

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 12, 2007**

U.S. AUTO PARTS NETWORK, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-33264

(Commission
File Number)

68-0623433

(IRS Employer
Identification No.)

17150 South Margay Avenue, Carson, CA

(Address of principal executive offices)

90746

(Zip Code)

Registrant's telephone number, including area code

(310) 735-0085

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry Into a Material Definitive Agreement.

On October 12, 2007, U.S. Auto Parts Network, Inc. (the "Company") entered into an Employment Agreement (the "Employment Agreement") with Shane Evangelist, pursuant to which Mr. Evangelist will serve as the Company's Chief Executive Officer effective as of October 15, 2007. Mr. Evangelist succeeds Mehran Nia, who has served as the Company's President and Chief Executive Officer since founding the Company in 1995 until October 12, 2007. Mr. Nia will continue to serve on the Board of Directors of the Company and will be working with Mr. Evangelist to facilitate an orderly transition of his responsibilities.

Prior to joining the Company, Mr. Evangelist served as Senior Vice President & General Manager of Blockbuster Online, where he was responsible for leading the creation, development and launch of Blockbuster's online movie rental service. Mr. Evangelist, who joined Blockbuster Inc. in 2001, also served as Vice President of Strategic Planning for the international video rental company with responsibility for strategy development, mergers and acquisitions, marketing and capital deployment.

Pursuant to the terms of the Employment Agreement, Mr. Evangelist will receive an initial annual base salary of \$350,000, subject to annual performance review, and will also receive a lump sum signing and retention bonus of \$250,000 in October 2007. This bonus must be repaid to the Company by Mr. Evangelist in the event his employment with the Company is terminated for Cause or if he resigns without Good Reason (both as defined in the Employment Agreement), provided that such repayment amount will be reduced by \$20,834 for each month of employment with the Company that Mr. Evangelist completes. Mr. Evangelist will also be eligible to receive an annual target incentive bonus of up to 60% of his annual base salary, depending on the achievement of certain performance goals to be established by the Compensation Committee of the Company's Board of Directors. While Mr. Evangelist will be employed on an at-will basis, the Employment Agreement provides that in the event of his termination for any reason other than for Cause or other than as a result of his own voluntary resignation without Good Reason, Mr. Evangelist will be entitled to severance payments equal to one year's base salary (payable over one year in accordance with the Company's regular pay practices), plus a pro rated portion of his annual performance bonus for the year in which he was terminated, and reimbursement for the cost of COBRA coverage for a period of up to twelve months following his termination of employment.

In order to assist with Mr. Evangelist's move to Southern California, the Employment Agreement provides that the Company will reimburse Mr. Evangelist for his real estate sales commissions paid in connection with the sale of his current home and for closing costs for the purchase of a home in California, both up to a cap of \$42,000 in the aggregate.

In connection with the Employment Agreement, Mr. Evangelist was granted two, ten year stock options under the Company's 2007 New Employee Incentive Plan (the "Plan") and Non-Qualified Stock Option Agreements, consisting of a performance-based option to purchase up to an aggregate of 250,000 shares of the Company's common stock, which vests based upon the attainment of certain stock price metrics (the "Performance Option"), and an option to purchase up to an aggregate of 750,000 shares of the Company's common stock, which vests over a four year period (the "Second Option"). The exercise price for both options is \$8.65, which was the closing sales price of the Company's common stock as reported by Nasdaq on the date of grant. Both options terminate on October 14, 2017, unless earlier terminated in accordance with the Plan and the related stock option agreements.

Fifty percent (50%) of the shares underlying the Performance Option will vest and become exercisable if the monthly average closing sales price of the Company's common stock as reported by the NASDAQ (the "Average Closing Price") equals or exceeds \$14.00 per share in any consecutive three month period prior to October 15, 2012. The remaining 50% of the shares underlying the Performance Option vest and become exercisable if the Average Closing Price equals or exceeds \$18.00 per share in any consecutive three-month period prior to October 15, 2012. In addition, if the Average Closing Price for one or both of the foregoing milestones has been achieved during the one or two calendar months prior to his termination of employment (other than for Cause or due to death or disability) or upon his resignation for Good Reason, Mr. Evangelist may have up to an additional two months following his termination of employment to attain the stock price milestones. The stock price milestones will be adjusted for any stock dividends, splits, combinations or similar events with respect to the Company's common stock.

The Second Option vests over a four year period, with 25% vesting and becoming exercisable on October 15, 2008, and the remainder vests and becomes exercisable in 36 equal monthly installments thereafter. In the event that Mr. Evangelist's employment with the Company is terminated for any reason other than for Cause or if he resigns without Good Reason following certain changes in control of the Company, the Second Option will immediately vest and become fully exercisable.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On October 15, 2007, the Company announced that Mr. Evangelist will be joining the Company as its Chief Executive Officer, replacing Mehran Nia, who has served as the Company's President and Chief Executive Officer since founding the Company in 1995 until October 12, 2007. The full text of the press release is included as Exhibit 99.1 to this Report and is incorporated herein by reference. The information disclosed in Item 1.01 of this Current Report on Form 8-K is also incorporated by reference into this Item 5.02.

Item 8.02 Other Events

The Board of Directors has adopted the New Employee Incentive Plan in October 2007, without stockholder approval pursuant to Section 4350 (i)(1)(A)(iv) of the Nasdaq Marketplace Rules, and has reserved 2,000,000 shares of Common Stock for issuance thereunder solely to new employees.

Item 9.01 Financial Statements and Exhibits

Exhibit

No.

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|------|---|
| 99.1 | Press Release dated October 15, 2007 of the Company. |
| 99.2 | Employment Agreement dated October 12, 2007 between the Company and Shane Evangelist. |
| 99.3 | Non-Qualified Stock Option Agreement dated October 15, 2007. |
| 99.4 | Non-Qualified Stock Option Agreement dated October 15, 2007 (performance grant). |
| 99.5 | 2007 New Employee Incentive Plan. |
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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 hereunto duly authorized.

Dated: October 17, 2007

U.S. AUTO PARTS NETWORK, INC.

By: /s/ Michael J. McClane
Michael J. McClane,
Chief Financial Officer, Executive Vice President of Finance
and Treasurer

EXHIBIT INDEX

**Exhibit
No.**

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- 99.4 Non-Qualified Stock Option Agreement dated October 15, 2007 (performance grant).
- 99.5 2007 New Employee Incentive Plan.



U.S. AUTO PARTS NETWORK, INC. NAMES SHANE EVANGELIST CHIEF EXECUTIVE OFFICER

EVANGELIST JOINS U.S. AUTO PARTS AFTER LEADING BLOCKBUSTER ONLINE

CARSON, CA – October 15, 2007 – U.S. Auto Parts Network, Inc. (Nasdaq: PRTS), a leading online provider of aftermarket auto parts and accessories, today announced that effective immediately, the Company has appointed Shane Evangelist as Chief Executive Officer. Mr. Evangelist succeeds Mehran Nia, who served as President and Chief Executive Officer since founding U.S. Auto Parts in 1995. Mr. Nia will continue to serve on the Board of Directors.

Prior to joining U.S. Auto Parts, Mr. Evangelist served as Senior Vice President and General Manager of Blockbuster Online where he was responsible for leading the creation, development and launch of Blockbuster's online movie rental service. Under Mr. Evangelist's leadership, Blockbuster grew monthly unique visitors faster than any other e-commerce company in 2004, was listed as the fastest growing Top 500 e-commerce business in 2005 according to *Internet Retailer* and followed that up as the fastest growing Top 100 e-commerce business in 2006. During the first half of 2007, Blockbuster Online reported 3.6 million subscribers, captured over 75% of the new online DVD subscription market, was shipping millions of DVDs per week from 38 distribution centers across the country and delivered over 120% year-over-year revenue growth.

Mr. Evangelist, who joined Blockbuster Inc., in 2001, also served as Vice President of Strategic Planning for the international video rental company with responsibility for strategy development, mergers and acquisitions, marketing and capital deployment.

"We are excited to have Shane join U.S. Auto Parts," said Robert J. Majteles, Chairman of the Board. "Shane has built a terrific e-commerce track record in an extremely competitive environment and has a wide ranging background in finance, strategic planning, marketing and management. We believe that Shane is ideally suited to lead U.S. Auto Parts in our next phase of growth as we continue our rapid expansion and further establish U.S. Auto Parts as the leader in the online auto parts market."

Mr. Majteles continued, "Since founding U.S. Auto Parts in 1995, Mehran has taken the company through a period of significant and rapid growth and established U.S. Auto Parts as a leading online provider of aftermarket auto parts and accessories. Mehran has been a tremendous leader for U.S. Auto Parts, and we are fortunate to be in the position to continue to build upon the great strengths Mehran created for us. On behalf of our Board of Directors, shareholders, and all the employees of U.S. Auto Parts, we would like to thank Mehran for his vision and leadership over the years."

"As a pioneer in the online auto parts market, U.S. Auto Parts is poised to drive a greater share of the \$94 billion aftermarket auto parts market online," said Shane Evangelist, Chief Executive Officer. "I am excited about joining U.S. Auto Parts at this time of great opportunity and believe the company is uniquely positioned to lead this growing online industry."

"Shane is an experienced and energetic e-commerce leader, and I anticipate that he will guide the Company to an even brighter future," said Mr. Nia. "I will be working with Shane on a smooth transition and believe that, under his direction, our Company will continue to find innovative ways to increase its competitive positioning and capture market share."

Mr. Evangelist graduated from the University of New Mexico's Anderson School of Management with a degree in business administration and earned an MBA from the Cox School of Business at Southern Methodist University. He began his career at IBM where he ran the media and entertainment accounts with clients such as Viacom, Blockbuster, Disney, and others. He was recently named one of the "Top 40 Marketing Executives Under 40" in 2007 by *Advertising Age* magazine.

In connection with the hiring of Mr. Evangelist, the Compensation Committee of the Board of Directors adopted the 2007 New Employee Incentive Plan and approved the grant to Mr. Evangelist of two stock options under such Plan: one option grant to purchase up to 750,000 shares of the Company's common stock vests over a four year period; and a second performance-based option grant to purchase up to 250,000 shares of the Company's common stock vests upon the attainment of certain stock price metrics.

