on a simplified method which defines the life as the average of the contractual term of the option 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 awards. The dividend yield assumption is based on the Company’s 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 EITF 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.

There was $6.5 million of unrecognized compensation expense related to stock options as of March 31, 2007, which expense is expected to be recognized over a weighted-average period of 3.3 years. The table below summarizes stock option activity during the three months ended March 31, 2007, which resulted in share-based compensation expense:

	Three Months Ended March 31, 2007	
	Shares	Weighted Average Exercise Price
Options outstanding, December 31, 2006	2,786,532	$ 8.74
Granted	306,000	8.33
Exercised	—	—
Expired	—	—
Forfeited	(116,232)	9.12
Options outstanding, March 31, 2007	2,976,300	$ 8.69
Options exercisable, March 31, 2007	2,793,300	$ 8.86

Note 12—Subsequent Event

In March 2007, a dispute arose with the Company's outsourced call center provider in the Philippines over historical invoicing and payments. In April 2007, the Company entered into a purchase agreement with this provider to bring in-house certain sales and customer service employees based in the Philippines who were providing support to the Company through this provider. The Company's purchase price to acquire this assembled workforce was approximately $1.7 million. The Company is in the process of obtaining an independent third party valuation of the components of this contract in order to determine the accounting impact of this transaction. The Company expects to complete the valuation and accounting impact determination in the second quarter of 2007. The Company may incur a charge to its statement of income as a result of this analysis. The purchase agreement associated with the arrangement satisfies any past obligations owed to this provider.

Under the terms of the purchase agreement, approximately 182 of the provider's employees were given the opportunity to become U.S. Auto Parts employees. As of the closing of this transaction, approximately 170 of these employees had agreed to transition over to direct employment by the Company's Philippines subsidiary. The Company has also entered into an agreement to lease workstations in the provider's facility in the Philippines for a period of six months. The Company is currently anticipating opening its own call center facility in the Philippines in the second half of 2007 to augment the facilities it already operates there.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement

You should read the following discussion and analysis in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto contained in Part I, Item 1 of this Report. The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Report and in our other reports filed with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2006 and subsequent reports on Forms 10-Q and 8-K, which discuss our business in greater detail. The section entitled "Risk Factors" set forth below, and similar discussions in our other SEC filings, describe some of the important risk factors that may affect our business, results of operations and financial condition. You should carefully consider those risks, in addition to the other information in this Report and in our other filings with the SEC, before deciding to purchase, hold or sell our common stock.

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 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 $120.1 million for the year ended December 31, 2006.

International Operations. We have entered into an agreement with the provider of our outsourced call center operations in the Philippines, whereby we have taken these operations in-house beginning in April 2007 by transitioning these outsourced personnel into our own operations. We paid this provider $1.7 million related to this transaction and we are currently evaluating the addition of a new call center in the Philippines and expect to spend up to $1.0 million on such facility in 2007. In addition to the call center operations in the Philippines and in India that we acquired in connection with the Partsbin acquisition, we own a Philippines subsidiary, which provides us with software development, Internet marketing, customer service and sales functions. We believe that 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.

Partsbin 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, significantly increased our net sales 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. Once we have completed the integration of Partsbin, we may pursue selective acquisition opportunities to increase our share of the aftermarket auto parts market and expand our product offerings

Call Center Expansion. In April 2007, we entered into a purchase agreement to bring in-house certain sales and customer service employees based in the Philippines who were providing support to us through our outsourced call center provider, Access Worldwide. Under the terms of this purchase agreement, approximately 182 employees of Access Worldwide were given the opportunity to become employees of our Philippines subsidiary and join our 244 existing direct employees in the Philippines. As of the closing of this transaction, approximately 170 of the Access employees had agreed to transition over to direct employment by our Philippines subsidiary. The purchase price for the right to acquire these employees and for certain related assets was approximately $1.7 million, but we anticipate that this transaction will be cost-neutral for the remainder of 2007 and then be accretive to earnings once our new facility is operational.

As part of this transaction, we also entered into an agreement to lease workstations in the current Access Worldwide facility in the Philippines for a period of six months. We are currently anticipating opening our own call center facility in the Philippines in the second half of 2007 to augment the facilities we already operate there. Our call center agents provide an integral part of our operations by supporting our network of e-commerce sites and online marketplaces and generating cross-sell and up-sell opportunities. We believe that taking direct control over the employees who work for us in our call centers will allow us to better serve our customers.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, uncollectible receivables, intangible and other long-lived assets and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There were no significant changes to our critical accounting policies during the three months ended March 31, 2007, as compared to those policies disclosed in our annual report on Form 10-K for the fiscal year ended December 31, 2006.

In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109” (“FIN 48”), which became effective for us beginning January 1, 2007. FIN 48 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The impact of our reassessment of our tax positions in accordance with FIN 48 did not have a material impact on our results of operations, financial condition or liquidity. For additional information regarding the adoption of FIN 48, see Note 9 of Notes to Unaudited Consolidated Condensed Financial Statements in Part I, Item 1 of this report.

Results of Operations

The following table sets forth certain statements of income data as a percentage of total net sales for the periods indicated:

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	Three Months Ended March 31,			
	2007	% of Net Sales	2006	% of Net Sales
	(in thousands)		(in thousands)	
Net sales	$ 43,743	100.0%	$ 18,005	100.0%
Cost of sales	30,074	68.8	10,259	57.0
Gross profit	13,669	31.2	7,746	43.0
Operating expenses:				
General and administrative	2,876	6.6	1,965	10.9
Marketing	5,900	13.5	1,976	11.0
Fulfillment	1,717	3.9	1,152	6.4
Technology	449	1.0	194	1.1
Amortization of intangibles	2,054	4.7	4	0.0
Total operating expenses	12,996	29.7	5,291	29.4
Income from operations	673	1.5	2,455	13.6
Other income (expense):				
Loss from disposition of assets	—	—	(5)	0.0
Other income	2	0.0	154	0.8
Interest expense, net	(280)	(0.6)	(40)	(0.2)
Other income (expense), net	(278)	(0.6)	109	0.6
Income before income taxes	395	0.9	2,564	14.2
Income tax provision (benefit)	160	0.4	(156)	(0.9)
Net income	$ 235	0.5%	$ 2,720	15.1%

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

Net Sales and Gross Margin

	Three Months Ended March 31,			
	2007	2006	$ Change	% Change
	(in thousands)			
Net sales	$43,743	$18,005	$25,738	142.9%
Cost of sales	30,074	10,259	19,815	193.1%
Gross profit	$13,669	$ 7,746	$ 5,923	76.5%
Gross margin	31.2%	43.0%		(11.8)%

Net sales increased due to a 175.7% increase in our online business, which consists of our e-commerce and online marketplace channels. The increase in net sales in the current period was principally driven by (i) the acquisition of Partsbin in May 2006, which added a significant number of SKUs for performance parts, accessories and engine parts, as well as (ii) from an increase in our organic net sales, which we believe benefited from our investments in paid search in the current period, as well as seasonally strong demand in our body parts category. This increase in net sales was partially offset by lower prices in our performance parts and accessories category during the first quarter of 2007.

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. We also sell our products through our online marketplaces, which primarily consist of auction and other third party websites. E-commerce sales increased $22.2 million, or 201.8%, from $11.0 million for the three months ended March 31, 2006 to $33.2 million for the three months ended March 31, 2007. The total number of our e-commerce orders increased from 88,000 orders in the first quarter of 2006 to 268,000 orders in the first quarter of 2007, and our average order value remained relatively constant for the first quarter of 2007 as compared to the corresponding period of the prior year. The increase in net sales also reflected a $3.1 million, or 91.2%, increase in our online marketplace sales, which included the contribution of Partsbin sales through this channel. Online marketplace sales were $3.4 million in the first quarter of 2006 compared to $6.5 million in the first quarter of 2007. 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 first quarter of 2007 compared to the first quarter of 2006, but declined as a percentage of net sales. We anticipate that sales through our wholesale channel and Kool-Vue product line will continue to decline as a percentage of net sales in the future due to our primary focus on our online business.

We have historically experienced seasonality in our business. We expect seasonality to continue in future years as automobile collisions during inclement weather create increased demand for body parts in winter months and consumers often undertake projects to maintain and enhance the performance of their automobiles in the summer months. We anticipate that seasonality 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 during the first quarter of 2007 compared to the same quarter in 2006 primarily due to the inclusion of certain products sold in our e-commerce channel through our drop-ship fulfillment method that generally carry lower gross margins than the products we stock in our warehouse. Our first quarter gross margin was also negatively impacted by lower pricing, primarily within our performance parts and accessories, as well as some engine parts categories. The decline in gross margin in the current quarter was partially offset by a favorable shipping margin increase compared to the first quarter of 2006, as products filled through our drop-ship fulfillment method have a lower cost of shipping than orders filled from our warehouse. Cost of freight increased in absolute dollars as a result of the increase in net sales, yet favorable shipping terms with our drop-ship suppliers caused freight expense as a percentage of net sales to drop from 15.8% to 13.1%. 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. The drop-ship fulfillment 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.

