

KAR Auction Services, Inc.  
Form DEF 14A  
April 23, 2015

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**KAR AUCTION SERVICES, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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    - (1) Amount Previously Paid:
    - (2) Form, Schedule or Registration Statement No.:
    - (3) Filing Party:
    - (4) Date Filed:
-

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*2014 Proxy Statement and  
Notice of 2015 Annual Meeting  
of Stockholders*

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**KAR Auction Services, Inc.**  
13085 Hamilton Crossing Boulevard  
Carmel, In 46032

April 23, 2015

Dear Stockholder:

On behalf of the Board of Directors, we cordially invite you to attend KAR Auction Services' annual meeting of stockholders. The meeting will be held on June 3, 2015, at 9:00 a.m., Eastern Daylight Time, at the Renaissance Indianapolis North Hotel, 11925 North Meridian Street, in Carmel, Indiana 46032.

As a KAR Auction Services stockholder, your vote is important. At the meeting, stockholders will vote on a number of important matters. Even if you are planning to attend the annual meeting in person, you are strongly encouraged to vote your shares through one of the methods described in the enclosed proxy statement. The Board of Directors would appreciate your support on our recommendations for the following proposals:

Election of the ten nominated directors; and

Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of our annual meeting. The proxy statement contains instructions on how you can request a paper copy of the proxy statement and annual report.

On behalf of the Board of Directors, I would like to express our appreciation for your continued support of KAR Auction Services.

Regards,

**James P. Hallett**

Chairman of the Board and Chief Executive Officer

This proxy statement is dated April 23, 2015 and is first being distributed to stockholders on or about April 23, 2015.



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13085 Hamilton Crossing Boulevard  
Carmel, Indiana 46032

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Time and Date	9:00 a.m., Eastern Daylight Time, on June 3, 2015
Place	Renaissance Indianapolis North Hotel 11925 North Meridian Street Carmel, Indiana 46032
Items of Business	<i>Proposal No. 1:</i> To elect ten directors to the Board of Directors.  <i>Proposal No. 2:</i> To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2015.  To transact any other business as may properly come before the meeting or any adjournments or postponements thereof.
Record Date	You are entitled to vote at the annual meeting and at any adjournments or postponements thereof if you were a stockholder of record at the close of business on April 13, 2015.
Voting by Proxy	Please submit your proxy card as soon as possible so that your shares can be voted at the annual meeting in accordance with your instructions. For specific instructions on voting, please refer to the instructions on your enclosed proxy card.

On Behalf of the Board of Directors,

April 23, 2015  
Carmel, Indiana

Rebecca C. Polak  
*Executive Vice President,  
General Counsel and Secretary*

KAR AUCTION SERVICES 2015 PROXY  
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The proxy statement for the annual meeting and the annual report to stockholders for the fiscal year ended December 31, 2014, each of which is being provided to stockholders prior to or concurrently with this notice, are also available to you electronically via the Internet. We encourage you to review all of the important information contained in the proxy materials before voting. To view the proxy statement and annual report to stockholders on the Internet, visit the "Investor Relations" section of our website, under the "Proxy Statement" link at [www.karauctionservices.com](http://www.karauctionservices.com).

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## PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement before voting. For more complete information regarding the Company's 2014 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

### 2015 ANNUAL MEETING OF STOCKHOLDERS

<b>Date and Time:</b>	9:00 a.m., Eastern Daylight Time, on June 3, 2015
<b>Location:</b>	Renaissance Indianapolis North Hotel, 11925 North Meridian Street, Carmel, Indiana 46032
<b>Record Date:</b>	April 13, 2015
<b>Voting:</b>	Stockholders of record as of the close of business on the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and for each of the other proposals to be voted on at the 2015 annual meeting of stockholders.
<b>NYSE Symbol:</b>	KAR
<b>Registrar and Transfer Agent:</b>	American Stock Transfer & Trust Company, LLC