About U.S. Auto Parts Network, Inc.

Established in 1995, U.S. Auto Parts is a leading online provider of aftermarket auto parts, including body parts, engine parts, performance parts and accessories. Through the Company's network of websites, U.S. Auto Parts provides individual consumers with a broad selection of competitively priced products that are mapped by a proprietary product database to product applications based on vehicle makes, models and years. U.S. Auto Parts' flagship websites are located at <http://www.partstrain.com> and <http://www.autopartswarehouse.com> and the Company's corporate website is located at <http://www.usautoparts.net>.

U.S. Auto Parts is headquartered in Carson, California

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:

All statements included or incorporated by reference in this release, other than statements or characterizations of historical fact, are

forward-looking statements. These forward-looking statements are based on our current expectations, estimates and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. These statements include, but are not limited to, the impact of Mr. Evangelist on the Company's business and market position, and the Company's expectations regarding the Company's long-term prospects, future financial operating results and potential growth. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause our actual results to differ materially and adversely from those expressed in any forward-looking statement.

Important factors that may cause such a difference, include, but are not limited to, the Company's demand for and pricing of the Company's products; the competitive environment in the Company's industry; the Company's ability to expand its product offerings and make changes to its product mix; the Company's ability to integrate Mr. Evangelist into its management team; the volume of product sales; the gain or loss of customers; the Company's ability to retain, recruit and hire key executives, technical personnel and other employees in the positions and numbers, with the experience and capabilities, and at the compensation levels needed to implement the business and product plans; and the Company's ability to timely and accurately identify opportunities in new markets, and manage integration issues and costs inherent in acquisitions.

Our Annual Report on Form 10-K, subsequent Quarterly Report on Form 10-Q, recent Current Reports on Form 8-K, and other Securities and Exchange Commission filings discuss the foregoing risks as well as other important risk factors that could contribute to such differences or otherwise affect our business, results of operations and financial condition. The forward-looking statements in this release speak only as of this date. Unless otherwise required by law, the Company expressly disclaims any obligation to revise or update publicly any forward-looking statement for any reason, whether as result of new information, future events or otherwise.

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “*Agreement*”) is made effective October 12, 2007 (the “*Effective Date*”) by and among between U.S. Auto Parts Network, Inc., a Delaware corporation (the “*Company*”), and Shane Evangelist, an individual (the “*Executive*”).

WHEREAS, the parties hereto desire to enter into a written agreement to document the terms of Executive’s employment with the Company.

1. **Duties and Responsibilities.**

A. Executive shall serve as the Company’s Chief Executive Officer, reporting directly to the Company’s Board of Directors. Executive shall have the duties and powers at the Company that are customary for an individual holding such positions.

B. Executive agrees to use his best efforts to advance the business and welfare of the Company, to render his services under this Agreement faithfully, diligently and to the best of his ability.

C. Executive shall be based at the Company’s office located at Carson, California, or at such other offices of the Company located within 30 miles of such offices.

2. **Employment Period.** Following the Effective Date, Executive’s employment with the Company shall be governed by the provisions of this Agreement for the period commencing as of the date hereof and continuing until the earlier of (i) Executive’s termination of employment with the Company for any reason, or (ii) the fifth anniversary of the Effective Date (the “*Employment Period*”). Provided that Executive’s employment has not been or is not being terminated for any reason, Executive and the Company agree to negotiate in good faith prior to the end of the Employment Period to enter into a new Employment Agreement to take effect after the Employment Period.

3. **Cash Compensation.**

A. **Annual Salary.** Executive’s initial base salary shall be \$350,000 per year (the “*Annual Salary*”), which shall be payable in accordance with the Company’s standard payroll schedule (but in no event less frequent than on a monthly basis), and may be increased from time to time at the discretion of the Compensation Committee of the Company’s Board of Directors (the “*Compensation Committee*”). The Compensation Committee shall review Executive’s Annual Salary at least annually and may increase the Annual Salary from time to time at its sole discretion. Any increased Annual Salary shall thereupon be the “Annual Salary” for the purposes hereof. Executive’s Annual Salary shall not be decreased without his prior written consent at any time during the Employment Period.

B. **Bonus.**

(1) **Signing and Retention Bonus.** The Company shall pay to Executive a bonus of \$250,000, which shall be payable in a lump sum as soon as reasonably practicable following the Effective Date. In the event that Executive’s employment is terminated for Cause (as defined below) or if Executive resigns from the Company without Good Reason (as defined below) prior to the first anniversary of the Effective Date, Executive agrees to reimburse the Company for such bonus; provided however, that the amount of the reimbursed bonus to the Company shall be reduced by \$20,834 (1/12th of the total bonus) for each complete month of Executive’s employment with the Company, calculated from the Effective Date. Executive hereby agrees that the Company may deduct such bonus reimbursement from any or all payments due to Executive from the Company, including from his last paycheck (to the extent legally permissible), and Executive agrees to provide the Company with any further written authorization of the deduction as may be reasonably requested by the Company to authorize, facilitate or substantiate such deduction.

(2) **Annual Target Bonus.** Executive shall also be entitled to receive an annual target incentive bonus of up to 60% of the Executive’s current salary, which for the first calendar year shall be an amount up to \$210,000 per year, pro rated based upon the Executive’s length of employment during such year. The annual bonus shall be based upon the Company achieving its revenue and EBITDA goals, and Executive meeting the annual goals determined by the Compensation Committee. The amount of the annual target bonus payable to Executive in any given year shall be determined by the Compensation Committee. The annual bonus shall be paid no later than the end of February following the year for which such bonus is being paid.

C. **Applicable Withholdings.** The Company shall deduct and withhold from the compensation payable to Executive hereunder any and all applicable federal, state and local income and employment withholding taxes and any other amounts required to be deducted or withheld by the Company under applicable statutes, regulations, ordinances or orders governing or requiring the withholding or deduction of amounts otherwise payable as compensation or wages to employees.

4. **Equity Compensation.**

A. **Initial Grants.** As of the close of business of the date the Executive’s employment with the Company is announced, the Company’s Compensation Committee shall grant you two non-statutory stock options. The first stock option shall be an option to purchase up to 750,000 shares of the Company’s common stock and shall vest over four years; 25% of the shares shall vest on the first anniversary of the grant date and the balance shall vest in 36 equal monthly installments thereafter. The second stock option shall be a performance option to purchase up to 250,000 shares of the Company’s common stock that will vest based solely upon the average closing

sales price of the Company's common stock on the grant date as reported by Nasdaq or the primary exchange on which the Company's common stock is then listed or quoted (the "**Exchange**") during any consecutive three calendar months. If during the Employment Period, the average of the Monthly Average Price (as defined below) of the Company's common stock over any consecutive three months reaches \$14 per share, 125,000 of the shares shall vest as of the last day of such period. The balance of the shares shall vest on the last day of any consecutive three months when and if the average of the Monthly Average Price of the Company's common stock during such three month period has reached \$18 per share. The "**Monthly Average Price**" shall be calculated by adding the closing sales price reported by the Exchange for each Trading Day in a given month and dividing such sum by the total number of Trading Days in such month. For the purposes of this Agreement, a "**Trading Day**" shall mean any day on which the Company's common stock is listed or quoted *and* traded on the Exchange. For example, if there are 20 Trading Days in each month and the Monthly Average Price was \$12.00 in January, \$13.50 in February and \$17.00 in March, then the first installment or 125,000 of the shares subject to this option shall vest on March 31 $[(\$12*20) + (\$13.50*20) + (\$17.00*20)]/60 = \14.16 . In addition, if the average of the Monthly Average Price of the Company's common stock exceeds one or both of the unachieved milestones set forth above for either (i) the two calendar months immediately prior to Executive's termination of employment (other than for Cause or due to death or Disability) or Executive's resignation for Good Reason, or (ii) the last completed calendar month immediately prior to such termination or resignation, then the consecutive three month period used for determining whether the milestones have been met may include one or two months following the date of such termination or resignation, as the case may be, to complete the three month determination period. For example, assuming the performance option has not yet vested and assuming there are 20 Trading Days in each month, if the Monthly Average Prices for the two months prior to such termination or resignation were \$14.00 and \$16.00, then the calendar month during which Executive's employment ceased may be included in the three month determination period for the purposes of calculating whether the vesting requirement has been met, even though Executive was terminated in the first week of such month.

Both of the foregoing options will be granted pursuant to the Company's 2007 New Employee Incentive Plan (the "**Plan**"), and will be subject to the terms and conditions of the Plan in effect as of the grant date and the related stock option agreements. The exercise price for both options shall be equal to the closing sales price of the Company's common stock as reported by the Exchange on the date of grant of the options. Only the first option shall have provisions to accelerate the vesting in the event either Executive's employment is terminated without Cause or Executive resigns for Good Reason within twelve months following a Change in Control as defined in the Plan. Both options shall contain provisions that will restrict the sale of the common stock issuable upon exercise of such options for 18 months following the grant date, except to the extent necessary to cover any current tax liabilities of Executive associated with such options.

B. **Other Equity Compensation.** Executive shall also be entitled to participate in any other equity incentive plans of the Company. All such other options or other equity awards will be made at the discretion of the Company's Compensation Committee of the Board of Directors pursuant and subject to the terms and conditions of the applicable equity incentive plan, including any provisions for repurchase thereof. The option exercise price or value of any equity award granted to Executive will be established by the Company's Board of Directors as of the date such interests are granted but shall not be less than the fair market value of the class of equity underlying such award.

5. **Expense Reimbursement.** In addition to the compensation specified in Section 3, Executive shall be entitled to receive reimbursement from the Company for all reasonable business expenses incurred by Executive in the performance of Executive's duties hereunder, provided that Executive furnishes the Company with vouchers, receipts and other details of such expenses in the form reasonably required by the Company to substantiate a deduction for such business expenses under all applicable rules and regulations of federal and state taxing authorities.

