KAR Auction Services, Inc.
Form DEF 14A
April 24, 2019

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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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

KAR AUCTION SERVICES, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o 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:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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April 24, 2019

Dear Fellow Stockholder:

Thank you for your continued investment in and support of KAR Auction Services, Inc. ("KAR" or the "Company"). You are cordially invited to attend KAR's 2019 annual meeting of stockholders, which will be hosted virtually. A virtual meeting provides expanded access, improved communication and cost savings for our stockholders and the Company. You will be able to attend the 2019 annual meeting online, vote your shares electronically and submit your questions during the meeting by visiting www.virtualshareholdermeeting.com/KAR2019.

As a KAR stockholder, your vote is important. The matters to be acted upon are described in the notice of annual meeting of stockholders and the proxy statement. Even if you are planning to attend the virtual meeting, you are strongly encouraged to vote your shares in advance through one of the methods described in the proxy statement.

I am pleased to report that KAR had a very successful 2018. We grew revenue, adjusted EBITDA and gross profit and sold approximately 6.0 million vehicles. As an established market leader with an experienced management team, we believe we are well-positioned for continued growth with solid operating performance and disciplined capital investments.

We have a comprehensive capital allocation plan for increasing stockholder value. We are focused on return of capital to our stockholders and accretive investments in the business, including the acquisition of auctions and complementary capabilities in North America and internationally, expanding our data analytic capabilities, and enhancing our technology platform. We are proud that through share buybacks and dividends, in 2018 we returned approximately $338 million to stockholders and invested approximately $243 million in our business through capital expenditures and strategic acquisitions.

Thank you again for your continued support of KAR, our Board of Directors, our employees and our future.

Sincerely,

James P. Hallett

Chairman of the Board and
Chief Executive Officer

This proxy statement is dated April 24, 2019 and is first being distributed to stockholders on or about April 24, 2019.

13085 Hamilton Crossing Boulevard
Carmel, Indiana 46032

Date and Time:	9:00 a.m., Eastern Daylight Time, on June 4, 2019
Place:	Online at www.virtualshareholdermeeting.com/KAR2019
Admission:	To attend the 2019 annual meeting, visit www.virtualshareholdermeeting.com/KAR2019. You will need the 16-digit control number included on your Notice of Internet Availability of Proxy Materials, on your proxy card or on the instructions that accompanied your proxy materials.
Items of Business:	**Proposal No. 1:** To elect each of the nine director nominees to the Board of Directors.
	Proposal No. 2: To approve, on an advisory basis, executive compensation.
	Proposal No. 3: To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2019.
	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 2019 annual meeting and at any adjournments or postponements thereof if you were a stockholder of record at the close of business on April 11, 2019.
Voting by Proxy:	Whether or not you plan to virtually attend the 2019 annual meeting, please vote at your earliest convenience by following the instructions in the Notice of Internet Availability of Proxy Materials or the proxy card you received in the mail so that your shares can be voted at the 2019 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 24, 2019	Rebecca C. Polak
Carmel, Indiana	*Chief Legal Officer and Secretary*

Notice of Internet Availability of Proxy Materials for the Annual Meeting

The proxy statement for the 2019 annual meeting and the annual report to stockholders for the fiscal year ended December 31, 2018, 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 our website, www.karauctionservices.com, and click on the "Financials" tab under "Investor Relations" on our homepage.

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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 KAR Auction Services, Inc.'s (the "Company," "KAR" or "KAR Auction Services") 2018 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Date and Time:	9:00 a.m., Eastern Daylight Time, on June 4, 2019
Location:	Online at www.virtualshareholdermeeting.com/KAR2019
Record Date:	Stockholders of record as of the close of business on April 11, 2019 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 2019 annual meeting of stockholders. On the record date, KAR Auction Services had 133,271,194 shares of common stock issued and outstanding.
NYSE Symbol:	KAR
Registrar and Transfer Agent:	American Stock Transfer & Trust Company, LLC

ITEMS TO BE VOTED ON AT ANNUAL MEETING OF STOCKHOLDERS

Proposal		Our Board's Recommendation	Page
1.	Election of each of the nine director nominees.	**FOR** each director nominee	6
2.	Approval, on an advisory basis, of executive compensation.	**FOR**	24
3.	Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2019.	**FOR**	57

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BOARD NOMINEES (PAGES 7 12)