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 sourced from our drop-ship suppliers. We expect our gross margins on our stock-and-ship products to be negatively impacted in the near term due to higher average freight costs with our primary carrier, which increase became effective in January 2007 and uses a new dimensional weight calculation to determine shipping charges, and also due to lower pricing on Partsbin performance and accessory products in general. We expect margins to stabilize in the second half of 2007, however, as we continue to focus on various initiatives designed to improve gross margins and overall profitability. In March 2007, we began to increase prices for some of our performance parts and accessories in order to increase our gross margins and consolidated our pricing function to our headquarters in Carson, California. We also recently implemented a base line pricing model that requires a minimum gross margin on products sold that we believe will provide us with better control over the pricing function. We plan to continue to improve our pricing strategy on many of our SKUs during the remainder of 2007.

General and Administrative Expense

	Three Months Ended March 31,			
	2007	2006	$ Change	% Change
	(in thousands)			
General and administrative expense	$2,876	$ 1,965	$ 911	46.4%
Percent of net sales	6.6%	10.9%		(4.3)%

The increase in general and administrative expense in 2007 was primarily due to an increase of $571,000 in merchant fees related to higher online sales; however, merchant fees remained relatively constant as a percentage of net sales for the quarter. In addition, this increase reflects higher payroll and related expenses in the amount of $251,000, which was largely due to the net addition of 17 additional administrative personnel since the first quarter of 2006. The increase also includes $313,000 of share-based compensation related to stock options, which represented an increase of $311,000 compared to the first quarter of 2006. Public company operating expenses, including higher legal and professional fees of $85,000, non-employee director costs of $60,000 and additional insurance of $71,000, contributed to the increase as well. The increase in general and administrative expense was partially offset by a $360,000 reduction in software amortization.

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During the first quarter of 2007, we recognized share-based compensation of $406,000 determined in accordance with SFAS 123(R). Based on options outstanding as of March 31, 2007, we expect to recognize an additional $1.5 million, $2.0 million, $2.0 million, $921,000 and $20,000 of share-based compensation expense for the remaining nine months ending December 31, 2007 and the years ending December 31, 2008, 2009, 2010 and 2011, respectively. The total unrecognized compensation cost related to unvested stock options as of March 31, 2007 was $6.5 million.

We anticipate that we will incur increased general and administrative expenses throughout 2007 and future periods related to operating as a public company due to increased legal and accounting fees, higher insurance premiums, higher personnel and employee benefit costs and increased 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. In addition, we and certain of our officers and directors have recently been served with two complaints associated with class action lawsuits alleging violations of federal securities law in connection with our initial public offering. Based upon allegations made in the complaints that we have seen, we believe such actions are without merit and will defend any such claims vigorously. However, defending securities litigation against us could result in substantial costs, which could cause our general and administrative expense to increase in the future.

Marketing Expense

	Three Months Ended March 31,			
	2007	2006	$ Change	% Change
	(in thousands)			
Marketing expense	$5,900	$ 1,976	$ 3,924	198.6%
Percent of net sales	13.5%	11.0%		2.5%

The increase in marketing expense for the first quarter of 2007 was primarily due to a $2.2 million increase in advertising costs related to the expansion of our online marketing efforts, primarily in the area of paid search. In addition, marketing expense increased $1.4 million primarily due to the addition of 126 sales and marketing employees since the first quarter of 2006, higher share-based compensation of $72,000, as well as increased marketing services of $193,000. We anticipate our search engine marketing costs to decrease as a percentage of net sales in the second half of 2007 if we are able to increase the effectiveness of our paid search strategy and continue to balance our paid and organic traffic through the implementation of web analytics and our email initiative, as well as other marketing initiatives.

In addition, in April 2007, we completed the acquisition of our Philippines sales force from our outsourced call center provider. As of April 1, 2007, approximately 170 employees had agreed to transition to direct employment with our Philippines subsidiary. For the second quarter of 2007 and beyond, we expect our compensation costs included in marketing expense to increase as a result of this additional headcount. We anticipate this increase to be fully offset by a reduction in our outsourced services expense due to the assembled workforce purchase. These amounts are expected to be cost neutral for the remainder of 2007 and then be accretive to earnings once our new facility is operational. We anticipate opening our own call center facility in the Philippines during the second half of 2007. The purchase price for the transaction with Access Worldwide was approximately $1.7 million. Of this amount, approximately $420,000 was included as expense in the first quarter of 2007. We are in the process of obtaining a third party valuation to value the components of this contract. Should the valuation determine a value lower than the total purchase price less the amount already expensed in the first quarter, than additional expense may be recorded related to this transaction. We anticipate this final determination in the second quarter of 2007.

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Fulfillment Expense

	Three Months Ended March 31,			
	2007	2006	$ Change	% Change
	(in thousands)			
Fulfillment expense	$1,717	$ 1,152	$ 565	49.0%
Percent of net sales	3.9%	6.4%		(2.5)%

The increase in fulfillment expense in the current period was primarily due to a $431,000 increase in personnel costs that was largely related to the addition of warehouse personnel. We expect our fulfillment costs to increase as a percentage of net sales in 2007 as we open our new distribution center in Tennessee.

Technology Expense

	Three Months Ended March 31,			
	2007	2006	$ Change	% Change
	(in thousands)			
Technology expense	$ 449	$ 194	$ 255	131.4%
Percent of net sales	1.0%	1.1%		(0.1)%

The increase in technology expense was primarily due to higher communication fees of $180,000 to support the expanded communications infrastructure and the addition of technology employees since the first quarter of 2006. During 2007, we expect technology expense as a percent of net sales to continue to increase in absolute dollars due to the hiring of additional programmers and increased investment in our overall technology platform.

Amortization of Intangibles

	Three Months Ended March 31,			
	2007	2006	$ Change	% Change
	(in thousands)			
Amortization of intangibles	$ 2,054	$ 4	$ 2,050	Not meaningful
Percent of net sales	4.7%	0.0%		4.7%

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 related to this acquisition for the remaining nine months ending December 31, 2007, and the years ending December 31, 2008, 2009, 2010 and 2011 will be approximately $6.2 million, $8.2 million, $6.7 million, $5.8 million and $2.2 million, respectively.

Other Income (Expense), Net

	Three Months Ended March 31,			
	2007	2006	$ Change	% Change
	(in thousands)			
Other income (expense), net	$ (278)	$ 109	$ (387)	(355)%
Percent of net sales	(0.6)%	0.6%		(1.2)%

The decrease in other income (expense), net in the current period was primarily due to a $524,000 increase in interest expense from notes payable. Included in interest expense during the first quarter of 2007 was $273,000 of accelerated interest expense from the write-off of the remaining debt discount. In addition, we no longer receive commission income from website licensing fees. Upon completion of our initial public offering, we reduced our long-term indebtedness by approximately $28.0 million, which will significantly decrease our interest expense incurred for the balance of 2007.

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. At March 31, 2007, the only long-term debt outstanding related to $1.0 million of notes payable to the former stockholders of Partsbin. We had no balance outstanding under term loans or our bank line of credit, which expires on May 19, 2007 and bears interest at prime minus 0.5%.

We had cash and cash equivalents of $45.6 million as of March 31, 2007, representing a $43.2 million increase from $2.4 million as of December 31, 2006. The increase in our cash and cash equivalents as of March 31, 2007 was primarily due to the net proceeds from our initial public offering that was completed in February 2007. We received net cash proceeds from our initial public offering of approximately $71.5 million (after deducting the underwriting discounts and commissions and offering expenses). The aggregate purchase price of the shares sold by us in the offering was $80.0 million. The aggregate purchase price of the shares sold by the selling stockholders in the offering was $35.0 million. We and the selling stockholders paid to the underwriters underwriting discounts and commissions totaling $5.6 million and $2.5 million, respectively, in connection with the offering. In addition, we incurred approximately $2.9 million of offering costs. We did not receive any proceeds from the sale of shares by the selling stockholders. Approximately $28.0 million of the net proceeds from the offering was used to repay our outstanding indebtedness of approximately $18.0 million and $10.0 million under two term loans to our commercial lender. In addition, we paid $4.0 million on the notes payable to the former stockholders of Partsbin.

We had working capital of $41.9 million as of March 31, 2007, which was primarily due to the cash generated from our initial public offering. Due to the historical seasonality in our business during the first calendar quarter of each year, cash and cash equivalents, inventory and accounts payable are generally higher in this quarter, resulting in fluctuations in our working capital. We anticipate that our existing cash balances, cash 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.

We are in the process of adding a new distribution center in Tennessee that is expected to become operational during the second quarter of 2007. Once our new distribution center is fully operational, we plan to consolidate our current Nashville distribution center into our new facility. The capital outlay for this distribution center is expected to be between $3.0 million and $5.0 million.

We are also planning to add a new call center facility in the Philippines. We expect to spend up to $1.0 million on this facility in the second half of 2007. In April 2007, we entered into a contract with our outsourced call center provider in the Philippines to transition many of the provider’s employees to us. Our purchase price for this assembled workforce was approximately $1.7 million.

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. Engine parts and performance parts and accessories have historically experienced higher sales in the summer 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 affected by inflation in the future.