6. **Fringe Benefits.**

A. **Group Plans.** Executive shall, throughout the Employment Period, be eligible to participate in all of the group term life insurance plans, group health plans, accidental death and dismemberment plans, short-term disability programs, retirement plans, profit sharing plans or other plans (for which Executive qualifies) that are available to the executive officers of the Company. During the Employment Period, the Company will pay for coverage for Executive and his spouse and dependents residing in Executive's household (collectively, the "**Dependents**") under the Company's health plan, and coverage for Executive under the Company's accidental death and dismemberment plan and for short-term disability. In the event Executive elects not to participate in the Company's health plan, the Company shall reimburse Executive for the cost of alternative health care coverage of his choosing for Executive and his Dependents in an amount up to \$1,500 per month. Payment for all other benefit plans will be paid in accordance with the Company's policy in effect for similar executive positions.

B. **Vacation.** Executive shall be entitled to at least four weeks paid vacation per year. Vacation shall accrue pursuant to the Company's vacation benefit policies.

C. **Auto Allowance.** Executive shall be entitled to an auto allowance for one vehicle for Executive's use up to \$1,250 per month.

D. **Housing Benefits.** Executive shall be reimbursed for all out-of-pocket, direct expenses incurred in connection with the relocation of Executive's family from Dallas, Texas to Southern California including moving costs and travel expenses; provided that Executive furnishes the Company with vouchers, receipts and other details of such expenses in the form reasonably required by the Company. The Company will also reimburse Executive for the actual real estate commissions paid by Executive on the sale of Executive's primary residence in Dallas, Texas and for closing costs for purchase of Executive's home in California, both of which collectively shall not exceed \$42,000. In the event the Executive is not able to sell his Texas residence on a timely basis and has already purchased a home in Southern California, then the Company shall reimburse Executive for the cost of his actual mortgage payment for his primary Texas residence up to \$4,000 per month until the earlier of (i) the closing of Executive's sale of such Texas residence or (ii) February 29, 2008.

E. **Indemnification.** As of the Effective Date, the Company and Executive shall enter into the Company's

standard indemnification agreement for its key executives.

7. **Termination of Employment.** Executive's employment with the Company is "at-will." This means that it is not for any specified period of time and can be terminated by Executive or the Company at any time, with or without advance notice, and for any or no particular reason or cause. Upon such termination, Executive (or, in the case of Executive's death, Executive's estate and beneficiaries) shall have no further rights to any other compensation or benefits from the Company on or after the termination of employment except as follows:

A. **Termination For Cause.** In the event the Company terminates Executive's employment with the Company prior to expiration of the Employment Period for Cause (as defined below), the Company shall pay to Executive the following: (i) Executive's unpaid Annual Salary that has been earned through the termination date of his employment; (ii) Executive's accrued but unused vacation; (iii) any accrued expenses pursuant to Section 5 above, and (iv) any other payments as may be required under applicable law (subsections (i) through (iv) above shall collectively be referred to herein as the "**Required Payments**"). For purposes of this Agreement, "**Cause**" shall mean that Executive has engaged in any one of the following: (i) misconduct involving the Company or its assets, including, without limitation, misappropriation of the Company's funds or property; (ii) reckless or willful misconduct in the performance of Executive's duties in the event such conduct continues after the Company has provided 30 days written notice to Executive and a reasonable opportunity to cure; (iii) conviction of, or plea of nolo contendere to, any felony or misdemeanor involving dishonesty or fraud; (iv) the violation of any of the Company's policies, including without limitation, the Company's policies on equal employment opportunity and the prohibition against unlawful harassment; (v) the material breach of any provision of this Agreement after 30 days written notice to Executive of such breach and a reasonable opportunity to cure such breach; or (vi) any other misconduct that has a material adverse effect on the business or reputation of the Company.

B. **Termination Upon Death or Disability.** If Executive dies during the Employment Period, the Executive's employment with the Company shall be deemed terminated as of the date of death, and the obligations of the Company to or with respect to Executive shall terminate in their entirety upon such date except as otherwise provided under this Section 7B. If Executive becomes Disabled (as defined below), then the Company shall have the right, to the extent permitted by law, to terminate the employment of Executive upon 30 days prior written notice in writing to Executive. Upon termination of employment due to the death or Disability of Executive, Executive (or Executive's estate or beneficiaries in the case of the death of Executive) shall be entitled to receive the Required Payments; and Executive shall also be entitled to the following: (i) Executive's annual bonus for the year of termination in accordance with Section 3B above (pro rated up to the termination date), which bonus shall be paid at the earlier of (A) such time as the Company regularly pays bonuses, or (B) 2 ½ months following the calendar year in which the termination occurs; and (ii) continuation of his Annual Salary following such termination for a period of one year, which shall be payable in accordance with the Company's standard pay schedules; and (iii) in the case of termination due to Disability, the Company shall reimburse Executive's COBRA payments for Executive's health insurance benefits for a period of one year. Notwithstanding the foregoing, the aggregate amount of continuation payments under (ii) above made during the first six months following Executive's termination of employment shall not exceed the applicable dollar limit provided under Treasury Regulations Section 1.409A-1(b)(9)(iii)(A). The amount, if any, that exceeds the applicable dollar limit shall be paid on the first day of the seventh month following Executive's termination of employment. For the purposes of this Agreement, "**Disability**" shall mean a physical or mental impairment which, the Board of Directors determines, after consideration and implementation of reasonable accommodations, precludes the Executive from performing his essential job functions for a period longer than three consecutive months or a total of one hundred twenty (120) days in any twelve month period.

C. **Termination for Any Other Reason; Resignation for Good Reason.** Should the Company terminate Executive's employment (other than for Cause or as a result of Executive's Death or Disability), or in the event Executive resigns for Good Reason (as defined below), then the Company shall pay Executive the Required Payments; and Executive shall also be entitled to the following: (i) a pro rated share of Executive's bonus (pro rated up to the termination or resignation date, as the case may be), which bonus shall be paid at the earlier of (A) such time as the Company regularly pays bonuses; or (B) no later than 2 ½ months following the calendar year in which the termination or resignation occurs; (ii) continuation of Executive's Annual Salary, which shall be payable in accordance with the Company's standard pay schedules for a period of one year; and (iv) the Company shall also reimburse Executive's actual COBRA payments for Executive's health insurance benefits for a period of one year. This Section 7C is intended to qualify as an involuntary separation pay arrangement that is exempt from application of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") because certain severance payments are treated as paid on account of an involuntary separation (including a separation for Good Reason) and paid in a lump sum within the "short-term deferral" period following the time the Executive obtains a vested right to such payments. Notwithstanding the foregoing, the aggregate amount of continuation payments under (iii) above made during the first six months following Executive's termination of employment shall not exceed the applicable dollar limit provided under Treasury Regulations Section 1.409A-1(b)(9)(iii)(A). The amount, if any, that exceeds the applicable dollar limit shall be paid on the first day of the seventh month following Executive's termination of employment. For the purposes of this Agreement, "**Good Reason**" shall mean Executive's voluntary resignation for any of the following events that results in a material negative change to the Executive: (i) a reduction in the scope of Executive's duties and responsibilities or the level of management to which he reports; (ii) a reduction without Executive's prior written consent in either his level of Annual Salary or his target annual bonus as a percentage of Annual Salary; (iii) a relocation of Executive more than thirty (30) miles from the Company's current corporate headquarters as of the date hereof, (iv) a material breach of any provision of this Agreement by the Company or (v) the failure of the Company to have a successor entity specifically assume this Agreement. Notwithstanding the foregoing, "Good Reason" shall only be found to exist if prior to Executive's resignation for Good Reason, the Executive has provided 30 days written notice to the Company of such Good Reason event indicating and describing the event resulting in such Good Reason, and the Company does not cure such event within 90 days following the receipt of such notice from Executive.

8. **Non-Competition During the Employment Period.** Executive acknowledges and agrees that given the extent and nature of the confidential and proprietary information he will obtain during the course of his employment with the Company, it would be inevitable that such confidential information would be disclosed or utilized by the Executive should he obtain employment from, or otherwise become associated with, an entity or person that is engaged in a business or enterprise that directly competes with the Company. Consequently, during any period for which Executive is receiving payments from the Company, either as wages or as a

severance benefit, Executive shall not, without prior written consent of the Chief Executive Officer, directly or indirectly own, manage, operate, control or participate in the ownership, management, operation or control of, or be employed by or provide advice to, any enterprise that is engaged in any business directly competitive to that of the Company in the aftermarket auto parts market in the United States; provided, however, that such restriction shall not apply to any passive investment representing an interest of less than 1% of an outstanding class of publicly-traded securities of any company or other enterprise where Executive does not provide any management, consulting or other services to such company or enterprise.

9. **Proprietary Information.** Executive has executed or is concurrently executing the Company's standard Confidential Information and Assignment of Inventions Agreement (the "**Confidentiality Agreement**"), which is hereby incorporated by this reference as if set forth fully herein. Executive's obligations pursuant to the Confidentiality Agreement will survive termination of Executive's employment with the Company. Executive agrees that he will not use or disclose to the Company any confidential or proprietary information from any of his prior employers.

10. **Successors and Assigns.** This Agreement is personal in its nature and the Executive shall not assign or transfer his rights under this Agreement. The provisions of this Agreement shall inure to the benefit of, and shall be binding on, each successor of the Company whether by merger, consolidation, transfer of all or substantially all assets, or otherwise, and the heirs and legal representatives of Executive.

11. **Notices.** Any notices, demands or other communications required or desired to be given by any party shall be in writing and shall be validly given to another party if served either personally or via overnight delivery service such as Federal Express, postage prepaid, return receipt requested. If such notice, demand or other communication shall be served personally, service shall be conclusively deemed made at the time of such personal service. If such notice, demand or other communication is given by overnight delivery, such notice shall be conclusively deemed given two business days after the deposit thereof addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth:

To the Company: U.S. Auto Parts Network, Inc.
17150 South Margay Avenue
Carson, California 90746
Attn: Chief Financial Officer

With a copy to: Dorsey & Whitney LLP
38 Technology Drive
Irvine, California 92618
Attn: Ellen S. Bancroft, Esq.

