

U.S. Auto Parts Network, Inc.
Form 10-Q
November 01, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 1, 2016

OR

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

For the transition period from _____ to _____

Commission file number: 001-33264

U.S. AUTO PARTS NETWORK, INC.
(Exact name of registrant as specified in its charter)

Delaware 68-0623433
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
16941 Keegan Avenue, Carson, CA 90746
(Address of Principal Executive Office) (Zip Code)
(310) 735-0085
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 28, 2016, the registrant had 34,977,717 shares of common stock outstanding, \$0.001 par value.

U.S. AUTO PARTS NETWORK, INC.
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE THIRTEEN WEEKS ENDED OCTOBER 1, 2016
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Unless the context requires otherwise, as used in this report, the terms “U.S. Auto Parts,” the “Company,” “we,” “us” and “our” refer to U.S. Auto Parts Network, Inc. and its wholly-owned and majority-owned subsidiaries. Unless otherwise stated, all amounts are presented in thousands. In addition, unless the context requires otherwise, references to AutoMD refer to AutoMD, Inc., our majority-owned subsidiary.

U.S. Auto Parts®, U.S. Auto Parts Network™, AutoMD®, AutoMD Insta-Quotes! ®, Kool-Vue™, JC Whitney®, and Stylintrucks™, amongst others, are our United States trademarks. All other trademarks and trade names appearing in this report are the property of their respective owners.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements included in this report, other than statements or characterizations of historical or current fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and we intend that such forward-looking statements be subject to the safe harbors created thereby. Any forward-looking statements included herein are based on management’s beliefs and assumptions and on information currently available to management. We have attempted to identify forward-looking statements by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would”, “will likely result” and variations of these words or similar expressions. These forward-looking statements include, but are not limited to, statements regarding future events, our future operating and financial results, financial expectations, expected growth and strategies, current business indicators, capital needs, financing plans, capital deployment, liquidity, contracts, litigation, product offerings, customers and suppliers, acquisitions, competition and the status of our facilities. Forward-looking statements, no matter where they occur in this document or in other statements attributable to the Company involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We discuss many of these risks in greater detail under the heading “Risk Factors” in Part II, Item 1A of this report. Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this report and the documents that we reference in this report and have filed as exhibits to the report completely and with the understanding that our actual future results may be materially different from what we expect. Also, forward-looking statements represent our management’s beliefs and assumptions only as of the date of this report. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

CONSOLIDATED BALANCE SHEETS

(Unaudited, In Thousands, Except Par Value and Per Share Liquidation Value)

	October 1, 2016	January 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,505	\$ 5,537
Short-term investments	32	65
Accounts receivable, net of allowances of \$90 and \$17 at October 1, 2016 and January 2, 2016, respectively	2,991	3,236
Inventory	49,471	51,216
Other current assets	3,291	2,475
Total current assets	63,290	62,529
Property and equipment, net	18,005	18,431
Intangible assets, net	1,115	1,476
Other non-current assets	1,056	1,320
Total assets	\$ 83,466	\$ 83,756
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 33,130	\$ 25,523
Accrued expenses	7,663	7,267
Revolving loan payable	—	11,759
Current portion of capital leases payable	534	521
Other current liabilities	4,146	3,854
Total current liabilities	45,473	48,924
Capital leases payable, net of current portion	9,915	10,168
Deferred income taxes	650	944
Other non-current liabilities	1,710	1,577
Total liabilities	57,748	61,613
Commitments and contingencies		
Stockholders' equity:		
Series A convertible preferred stock, \$0.001 par value; \$1.45 per share liquidation value or aggregate of \$6,017; 4,150 shares authorized; 4,150 shares issued and outstanding at October 1, 2016 and January 2, 2016	4	4
Common stock, \$0.001 par value; 100,000 shares authorized; 34,977 and 34,137 shares issued and outstanding at October 1, 2016 and January 2, 2016	35	34
Additional paid-in capital	179,300	176,873
Accumulated other comprehensive income	456	440
Accumulated deficit	(155,107)	(157,011)
Total stockholders' equity	24,688	20,340
Noncontrolling interest	1,030	1,803
Total equity	25,718	22,143
Total liabilities and stockholders' equity	\$ 83,466	\$ 83,756

See accompanying notes to consolidated financial statements (unaudited).