ITEM 3. 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 stockholder loans and our 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 March 31, 2007, we had outstanding borrowings in the aggregate amount of $1.0 million under the notes to the former Partsbin stockholders. A 1% increase or decrease in LIBOR would result in an immaterial change 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 operating expenses in the Philippines are generally 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.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2007, the end of the period covered by this periodic report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within the Company have been detected. Therefore, assessing the costs and benefits of such controls and procedures necessarily involves the exercise of judgment by management. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving the objective of ensuring that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. In addition, our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have concluded, based on our evaluation of our disclosure controls and procedures, that our disclosure controls and procedures under Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act are ineffective. A material weakness, as defined in standards established by the Public Company Accounting Oversight Board (United States), has been identified. A material weakness is a deficiency in internal control over financial reporting that results in more than a remote likelihood that a material misstatement of

the annual or interim financial statements will not be prevented or detected. The identified material weakness consists of inadequate financial and accounting resources, our need to upgrade our accounting systems and improve our documentation of our key assumptions, estimates, accounting policies and procedures. We have also experienced certain deficiencies that we believe are related to our integration of Partsbin.

To address the identified material weakness, we are in the process of implementing remediation plans, including the following:

- We hired a Vice President of Finance, a Manager of Finance and two Senior Accountants in the first four months of 2007, and plan to hire additional accounting resources, which are expected to be in place in the second quarter of 2007.
- Additional information systems personnel are being recruited and system issues, including necessary alternatives, are being evaluated.
- We are preparing process documentation related to our key assumptions, estimates and accounting policies and procedures.

Changes in Internal Control Over Financial Reporting

Except as set forth above, we did not make any changes in our internal control over financial reporting during the three months ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Internal Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. Other Information

ITEM 1. Legal Proceedings

The information set forth under Note 6 of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item I of this Report, is incorporated herein by reference.

ITEM 1A. Risk Factors

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere, and the other information contained, in this Report and in our other filings with the SEC, including our subsequent reports on Forms 10-K, 10-Q and 8-K, and any amendments thereto. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on us, our business, financial condition, results of operations and/or liquidity could be seriously harmed. In that event, the market price for our common stock will likely decline and you may lose all or part of your investment.

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 marketing expenditures or price our products more competitively than we currently anticipate in order to attract additional online consumers 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, in February 2007 Yahoo! changed the manner in which it handles paid search listings to an approach similar to the one used by Google. This change makes 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 49.3% of our total product purchases in 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.

At least two class action lawsuits have been filed against us and certain of our officers and directors, which could result in significant costs and a diversion of our management's efforts.

We and certain of our officers and directors have been served with two complaints associated with class action lawsuits alleging violations of federal securities law in connection with our initial public offering. While we believe that such lawsuits are without merit and plan to defend vigorously any such claims made against us, we cannot assure you that these actions will be resolved without incurring significant costs and/or resulting in the diversion of the attention of management and other key employees. The resolution of this pending securities litigation and the defense of any additional litigation that may arise relating to our financial results of operations could result in significant costs and our business may be harmed.

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. 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 was subject to review by the USITC but became final upon notice by the USITC in March 2007 of its decision not to review the determination made by the administrative law judge.

On May 1, 2007, we and other respondents petitioned the USITC to reconsider its March 2007 ruling not to review the determination made by the ALJ. The USITC issued a "Notice of Commission Determination To Waive Reconsideration Rule Deadline And To Extend Target Date" on May 4, 2007. In this Notice, the ITC indicated that it will consider the petition and has extended the target date for issuing a final order to June 6, 2007. Ford and the USITC's Office of Unfair Import Investigations have opposed the Company's petition for reconsideration. 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.

Our integration of Partsbin has been time consuming and expensive and may not be successful in the long run, 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 has, and may continue to, involve the consolidation of diverse business cultures, require substantial time and expenses, and distract management from other business matters. In addition, this

acquisition includes significant intangible assets that are subject to periodic impairment testing which could result in substantial accounting charges. We have recently discovered some integration issues related to the Partsbin acquisition that were largely related to lower than expected order fill rates from drop-ship vendors in the fourth quarter of 2006 and lower pricing levels on our performance parts and accessories product category in the first quarter of 2007, which are expected to negatively impact our gross margins during the first half of 2007. We cannot assure you that we will be able to adequately address these or other integration issues related to this acquisition. If we are unable to complete the integration of Partsbin in an efficient and timely manner, our business and operating results will be harmed.

We rely on a single provider for the majority of our outsourced call center operations in the Philippines, and our net sales, profit margins and customer satisfaction may decline if this relationship is terminated.

In connection with our acquisition of Partsbin, we expanded our outsourced call center operations in the Philippines and rely on a single provider for substantially all of such operations. In April 2007, we entered into a contract with such outsourced provider to transition many of their employees to us. This resulted in a payment by the Company to acquire this assembled workforce of approximately $1.7 million. Under the terms of the agreement, approximately 182 of the provider’s employees were given the opportunity to become U.S. Auto Parts employees. Approximately 170 of these employees have already agreed to transition over to direct employment by U.S. Auto Parts’ Philippines subsidiary. In addition, we have entered into an agreement to lease workstations in the provider’s facility in the Philippines for a period of six months. We expect this transition will ultimately result in lower operating costs to us once complete, but we cannot assure you that we will be able to transition the employees on a timely basis, or at a reasonable cost. Any delay or decline in service by this provider or the termination of this relationship could harm our reputation, result in a significant decline in our net sales and increase our operating expenses.

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, Howard Tong, our Chief Operating Officer, and Michael McClane, our Chief Financial Officer, Executive Vice President of Finance, Treasurer and Secretary. Messrs. Nia, Tong 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. Our stock price recently decreased by approximately 45% following our announcement that our financial results for the quarter ended December 31, 2006 did not meet analysts' expectations. The factors that could cause our operating results to continue 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, price our products at market rates 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 an outsourced call center in India. These international operations include development and maintenance of our websites, software development, enhancements of our online marketing technologies, and sales 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 body parts products are filled from our inventory in 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 2006, 12.3% of purchases were through a single supplier. Our agreements with this supplier may be terminated at any time by either party, with written notice and the appropriate notice period. In addition, we do not have definitive agreements with many of our primary domestic and 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 451 employees as of December 31, 2006. Our net sales have increased from $31.7 million in 2003 to $120.1 million in 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 retaining employees of the acquired company, integrating our order processing and credit processing, integrating our product pricing strategy, and 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 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 backup 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 and 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. Our average cost per shipment with our primary carrier increased in January 2007. 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.

If we fail to maintain an effective system of internal control over financial reporting or are not able to adequately address certain identified material weaknesses 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 material weaknesses 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 our documentation of our key assumptions, estimates, accounting policies and procedures. We have also experienced certain deficiencies that we believe are related to our integration of Partsbin, including the credit processing and pricing functions. If we fail to adequately address these material weaknesses 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 public companies in the United States. Furthermore, it is possible that we or our auditors will identify additional material weaknesses or 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 presents 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 beginning with our Annual Report on Form 10-K for the year ending December 31, 2007, 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. 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.

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.

Our stock price has been and may continue to 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 report and other factors beyond our control such as fluctuations in the operations or valuations of companies perceived by investors to be comparable to us, our ability to meet analysts' expectations, or conditions or trends in the Internet or auto parts industries.

Since the completion of our initial public offering in February 2007, the trading price of our common stock has been volatile, declining from a high closing sales price of $12.49 per share to a low closing sales price per share of $5.12. We have also experienced significant fluctuations in the trading volume of our common stock. General economic and political conditions unrelated to our performance, may also adversely affect the price of our common stock. 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. Recently, we and certain of our officers and directors have been served with two complaints associated with a class action lawsuit alleging violations of federal securities law in connection with our initial public offering, which could subject us to significant costs and liability.

Our executive officers and directors own a significant percentage of our stock.

As of the closing of our initial public offering in February 2007, our executive officers and directors and entities that are affiliated with them beneficially owned 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. As of the closing of our initial public offering, we had 29,832,927 shares of common stock outstanding, of which the 11,500,000 shares we and the selling stockholders sold in such offering may be resold in the public market immediately. The remaining outstanding shares are all subject to lock-up agreements with the underwriters for our initial public offering and with us. Pursuant to such agreements, of these remaining shares, 6,649,618 shares will become available for resale in the public market 12 months after the date of effectiveness of the registration statement filed with respect to such offering and 11,683,309 shares will become available for resale in the public market 18 months after such date. However, we and the underwriters can waive the lock-up 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.

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

We completed our initial public offering in February 2007. 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 except with regards to an action that has been approved by the board;
- 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 certain provisions of 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.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities

During the quarter ended March 31, 2007, we issued and sold the following unregistered securities:

- We granted options to purchase an aggregate of 306,000 shares of common stock to our employees and directors under our equity incentive plans at exercise prices ranging from $6.08 to $11.68 per share. The issuances of these securities were effected without registration under the Securities Act of 1933, as amended, in reliance on Section 4(2) thereof or Rule 701 thereunder as transactions pursuant

to compensatory benefit plans and contracts relating to compensation. The recipients of these securities had adequate access, through their relationships with us, to information about us. The sales of these securities were made without general solicitation or advertising. No underwriters were involved in connection with the sale of these securities.

Use of Proceeds from Sales of Registered Securities

On February 14, 2007, we completed the initial public offering of our common stock, pursuant to which we sold 8,000,000 shares of our common stock and the selling stockholders sold an aggregate of 3,500,000 shares of our common stock (which included 1,500,000 shares sold by the selling stockholders pursuant to the exercise of the underwriters' over-allotment option) at the initial public offering price of $10.00 per share. The shares of common stock sold in the offering were registered under the Securities Act of 1933, as amended, on a registration statement on Form S-1 (File. No. 333-138379) that was declared effective by the SEC on February 8, 2007.