### ITEMS TO BE VOTED ON AT 2015 ANNUAL MEETING OF STOCKHOLDERS

<b>Proposal</b>	<b>Board of Directors' Recommendation FOR</b>
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Election of ten directors (Proposal No. 1)

Name	Director Since	Independent
Todd F. Bourell		Yes
Donna R. Ecton	2013	Yes
Peter R. Formanek	2009	Yes
James P. Hallett (Chief Executive Officer and Chairman of the Board)	2007	No
Mark E. Hill	2014	Yes
J. Mark Howell	2014	Yes
Lynn Jolliffe	2014	Yes
Michael T. Kestner	2013	Yes
John P. Larson (Lead Independent Director)	2014	Yes
Stephen E. Smith	2013	Yes

**FOR**

Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015 (Proposal No. 2)

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## KAR AUCTION SERVICES HIGHLIGHTS

### Business Highlights

**For the year ended December 31, 2014, KAR delivered solid growth in volume of total vehicles sold, revenues and Adjusted EBITDA. Specific highlights for fiscal 2014 included:**

**Total vehicles sold for our ADESA, Inc. ("ADESA") and Insurance Auto Auctions, Inc. ("IAA") business segments rose approximately 7% to 3.9 million units.**

**Net revenue was up 9% to approximately \$2.4 billion.**

**Adjusted EBITDA\* rose over 11% to approximately \$599 million.**

\*Adjusted EBITDA is a non-GAAP measure and is defined and reconciled to the most comparable GAAP measure, net income (loss), in our Annual Report on Form 10-K for the year ended December 31, 2014 in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations EBITDA and Adjusted EBITDA."

**Net income increased 150% from \$67.7 million (\$0.48 per diluted share) to \$169.3 million (\$1.19 per diluted share).**



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**We increased our dividend to \$0.27 per share and announced a two-year, \$300 million share repurchase program.**

**The closing stock price of KAR stock rose over 17% from \$29.55 at December 31, 2013 to \$34.65 at December 31, 2014. The closing price shown below for each year is the closing price of a share of KAR Auction Services' common stock on December 31.**

## Corporate Governance

**We are committed to high standards of ethical and business conduct and strong corporate governance practices. This commitment is highlighted by the practices described below as well as the information contained on our website at [www.karauctionservices.com](http://www.karauctionservices.com) on the "Investor Relations" page under the link "Corporate Governance":**

**Annual Elections:** Our directors are elected annually for one year terms.

**Majority Voting:** We maintain a majority voting standard for uncontested director elections with a policy for directors to tender their resignation should a majority of the votes cast not be in their favor.

**Director Independence:** Nine of our ten director nominees are independent, and all committees of our Board of Directors are comprised entirely of independent directors.

**Executive Sessions:** Our independent directors meet in executive session at regularly scheduled Board of Directors' meetings.

**Board Leadership:** We have a lead independent director who presides over executive sessions of independent directors and serves as the principal liaison between the independent directors and the Company's Chief Executive Officer and Chairman of the Board.

**Board Diversity:** Twenty percent of our Board of Directors is comprised of women.

**Board of Directors Risk Oversight:** Our Board of Directors provides oversight with respect to risk practices implemented by management, except for the oversight of risks that have been specifically delegated to a committee of the Board of Directors (in which case the Board of Directors may maintain oversight over such risks through the receipt of reports from the committees). The Audit Committee maintains initial oversight over risks related to the integrity of our financial statements; internal controls over financial reporting and disclosure controls and procedures (including the performance of our internal audit function); the performance of the independent registered public accounting firm; and oversees our responses to ethics issues arising from our whistleblower hotline. The Compensation Committee maintains oversight over risks related to our compensation practices. The Nominating and Corporate Governance Committee monitors potential risks relating to the effectiveness of the Board of Directors, notably director succession, composition of the Board of Directors and the principal policies that guide our governance.

