

## Non-GAAP Financial Measures

Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. We provide "Adjusted EBITDA," which is a non-GAAP financial measure. Adjusted EBITDA consists of net income before (a) interest income (expense), net; (b) income tax provision (benefit); (c) amortization of intangibles and impairment loss; (d) depreciation and amortization; and (e) share-based compensation expense related to stock options. U.S. Auto Parts defines non-GAAP free cash flow as net cash provided by operating activities less cash paid for purchases of fixed assets.

The Company believes these non-GAAP financial measures provide important supplemental information to management and investors. These non-GAAP financial measures reflects an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results and the accompanying reconciliation to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting the Company's business and results of operations.

Management uses Adjusted EBITDA as a measurement of the Company's operating performance because it assists in comparisons of the Company's operating performance on a consistent basis by removing the impact of items not directly resulting from core operations. Internally, this non-GAAP measure is also used by management for planning purposes, including the preparation of internal budgets; for allocating resources to enhance financial performance; for evaluating the effectiveness of operational strategies; and for evaluating the Company's capacity to fund capital expenditures and expand its business. The Company also believes that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in our industry. Additionally, lenders or potential lenders use Adjusted EBITDA to evaluate the Company's ability to repay loans.

Management believes that non-GAAP free cash flow provides meaningful information about the Company's liquidity and future cash availability. Management uses this measure internally for planning purposes and resource allocations. Further, management believes that non-GAAP free cash flow provides increased consistency in financial reporting and comparability with similar companies in the Company's industry.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-GAAP adjustments described above, and exclusion of these items from the Company's non-GAAP measures should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	(in thousands)		(in thousands)	
Net income (loss)	\$ (491)	\$ 894	\$ (13,429)	\$ 1,901
Interest (income) expense, net	(238)	(389)	(741)	(654)
Income tax provision (benefit)	(362)	633	(8,968)	1,309
Amortization of intangibles	365	2,097	4,560	6,251
Depreciation and amortization	916	328	2,674	870
EBITDA	190	3,563	(15,904)	9,677
Impairment loss on intangibles	—	—	18,445	—
Share-based compensation	750	532	2,068	1,562
Adjusted EBITDA	\$ 940	\$ 4,095	\$ 4,609	\$ 11,239

The table below reconciles free cash flow for the periods presented:

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(in thousands)</b>	
Net cash provided by (used in) operating activities	\$ (12)	\$ 1,103
Less: Additions to property and equipment	(919)	(1,386)
Free cash flow	<u>\$ (931)</u>	<u>\$ (283)</u>