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE OPERATIONS
(Unaudited, in Thousands, Except Per Share Data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Net sales	\$ 73,515	\$ 70,648	\$ 232,376	\$ 223,498
Cost of sales ⁽¹⁾	51,101	49,606	161,616	160,110
Gross profit	22,414	21,042	70,760	63,388
Operating expenses:				
Marketing	10,788	10,684	33,324	32,684
General and administrative	4,434	4,292	13,545	12,957
Fulfillment	5,596	4,881	17,292	14,919
Technology	1,560	1,292	4,275	3,830
Amortization of intangible assets	120	115	361	345
Total operating expenses	22,498	21,264	68,797	64,735
(Loss) income from operations	(84)	(222)	1,963	(1,347)
Other income (expense):				
Other income, net	8	8	25	41
Interest expense	(291)	(277)	(889)	(922)
Total other expense, net	(283)	(269)	(864)	(881)
(Loss) income before income taxes	(367)	(491)	1,099	(2,228)
Income tax benefit	(7)	(203)	(212)	(602)
Net (loss) income including noncontrolling interests	(360)	(288)	1,311	(1,626)
Net loss attributable to noncontrolling interests	(258)	(296)	(773)	(799)
Net (loss) income attributable to U.S. Auto Parts	(102)	8	2,084	(827)
Other comprehensive loss attributable to U.S. Auto Parts:				
Foreign currency translation adjustments	(16)	(28)	(29)	(50)
Total other comprehensive loss attributable to U.S. Auto Parts	(16)	(28)	(29)	(50)
Comprehensive (loss) income attributable to U.S. Auto Parts	\$(118)	\$(20)	\$2,055	\$(877)
Net income (loss) attributable to U.S. Auto Parts per share:				
Basic net income (loss) per share	\$ 0.00	\$ 0.00	\$ 0.05	\$(0.03)
Diluted net income (loss) per share	\$ 0.00	\$ 0.00	\$ 0.05	\$(0.03)
Weighted average common shares outstanding:				
Shares used in computation of basic net income (loss) per share	34,932	34,018	34,728	33,900
Shares used in computation of diluted net income (loss) per share	34,932	34,018	39,923	33,900

⁽¹⁾ Excludes depreciation and amortization expense which is included in marketing, general and administrative and fulfillment expense.

See accompanying notes to consolidated financial statements (unaudited).

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, In Thousands)

	Thirty-Nine Weeks Ended	
	October 2016	October 3, 2015
Operating activities		
Net income (loss) including noncontrolling interests	\$1,311	\$(1,626)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	5,601	5,618
Amortization of intangible assets	361	345
Deferred income taxes	(299)	(674)
Share-based compensation expense	2,475	1,726
Stock awards issued for non-employee director service	6	2
Amortization of deferred financing costs	61	61
Gain from disposition of assets	—	(13)
Changes in operating assets and liabilities:		
Accounts receivable	245	261
Inventory	1,745	2,177
Other current assets	(751)	(706)
Other non-current assets	168	93
Accounts payable and accrued expenses	7,825	(460)
Other current liabilities	291	649
Other non-current liabilities	257	(105)
Net cash provided by operating activities	19,296	7,348
Investing activities		
Additions to property and equipment	(4,570)	(5,800)
Proceeds from sale of property and equipment	—	13
Cash paid for intangible assets	(125)	(25)
Net cash used in investing activities	(4,695)	(5,812)
Financing activities		
Borrowings from revolving loan payable	11,976	8,970
Payments made on revolving loan payable	(23,735)	(11,700)
Proceeds from stock options	734	102
Payments on capital leases	(449)	(297)
Statutory tax withholding payment for share-based compensation	(969)	(438)
Payment of liabilities related to financing activities	(100)	(100)
Preferred stock dividends paid	(61)	—
Net cash used in financing activities	(12,604)	(3,463)
Effect of exchange rate changes on cash	(29)	(50)
Net change in cash and cash equivalents	1,968	(1,977)
Cash and cash equivalents, beginning of period	5,537	7,653
Cash and cash equivalents, end of period	\$7,505	\$5,676
Supplemental disclosure of non-cash investing and financing activities:		
Accrued asset purchases	\$1,050	\$902
Property acquired under capital lease	211	1,588
Unrealized (loss) gain on investments	(2)	(2)
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	\$69	\$84

Cash paid during the period for interest	825	886
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See accompanying notes to consolidated financial statements (unaudited).