The aggregate purchase price of the shares sold by us in the offering was $80.0 million. The aggregate purchase price of the shares sold by the selling stockholders was $35.0 million. We and the selling stockholders paid to the underwriters underwriting discounts and commissions totaling $5.6 million and $2.5 million, respectively, in connection with the offering. In addition, we incurred offering costs of approximately $2.9 million in connection with the offering. After deducting the underwriting discounts and commissions and offering expenses, we received net proceeds from the offering of approximately $71.5 million. We did not receive any proceeds from the sale of shares by the selling stockholders.

Approximately $28.0 million of the net proceeds from the offering was used to repay our outstanding indebtedness under two term loans for approximately $18.0 million and $10.0 million, payable to our commercial lender. In addition, $4.0 million of the net proceeds from the offering has been paid on the notes payable to the former stockholders of Partsbin, including Richard Pine, one of our directors and who is also an officer. Except for the payment of such debt, none of the net proceeds from the offering were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliate, other than in the form of wages or salaries and bonuses paid out in the ordinary course of business. The remaining net proceeds from the offering have been invested in money market accounts. We will retain broad discretion over the use of the net proceeds received from our initial public offering. The amount and timing of our actual expenditures may vary significantly depending on 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.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

In January 2007, we submitted to a vote of our security holders the following matters: (i) an amendment to our then effective certificate of incorporation to effect a reverse split of our common stock, (ii) an increase in the number of shares of common stock reserved for issuance under our 2006 Equity Incentive Plan by an additional 900,000 shares, (iii) ratification of the indemnification agreement to be entered into by us and each of our directors and executive officers, (iv) approval of an amended and restated certificate of incorporation which became effective upon the completion of our initial public offering in February 2007, (v) approval of an amended and restated bylaws which became effective upon the completion of our initial public offering in February 2007, and (vi) approval of our 2007 Omnibus Incentive Plan. Each of the foregoing matters was approved by the unanimous written consent of all of our then existing stockholders.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

(a) Exhibits

The following exhibits are filed herewith or are incorporated herein by reference to the location indicated.

Exhibit No.	Description
10.1	Purchase Agreement, dated April 20, 2007, by and among U.S. Auto Parts Network, Inc., Access Worldwide Communications, Inc. and their respective Philippines affiliates
31.1	Certification of the principal executive officer required by Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of the principal financial officer required by Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of the Chief Executive Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 15, 2007

U.S. AUTO PARTS NETWORK, INC.
(Registrant)

By /s/ MEHRAN NIA
Mehran Nia,
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ MICHAEL J. McCLANE
Michael J. McClane,
Chief Financial Officer
(Principal Accounting Officer)

EXHIBIT INDEX

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32.2	Certification of the Chief Financial Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 10.1

PURCHASE AGREEMENT

This **PURCHASE AGREEMENT,** dated as of April 20, 2007 (this "Agreement"), is made and entered into by and among U.S. Auto Parts Network, Inc., a Delaware corporation, and MBS Tek, Inc., a Philippine corporation (collectively, "USAP"), and Access Worldwide Communications, Inc., a Delaware corporation, and Access Worldwide (AWWC) Philippines, Inc., a Philippine corporation (collectively, "Access" and together with USAP, the "Parties" and each a "Party").

WHEREAS, approximately 182 of the employees of Access working on the 15th Floor of Yuchengco Tower, RCBC Plaza, Makati City, Philippines (the "Work Place"), spend a majority of their time providing customer service and call center support (the "Services") for the USAP account (the "USAP Dedicated Employees"), pursuant to that certain Master Services Agreement, dated as of August 5, 2005, by and between USAP and Access (the "Services Agreement"), a copy of which is attached hereto as Exhibit A; and

WHEREAS, USAP desires to acquire the USAP Dedicated Employees from Access, and Access desires to cooperate in and facilitate a transfer of the USAP Dedicated Employees from the employ of Access to the employ of USAP (the "Employee Transfer"); and

WHEREAS, USAP and Access desire to complete the Employee Transfer and the sale of the Assets described herein in such a manner as shall enable the USAP Dedicated Employees to continue to provide Services to USAP in a seamless manner before and after the Closing.

NOW THEREFORE, in consideration of the mutual obligations incurred and benefits obtained hereunder, the sufficiency of which is acknowledged, the Parties hereto agree as follows:

ARTICLE 1 TRANSFER OF ASSETS

1.1 Transfer of Assets. On the terms and subject to the conditions set forth in this Agreement, USAP and Access shall, at the Closing (as defined in Section 3.1 below), sell, transfer and assign to USAP, and USAP shall purchase and acquire from Access, all of Access' right, title and interest, as of the Closing Date (as defined in Section 3.1 below), in and to certain assets of Access (the "Assets"). The Assets shall include the following:

(a) the right to extend offers to and hire the USAP Dedicated Employees;

(b) any handbooks and training materials relating to the USAP Services utilized by the USAP Dedicated Employees; and

(c) any USAP supplies or operational materials utilized by the USAP Dedicated Employees in connection with the performance of their Services under the Services Agreement or otherwise in connection with the servicing of the USAP Account, not to include consumable supplies utilized by the USAP Dedicated Employees that were supplied by Access in the performance of their duties; and

(d) any written service manuals or program guides developed specifically for the USAP Services.

1.2 No Liabilities Assumed. Access shall retain, and USAP shall not assume, and nothing contained in this Agreement shall be construed as an assumption by USAP of, any liabilities, obligations or undertakings of Access of any nature whatsoever, whether accrued, absolute, fixed or contingent, known or unknown, due or to become due, unliquidated or otherwise. Without limiting the foregoing, Access acknowledges and agrees that Access shall retain, and remain responsible for satisfying, all liabilities and obligations of any kind with respect to the USAP Dedicated Employees which arose or were created prior to the Closing or relating to any matters concerning the employment of the USAP Dedicated Employees which arose or were created prior to the Closing (including any severance or other payments or other obligations due or owing to such USAP Dedicated Employees prior to the Closing).

ARTICLE 2 PURCHASE PRICE

2.1 Amount. The total consideration to be paid by USAP to Access for the Assets shall be One Million Seven Hundred Twenty Five Thousand Dollars ($1,725,000) (the "Purchase Price").

2.2 Escrow Agreement; Hold-Back. Upon the execution of this Agreement by both USAP and Access, USAP shall deposit the Purchase Price into an escrow account (the "Escrow Account"), which shall be administered by U.S. Bank National Association, acting as escrow agent (the "Escrow Agent"). As of the Closing, USAP shall instruct the Escrow Agent to pay the Closing Payment (as defined in Section 2.3 below) to Access. USAP shall "hold back" $400,000 of the Purchase Price (the "Hold-Back Amount"), which shall be held in the Escrow Account pursuant to the terms of the Escrow Agreement for a period of six months after the Closing Date (the "Hold-Back Period"). During the Hold-Back Period, USAP shall instruct the Escrow Agent to release $66,666 of the Hold-Back Amount (the "Monthly Hold-Back Payment") to Access on a monthly basis (the "Monthly Hold-Back Period") beginning with the month after the Closing Date and continuing for each subsequent month until the entire Hold-Back Amount has been released; provided, however, that the Hold-Back Amount shall not be paid in a given month if Access shall fail to be in compliance with its obligations under this Agreement. The Monthly Hold-Back Period shall run from the Closing Date under this Agreement through the same date in the following month, and payment of the Monthly Hold-Back Payment shall be payable immediately after the expiration of such Monthly Hold-Back Period. For the avoidance of doubt, if the Closing occurs on April 25, 2007, the initial Monthly Hold-Back Period shall run from April 25, 2007 to May 24, 2007, and the Monthly Hold-Back Payment shall be released to Access on May 24, 2007 (or the next succeeding business day). Any disputes regarding the payment of the Hold-Back Amount shall be governed by the dispute resolution provisions of Article 12 below.

2.3 Manner of Payment. On the Closing Date, in payment for the Assets, USAP shall instruct the Escrow Agent to pay to Access the Purchase Price less the Hold-Back Amount by wire transfer to Access' account at Mellon Bank, 500 Ross Street, Pittsburgh, PA 15262, ABA routing # 043000261 for credit to Merrill Lynch Account # 1011730 (for further credit to Account # 731-07163 in the name of Access Worldwide Communications, Inc.) (the "Closing Payment"). The Monthly Hold-Back Payments shall be paid by the Escrow Agent in accordance with Section 2.2 above and the terms of the Escrow Agreement.

2.4 Allocation of Purchase Price. The Purchase Price shall be allocated, apportioned and adjusted pursuant to the requirements set forth in Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), any Treasury Regulations promulgated thereunder, any other similar provision of the Code and any other similar, applicable foreign, state or local tax law or regulation. The Parties shall cooperate with each other and provide, to the extent possible, the information required by the other Party for the purpose of preparing the applicable tax returns.

ARTICLE 3 CLOSING

3.1 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of USAP, located at 17150 South Margay Avenue, Carson, California at 10:00 a.m. on April 25, 2007, or at such other place and on such other date as is mutually agreeable to USAP and Access. The date on which the Closing occurs is referred to herein as the "Closing Date," and the Closing shall be deemed effective as of 5:00 p.m. PDT on the Closing Date.