To Executive: At Executive's last residence as provided by
Executive to the Company for payroll records.

Any party may change such party's address for the purpose of receiving notices, demands and other communications by providing written notice to the other party in the manner described in this Section 11.

12. **Governing Documents.** This Agreement, along with the documents expressly referenced in this Agreement, constitute the entire agreement and understanding of the Company and Executive with respect to the terms and conditions of Executive's employment with the Company and the payment of severance benefits, and supersedes all prior and contemporaneous written or verbal agreements and understandings between Executive and the Company relating to such subject matter. This Agreement may only be amended by written instrument signed by Executive and an authorized officer of the Company. Any and all prior agreements, understandings or representations relating to the Executive's employment with the Company are terminated and cancelled in their entirety and are of no further force or effect.

13. **Governing Law.** The provisions of this letter agreement will be construed and interpreted under the laws of the State of California. If any provision of this Agreement as applied to any party or to any circumstance should be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court, the application of any other provision of this Agreement, or the enforceability or invalidity of this Agreement as a whole. Should any provision of this Agreement become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken and the remainder of this Agreement shall continue in full force and effect.

14. **Remedies.** All rights and remedies provided pursuant to this Agreement or by law shall be cumulative, and no such right or remedy shall be exclusive of any other. A party may pursue any one or more rights or remedies hereunder, or may seek damages or specific performance in the event of another party's breach hereunder, or may pursue any other remedy by law or equity, whether or not stated in this Agreement.

15. **No Waiver.** The waiver by either party of a breach of any provision of this Agreement shall not operate as, or be construed as, a waiver of any later breach of that provision.

16. **Counterparts.** This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

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

U.S. AUTO PARTS NETWORK, INC.

By: /s/ Michael J. McClane

Print Name: Michael J. McClane

Title: Chief Financial Officer

Address: 17150 South Margay Avenue
Carson, CA 90746

/s/ Shane Evangelist

SHANE EVANGELIST, Executive

**U.S. AUTO PARTS NETWORK, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT**

This NON-QUALIFIED STOCK OPTION AGREEMENT (the "**Agreement**") is made this 15th day of October 2007, by and between U.S. Auto Parts Network, Inc., a Delaware corporation (the "**Company**"), and Shane Evangelist, an individual ("**Optionee**"). Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the U.S. Auto Parts Network, Inc. 2007 New Employee Incentive Plan (the "**Plan**").

1. Grant of Option. The Company hereby grants Optionee the option (the "**Option**") to purchase all or any part of an aggregate of **750,000** shares (the "**Shares**") of common stock, \$0.001 par value ("**Common Stock**"), of the Company at the exercise price of \$8.65 per share according to the terms and conditions set forth in this Agreement and in the Plan. The Option will **not** be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"). The Option is issued under the Plan and is subject to its terms and conditions. A copy of the Plan will be furnished upon request of Optionee.

The Option shall terminate at the close of business ten (10) years from the date hereof (the "**Expiration Date**").

2. Vesting of Option Rights.

(a) The Option shall have a vesting commencement date of October 15, 2007 (the "**Vesting Commencement Date**"), and except as otherwise provided in this Agreement, the Option shall be exercisable for vested Shares only. The Option shall initially be for unvested Shares. Twenty-five percent (25%) of the Shares shall become vested Shares upon the anniversary of the Vesting Commencement Date provided that Optionee must have continuously provided Service during such time. The balance of the Shares shall become vested Shares in a series of thirty-six (36) successive equal monthly installments upon Optionee's completion of each additional month of Service over the thirty-six (36) month period measured from the anniversary of the Vesting Commencement Date. In no event shall any additional Shares vest after Optionee's Service ceases.

(b) During the lifetime of Optionee, the Option shall be exercisable only by Optionee and shall not be assignable or transferable by Optionee, other than by will or the laws of descent and distribution. Notwithstanding the foregoing, Optionee may transfer the Option to any Family Member (as such term is defined in the General Instructions to Form S-8 (or successor to such Instructions or such Form)); *provided, however*, that (i) Optionee may not receive any consideration for such transfer, (ii) the Family Member must agree in writing not to make any subsequent transfers of the Option other than by will or the laws of the descent and distribution and (iii) the Company receives prior written notice of such transfer.

3. Exercise of Option after Death or Termination of Employment or Service. The Option shall terminate and may no longer be exercised if Optionee ceases to be employed by or provide Service to the Company or its Affiliates, except that:

(a) Subject to the provisions of Section 5 below, if Optionee's employment or Service shall be terminated for any reason, voluntary or involuntary, other than for Cause (as defined in Section 3(e)) or Optionee's death or Disability (as defined in Section 3(f)), Optionee may, at any time within a period of one (1) month after such termination, exercise the Option to the extent the Option was exercisable by Optionee on the date of the termination of Optionee's employment or Service.

(b) If Optionee's employment or Service is terminated for Cause, the Option shall be terminated as of the date of the act giving rise to such termination.

(c) If Optionee shall die while the Option is still exercisable according to its terms, or if employment or Service is terminated because of Optionee's Disability while in the employ of the Company, and Optionee shall not have fully exercised the Option, such Option may be exercised, at any time within twelve (12) months after Optionee's death or date of termination of employment or Service for Disability, by Optionee, personal representatives or administrators or guardians of Optionee, as applicable, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, to the extent of the full number of Shares Optionee was entitled to purchase under the Option on (i) the earlier of the date of death or termination of employment or Service or (ii) the date of termination for such Disability, as applicable.

(d) Notwithstanding the above, in no case may the Option be exercised to any extent by anyone after the termination date of the Option.

(e) "**Cause**" shall mean Optionee has engaged in any one of the following: (i) misconduct involving the Company or its assets, including, without limitation, misappropriation of the Company's funds or property; (ii) reckless or willful misconduct in the performance of Optionee's duties in the event such conduct continues after the Company has provided 30 days written notice to Optionee and a reasonable opportunity to cure; (iii) conviction of, or plea of nolo contendere to, any felony or misdemeanor involving dishonesty or fraud; (iv) the violation of any of the Company's policies, including without limitation, the Company's policies on equal employment opportunity and the prohibition against unlawful harassment; (v) the material breach of any provision of this Agreement or the Employment Agreement between the Company and Optionee (the "**Employment Agreement**") after 30 days written notice to Optionee of such breach and a reasonable opportunity to cure such breach; or (vi) any other misconduct that has a material adverse effect on the business or reputation of the Company. The foregoing definition shall not in any way preclude or restrict the right of the Company (or any Affiliate) to discharge or dismiss any Optionee or other person in the Service of the Company (or any Affiliate) for any other acts or omissions but such other acts or omissions shall not be deemed, for purposes of the Agreement, to constitute grounds for termination for Cause.

(f) "**Disability**" shall mean a physical or mental impairment which, the Board of Directors determines, after consideration and implementation of reasonable accommodations, precludes the Optionee from performing his essential job functions for a period longer than three consecutive months or a total of one hundred twenty (120) days in any twelve month period.

4. Method of Exercise of Option. Subject to the foregoing, the Option may be exercised in whole or in part from time to time by serving

written notice of exercise on the Company at its principal office within the Option period. The notice shall state the number of Shares as to which the Option is being exercised and shall be accompanied by payment of the exercise price. Payment of the exercise price shall be made (i) in cash (including bank check, personal check or money order payable to the Company), (ii) with the approval of the Company (which may be given in its sole discretion), by delivering to the Company for cancellation shares of the Company's Common Stock already owned by Optionee having a Fair Market Value equal to the full exercise price of the Shares being acquired, (iii) with the approval of the Company (which may be given in its sole discretion) and subject to Section 402 of the Sarbanes-Oxley Act of 2002, by delivering to the Company the full exercise price of the Shares being acquired in a combination of cash and Optionee's full recourse liability promissory note with a principal amount not to exceed eighty percent (80%) of the exercise price and a term not to exceed five (5) years, which promissory note shall provide for interest on the unpaid balance thereof which at all times is not less than the minimum rate required to avoid the imputation of income, original issue discount or a below-market rate loan pursuant to Sections 483, 1274 or 7872 of the Code or any successor provisions thereto, (iv) subject to Section 402 of the Sarbanes-Oxley Act of 2002, to the extent this Option is exercised for vested shares, through a special sale and remittance procedure pursuant to which Optionee shall concurrently provide irrevocable instructions (1) to Optionee's brokerage firm to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased Shares plus all applicable income and employment taxes required to be withheld by the Company by reason of such exercise and (2) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale, or (v) with the approval of the Company (which may be given in its sole discretion) and subject to Section 402 of the Sarbanes-Oxley Act of 2002, by delivering to the Company a combination of any of the forms of payment described above. This Option may be exercised only with respect to full shares and no fractional share of stock shall be issued.

5. Change in Control.

(a) If this Option is assumed in connection with a Change in Control or otherwise continued in effect, then this Option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Change in Control had the Option been exercised immediately prior to such Change in Control, and appropriate adjustments shall also be made to the exercise price, *provided* the aggregate exercise price shall remain the same. To the extent that the actual holders of the Company's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption of this Option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

(b) If this Option is assumed in connection with a Change in Control or otherwise continued in effect pursuant to the terms of the Change in Control transaction but an Involuntary Termination of Optionee is effected within twelve (12) months following such Change in Control, then 100% of the then unvested Shares subject to this Option shall automatically become vested Shares, and this Option shall be exercisable for all or any portion of such Shares, and the Option shall remain so exercisable until the earlier of (i) the Expiration Date or (ii) the one year anniversary of the date of Optionee's Involuntary Termination.

(c) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

(d) For purposes of this Agreement, "**Change in Control**" shall mean a change in ownership or control of the Company effected through any of the following transactions: (i) a merger, consolidation or other reorganization unless securities representing more than 50% of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to such transaction; (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets; or (iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company), of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders.