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**Executive Compensation**

**We maintain a compensation program structured to achieve a close connection between executive pay and company performance. We believe that this strong pay-for-performance orientation has served us well in recent years, particularly as we've moved forward following the sale by our former equity sponsors of all of their holdings of our common stock in late 2013. For more information regarding our named executive officer compensation, see "Compensation Discussion and Analysis" and the compensation tables that follow such section.**

- ii ***Pay for performance alignment:*** Historically, we have demonstrated close alignment between our total stockholder return (TSR) performance and the compensation of our Chief Executive Officer, as shown in the chart on page 41.
- ii ***Independent Compensation Committee:*** All of the members of our Compensation Committee are independent under NYSE rules.
- ii ***Independent compensation consultants:*** In 2014, our Compensation Committee engaged two independent consultants at different points during the year first, ClearBridge, and then, Semler Brossy.
- ii ***Pay for performance:*** The equity awards granted to our named executive officers in 2014 and in 2015 are heavily performance-based, including restricted stock units that vest based on achievement of total stockholder return, adjusted earnings per share and net income goals.
- ii ***No dividends or dividend equivalents paid on unvested PRSUs:*** Dividend equivalents are accrued but not paid on PRSUs until (i) the performance conditions are satisfied; and (ii) the PRSUs vest after the performance measurement period.
- ii ***Maximum payout caps for annual cash incentive compensation and PRSUs.***
- ii ***Clawback of certain compensation if restatement and intentional misconduct:*** In 2014, we adopted a policy providing for the recovery of incentive compensation in the event we are required to prepare an accounting restatement due to any executive officer's intentional misconduct.
- ii ***No hedging of KAR securities:*** In 2014, we adopted a formal policy that prohibits the hedging of Company stock by our directors and officers.
- ii ***No pledging of KAR securities:*** As part of our Insider Trading Policy, we prohibit the pledging of Company stock.
- ii ***Moderate change-in-control benefits:*** Change-in-control severance benefits are two times base salary and target bonus for the CEO and one times base salary and target bonus for the executive officers.
- ii ***Limited executive perquisites.***
- ii ***NEW Robust equity ownership requirements:*** In 2015, we adopted stock ownership guidelines that are applicable to non-employee directors and senior executives, including our named executive officers. The stock ownership guideline for our CEO is 5 times base salary.
- ii

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**NEW Robust equity retention requirement:** In 2015, we adopted an equity retention requirement that is applicable to non-employee directors and senior executives, including our named executive officers. Our named executive officers are required to hold 100% of net shares of Company stock received under awards granted on or after January 1, 2015 for at least 12 months after vesting, regardless of whether the stock ownership guideline has been met.

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13085 Hamilton Crossing Boulevard  
Carmel, Indiana 46032

**PROXY STATEMENT**

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**QUESTIONS AND ANSWERS ABOUT THE PROXY  
MATERIALS AND THE ANNUAL MEETING**

**Q: Why am I receiving these materials?**

We are providing these proxy materials to you in connection with the solicitation, by the Board of Directors of KAR Auction Services, Inc. (the "Company" or "KAR Auction Services"), of proxies to be voted at the Company's 2015 annual meeting of

**A:** stockholders and at any adjournments or postponements thereof. Stockholders are invited to attend the annual meeting to be held on June 3, 2015 beginning at 9:00 a.m., Eastern Daylight Time, at the Renaissance Indianapolis North Hotel, 11925 North Meridian Street, Carmel, Indiana 46032. Our proxy materials are first being distributed to stockholders on or about April 23, 2015.

**Q: What proposals will be voted on at the annual meeting?**

There are two proposals scheduled to be voted on at the annual meeting:

**A:** To elect ten directors to the Board of Directors; and

To ratify the appointment of KPMG LLP ("KPMG") as our independent registered public accounting firm for 2015.