3.2 General Procedure. At the Closing, each party shall deliver to the party entitled to receipt thereof the documents required to be delivered pursuant to Article 8 below and such other documents, instruments and materials (or complete and accurate copies thereof, where appropriate) as may be reasonably required in order to effectuate the intent and provisions of this Agreement, and all such documents, instruments and materials shall be satisfactory in form and substance to counsel for the receiving party. The conveyance, transfer, assignment and delivery of the Assets shall be effected by Access' execution and delivery to USAP of a bill of sale substantially in the form attached hereto as Exhibit B (the "Bill of Sale") and such other instruments of conveyance, transfer, assignment and delivery as USAP shall reasonably request to cause Access to transfer, convey, assign and deliver the Assets to USAP.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF ACCESS

Access hereby represents and warrants to USAP that, except as set forth in the Disclosure Schedule delivered by Access to USAP on the date hereof (the "Disclosure Schedule") (which Disclosure Schedule sets forth the exceptions to the representations and warranties contained in this Article 4):

4.1 Incorporation and Corporate Power. Access Worldwide Communications, Inc. is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, with all requisite corporate power and authority to own the Assets being sold to USAP and to enter into this Agreement and perform its obligations hereunder.

4.2 Subsidiaries. The Assets do not include any stock, partnership interest, joint venture interest or any other security or ownership interest issued by any other corporation, organization or entity. The only subsidiary owned by Access Worldwide Communications, Inc. doing business in the Philippines is Access Worldwide (AWWC) Philippines, Inc., which is a Philippine corporation.

4.3 Execution, Delivery; Valid and Binding Agreement. The execution, delivery and performance of this Agreement by Access and the consummation of the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action, and no other corporate proceedings on its part are necessary to authorize the execution, delivery or performance of this Agreement. This Agreement has been duly executed and delivered by Access and constitutes the valid and binding obligation of Access, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights or by general principles of equity.

4.4 Authority; No Breach. Access has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by Access and the consummation of the transactions contemplated hereby do not conflict with or result in any breach of any of the provisions of, or constitute a default under, result in a violation of, result in the creation of a right of termination or acceleration or any lien, security interest, charge or authorization, consent, approval, exemption or other action by or notice to any court or other governmental body, under the provisions of the Certificate of Incorporation or Bylaws of Access or any indenture, mortgage, lease, loan agreement or other agreement or instrument by which Access or the Assets are bound or affected (other than any consents required to be obtained by Access under this Agreement, which Access undertakes to obtain prior to the Closing Date), or any law, statute, rule or regulation or order, judgment or decree to which Access or the Assets are subject. No consent, approval or authorization of any governmental or regulatory authority is required to be obtained by Access in connection with its execution, delivery and performance of this Agreement.

4.5 Governmental Authority; Consent. To the knowledge of Access, Access is not required to submit any notice, report or other filing with any governmental authority in connection with the execution or delivery by it of this Agreement or the consummation of the transactions contemplated hereby, except as set forth in Disclosure Schedule 4.5. Except as set forth in Disclosure Schedule 4.5, no consent, approval or authorization of any governmental or regulatory authority is required to be obtained by Access in connection with its execution, delivery and performance of this Agreement.

4.6 Contracts and Commitments. Disclosure Schedule 4.6 lists each contract, instrument, binding commitment and other agreement, oral or written, entered into, issued or held, and in effect, relating to the Assets or the USAP Dedicated Employees, to which Access is a party, that Access has been issued or holds or by which Access is bound (each item so listed is referred to as a "Contract" and collectively as the "Contracts"). Access has performed all material obligations required to be performed by it in connection with the Contracts and is not in, and is not in receipt of any claim of, default, violation or breach under any such Contract; Access has no present expectation or intention of not fully performing any material obligation pursuant to Contracts; and Access has no knowledge of any default, violation or breach or anticipated default, violation or breach by any other party to any Contract.

4.7 Good Condition of Assets; Compliance with Laws; Good Standing of USAP Dedicated Employees. The Assets being sold to USAP are in good condition and repair, ordinary wear and tear excepted, and prior to the Closing Date, the Services are being and have been performed in compliance with all applicable laws of the Philippines or otherwise applicable to the provision of the Services or the USAP Dedicated Employees and the USAP Dedicated Employees are in good standing with Access and capable of performing the Services required to be performed under the Services Agreement in a manner consistent with past practice.

4.8 Litigation. No litigation is pending or, to the knowledge of Access, threatened against Access relating to the Assets or the transactions contemplated by this Agreement, and there is no reasonable basis for any such litigation against Access. Access is not subject to any outstanding governmental order relating to the Assets or that would threaten or prevent Access from selling the Assets and performing its obligations under this Agreement.

4.9 Compliance With Laws. To the knowledge of Access, Access is not, and has not been, in violation of or default under any law, regulation or order applicable to it, the effect of which, individually or in the aggregate with such other violations and defaults, could reasonably be expected to have a material adverse effect on USAP or the Assets.

4.10 Licenses and Permits. Seller has not received any notification of non-compliance or violation with respect to any license, permit, registration, order, authorization, approval or franchise relating to the Assets, the USAP Dedicated Employees, the Work Place or the Work Stations (collectively, the "Permits"). Seller has not received any notification of any asserted present failure (or past and unremedied failure) by it to have obtained any Permit.

4.11 Employees.

(a) Schedule 4.11 lists the name of each USAP Dedicated Employee as of the date of this Agreement, states the total number of employees and indicates for each such employee, and in the aggregate, full-time, part-time and temporary status. For each salaried USAP Dedicated Employee, Schedule 4.11 shows for each such employee annual salary, any other compensation payable (including compensation payable pursuant to bonus, incentive, deferred compensation or commission arrangements), date of employment and position.

(b) To the knowledge of Access, with respect to the USAP Dedicated Employees:

(i) No USAP Dedicated Employee has any plans to terminate his, her or their employment. Access has complied at all times with all applicable laws relating to employment and employment practices and those relating to the calculation and payment of wages (including overtime pay, maximum hours of work and child labor restrictions), equal employment opportunity (including Laws prohibiting discrimination and/or harassment or requiring accommodation on the basis of race, color, national origin, religion, gender, disability, age, sexual orientation or otherwise), affirmative action and other hiring practices, occupational safety and health, workers' compensation, unemployment compensation, the payment of taxes, and unfair labor practices under applicable law.

(ii) Access has no labor relations problem pending or threatened, and its labor relations are satisfactory.

(iii) There are no workers' compensation claims pending against Access relating to the USAP Dedicated Employees, or any facts that would give rise to such a claim.

(iv) No USAP Dedicated Employee is subject to any secrecy or noncompetition agreement or any other agreement or restriction of any kind that would impede in any way the ability of such employee to carry out fully all activities of such employee in furtherance of the Services.

(c) Schedule 4.11 lists the name of each USAP Dedicated Employee as of the date of this Agreement who holds a temporary work authorization (each, a "Work Permit"), and shows for each such employee the type of Work Permit and the length of time remaining on such Work Permit. To the knowledge of Access, with respect to each Work Permit, all of the information that Access provided to any department (the "Department") in the application for such Work Permit was true and complete. To the knowledge of Access, and except as set forth in Schedule 4.11, Access received the appropriate notice of approval from the Department with respect to each such Work Permit. Access has not received any notice from the Department that any Work Permit has been revoked. There is no action pending or, to the knowledge of Access, threatened to revoke or adversely modify the terms of any Work Permit. Except as disclosed in Schedule 4.11, no USAP Dedicated Employee is an employee whose status would terminate or otherwise be affected by the transactions contemplated by this Agreement.

(d) Schedule 4.11 lists the name of each former USAP Dedicated Employee who provided Services under the Services Agreement or otherwise worked on the USAP account during the months of February, March and April of 2007 who has since been transferred to another Access account (other than the USAP account or the USAP Services Agreement) or terminated by Access.

(e) To the knowledge of Access, the transactions contemplated by this Agreement will not cause USAP to incur or suffer any liability relating to, or obligation to pay, severance, termination or other payment to any Person, including any USAP Dedicated Employees.

(f) Access has not made any loans (except advances for business travel, lodging or other expenses in the ordinary course of business) to any USAP Dedicated Employee.

(g) With respect to the USAP Dedicated Employees, within the last five years, Access has not experienced and, to the knowledge of Access, there has not been threatened, any strike, work stoppage, slowdown, lockout, picketing, leafleting,

boycott, other labor dispute, union organization attempt, or demand for recognition from a labor organization. No grievance, demand for arbitration or arbitration proceeding arising out of or under any collective bargaining agreement is pending or, to the knowledge of Access, threatened. No litigation is pending or, to the knowledge of Access, threatened respecting or involving any USAP Dedicated Employee, nor to Access' knowledge is there any reasonable basis for such litigation, or any class of the foregoing, including:

(i) any fair employment practices agency relating to any claim or charge of discrimination or harassment in employment which apply to the USAP Dedicated Employees;

(ii) any claim or charge concerning hours of work, wages or employment practices which apply to the USAP Dedicated Employees;

(iii) any agency relating to any claim or charge concerning employee safety or health which apply to the USAP Dedicated Employees;

(iv) any unfair labor practice or any question concerning representation which apply to the USAP Dedicated Employees; or

(v) any other rules or regulations in the Philippines relating to employment which apply to the USAP Dedicated Employees.

(h) No USAP Dedicated Employee is covered by any collective bargaining agreement, and no collective bargaining agreement is being negotiated.

(i) Access has paid in full to all USAP Dedicated Employees all wages, salaries, bonuses and commissions due and payable to such employees.