U.S. AUTO PARTS NETWORK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(In Thousands, Except Per Share Data)

Note 1 – Basis of Presentation and Description of Company

U.S. Auto Parts Network, Inc. (including its subsidiaries) is a leading online provider of aftermarket auto parts and accessories and was established in 1995. The Company entered the e-commerce sector by launching its first website in 2000 and currently derives the majority of its revenues from online sales channels. The Company sells its products to individual consumers through a network of websites and online marketplaces. Through AutoMD.com, a majority-owned subsidiary, the Company also educates consumers on maintenance and service of their vehicles. The site provides auto information, with tools for diagnosing car troubles, locating repair shops and do-it-yourself (“DIY”) repair guides. Our flagship consumer websites are located at www.autopartswarehouse.com, www.carparts.com, www.jcwhitney.com and www.AutoMD.com and our corporate website is located at www.usautoparts.net. References to the “Company,” “we,” “us,” or “our” refer to U.S. Auto Parts Network, Inc. and its consolidated subsidiaries.

The Company’s products consist of collision parts serving the body repair market, engine parts to serve the replacement parts market, and performance parts and accessories. The collision parts category is primarily comprised of body parts for the exterior of an automobile. Our parts in this category are typically replacement parts for original body parts that have been damaged as a result of a collision or through general wear and tear. The majority of these products are sold through our websites. In addition, we sell an extensive line of mirror products, including our own private-label brand called Kool-View™, which are marketed and sold as aftermarket replacement parts and as upgrades to existing parts. The engine parts category is comprised of engine components and other mechanical and electrical parts. These parts serve as replacement parts for existing engine parts and are generally used by professionals and do-it-yourselfers for engine and mechanical maintenance and repair. We also offer performance versions of many parts sold in each of the above categories. Performance parts and accessories generally consist of parts that enhance the performance of the automobile, upgrade existing functionality of a specific part or improve the physical appearance or comfort of the automobile.

The Company is a Delaware C corporation and is headquartered in Carson, California. The Company has employees located in both the United States and the Philippines.

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions to U.S. Securities and Exchange Commission (“SEC”) Form 10-Q and Article 10 of SEC Regulation S-X. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company as of October 1, 2016 and the consolidated results of operations and cash flows for the thirteen and thirty-nine weeks ended October 1, 2016 and October 3, 2015. The Company’s results for the interim periods are not necessarily indicative of the results that may be expected for any other interim period, or for the full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended January 2, 2016, which was filed with the SEC on March 11, 2016 and all our other periodic filings, including Current Reports on Form 8-K, filed with the SEC after the end of our 2015 fiscal year, and throughout the date of this report.

During the thirteen and thirty-nine weeks ended October 1, 2016, the Company had a net loss of \$102 and net income of \$2,084, respectively, compared to net income of \$8 and a net loss of \$827 during the thirteen and thirty-nine weeks ended October 3, 2015, respectively. Based on our current operating plan, we believe that our existing cash, cash equivalents, investments, cash flows from operations and available debt financing will be sufficient to finance our operational cash needs through at least the next twelve months.

Segment Data

The Company operates in two reportable operating segments. The criteria the Company uses to identify operating segments are primarily the nature of the products we sell or services we provide and the consolidated operating results that are regularly reviewed by our chief operating decision maker to assess performance and make operating decisions. We identified two reportable operating segments, the core auto parts business ("Base USAP"), and an online automotive repair information source of which we are a majority stockholder ("AutoMD").

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Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-09, “Compensation - Stock Compensation” (“ASU 2016-09”). The objective of this update is to simplify accounting related to stock compensation. The new standard is effective for fiscal years beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company is evaluating the effect that ASU 2016-09 will have on the consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has the effect of the standard on ongoing financial reporting been determined.