(e) For purposes of this Agreement, "**Involuntary Termination**" shall mean the termination of Optionee's employment or Service by reason of: (i) Optionee's involuntary dismissal or discharge by the Company for reasons other than Cause, or (ii) Optionee's voluntary resignation within sixty (60) days following an event constituting Good Reason. "**Good Reason**" shall mean any of the following events: (1) a reduction in the scope of Optionee's duties and responsibilities or the level of management to which he reports effected by the Company without Optionee's prior written consent; (2) a reduction in his level of annual base salary or bonus as a percentage of annual base salary without his prior written consent; (3) a relocation of Optionee more than thirty (30) miles from the Company's current corporate headquarters as of the date hereof effected by the Company without Optionee's prior written consent; (4) a material breach of any provision of the Employment Agreement by the Company; or (5) the failure of the Company to have a successor entity specifically assume the Employment Agreement. Notwithstanding the foregoing, "Good Reason" shall only be found to exist if prior to Optionee's resignation for Good Reason, the Optionee has provided 30 days written notice to the Company of such Good Reason event indicating and describing the event resulting in such Good Reason, and the Company does not cure such event within 90 days following the receipt of such notice from Optionee.

6. Capital Adjustments and Reorganization. Should any change be made to the Common Stock by reason of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Company's receipt of consideration, appropriate adjustments shall be made to (a) the number and/or class of securities subject to this Option and (b) the exercise price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

7. Restrictions on Transfer of Shares.

(a) Except for any Permitted Transfer, Optionee shall not sell, make any short sale of, loan, pledge, encumber, assign, grant any option for the purchase of, or otherwise dispose or transfer, or otherwise agree to engage in any of the foregoing transactions with respect to, any of the Shares during the period beginning on the date hereof and ending on the date which is 18 months after the date of this Agreement (such period, the "**Restricted Period**"). For purposes of this Agreement, "**Permitted Transfer**" shall mean (i) a gratuitous transfer of the Shares, provided and only if Optionee obtains the Company's prior written consent to such transfer, (ii) a transfer of title to the Shares effected pursuant to Optionee's will or the laws of inheritance following Optionee's death, or (iii) a transfer of the Shares only to the extent necessary to cover any current tax liabilities of Optionee associated with the exercise of the Option.

(b) Each person to whom the Shares are transferred by means of clause (i) or (ii) of Section 7(a) above (“*Transferee*”) must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that Transferee is bound by the provisions of this Agreement and that Transferee will not transfer, assign, encumber or otherwise dispose of any of the Shares during the Restricted Period.

(c) Any new, substituted or additional securities which are distributed with respect to the Shares by reason of any recapitalization or reorganization of the Company shall be immediately subject to the transfer restrictions set forth in this Section 7, to the same extent the Shares are at such time covered by such provisions.

(d) In order to enforce these transfer restrictions, the Company may impose stop-transfer instructions with respect to the Shares during the Restricted Period.

(e) During the Restricted Period, any and all stock certificates for the Shares shall be endorsed with a restrictive legend substantially in the following form:

“The shares represented by this certificate are subject to certain transfer restrictions and may not be sold, assigned, transferred, encumbered, or in any manner disposed of except in conformity with the terms of a written agreement by and between the Company and the registered holder of the shares (or the predecessor in interest to the shares). A copy of such agreement is maintained at the Company’s principal corporate offices.”

8. Miscellaneous.

(a) Entire Agreement; Plan Provisions Control. This Agreement (and any addendum hereto) and the Plan constitute the entire agreement between the parties hereto with regard to the subject matter hereof. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control. All decisions of the Committee with respect to any question or issue arising under the Plan or this Agreement shall be and binding on all persons having an interest in this Option. All capitalized terms used in this Agreement and not otherwise defined in this Agreement shall have the meaning assigned to them in the Plan.

(b) No Rights of Stockholders. Neither Optionee, Optionee’s legal representative nor a permissible assignee of this Option shall have any of the rights and privileges of a stockholder of the Company with respect to the Shares, unless and until such Shares have been issued in the name of Optionee, Optionee’s legal representative or permissible assignee, as applicable, without restrictions thereto.

(c) No Right to Employment. The grant of the Option shall not be construed as giving Optionee the right to be retained in the employ of, or if Optionee is a director of the Company or an Affiliate as giving the Optionee the right to continue as a director of, the Company or an Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment or position at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Optionee from employment, or terminate the term of a director of the Company or an Affiliate, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or an Affiliate. The Option granted hereunder shall not form any part of the wages or salary of Optionee for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Optionee shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee and shall be fully bound thereby.

(d) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Delaware.

(e) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.

(f) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Optionee or any other person.

(g) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

(h) Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be addressed to Optionee at the address of record provided to the Company by Optionee in connection with Optionee’s employment with or Services provided to the Company or such other address as Optionee may designate by ten (10) days’ advance written notice to the Company. Any notice required to be given under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon the third (3rd) day following deposit in the U.S. mail, registered or certified, postage prepaid and properly addressed to the party entitled to such notice.

(i) Conditions Precedent to Issuance of Shares. Shares shall not be issued pursuant to the exercise of the Option unless such exercise and the issuance and delivery of the applicable Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act, the rules and regulations promulgated thereunder, state blue sky laws, the requirements of any applicable Stock Exchange or the Nasdaq Stock Market and the Delaware General Corporation Law. As a condition to the exercise of the purchase price relating to the Option, the Company may require that the person exercising or paying the purchase price represent and warrant that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation and warranty is required by law.

(j) Withholding. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Optionee.

(k) Consultation With Professional Tax and Investment Advisors. Optionee acknowledges that the grant, exercise and vesting with respect to this Option, and the sale or other taxable disposition of the Shares, may have tax consequences pursuant to the Code or under local, state or international tax laws. Optionee further acknowledges that Optionee is relying solely and exclusively on Optionee's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Optionee understands and agrees that any and all tax consequences resulting from the Option and its grant, exercise and vesting, and the sale or other taxable disposition of the Shares, is solely and exclusively the responsibility of Optionee without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse Optionee for such taxes or other items.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company and Optionee have executed this Agreement on the date set forth in the first paragraph.

PARTS NETWORK, INC.

U.S. AUTO

Michael J. McClane

By: /s/

J. McClane

Name: Michael

Financial Officer, Executive Vice President of Finance and Treasurer

Title: Chief

OPTIONEE:

Evangelist

By: /s/ Shane

Evangelist

Name: Shane

U.S. AUTO PARTS NETWORK, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT

This NON-QUALIFIED STOCK OPTION AGREEMENT (the “*Agreement*”) is made this 15th day of October 2007, by and between U.S. Auto Parts Network, Inc., a Delaware corporation (the “*Company*”), and Shane Evangelist, an individual (“*Optionee*”). Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the U.S. Auto Parts Network, Inc. 2007 New Employee Incentive Plan (the “*Plan*”).

1. Grant of Option. The Company hereby grants Optionee the option (the “*Option*”) to purchase all or any part of an aggregate of **250,000** shares (the “*Shares*”) of common stock, \$0.001 par value (“*Common Stock*”), of the Company at the exercise price of \$8.65 per share according to the terms and conditions set forth in this Agreement and in the Plan. The Option will *not* be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the “*Code*”). The Option is issued under the Plan and is subject to its terms and conditions. A copy of the Plan will be furnished upon request of Optionee.

The Option shall terminate at the close of business ten (10) years from the date hereof (the “*Expiration Date*”).

2. Vesting of Option Rights.

(a) Unless otherwise provided in this Agreement, the Option shall be exercisable for vested Shares only. The Option shall initially be for unvested Shares, and the Shares shall become vested Shares as follows: (i) 125,000 of the Shares shall become vested Shares on the last day of any consecutive three calendar months when and if the average of the Monthly Average Prices (as defined below) of the Common Stock during such three month period reaches or exceeds \$14.00 (as adjusted for any stock dividends, splits, combinations or similar events with respect to the Common Stock after the date of this Agreement) and (ii) the balance of the Shares shall vest on the last day of any consecutive three calendar months when and if the average of the Monthly Average Prices of the Common Stock during such three month period reaches or exceeds \$18.00 (as adjusted for any stock dividends, splits, combinations or similar events with respect to the Common Stock after the date of this Agreement); provided that, in each such case (for both clauses (i) and (ii)), Optionee shall have continuously provided Service from the date of this Agreement through the date of such vesting (such proviso, the “*Continuous Service Requirement*”). The “*Monthly Average Price*” shall be calculated by adding the closing sales price of one share of the Common Stock as reported by the Exchange for each Trading Day in a given calendar month and dividing such sum by the total number of Trading Days in such month. For the purposes of this Agreement, “*Exchange*” shall mean the NASDAQ Global Market or the primary securities exchange on which the Company’s common stock is then listed or quoted, and “*Trading Day*” shall mean any day on which the Common Stock is listed or quoted and traded on the Exchange. For example, if there are 20 Trading Days in each calendar month and the Monthly Average Price was \$12.00 in January 2009, \$13.50 in February 2009 and \$17.00 in March 2009, and if Optionee had continuously provided Service from the date of this Agreement through the end of March 2009, then the first installment (or 125,000 of the Shares) shall vest on March 31, 2009 $[(\$12.00 \cdot 20) + (\$13.50 \cdot 20) + (\$17.00 \cdot 20)]/60 = \14.16 .]. In no event shall any Shares vest after the fifth anniversary of the date of this Agreement.

Notwithstanding the Continuous Service Requirement, to the extent one or both of the milestones set forth above have not been achieved, if the Monthly Average Price of the Common Stock equals or exceeds \$18.00 (or \$14.00 if the first milestone has not been achieved), as adjusted for any stock dividends, splits, combinations or similar events with respect to the Common Stock after the date of this Agreement, for either (A) each of the last two completed calendar months immediately prior to (x) the termination of Optionee’s employment (other than for Cause (as defined in Section 3(e)) or due to death or Disability (as defined in Section 3(f)) or (y) Optionee’s resignation for Good Reason or (B) the last completed calendar month immediately prior to such termination or resignation, then the consecutive three calendar month period used for determining whether the milestones have been met may include the one or two calendar months, as the case may be, immediately following the last completed calendar month prior to such termination or resignation to complete the three month determination period, provided that the last day of such three month period falls on or prior to the fifth anniversary of the date of this Agreement. For example, assuming none of the Shares have vested and assuming there are 20 Trading Days in each month, if Optionee resigns for Good Reason prior to September 30, 2012 and the Monthly Average Prices for the two calendar months immediately prior to such resignation were \$14.00 and \$16.00, then the calendar month during which Optionee resigns may be included in the three month determination period for the purposes of calculating whether the vesting requirement set forth in the first paragraph of this Section 2(a) has been met, even if Optionee had resigned in the first week of such month.