(j) There has been no lay-off or work reduction program undertaken by or on behalf of Access in the past two years with respect to the USAP Dedicated Employees, and no such program has been adopted by Access or publicly announced.

4.12 Brokerage. No third party shall be entitled to receive any brokerage commissions, finder's fees, fees for financial advisory services or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of Access.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF USAP

USAP hereby represents and warrants to Access that:

5.1 Incorporation and Corporate Power. U.S. Auto Parts Network, Inc. is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, with the requisite corporate power and authority to enter into this Agreement and perform its obligations hereunder.

5.2 Execution, Delivery; Valid and Binding Agreement. The execution, delivery and performance of this Agreement by USAP and the consummation of the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action, and no other corporate proceedings on its part are necessary to authorize the execution, delivery or performance of this Agreement. This Agreement has been duly executed and delivered by USAP and constitutes the valid and binding obligation of USAP, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights or by general principles of equity.

5.3 Authority; No Breach. USAP has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by USAP and the consummation by USAP of the transactions contemplated hereby do not conflict with or result in any breach of any of the provisions of, constitute a default under, result in a violation of, result in the creation of a right of termination or acceleration or any lien, security interest, charge or encumbrance upon any assets of USAP, or require any authorization, consent, approval, exemption or other action by or notice to any court or other governmental body, under the provisions of the Certificate of Incorporation or Bylaws of USAP or any indenture, mortgage, lease, loan agreement or other agreement or instrument by which USAP is bound or affected, or any law, statute, rule or regulation or order, judgment or decree to which USAP is subject.

5.4 Compliance With Laws. To the knowledge of USAP, USAP is not, and has not been, in violation of or default under any law, regulation or order applicable to it, the effect of which, individually or in the aggregate with such other violations and defaults, could reasonably be expected to have a material adverse effect on Access.

5.5 Adequacy of Funds. USAP has adequate financial resources to pay the Purchase Price and any Hold-Back Amounts required to be paid hereunder and otherwise to satisfy its monetary and other obligations under this Agreement.

5.6 Administration. USAP shall use its best efforts to administer to and manage the USAP Dedicated Employees as of the Closing Date, which shall include, among other things, management, human resources support, training and recruiting.

5.7 Brokerage. No third party shall be entitled to receive any brokerage commissions, finder's fees, fees for financial advisory services or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of USAP.

ARTICLE 6 COVENANTS OF ACCESS

6.1 Conduct of the Business. Access agrees to observe each term set forth in this Section 6.1 and agrees that, from the date hereof until the earlier of (i) April 25, 2007 or (ii) the Closing Date, unless otherwise consented to by USAP in writing:

(i) Access shall not, directly or indirectly, sell, pledge, dispose of or encumber any of the Assets prior to the Closing.

(ii) Access shall continue to perform the Services required under the Services Agreement in a manner consistent with custom and past practice through the Closing.

(iii) Access shall use its best efforts to ensure that the USAP Dedicated Employees continue to be employed with Access through the Closing.

(iv) Access shall observe and abide by all of the covenants set forth in this Article 6.

6.2 Conditions. Access shall take all commercially reasonable actions necessary to cause the conditions set forth in Section 8.1 to be satisfied and to consummate the transactions contemplated herein as soon as reasonably possible after the satisfaction thereof (but in any event within three (3) business days of such date).

6.3 Information Relating to USAP Dedicated Employees. Prior to the date hereof, Access shall have provided to USAP all readily available information reasonably requested by USAP regarding the USAP Dedicated Employees, including but not limited to (i) compensation and related benefits payable to each USAP Dedicated Employee; (ii) each USAP Dedicated Employee's position and the nature of each USAP Dedicated Employee's responsibilities; (iii) each USAP Dedicated Employee's date of hire and tenure on the USAP account; and (iv) any contractual or other obligations of Access to the USAP Dedicated Employees.

6.4 Continuation of Services. Between the date of this Agreement and the Closing Date, Access shall (i) use commercially reasonable efforts to continue to provide the Services to USAP in the ordinary course of business consistent with Access' past practices and (ii) provide such information regarding the USAP Dedicated Employees as USAP shall reasonably request. As of the Closing Date, Access shall provide USAP and its authorized representatives full access to the employee files of the USAP Dedicated Employees.

6.5 Cooperation. Access shall use commercially reasonable efforts to cooperate with USAP in connection with communicating the details of the transactions contemplated by this Agreement, including Access' agreement to use its commercially reasonable efforts to encourage the USAP Dedicated Employees to accept USAP's offers of employment to be effective as of the Closing; provided, however, that Access shall continue to provide the Services to USAP pursuant to the Services Agreement through the Closing as set forth in Section 6.4 above; and provided further, that Access shall provide notice to all of the USAP Dedicated Employees indicating that their employment by Access shall terminate at the close of business on the Closing Date.

6.6 Acceptance of Employment. Access shall use commercially reasonable efforts to encourage each USAP Dedicated Employee to accept USAP's offer of employment at the Closing, provided the offer of employment contains terms equal to or better than the terms of employment provided by Access to the USAP Dedicated Employees prior to the Closing Date with respect to salary (wages).

6.7 Compliance with Laws. Access shall use its best efforts to comply with all federal, state, local, municipal, foreign, international, multinational, or other administrative

order, constitution, law ordinance, regulation, statute or treaty (collectively "Laws") applicable to Access or otherwise relating to the provision of the Services as of the date hereof and that may be applicable until the Closing including, without limitation, any Laws applicable to the transfer to, and employment by, USAP of the USAP Dedicated Employees.

6.8 Information Concerning USAP Dedicated Employees. Prior to the Closing, Access shall provide USAP with the name of each former USAP Dedicated Employee who provided Services under the Services Agreement or otherwise worked on the USAP account during the months of February, March and April of 2007 who was transferred to another Access account between the date of this Agreement and the Closing Date (other than the USAP account or the USAP Services Agreement) or terminated by Access.

ARTICLE 7 COVENANTS OF USAP

USAP covenants and agrees with Access as follows:

7.1 Conditions. USAP shall take all commercially reasonable actions necessary to cause the conditions set forth in Section 8.2 to be satisfied and to consummate the transactions contemplated herein as soon as reasonably possible after the satisfaction thereof (but in any event within three business days of such date).

7.2 Cooperation. USAP shall use commercially reasonable efforts to cooperate with Access in connection with communicating the details of the transactions contemplated by this Agreement and in connection with encouraging the USAP Dedicated Employees to accept USAP's offer letters as of the Closing. Notwithstanding the foregoing, USAP shall have no direct contact with any USAP Dedicated Employee until after the date of this Agreement without the written consent of Access, unless such contact is initiated by the USAP Dedicated Employee or is otherwise in connection with the performance of the Services by the USAP Dedicated Employees in the ordinary course of business.

7.3 Transition Plan. USAP will prepare a transition plan, in form and substance reasonably acceptable to Access, with respect to the USAP Dedicated Employees (the "Transition Plan") providing for, *inter alia,* the use by USAP from Access of a maximum of 120 work stations in the Work Place in the manner described in the Work Station Terms of Use Agreement described in Section 8.1(e)(ii) below.

7.4 Employment Benefits. USAP shall cause the USAP Dedicated Employees to be eligible to participate in employee welfare benefit plans typically offered to other comparable employees of USAP (i) with (to the extent applicable) full credit for years of past service to Access and (ii) without being subject to pre-existing condition exclusions as of the first date after the Closing. For purposes of vacation accrual, USAP will give each USAP Dedicated Employee full credit for years of past service for Access.

ARTICLE 8 CONDITIONS TO CLOSING

8.1 Conditions to USAP's Obligations. The obligation of USAP to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions on or before the Closing Date:

(a) The representations and warranties set forth in Article 4 hereof shall be true and correct in all material respects at and as of the Closing Date as though then made, except that any such representation or warranty made as of a specified date (other than the date hereof) shall only need to have been true on and as of such date;

(b) Access shall have performed in all material respects all of the covenants and agreements required to be performed and complied with by it under this Agreement prior to the Closing;

(c) Access shall have obtained, or caused to be obtained, each consent and approval required in order to complete the transactions contemplated hereby.

(d) There shall not be threatened, instituted or pending any action or proceeding, before any court or governmental authority or agency, domestic or foreign, challenging or seeking to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit, the consummation of the transactions contemplated hereby or seeking to obtain material damages in connection with such transactions.

(e) On the Closing Date, Access shall have delivered to USAP the following:

(i) the Bill of Sale and such other instruments of conveyance, transfer, assignment and delivery as USAP shall have reasonably requested pursuant to Section 3.2 hereof;

(ii) a Work Station Terms of Use Agreement, in form and substance reasonably acceptable to both Parties and duly executed by Access, effective as of the Closing Date, relating to USAP's agreement to lease 120 work stations (the "Work Stations") at the Work Place for a six-month period (the "Work Station Terms of Use Agreement"), in the form attached hereto as Exhibit C, which Work Station Terms of Use Agreement may be extended by USAP on a month-to-month basis upon the written consent of Access;

(iii) subject to the provisions set forth in Section 8.1(f) below, executed offer letters, a form of which is attached hereto as Exhibit D (the "Executed Offer Letters") from at least 120 of the USAP Dedicated Employees, which shall include 1 manager, 2 trainers, and 8 Team Leaders, as listed in Exhibit E attached hereto; and

(iv) a certificate of the Chief Financial Officer of Access, dated the Closing Date, stating that the conditions set forth in subsections 8.1(a) and (b) above have been satisfied.