Name	Age	Director Since	Independent	Primary Occupation	Committee Membership**
Donna R. Ecton	72	2013	Yes	Chairman and Chief Executive Officer of EEI Inc.	CC (Chair), AC
James P. Hallett	66	2007	No	Chairman of the Board and Chief Executive Officer of KAR Auction Services, Inc.	
Mark E. Hill	63	2014	Yes	Managing Partner of Collina Ventures, LLC and Chairman and Chief Executive Officer of Lumavate LLC	NCGC (Chair), RC
J. Mark Howell	54	2014	Yes	President and Chief Executive Officer of Conexus Indiana	RC (Chair), AC
Stefan Jacoby	61		Yes	Automotive Industry Consultant	
Lynn Jolliffe	67	2014	Yes	Human Capital and Talent Management Consultant	CC, NCGC
Michael T. Kestner	65	2013	Yes	Building Products and Automotive Industry Consultant	AC (Chair), RC
John P. Larson*	56	2014	Yes	Chief Executive Officer of Bestop, Inc.	CC, RC
Stephen E. Smith	70	2013	Yes	Automotive Industry Consultant	AC, NCGC

* Lead Independent Director

** **AC**=Audit Committee; **CC**=Compensation Committee; **RC**=Risk Committee; **NCGC**=Nominating and Corporate Governance Committee

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2018 BUSINESS HIGHLIGHTS

For the year ended December 31, 2018, the Company again delivered solid growth in volume of total vehicles sold, revenues, adjusted EBITDA and gross profit. Specific highlights for fiscal 2018 included:

Net revenue was up 9% to approximately $3.8 billion.

+ 7%

Total vehicles sold by ADESA, Inc. ("ADESA") and Insurance Auto Auctions, Inc. ("IAA") rose approximately 7% to 6.0 million units.

Gross profit increased approximately 11% to $1.6 billion.

Through share buybacks and dividends, in 2018 we returned approximately ***$338 million*** to stockholders and invested approximately ***$243 million*** in our business through capital expenditures and strategic acquisitions.

Achieved net income of $328.0 million.

Adjusted EBITDA* rose 7% to $893.9 million.

* Adjusted EBITDA is a non-GAAP measure and is defined and reconciled to the most comparable GAAP measure, net income, in our Annual Report on Form 10-K for the year ended December 31, 2018 in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations EBITDA and Adjusted EBITDA."

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CORPORATE GOVERNANCE HIGHLIGHTS (PAGES 13 18)

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, www.karauctionservices.com, by clicking on "Governance" under the "Investor Relations" tab.

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 and Committee Independence: Eight of our nine director nominees are independent, and all committees of our Board of Directors (the "Board") are comprised entirely of independent directors.

Executive Sessions: Our independent directors meet in executive session at each regularly scheduled Board meeting.

Lead Independent Director: We have a lead independent director who presides over the executive sessions of the independent directors and serves as the principal liaison between the independent directors and the Company's CEO and Chairman of the Board.

Gender Diversity: More than twenty percent of our Board is comprised of women.

Annual Board and Committee Evaluations: The Board and each committee evaluates its performance each year.

Robust Equity Ownership Requirements for Non-Employee Directors: The stock ownership guideline for our non-employee directors is five times their annual cash retainer.

Robust Equity Retention Requirements for Non-Employee Directors: All shares of our common stock granted to non-employee directors must be held for three years after vesting while serving as a director.

Robust Equity Ownership Requirements for Executive Officers: We have stock ownership guidelines that are applicable to our executive officers. The stock ownership guideline for our CEO is five times his annual base salary, and our CEO currently holds over 20 times his annual base salary. Executive officers are required to hold 60% of vested shares, net of taxes, until stock ownership guidelines are met.

Anti-Hedging and Pledging Policies: Our directors and executive officers are prohibited from hedging or pledging Company stock.

Annual management and CEO evaluation and succession planning review: Our Board conducts an annual evaluation and review of our CEO and each executive officer's performance, development and succession plan.

Board Risk Oversight: The Risk Committee assists the Board in its oversight of: (i) the principal business, financial, technology, operational and regulatory risks and other material risks and exposures of the Company; and (ii) the actions, activities and initiatives of the Company to mitigate such risks and exposures. The Risk Committee provides oversight with respect to risk practices implemented by management, except for the oversight of risks that have been specifically delegated to another committee of the Board (in which case the Risk Committee may maintain oversight over such risks through the receipt of reports from such committees).