For purposes of this Agreement, “*Good Reason*” shall mean any of the following events: (1) a reduction in the scope of Optionee’s duties and responsibilities or the level of management to which he reports effected by the Company without Optionee’s prior written consent; (2) a reduction in his level of annual base salary or bonus as a percentage of annual base salary without his prior written consent; (3) a relocation of Optionee more than thirty (30) miles from the Company’s current corporate headquarters as of the date hereof effected by the Company without Optionee’s prior written consent; (4) a material breach of any provision of the Employment Agreement (as defined in Section 3(e)) by the Company; or (5) the failure of the Company to have a successor entity specifically assume the Employment Agreement. Notwithstanding the foregoing, “*Good Reason*” shall only be found to exist if prior to Optionee’s resignation for Good Reason, the Optionee has provided 30 days written notice to the Company of such Good Reason event indicating and describing the event resulting in such Good Reason, and the Company does not cure such event within 90 days following the receipt of such notice from Optionee.

(b) During the lifetime of Optionee, the Option shall be exercisable only by Optionee and shall not be assignable or transferable by Optionee, other than by will or the laws of descent and distribution. Notwithstanding the foregoing, Optionee may transfer the Option to any Family Member (as such term is defined in the General Instructions to Form S-8 (or successor to such Instructions or such Form)); *provided, however*, that (i) Optionee may not receive any consideration for such transfer, (ii) the Family Member must agree in writing not to make any subsequent transfers of the Option other than by will or the laws of the descent and distribution and (iii) the Company receives prior written notice of such transfer.

3. Exercise of Option after Death or Termination of Employment or Service. The Option shall terminate and may no longer be exercised if Optionee ceases to be employed by or provide Service to the Company or its Affiliates, except that:

(a) If Optionee’s employment or Service shall be terminated for any reason, voluntary or involuntary, other than for Cause or Optionee’s death or Disability, Optionee may, at any time within a period of one (1) month after the later of (i) the date of such termination or (ii) the date of any vesting of the Option pursuant to the application of the provisions in the second paragraph of Section 2(a) (the later of (i) and (ii), the “*Final Vesting Date*”), exercise the Option to the extent the Option was exercisable by Optionee on the Final Vesting Date.

(b) If Optionee's employment or Service is terminated for Cause, the Option shall be terminated as of the date of the act giving rise to such termination.

(c) If Optionee shall die while the Option is still exercisable according to its terms, or if employment or Service is terminated because of Optionee's Disability while in the employ of the Company, and Optionee shall not have fully exercised the Option, such Option may be exercised, at any time within twelve (12) months after Optionee's death or date of termination of employment or Service for Disability, by Optionee, personal representatives or administrators or guardians of Optionee, as applicable, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, to the extent of the full number of Shares Optionee is entitled to purchase under the Option on (i) the earlier of the date of death or termination of employment or Service or (ii) the date of termination for such Disability, as applicable.

(d) Notwithstanding the above, in no case may the Option be exercised to any extent by anyone after the termination date of the Option.

(e) "**Cause**" shall mean Optionee has engaged in any one of the following: (i) misconduct involving the Company or its assets, including, without limitation, misappropriation of the Company's funds or property; (ii) reckless or willful misconduct in the performance of Optionee's duties in the event such conduct continues after the Company has provided 30 days written notice to Optionee and a reasonable opportunity to cure; (iii) conviction of, or plea of nolo contendere to, any felony or misdemeanor involving dishonesty or fraud; (iv) the violation of any of the Company's policies, including without limitation, the Company's policies on equal employment opportunity and the prohibition against unlawful harassment; (v) the material breach of any provision of this Agreement or the Employment Agreement between the Company and Optionee (the "**Employment Agreement**") after 30 days written notice to Optionee of such breach and a reasonable opportunity to cure such breach; or (vi) any other misconduct that has a material adverse effect on the business or reputation of the Company. The foregoing definition shall not in any way preclude or restrict the right of the Company (or any Affiliate) to discharge or dismiss any Optionee or other person in the Service of the Company (or any Affiliate) for any other acts or omissions but such other acts or omissions shall not be deemed, for purposes of the Agreement, to constitute grounds for termination for Cause.

(f) "**Disability**" shall mean a physical or mental impairment which, the Board of Directors determines, after consideration and implementation of reasonable accommodations, precludes the Optionee from performing his essential job functions for a period longer than three consecutive months or a total of one hundred twenty (120) days in any twelve month period.

4. Method of Exercise of Option. Subject to the foregoing, the Option may be exercised in whole or in part from time to time by serving written notice of exercise on the Company at its principal office within the Option period. The notice shall state the number of Shares as to which the Option is being exercised and shall be accompanied by payment of the exercise price. Payment of the exercise price shall be made (i) in cash (including bank check, personal check or money order payable to the Company), (ii) with the approval of the Company (which may be given in its sole discretion), by delivering to the Company for cancellation shares of the Company's Common Stock already owned by Optionee having a Fair Market Value equal to the full exercise price of the Shares being acquired, (iii) with the approval of the Company (which may be given in its sole discretion) and subject to Section 402 of the Sarbanes-Oxley Act of 2002, by delivering to the Company the full exercise price of the Shares being acquired in a combination of cash and Optionee's full recourse liability promissory note with a principal amount not to exceed eighty percent (80%) of the exercise price and a term not to exceed five (5) years, which promissory note shall provide for interest on the unpaid balance thereof which at all times is not less than the minimum rate required to avoid the imputation of income, original issue discount or a below-market rate loan pursuant to Sections 483, 1274 or 7872 of the Code or any successor provisions thereto, (iv) subject to Section 402 of the Sarbanes-Oxley Act of 2002, to the extent this Option is exercised for vested shares, through a special sale and remittance procedure pursuant to which Optionee shall concurrently provide irrevocable instructions (1) to Optionee's brokerage firm to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased Shares plus all applicable income and employment taxes required to be withheld by the Company by reason of such exercise and (2) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale, or (v) with the approval of the Company (which may be given in its sole discretion) and subject to Section 402 of the Sarbanes-Oxley Act of 2002, by delivering to the Company a combination of any of the forms of payment described above. This Option may be exercised only with respect to full shares and no fractional share of stock shall be issued.

5. Change in Control.

(a) If this Option is assumed in connection with a Change in Control or otherwise continued in effect, then this Option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Change in Control had the Option been exercised immediately prior to such Change in Control, and appropriate adjustments shall also be made to the exercise price, *provided* the aggregate exercise price shall remain the same. To the extent that the actual holders of the Company's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption of this Option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

(b) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

(c) For purposes of this Agreement, "**Change in Control**" shall mean a change in ownership or control of the Company effected through any of the following transactions: (i) a merger, consolidation or other reorganization unless securities representing more than 50% of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to such transaction; (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets; or (iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company), of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders.

6. Capital Adjustments and Reorganization. Should any change be made to the Common Stock by reason of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class

without the Company's receipt of consideration, appropriate adjustments shall be made to (a) the number and/or class of securities subject to this Option and (b) the exercise price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

7. Restrictions on Transfer of Shares.

(a) Except for any Permitted Transfer, Optionee shall not sell, make any short sale of, loan, pledge, encumber, assign, grant any option for the purchase of, or otherwise dispose or transfer, or otherwise agree to engage in any of the foregoing transactions with respect to, any of the Shares during the period beginning on the date hereof and ending on the date which is 18 months after the date of this Agreement (such period, the "**Restricted Period**"). For purposes of this Agreement, "**Permitted Transfer**" shall mean (i) a gratuitous transfer of the Shares, provided and only if Optionee obtains the Company's prior written consent to such transfer, (ii) a transfer of title to the Shares effected pursuant to Optionee's will or the laws of inheritance following Optionee's death, or (iii) a transfer of the Shares only to the extent necessary to cover any current tax liabilities of Optionee associated with the exercise of the Option.

(b) Each person to whom the Shares are transferred by means of clause (i) or (ii) of Section 7(a) above ("**Transferee**") must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that Transferee is bound by the provisions of this Agreement and that Transferee will not transfer, assign, encumber or otherwise dispose of any of the Shares during the Restricted Period.

(c) Any new, substituted or additional securities which are distributed with respect to the Shares by reason of any recapitalization or reorganization of the Company shall be immediately subject to the transfer restrictions set forth in this Section 7, to the same extent the Shares are at such time covered by such provisions.

(d) In order to enforce these transfer restrictions, the Company may impose stop-transfer instructions with respect to the Shares during the Restricted Period.

(e) During the Restricted Period, any and all stock certificates for the Shares shall be endorsed with a restrictive legend substantially in the following form:

"The shares represented by this certificate are subject to certain transfer restrictions and may not be sold, assigned, transferred, encumbered, or in any manner disposed of except in conformity with the terms of a written agreement by and between the Company and the registered holder of the shares (or the predecessor in interest to the shares). A copy of such agreement is maintained at the Company's principal corporate offices."

8. Miscellaneous.

(a) Entire Agreement; Plan Provisions Control. This Agreement (and any addendum hereto) and the Plan constitute the entire agreement between the parties hereto with regard to the subject matter hereof. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control. All decisions of the Committee with respect to any question or issue arising under the Plan or this Agreement shall be and binding on all persons having an interest in this Option. All capitalized terms used in this Agreement and not otherwise defined in this Agreement shall have the meaning assigned to them in the Plan.