Note 2 –Intangible Assets, Net

Intangible assets consisted of the following at October 1, 2016 and January 2, 2016 (in thousands):

	Useful Life	October 1, 2016			January 2, 2016		
		Gross Carrying Amount	Accumulated Amort. and Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amort. and Impairment	Net Carrying Amount
Intangible assets subject to amortization:							
Product design intellectual property	4 years	\$2,750	\$ (2,556)	\$ 194	\$2,750	\$ (2,361)	\$ 389
Patent license agreements	3 - 5 years	562	(312)	\$ 250	562	(219)	\$ 343
Domain and trade names	10 years	1,407	(736)	\$ 671	1,407	(663)	\$ 744
Total		\$4,719	\$ (3,604)	\$ 1,115	\$4,719	\$ (3,243)	\$ 1,476

Intangible assets subject to amortization are amortized on a straight-line basis. Amortization expense relating to intangible assets for the thirteen weeks ended October 1, 2016 and October 3, 2015 was \$120 and \$115, respectively. Amortization expense relating to intangible assets for the thirty-nine weeks ended October 1, 2016 and October 3, 2015 was \$361 and \$345, respectively.

The following table summarizes the future estimated annual amortization expense for these assets:

2016	\$ 121
2017	344
2018	185
2019	100
2020	100
Thereafter	265
Total	\$ 1,115

Note 3 – Borrowings

The Company maintains an asset-based revolving credit facility (“Credit Facility”) that provides for, among other things, a revolving commitment in an aggregate principal amount of up to \$30,000, which is subject to a borrowing base derived from certain receivables, inventory, and property and equipment. The Credit Facility matures on April 26, 2017. At October 1, 2016, our outstanding revolving loan balance was \$0.

On May 6, 2016, the Company and JPMorgan Chase Bank, N.A. (“JPMorgan”) entered into a Ninth Amendment to Credit Agreement and Second Amendment to Pledge and Security Agreement (the “Amendment”), which amended the Credit

Agreement previously entered into by the Company, certain of its domestic subsidiaries and JPMorgan on April 26, 2012 (as

amended, the “Credit Agreement”) and the Pledge and Security Agreement previously entered into by the Company, certain of

its domestic subsidiaries and JPMorgan on April 26, 2012. Pursuant to the Amendment, letters of credit can be issued if after giving effect to such issuance, the letters of credit exposure shall not exceed \$15,000, which was an increase from the previously agreed upon \$6,000. As of October 1, 2016, our outstanding letters of credit balance was \$9,283. Loans drawn under the Credit Facility bear interest, at the Company's option, at a per annum rate equal to either (a) LIBOR plus an applicable margin of 1.25%, or (b) a "base rate" subject to an increase or reduction by up to 0.25% per annum based on the Company's fixed charge coverage ratio. At October 1, 2016, the Company's LIBOR based interest rate was 1.81% (on \$0 principal) and the Company's prime based rate was 3.25% (on \$0 principal). A commitment fee, based upon undrawn availability under the Credit Facility bearing interest at a rate of 0.25% per annum, is payable monthly. Under the terms of the Credit Agreement, cash receipts are deposited into a lock-box, which are at the Company's discretion unless the "cash dominion period" is in effect, during which cash receipts will be used to reduce amounts owing under the Credit Agreement. The cash dominion period is triggered in an event of default or if excess availability is less than the \$3,600 for five business days (on a cumulative basis) and will continue until, during the preceding 60 consecutive days, no event of default existed and excess availability has been greater than \$3,600 at all times (with such trigger subject to adjustment based on the Company's revolving commitment). In addition, in the event that "excess availability," as defined under the Credit Agreement, is less than \$2,400, the Company shall be required to maintain a minimum fixed charge coverage ratio of 1.0 to 1.0 (with the trigger subject to adjustment based on the Company's revolving commitment).

The Company's excess availability was \$13,871 at October 1, 2016. As of the date hereof, the cash dominion period has not been in effect; accordingly, no principal payments are due.

Note 4 – Stockholders' Equity and Share-Based Compensation

Non-Controlling Interest

Non-controlling interests represent equity interests in consolidated subsidiaries that are not attributable, either directly or indirectly, to the Company (i.e., minority interests). Non-controlling interests consist of the minority equity holders' proportionate share of the equity of AutoMD. Ownership interests in subsidiaries held by parties other than the Company are presented as non-controlling interests within stockholders' equity, separately from the equity held by the Company. Revenues, expenses, net income (loss) and other comprehensive loss are reported in the consolidated financial statements at the consolidated amounts, which includes amounts allocated to both the Company's interest and the non-controlling interests in AutoMD. Net loss and other comprehensive loss is then attributed to the Company's interest and the non-controlling interests. Net income (loss) to non-controlling interests is deducted from net income (loss) in the consolidated statements of comprehensive operations to determine net income (loss) attributable to the Company's common stockholders.