(f) If Access fails to produce 120 Executed Offer Letters in the manner set forth in Section 8.1(e)(iii) above, but produces at least 110 offer letters (provided that such offer letters include at least the number of managers, trainers and supervisors specified in Section 8.1(e)(iii) above), Access shall, at its own expense and within 30 days of the Closing Date, recruit and provide for USAP to train and assign to

perform the Services that number of new employees required to reach 120 employees. For example, if Access produces 110 offer letters at the Closing, Access shall recruit and provide 10 new employees for USAP at Access' own expense.

8.2 Conditions to Access's Obligations. The obligations of Access to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions on or before the Closing Date:

(a) The representations and warranties set forth in Article 5 hereof will be true and correct in all material respects at and as of the Closing as though then made;

(b) USAP shall have performed in all material respects all the covenants and agreements required to be performed by it under this Agreement prior to the Closing;

(c) There shall not be threatened, instituted or pending any action or proceeding, before any court or governmental authority or agency, domestic or foreign, challenging or seeking to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit, the consummation of the transactions contemplated hereby or seeking to obtain material damages in connection with such transactions.

(d) On the Closing Date, USAP will have delivered to Access:

(i) the Work Station Terms of Use Agreement, in form and substance reasonably acceptable to both Parties and duly executed by USAP, effective as of the Closing Date;

(ii) a copy of the Transition Plan in the form attached hereto as Exhibit F;

(iii) the Closing Payment by wire transfer in immediately available funds from the Escrow Account to an account specified by Access and provided to USAP no less than two business days prior to the Closing Date;

(iv) a certificate of the Chief Financial Officer of USAP, dated the Closing Date, stating that the conditions set forth in subsections 8.2(a) and (b) above have been satisfied.

ARTICLE 9 ADDITIONAL AGREEMENTS

9.1 Nonsolicitation of USAP Dedicated Employees.

(a) For a period of two (2) years following the Closing Date, Access shall not: (i) induce or attempt to induce any employee of USAP, including the USAP Dedicated Employees, to leave the employ of USAP, or in any way interfere adversely with the relationship between any such employee and USAP; (ii) induce or attempt to induce any employee of USAP to work for, render services or provide advice to or supply confidential business information or trade secrets of USAP to any person, or (iii) induce or attempt to induce any customer, supplier, licensee, or other business relation of USAP to cease doing business with USAP or in any way interfere with the relationship between any such customer, supplier, licensee, or other business relation and USAP; provided, however, that the foregoing shall not prohibit Access from initiating a general solicitation for employees that is not aimed at any then-current employee of USAP or any of its Affiliates;

(b) For a period of two (2) years following the Closing Date, USAP shall not: (i) induce or attempt to induce any employee of Access to leave the employ of Access, or in any way interfere adversely with the relationship between any such employee and Access; (ii) induce or attempt to induce any employee of Access to work for, render services or provide advice to or supply confidential business information or trade secrets of Access to any person, or (iii) induce or attempt to induce any customer, supplier, licensee, or other business relation of Access to cease doing business with Access or in any way interfere with the relationship between any such customer, supplier, licensee, or other business relation and Access; provided, however, that the foregoing shall not prohibit USAP from initiating a general solicitation for employees that is not aimed at any then-current employee of Access or any of its Affiliates;

(c) For the greater of (i) nine (9) months following the Closing Date or (ii) the period of time during which USAP employs the USAP Dedicated Employees within the Work Place, Access shall not directly or indirectly employ or engage as a contractor any USAP Dedicated Employee without USAP's prior written consent;

(d) For the greater of (i) nine (9) months following the Closing Date or (ii) the period of time during which USAP employs the USAP Dedicated Employees within the Work Place, USAP shall not directly or indirectly employ or engage as a contractor any Access employee without Access' prior written consent

(e) Neither Access nor USAP shall, directly or indirectly, assist or encourage any other person in carrying out, directly or indirectly, any activity that would be prohibited by this Agreement, if such activity were carried out by either Access or USAP, either directly or indirectly. In particular, but without limiting the generality of the foregoing, Access and USAP each agrees that it will not, directly or indirectly, induce any employee to carry out, directly or indirectly, any such activity;

(f) Access and USAP agree that (i) the restrictions and agreements contained in this Section 9.1 are a material inducement to the Parties in agreeing to enter into this Agreement and are reasonable and necessary to protect the legitimate interests of the Parties, and (ii) any violation by either Access or USAP of this Section 9.1 will cause substantial and irreparable harm to the other Party that would not be quantifiable and for which no adequate remedy would exist at law. Accordingly, without limiting the remedies available to the non-breaching Party, and without demonstrating proof of damages and without the necessity of posting bond, injunctive relief shall be available for any violation of this Section 9.1. This provision with respect to injunctive relief shall not, however, diminish the right of either Access or USAP to claim and recover damages, or to seek and obtain any other relief available to it at law or in equity, in addition to injunctive relief; and

(g) Whenever possible, each provision of this Section 9.1 shall be interpreted in such manner as to be effective and valid under applicable law. However, if the duration or geographical extent of, or business activities covered by, this Section 9.1 are in excess of what is valid and enforceable under applicable law, then such provision shall be construed to cover only that duration, geographical extent or activities that are valid and enforceable. Each of Access and USAP acknowledge the uncertainty of the law in this respect and expressly stipulate that this Section 9.1 is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law. Further, if any provision of this Section 9.1 is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

9.2 Mutual Release.

(a) As of the Closing Date, for good and valuable consideration, Access, acting for itself and its insurers, successors and assigns, and each of them, does hereby release and forever discharge USAP, its officers, employees, agents, consultants, successors and assigns, and each of them, from any and all liabilities, claims, demands and causes of action, either in law or in equity, known or unknown, liquidated or unliquidated, which have arisen or may arise out of or are in any way connected with the Services, the Services Agreement or the USAP Dedicated Employees and any agreement related thereto or amounts due thereunder as to which Access has or claims an interest, on account of any act, omission, event, occurrence, representation, warranty, failure, default or breach, actual or asserted, of USAP, its officers, employees, agents or consultants, or any of them, on or prior to the date of this instrument; provided, however, that the foregoing release shall not apply to any duties and obligations owed by Access to USAP pursuant to the terms of the Work Station Terms of Use Agreement.

(b) As of the Closing Date, for good and valuable consideration, USAP, acting for itself and its insurers, successors and assigns, and each of them, does hereby release and forever discharge Access, its officers, employees, agents, consultants, successors and assigns, and each of them, from any and all liabilities, claims, demands

and causes of action, either in law or in equity, known or unknown, liquidated or unliquidated, which have arisen or may arise out of or are in any way connected with the Services, the Services Agreement or the USAP Dedicated Employees and any agreement related thereto or amounts due thereunder as to which USAP has or claims an interest, on account of any act, omission, event, occurrence, representation, warranty, failure, default or breach, actual or asserted, of USAP, its officers, employees, agents or consultants, or any of them, on or prior to the date of this instrument; provided, however, that the foregoing release shall not apply to any duties and obligations owed by USAP to Access pursuant to the terms of the Work Station Terms of Use Agreement.

ARTICLE 10 TERMINATION

10.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual consent of USAP and Access;

(b) by either USAP or Access if there has been a material misrepresentation, breach of warranty or breach of covenant on the part of the other in the representations, warranties and covenants set forth in this Agreement;

(c) by either USAP or Access if the transactions contemplated hereby have not been consummated by April 26, 2007; *provided that*, neither USAP nor Access will be entitled to terminate this Agreement pursuant to this Section 10.1(c) if such party's willful breach of this Agreement has prevented the consummation of the transactions contemplated hereby; or

(d) by USAP if, after the date hereof, there shall have been a material adverse change in the condition of the Assets or the USAP Dedicated Employees or if, after the date hereof, an event shall have occurred which, so far as reasonably can be foreseen, would result in any such change, except to the extent such change is directly caused by USAP.

10.2 Effect of Termination. In the event of termination of this Agreement by either USAP or Access as provided in Section 10.1, this Agreement shall become void and there shall be no liability with respect to this Agreement on the part of either USAP or Access, or their respective stockholders, officers, or directors, except that Sections 11.1 and 11.2 hereof shall survive for one (1) year following the termination of this Agreement, and except with respect to willful breaches of this Agreement prior to the time of such termination.

ARTICLE 11 SURVIVAL; INDEMNIFICATION

11.1 Survival, Indemnification. The covenants, representations and warranties contained in this Agreement shall survive the Closing for a period of one year. Access agrees to indemnify USAP with respect to, and hold USAP harmless from, any loss, liability or expense (including, but not limited to, reasonable legal fees) which USAP may directly or indirectly incur or suffer by reason of, or which results, arises out of or is based upon (a) the inaccuracy of any representation or warranty made by Access in this Agreement, or (b) the failure of Access to comply with any covenants made by Access in this Agreement.

USAP agrees to indemnify Access with respect to, and hold Access harmless from, any loss, liability or expense (including, but not limited to, reasonable legal fees) which Access may directly or indirectly incur or suffer by reason of, or which results, arises out of or is based upon the (a) the inaccuracy of any representation or warranty made by USAP in this Agreement, or (b) the failure of USAP to comply with any covenants made by USAP in this Agreement.