(b) No Rights of Stockholders. Neither Optionee, Optionee's legal representative nor a permissible assignee of this Option shall have any of the rights and privileges of a stockholder of the Company with respect to the Shares, unless and until such Shares have been issued in the name of Optionee, Optionee's legal representative or permissible assignee, as applicable, without restrictions thereto.

(c) No Right to Employment. The grant of the Option shall not be construed as giving Optionee the right to be retained in the employ of, or if Optionee is a director of the Company or an Affiliate as giving the Optionee the right to continue as a director of, the Company or an Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment or position at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Optionee from employment, or terminate the term of a director of the Company or an Affiliate, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or an Affiliate. The Option granted hereunder shall not form any part of the wages or salary of Optionee for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Optionee shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee and shall be fully bound thereby.

(d) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Delaware.

(e) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.

(f) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Optionee or any other person.

(g) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

(h) Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be addressed to Optionee at the address of record provided to the Company by Optionee in connection with Optionee's employment with or Services provided to the Company or such other address as Optionee may designate by ten (10) days' advance written notice to the Company. Any notice required to be given under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon the third (3rd) day following deposit in the U.S. mail, registered or certified, postage prepaid and properly addressed to the party entitled to such notice.

(i) Conditions Precedent to Issuance of Shares. Shares shall not be issued pursuant to the exercise of the Option unless such exercise and the issuance and delivery of the applicable Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act, the rules and regulations promulgated thereunder, state blue sky laws, the requirements of any applicable Stock Exchange or the Nasdaq Stock Market and the Delaware General Corporation Law. As a condition to the exercise of the purchase price relating to the Option, the Company may require that the person exercising or paying the purchase price represent and warrant that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation and warranty is required by law.

(j) Withholding. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Optionee.

(k) Consultation With Professional Tax and Investment Advisors. Optionee acknowledges that the grant, exercise and vesting with respect to this Option, and the sale or other taxable disposition of the Shares, may have tax consequences pursuant to the Code or under local, state or international tax laws. Optionee further acknowledges that Optionee is relying solely and exclusively on Optionee's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Optionee understands and agrees that any and all tax consequences resulting from the Option and its grant, exercise and vesting, and the sale or other taxable disposition of the Shares, is solely and exclusively the responsibility of Optionee without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse Optionee for such taxes or other items.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company and Optionee have executed this Agreement on the date set forth in the first paragraph.

PARTS NETWORK, INC.

U.S. AUTO

Michael J. McClane

By: /s/

J. McClane

Name: Michael

Financial Officer, Executive Vice President of Finance and Treasurer

Title: Chief

OPTIONEE:

Evangelist

By: /s/ Shane

Evangelist

Name: Shane

**U.S. AUTO PARTS NETWORK, INC.
2007 NEW EMPLOYEE INCENTIVE PLAN**

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U.S. AUTO PARTS NETWORK, INC.
2007 NEW EMPLOYEE INCENTIVE PLAN

Section 1. Purpose

The purpose of the Plan is to promote the interests of the Company and its stockholders by aiding the Company in attracting and retaining employees (including officers) capable of assuring the future success of the Company and to afford such persons an opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company. The Plan is intended to satisfy the requirements of NASDAQ Marketplace Rule 4350(i)(1)(A)(iv), and the Plan's provisions shall be interpreted in a manner consistent with such intent for all purposes. Awards will be made to Eligible Persons only in connection with such person's entering into employment (or re-entering into employment following a bona fide period of non-employment) with the Company or any Affiliate, as an inducement material for entering (or re-entering) into such employment.

Section 2. Definitions

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Affiliate" shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in each case as determined by the Committee.
- (b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent, Other Stock Grant or Other Stock-Based Award granted under the Plan.
- (c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing an Award granted under the Plan. Each Award Agreement shall be subject to the applicable terms and conditions of the Plan and any other terms and conditions (not inconsistent with the Plan) determined by the Committee.
- (d) "Board" shall mean the Board of Directors of the Company.
- (e) "Change in Control" shall mean a change in ownership or control of the Company effected through any of the following transactions: (i) a merger, consolidation or other reorganization unless securities representing more than 50% of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to such transaction; (ii) a sale, transfer or other disposition of all or substantially all of the Company's assets; or (iii) the acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company), of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders.
- (f) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.
- (g) "Committee" shall mean the Company's compensation committee.
- (h) "Company" shall mean U.S. Auto Parts Network, Inc., a Delaware corporation, and any successor corporation.
- (i) "Director" shall mean a member of the Board, including any Independent Director.
- (j) "Dividend Equivalent" shall mean any right granted under Section 6(e) of the Plan.
- (k) "Eligible Person" shall mean any person who is newly hired as an employee (including as an officer) by the Company or any Affiliate, or who is rehired following a bona fide period of non-employment by the Company or any Affiliate, including persons who become new employees of the Company or any Affiliate in connection with a merger or acquisition.
- (l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- (m) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee. Notwithstanding the foregoing and unless otherwise determined by the Committee, the Fair Market Value of a Share as of a given date shall be, if the Shares are then listed on the NASDAQ Global Market, the average of the high and low sales price of one Share as reported on the NASDAQ Global Market on such date or, if the NASDAQ Global Market is not open for trading on such date, on the most recent preceding date when it is open for trading.
- (n) "Incentive Stock Option" shall mean an option to acquire Shares that is intended to qualify as an "incentive stock option"

in accordance with the terms of Section 422 of the Code or any successor provision.

(o) “*Independent Director*” shall mean any Director who qualifies as and “independent director” as defined in NASDAQ Marketplace Rule 4200(a), if the Company’s securities are traded on the NASDAQ Global Market, or under the rules and requirements of any other stock exchange on which the Company’s securities are traded, as such rules or requirements may be amended from time to time.

(p) “*Non-Qualified Stock Option*” shall mean an option to acquire Shares that is not intended to be an Incentive Stock Option.

(q) “*Option*” shall mean a Non-Qualified Stock Option granted under Section 6(a) of the Plan.

(r) “*Other Stock Grant*” shall mean any right granted under Section 6(f) of the Plan.

(s) “*Other Stock-Based Award*” shall mean any right granted under Section 6(g) of the Plan.

(t) “*Participant*” shall mean an Eligible Person designated to be granted an Award under the Plan.

(u) “*Performance Award*” shall mean any right granted under Section 6(d) of the Plan.

(v) “*Person*” shall mean any individual or entity, including a corporation, partnership, limited liability company, association, joint venture or trust.

(w) “*Plan*” shall mean the U.S. Auto Parts Network, Inc. 2007 New Employee Incentive Plan, as amended from time to time, the provisions of which are set forth herein.

(x) “*Restricted Stock*” shall mean any Share granted under Section 6(c) of the Plan.

(y) “*Restricted Stock Unit*” shall mean any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or evidencing the right to receive a cash payment equal to the Fair Market Value of a Share if explicitly so provided in the Award Agreement) at some future date.

(z) “*Rule 16b-3*” shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor rule or regulation.

(aa) “*Securities Act*” shall mean the Securities Act of 1933, as amended.

(bb) “*Service*” shall mean the Participant’s performance of services for the Company (or any Affiliate) in the capacity of an employee (including as an officer), director or consultant.

(cc) “*Share*” or “*Shares*” shall mean a share or shares of common stock, \$0.001 par value per share, of the Company or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan.

(dd) “*Stock Appreciation Right*” shall mean any right granted under Section 6(b) of the Plan.

Section 3. Administration

(a) Power and Authority of the Committee

. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or the method by which payments or other rights are to be determined in connection with) each Award; (iv) determine the terms and conditions of any Award or Award Agreement; (v) amend the terms and conditions of any Award or Award Agreement and accelerate the exercisability of any Option or waive any restrictions relating to any Award; (vi) determine whether, to what extent and under what circumstances Awards may be exercised in cash, Shares, promissory notes (provided, however, that the par value of any Shares to be issued pursuant to such exercise shall be paid in the form of cash, services rendered, personal property, real property or a combination thereof and the acceptance of such promissory notes does not conflict with Section 402 of the Sarbanes-Oxley Act of 2002), other securities, other Awards or other property, or canceled, forfeited or suspended; (vii) interpret and administer the Plan and any instrument or agreement, including an Award Agreement, relating to the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award or Award Agreement shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Eligible Person and any holder or beneficiary of any Award.

(b) Power and Authority of the Board

. Notwithstanding anything to the contrary contained herein, the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan; provided, however, that any action taken by the Board in connection with the administration of the Plan shall not be deemed approved by the Board unless such actions are approved by a majority of the Independent Directors.

Section 4. Shares Available for Awards

(a) Shares Available

. Subject to adjustment as provided in Section 4(c) of the Plan, the aggregate number of Shares that may be issued under the Plan shall be 2,000,000. Shares to be issued under the Plan may be either authorized but unissued Shares or Shares re-acquired and held in treasury. Any Shares that are used by a Participant as full or partial payment to the Company of the purchase price relating to an Award, or in connection with the satisfaction of tax obligations relating to an Award, shall again be available for granting Awards under the Plan. In addition, if any Shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan.

(b) Accounting for Awards

. For purposes of this [Section 4](#), if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan. Any Shares that are used by a Participant as full or partial payment to the Company of the purchase price relating to an Award or in connection with the satisfaction of tax obligations relating to an Award, shall again be available for granting Awards under the Plan. In addition, if any Shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan.

(c) Adjustments

. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) that thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards, (iii) the purchase price or exercise price with respect to any Award and (iv) the limitations contained in Section 4(d) of the Plan; *provided, however*, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number.

Section 5. Eligibility

Any Eligible Person shall be eligible to be designated a Participant. In determining which Eligible Persons shall receive an Award and the terms of any Award, the Committee may take into account such factors as the Committee, in its discretion, shall deem relevant.

Section 6. Awards

(a) Options. The Committee is hereby authorized to grant Non-Qualified Stock Options to Eligible Persons with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee; *provided, however*, that such purchase price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.

(ii) Option Term. The term of each Option shall be fixed by the Committee at the time of grant, but shall not be longer than 10 years from the date of grant.