The following table summarizes the Company's stock option activity under the AutoMD 2014 Equity Incentive Plan (the "AMD Plan") for the thirty-nine weeks ended October 1, 2016, and details regarding the options outstanding and exercisable at October 1, 2016:

	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding, January 2, 2016	1,430	\$1.00		
Granted	10	\$1.00		
Exercised	—	—		
Expired	—	—		
Forfeited	(35)	\$1.00		
Options outstanding, October 1, 2016	1,405	\$1.00	8.45	\$ —
Vested and expected to vest at October 1, 2016	1,044	\$1.00	8.44	\$ —
Options exercisable, October 1, 2016	463	\$1.00	8.34	\$ —

At October 1, 2016, 545 shares were available for future grants under the AMD Plan.

The weighted-average fair value of options granted and outstanding as of October 1, 2016 and October 3, 2015 was \$0.55 and \$0.54, respectively. The intrinsic value of stock options at the date of exercise is the difference between the fair value of the

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stock at the date of the balance sheet and the exercise price. During the thirty-nine weeks ended October 1, 2016 and October 3, 2015, the options had \$0 intrinsic value. The Company had \$278 of unrecognized share-based compensation expense related to stock options outstanding as of October 1, 2016, which expense is expected to be recognized over a weighted-average period of 2.44 years.

Options exercised under all share-based compensation plans are granted net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. For those employees who elect not to receive shares net of the minimum statutory withholding requirements, the appropriate taxes are paid directly by the employee. During the thirteen and thirty-nine weeks ended October 1, 2016, we withheld 0 shares to satisfy \$0 of employees' tax obligations and 0 shares related to the net settlement of the stock options.

U.S. Auto Parts Network Options and Restricted Stock Units

The Company had the following common stock option activity during the thirty-nine weeks ended October 1, 2016:

- Granted options to purchase 980 common shares.
- Forfeitures of 44 options to purchase common shares.
- Expiration of 80 options to purchase common shares.

The following table summarizes the Company's restricted stock unit ("RSU") activity for the thirty-nine weeks ended October 1, 2016, and details regarding the awards outstanding and exercisable at October 1, 2016 (in thousands):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Awards outstanding, January 2, 2016	804	\$ —	—	
Awarded	954	\$ —	—	
Vested	(774)	\$ —	—	
Forfeited	(30)	\$ —	—	
Awards outstanding, October 1, 2016	954	\$ —	0.87	\$ 3,137
Vested and expected to vest at October 1, 2016	865	\$ —	0.84	\$ 2,847

During the thirty-nine weeks ended October 1, 2016, all RSU's that vested were time-based. For the majority of RSUs awarded, the number of shares issued on the date the RSUs vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. For those employees who elect not to receive shares net of the minimum statutory withholding requirements, the appropriate taxes are paid directly by the employee. During the thirty-nine weeks ended October 1, 2016, we withheld 131 shares to satisfy \$371 of employees' tax obligations. Although shares withheld are not issued, they are treated as a common stock repurchase in our consolidated financial statements, as they reduce the number of shares that would have been issued upon vesting.

For the thirteen and thirty-nine weeks ended October 1, 2016, we recorded compensation expense of \$821 and \$2,537, respectively. As of October 1, 2016, there was unrecognized compensation expense of \$895 related to unvested RSUs based on awards that are expected to vest. The unrecognized compensation expense is expected to be recognized over a weighted-average period of 0.87 years.

Note 5 – Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except per share data):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Net income (loss) per share:				
Numerator:				
Net (loss) income attributable to U.S. Auto Parts	\$(102)	\$ 8	2,084	(827)
Dividends on Series A Convertible Preferred Stock	61	61	180	180
Net (loss) income available to common shares	\$(163)	\$(53)	\$1,904	\$(1,007)
Denominator:				
Weighted-average common shares outstanding (basic)	34,932	34,018	34,728	33,900
Common equivalent shares from common stock options, preferred stock and warrants	—	—	5,195	—
Weighted-average common shares outstanding (diluted)	34,932	34,018	39,923	33,900
Basic net income (loss) per share				