11.2 Legal Proceedings. In the event USAP or Access become involved in any legal, governmental or administrative proceeding which may result in indemnification claims hereunder, such party shall promptly notify the other party in writing and in full detail of the filing, and of the nature of such proceeding. The other party may, at its option and expense, defend any such proceeding if the proceeding could give rise to an indemnification obligation hereunder. If the other party elects to defend any proceeding, it shall have full control over the conduct of such proceeding, although the party being indemnified shall have the right to retain legal counsel at its own expense and shall have the right to approve any settlement of any dispute giving rise to such proceeding, provided that such approval may not be withheld unreasonably by the party being indemnified. The party being indemnified shall reasonably cooperate with the indemnifying party in such proceeding. Notwithstanding the foregoing, any disputes between USAP and Access relating to this Agreement or any other matters relating to the Assets, the Services, the Services Agreement or the USAP Dedicated Employees shall be submitted to binding arbitration in accordance with the provisions of Section 12.1 below.

ARTICLE 12 DISPUTE RESOLUTION

12.1 Arbitration. The Parties hereby agree to settle any controversy, claim or dispute of whatever nature arising between them under this Agreement or in connection with the transactions contemplated hereunder, including those arising out of or relating to the breach, termination, enforceability, scope or validity hereof, whether such claim existed prior to or arises on or after the Closing Date, as follows:

(a) As between the Parties to this Agreement or any agent, employee, affiliate, successor or assign of the Parties, any dispute, claim or controversy directly or indirectly arising out of or related to this Agreement (or the Work Station Terms of Use Agreement or the Transition Plan) or the breach, termination or validity thereof, shall be finally settled by arbitration conducted expeditiously in accordance with the Commercial Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association ("AAA"). The arbitration shall be conducted in the English language by three (3) arbitrators (the "Panel"). Within ten business days of the receipt of a list of arbitrators from the AAA, Access and USAP shall each appoint one arbitrator. The third arbitrator (the "Neutral Arbitrator") shall be selected by the two arbitrators appointed by Access and USAP. If a party fails to nominate an arbitrator within thirty (30) days from the date of notification made to it by the other party's request for arbitration, or if the two arbitrators fail, within thirty (30) days from the date of their appointment, to reach agreement on the Neutral Arbitrator, then the AAA shall appoint the arbitrator that was not nominated by the failing party, or shall appoint the Neutral Arbitrator, as the case may be, in accordance with its Commercial Arbitration Rules;

(b) The Panel will issue findings of fact and conclusions of law to support its opinion. Judgment upon an award of the arbitrators may be entered by any court of competent jurisdiction. The arbitrator will award to the prevailing party all costs, fees and expenses related to the arbitration, including all attorneys' fees and expenses and the costs and expenses of all of the arbitrators;

(c) This Section 12.1 shall be governed by the United States Federal Arbitration Act. The Panel's award shall be final and binding upon the Parties and appealable only upon a showing that it is, on its face, arbitrary, capricious, an abuse of discretion and/or clearly contrary to statutory or settled case law or any other ground permitted by the United States Federal Arbitration Act;

(d) The arbitration proceedings and all discovery shall be confidential, and neither party shall release any decision rendered by the Panel to any third party, except as may be required by law or in any action to enforce or set aside the award;

(e) The arbitration procedure shall be completed promptly and a decision, together with the written opinion, rendered within four months of the appointment of the Panel unless extended by the Panel due to circumstances beyond the control of the parties or the Panel or as necessary, in the Panel's sole opinion, to avoid manifest injustice. Whenever reasonably possible and unless manifestly prejudicial or unfair, affidavits may, within the discretion of the Panel, be substituted for direct testimony;

(f) Notwithstanding any of the foregoing, the Parties recognize that certain business relationships could give rise to the need for one or more of the parties to seek emergency, provisional or summary injunctive relief for various reasons, including, without limitation, to repossess and sell or otherwise dispose of goods, equipment and/or fixtures, to prevent the sale or transfer of goods, equipment and/or fixtures, to protect real or personal property from injury, to enforce the non-solicitation provisions of Section 9.1 of this Agreement or to obtain possession of real estate and terminate leasehold interests, and for other temporary injunctive relief. Either party may apply for and obtain such injunction relief. Immediately following the issuance of any such relief, the Parties agree to the stay of any judicial proceedings pending arbitration of all underlying claims between the parties; and

(g) The place of any arbitration arising under this Agreement shall be in the jurisdiction or state of the initial non-moving party. If USAP services, or files suit against Access, the place of arbitration shall be Boca Raton, Florida. If Access serves, or files suit against USAP, the place of arbitration shall be Los Angeles, California.

ARTICLE 13 MISCELLANEOUS

13.1 Press Releases and Announcements. Prior to the Closing Date, neither Party hereto shall issue any press release (or make any other public announcement) related to this Agreement or the transactions contemplated hereby or make any announcement to the employees, customers or suppliers of Access without prior written approval of the other Party hereto, except as may be necessary, in the opinion of counsel to the Party seeking to make disclosure, to comply with the requirements of this Agreement or applicable law. If any such press release or public announcement is so required, the Party making such disclosure shall consult with the other Party prior to making such disclosure, and the parties shall use all reasonable efforts, acting in good faith, to agree upon a text for such disclosure which is satisfactory to both parties.

13.2 Expenses. Except as otherwise expressly provided for herein, Access and USAP will pay all of their own expenses (including attorneys' and accountants' fees in connection with the negotiation of this Agreement, the performance of their respective obligations hereunder and the consummation of the transactions contemplated by this Agreement (whether consummated or not).

13.3 Further Assurances. Access agrees that, on and after the Closing Date, it shall take all appropriate action (without incurring any out-of-pocket expenses) and execute any documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the provisions hereof, including, without limitation, putting USAP in possession and operating control of the Assets and the USAP Dedicated Employees.

13.4 Amendment and Waiver. This Agreement may not be amended or waived except in a writing executed by the party against which such amendment or waiver is sought to be enforced. No course of dealing between or among any persons having any interest in this Agreement will be deemed effective to modify or amend any part of this Agreement or any rights or obligations of any person under or by reason of this Agreement.

13.5 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (a) when personally delivered; (b) three (3) business days after being mailed by first class U.S. mail, return receipt requested; (c) Federal Express or other nationally recognized overnight carrier with confirmation of delivery; or (d) when receipt is acknowledged, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to USAP and Access will, unless another address is specified in writing, be sent to the address indicated below:

Notices to USAP:

U.S. Auto Parts Network, Inc.
17150 South Margay Avenue
Carson, California 90746
Attn: Michael J. McClane
Facsimile No. (310) 735-0085

With a copy to:

Dorsey & Whitney LLP
50 S. 6th Street, Suite 1500
Minneapolis, Minnesota 55402
Attention: Theodore C. Cadwell, Jr., Esq.
Telecopy: (612) 340-8738

Notices to Access:

Access Worldwide Communications, Inc.
301 Yamato Road, Suite 2110
Boca Raton, Florida 33431
Attn: Richard Lyew
Facsimile No. (561) 999-9825

With a copy to:

Access Worldwide Communications, Inc.
301 Yamato Road, Suite 2110
Boca Raton, Florida 33431
Attn: Mark Wright, Esq.
Facsimile No. (800) 569-1587

13.6 Assignment. This Agreement and all of the provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by either party hereto without the prior written consent of the other party hereto. Any prohibited assignment shall be null and void.

13.7 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

13.8 Complete Agreement. This Agreement and the Exhibits hereto, the Disclosure Schedule and the other documents referred to herein contain the complete agreement between the parties and supersede any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

13.9 Counterparts. This Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument.

13.10 Governing Law. The internal law, without regard to conflicts of laws principles, of the State of Florida will govern all questions concerning the construction, validity and interpretation of this Agreement and the performance of the obligations imposed by this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in the first paragraph.

U.S. AUTO PARTS NETWORK, INC.

By: /s/ MICHAEL J. MCCLANE
Name: Michael J. McClane
Title: Chief Financial Officer

MBS TEK, INC.

By: /s/ MICHAEL J. MCCLANE
Name: Michael J. McClane
Title: Chief Financial Officer

ACCESS WORLDWIDE COMMUNICATIONS, INC.

By: /s/ SHAWKAT RASLAN
Name: Shawkat Raslan
Title: Chief Executive Officer

ACCESS WORLDWIDE (AWWC) PHILIPPINES, INC.

By: /s/ SHAWKAT RASLAN
Name: Shawkat Raslan
Title: Chief Executive Officer

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mehran Nia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Auto Parts Network, Inc.;

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

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

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

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

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

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

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

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

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

Date: May 15, 2007

/s/ MEHRAN NIA
Mehran Nia
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. McClane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Auto Parts Network, Inc.;

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

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

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

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

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

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

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

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

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

Date: May 15, 2007

/s/ MICHAEL J. McCLANE

Michael J. McClane,
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of U.S. Auto Parts Network, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mehran Nia, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 15, 2007

/s/ MEHRAN NIA
Mehran Nia
Chief Executive Officer

A signed original of this written statement required by Section 906, or any other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of U.S. Auto Parts Network, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. McClane, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 15, 2007

/s/ MICHAEL J. McCLANE

Michael J. McClane
Chief Financial Officer

A signed original of this written statement required by Section 906, or any other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.