(iii) Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, promissory notes (*provided, however*, that the par value of any Shares to be issued pursuant to such exercise shall be paid in the form of cash, services rendered, personal property, real property or a combination thereof and the acceptance of such promissory notes does not conflict with Section 402 of the Sarbanes-Oxley Act of 2002), other securities, other Awards or other

property, or any combination thereof, having a Fair Market Value on the exercise date equal to the applicable exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made. The Committee shall have the discretion to grant Options that are exercisable for unvested Shares. Should the Participant's Service cease while the Shares issued upon the early exercise of the Participant's Options are still unvested, the Company shall have the right to repurchase any or all of those unvested Shares at a price per share determined by the Committee. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Committee and set forth in the Award Agreement. Any repurchases must be made in compliance with the relevant provisions of Delaware law.

(b) Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Eligible Persons subject to the terms of the Plan and any applicable Award Agreement. Each Stock Appreciation Right granted under the Plan shall confer on the holder upon exercise the right to receive, as determined by the Committee, cash or a number of Shares equal to the excess of (a) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine, at any time during a specified period before or after the date of exercise) over (b) the grant price of the Stock Appreciation Right as determined by the Committee, which grant price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions (including conditions or restrictions on the exercise thereof) of any Stock Appreciation Right shall be as determined by the Committee.

(c) Restricted Stock and Restricted Stock Units. The Committee is hereby authorized to grant Restricted Stock and Restricted Stock Units to Eligible Persons with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, a restriction on or prohibition against the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate.

(ii) Issuance of Shares. Any Restricted Stock granted under the Plan may be evidenced in such manner as the Board may deem appropriate, including book-entry registration or issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the restrictions applicable to such Restricted Stock.

(iii) Forfeiture. Except as otherwise determined by the Committee, upon a Participant's termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and Restricted Stock Units at such time subject to restriction shall be forfeited and reacquired by the Company; *provided, however*, that the Committee may, when it finds that a waiver would be in the best interest of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

(d) Performance Awards. The Committee is hereby authorized to grant Performance Awards to Eligible Persons subject to the terms of the Plan. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock and Restricted Stock Units), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee.

(e) Dividend Equivalents. The Committee is hereby authorized to grant Dividend Equivalents to Eligible Persons under which the Participant shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent to the amount of cash dividends paid by the Company to holders of Shares with respect to a number of Shares determined by the Committee. Subject to the terms of the Plan, such Dividend Equivalents may have such terms and conditions as the Committee shall determine.

(f) Other Stock Grants. The Committee is hereby authorized, subject to the terms of the Plan, to grant to Eligible Persons Shares without restrictions thereon as are deemed by the Committee to be consistent with the purpose of the Plan. Subject to the terms of the Plan and any applicable Award Agreement, such Other Stock Grant may have such terms and conditions as the Committee shall determine.

(g) Other Stock-Based Awards. The Committee is hereby authorized to grant to Eligible Persons, subject to the terms of the Plan, such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purpose of the Plan. Shares or other securities delivered pursuant to a purchase right granted under this [Section 6\(g\)](#) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including, without limitation, cash, Shares, promissory notes *provided, however*, that the par value of any Shares to be issued pursuant to such exercise shall be paid in the form of cash, services rendered, personal property, real property or a combination thereof and the acceptance such promissory notes does not conflict with Section 402 of the Sarbanes-Oxley Act of 2002), other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(h) General.

(i) Consideration for Awards. Awards may be granted for no cash consideration or for any cash or other consideration as determined by the Committee and required by applicable law.

(ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) Forms of Payment under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, promissory notes (*provided, however*, that the acceptance of such promissory notes does not conflict with Section 402 of the Sarbanes-Oxley Act of 2002), other securities, other Awards or other property or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

(iv) Limits on Transfer of Awards. No Award (other than Other Stock Grants) and no right under any such Award shall be transferable by a Participant other than by will or by the laws of descent and distribution and the Company shall not be required to recognize any attempted assignment of such rights by any Participant; *provided, however*, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant; *provided, further*, that, if so determined by the Committee, a Participant may, at any time that such Participant holds such Option, transfer a Non-Qualified Stock Option to any “*Family Member*” (as such term is defined in the General Instructions to Form S-8 (or any successor to such Instructions or such Form) under the Securities Act), *provided* that the Participant may not receive any consideration for such transfer, the Family Member may not make any subsequent transfers other than by will or by the laws of descent and distribution and the Company receives written notice of such transfer. Except as otherwise determined by the Committee, each Award or right under any such Award shall be exercisable during the Participant’s lifetime only by the Participant or, if permissible under applicable law, by the Participant’s guardian or legal representative. Except as otherwise determined by the Committee, no Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or other encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) Term of Awards. Subject to Section 6(a)(iv)(C), the term of each Award shall be fixed by the Committee at the time of grant, but shall not be longer than 10 years from the date of grant.

(vi) Restrictions; Securities Exchange Listing. All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Committee may direct appropriate stop transfer orders and cause other legends to be placed on the certificates for such Shares or other securities to reflect such restrictions. If the Shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been and continue to be admitted for trading on such securities exchange. No Shares or other assets shall be issued or delivered pursuant to the Plan unless and until there shall have been compliance with all applicable requirements of applicable securities laws, including the filing and effectiveness of the Form S-8 registration statement for the Shares issuable pursuant to the Plan, and all applicable listing requirements of any stock exchange or trading system, including the NASDAQ Stock Market, on which Common Stock is then traded. No Shares shall be issued or delivered pursuant to the Plan if doing so would violate any internal policies of the Company.

(vii) Prohibition on Repricing. Except as provided in [Section 4\(c\)](#) of the Plan, no Option or Stock Appreciation Right may be amended to reduce its initial exercise or grant price and no Option or Stock Appreciation Right shall be canceled and replaced with Options or Stock Appreciation Rights having a lower exercise or grant price without the approval of the stockholders of the Company, if such approval is necessary or advisable to comply with any applicable law, regulation, or stock exchange rule.

Section 7. Amendment and Termination; Adjustments

(a) Amendments to the Plan

. The Board may amend, alter, suspend, discontinue or terminate the Plan at any time; *provided, however*, that, to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, the Company may obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Amendments to Awards

. The Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. Except as otherwise provided herein or in an Award Agreement, the Committee may not amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, if such action would adversely affect the rights of the holder of such Award, without the consent of the Participant or holder or beneficiary thereof.

(c) Correction of Defects, Omissions and Inconsistencies. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Plan.

Section 8. Income Tax Withholding

In order to comply with all applicable federal, state or local income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state or local payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant. In order to assist a Participant in paying all or a portion of the federal, state and local taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (i) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes (but only to the extent of the minimum amount required to be withheld under applicable laws or regulations) or (ii) delivering to the Company Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes (but only to the extent of the minimum amount required to be withheld under applicable laws or regulations). The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.

Section 9. General Provisions

(a) No Rights to Awards. No Eligible Person or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

(b) Award Agreements. No Participant will have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company and, if requested by the Company, signed by the Participant.

(c) Plan Provisions Control. In the event that any provision of an Award Agreement conflicts with or is inconsistent in any respect with the terms of the Plan as set forth herein or subsequently amended, the terms of the Plan shall control.

(d) No Rights of Stockholders. Except with respect to Shares of Restricted Stock as to which the Participant has been granted the right to vote, neither a Participant nor the Participant's legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company with respect to any Shares issuable to such Participant upon the exercise or payment of any Award, in whole or in part, unless and until such Shares have been issued in the name of such Participant or such Participant's legal representative without restrictions thereto.

(e) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(f) No Right to Employment»

. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ nor will it affect in any way the right of the Company or an Affiliate to terminate a Participant's employment or service at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment free from any liability or any claim under the Plan or any Award, unless otherwise expressly provided in the Plan or in any Award Agreement. Nothing in this Plan shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or an Affiliate. The Awards granted hereunder shall not form any part of the wages or salary of any Eligible Person for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, each Participant shall be deemed to have accepted all the conditions of the Plan and the terms and conditions of any rules and regulations adopted by the Committee and shall be fully bound thereby.

(g) Governing Law»

. The validity, construction and effect of the Plan or any Award, and any rules and regulations relating to the Plan or any Award, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Delaware.

(h) Severability»

. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

(i) No Trust or Fund Created»

. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and an Eligible Person or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(j) Other Benefits»

. No compensation or benefit awarded to or realized by any Participant under the Plan shall be included for the purpose of computing such Participant's compensation under any compensation-based retirement, disability, or similar plan of the Company unless required by law or otherwise provided by such other plan.

(k) No Fractional Shares»

. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(l) Headings»

. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

(m) Section 16 Compliance»

. The Plan is intended to comply in all respects with Rule 16b-3 or any successor provision, as in effect from time to time, and in all events the Plan shall be construed in accordance with the requirements of Rule 16b-3. If any Plan provision does not comply with Rule 16b-3 as hereafter amended or interpreted, the provision shall be deemed inoperative. The Board of Directors, in its absolute discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan with respect to persons who are subject to Section 16 of the Exchange Act without so restricting, limiting or conditioning the Plan with respect to other Eligible Persons.

(n) Conditions Precedent to Issuance of Shares»

. Shares shall not be issued pursuant to the exercise or payment of the purchase price relating to an Award unless such exercise or payment and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act, the rules and regulations promulgated thereunder, the requirements of any applicable Stock Exchange and the Delaware General Corporation Law. As a condition to the exercise or payment of the purchase price relating to such Award, the Company may require that the person exercising or paying the purchase price represent and warrant that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation and warranty is required by law.

Section 10. Effective Date of the Plan

The Plan shall be effective upon the date of its adoption by the Board.

Section 11. Term of the Plan

No Award shall be granted under the Plan after (a) the tenth anniversary of the date on which this Plan was adopted by the Board or (b) any earlier date of discontinuation or termination established pursuant to Section 7(a) of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee provided for hereunder with respect to the Plan and any Awards, and the authority of the Board to amend the Plan, shall extend beyond the termination of the Plan.