**Q: What is the Board of Directors' voting recommendation?**

**A:** The Company's Board of Directors recommends that you vote your shares:

"FOR" each of the nominees to the Board of Directors; and

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**"FOR"** the ratification of the appointment of KPMG as our independent registered public accounting firm for 2015.

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**Q: Who is entitled to vote?**

All shares owned by you as of the record date, which is the close of business on April 13, 2015, may be voted by you. You may cast one vote per share of common stock that you held on the record date.

These shares include shares that are:

**A:** held directly in your name as the stockholder of record; and

held for you as the beneficial owner through a broker, bank or other nominee, including shares purchased under the KAR Auction Services, Inc. Employee Stock Purchase Plan (the "Employee Stock Purchase Plan").

On the record date, KAR Auction Services had 141,800,443 shares of common stock issued and outstanding.

**Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

Many of our stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

**Stockholder of Record.** If your shares are registered directly in your name with the Company's transfer agent, American Stock Transfer & Trust Company, LLC, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent to you directly by the Company. As the stockholder of record, you have the right to grant your voting proxy directly to the Company or to vote in person at the annual meeting. You may vote on the Internet, by telephone or by mail, as described below under the heading "How can I vote my shares without attending the annual meeting?"

**A:**

**Beneficial Owner.** If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker on how to vote your shares and are also invited to attend the annual meeting. To vote these shares in person at the annual meeting, you must obtain a signed proxy from the stockholder of record giving you the right to vote the shares. You may also vote by Internet, by telephone or by mail, as described below under "How can I vote my shares without attending the annual meeting?"

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**Q: How can I vote my shares in person at the annual meeting?**

**Stockholder of Record.** Shares held directly in your name as the stockholder of record may be voted in person at the annual meeting. If you choose to vote your shares in person at the annual meeting, please bring proof of identification. Even if you plan to attend the annual meeting, the Company strongly recommends that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the annual meeting. See "How can I vote my shares without attending the annual meeting?"

**A:**

**Beneficial Owner.** Shares held in street name may be voted in person by you only if you obtain an account statement or letter from your bank, broker or other nominee indicating that you are the beneficial owner of the shares and a legal proxy from the stockholder of record giving you the right to vote the shares. The account statement or letter must show that you were the beneficial owner of shares on April 13, 2015, the record date.

**Q: How can I vote my shares without attending the annual meeting?**

Whether you hold your shares directly as the stockholder of record or beneficially in street name, you may direct your vote *without attending* the annual meeting by voting in one of the following manners:

**Internet.** Go to [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions. You will need the control number included on your proxy card or voting instruction form;

**A:**

**Telephone.** Dial 1-800-690-6903. You will need the control number included on your proxy card or voting instruction form; or

**Mail.** Complete, date and sign your proxy card or voting instruction card and mail it using the enclosed, pre-paid envelope.

**If you vote on the Internet or by telephone, you do not need to return your proxy card or voting instruction card. Internet and telephone voting for stockholders will be available 24 hours a day, and will close at 11:59 p.m., Eastern Daylight Time, on June 2, 2015.**

**Q: If I am an employee holding shares pursuant to the Employee Stock Purchase Plan, how will my shares be voted?**

Employees holding stock acquired through the Employee Stock Purchase Plan will receive a voting instruction card covering all shares held in their individual account from Computershare, the plan record keeper. The voting instruction cards have an earlier return date than proxy cards. The record keeper for the Employee Stock Purchase Plan will vote your shares (i) in accordance with the specific instructions on your returned voting instruction card; or (ii) in its discretion, if you return a signed voting instruction card with no specific voting instructions.

**A:**

**Q: What is the quorum requirement for the annual meeting?**

A quorum is necessary to hold the annual meeting. A quorum at the annual meeting exists if the holders of a majority of the Company's capital stock issued and outstanding and entitled to vote at the annual meeting are present in person or represented by proxy. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a broker does not vote on some matter on the proxy card because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

**A:**

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**Q:**