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EXECUTIVE COMPENSATION (PAGES 25 55)

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. For more information regarding our named executive officer compensation, see "Compensation Discussion and Analysis" and the compensation tables that follow such section.

WHAT WE DO

Stockholder alignment: We have demonstrated a trend of alignment between our total stockholder return ("TSR") performance and the compensation of our CEO, as shown in the chart on page 27.

Independent Compensation Committee: All of the members of our Compensation Committee are independent under New York Stock Exchange ("NYSE") rules.

Independent compensation consultant: The Compensation Committee retains its own independent compensation consultant to evaluate and review our executive compensation program and practices.

Pay for performance: Our annual incentive program is 100% performance-based and our equity incentive program is heavily performance-based with 75% of our equity awards in the form of performance restricted stock units ("PRSUs").

"Double-trigger" vesting provisions in equity award agreements: Beginning with the 2017 equity grants, accelerated vesting of assumed or replaced equity awards upon a change in control of the Company is only permitted if an executive experiences a qualifying termination of employment in connection with or following such change in control.

Maximum payout caps: The Compensation Committee sets maximum amounts that may be payable for annual cash incentive compensation and PRSUs.

Clawback policy for financial misconduct: Our clawback policy provides for the recovery and cancellation of incentive compensation of an executive officer in the event we are required to prepare an accounting restatement due to such executive officer's intentional misconduct.

Moderate change in control benefits: Change in control severance benefits are two times base salary and target bonus for our CEO and one times base salary and target bonus for our other executive officers.

Robust equity ownership requirements: We have stock ownership guidelines that are applicable to our executive officers. The stock ownership guideline for our CEO is five times his annual base salary, and our CEO currently holds over 20 times his annual base salary. Executive officers are required to hold 60% of vested shares, net of taxes, until stock ownership guidelines are met.

WHAT WE DON'T DO

Allow dividends or dividend equivalents to be 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.

Provide excessive perquisites: We provide a limited number of perquisites that are designed to attract and retain highly qualified executives.

Allow hedging or pledging of the Company's securities: We prohibit hedging, pledging and short sales of Company stock by our directors and executive officers.

Reprice stock options: Stock option exercise prices are set equal to the grant date market price and cannot be repriced or discounted without stockholder approval.

Maintain a defined benefit pension plan: We do not maintain a defined benefit pension plan for our executive officers.

ELECTION OF DIRECTORS: PROPOSAL NO. 1

DIRECTORS ELECTED ANNUALLY

Our Board has nominated the nine individuals named below to stand for election to the Board at the 2019 annual meeting. The Company's directors are elected each year by the stockholders at the annual meeting. We do not have a staggered or classified board. Each director's term will last until the 2020 annual meeting of stockholders and until such director's successor is duly elected and qualified, or such director's earlier death, resignation or removal. Each director nominee must receive the affirmative vote of a majority of the votes cast in the election of directors at the 2019 annual meeting to be elected (i.e., the number of shares voted "FOR" a director nominee must exceed the number of votes cast "AGAINST" such nominee).

DIRECTOR INDEPENDENCE

The Board is responsible for determining the independence of our directors. Under the NYSE listing standards, a director qualifies as independent if the Board affirmatively determines that the director has no material relationship with us. While the focus of the inquiry is independence from management, the Board is required to broadly consider all relevant facts and circumstances in making an independence determination. In making independence determinations, the Board complies with NYSE listing standards and considers all relevant facts and circumstances. Based upon its evaluation, our Board has affirmatively determined that the following current directors and director nominees meet the standards of "independence" established by the NYSE: Todd F. Bourell, Donna R. Ecton, Mark E. Hill, J. Mark Howell, Stefan Jacoby, Lynn Jolliffe, Michael T. Kestner, John P. Larson and Stephen E. Smith. James P. Hallett, our CEO and Chairman of the Board, is not an independent director.

BOARD NOMINATIONS AND DIRECTOR NOMINATION PROCESS

The Board is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between the annual meetings of stockholders. The Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Nominating and Corporate Governance Committee may also consider advice and recommendations from others, including third-party search firms, current Board members, management, stockholders and other persons, as it deems appropriate. The Nominating and Corporate Governance Committee has retained a third-party search firm to assist with identifying, screening and evaluating potential candidates.

The Nominating and Corporate Governance Committee uses a variety of methods to identify and evaluate potential candidates. Consideration of candidates typically involves a series of internal discussions, review of candidate information, and interviews with selected candidates. The Nominating and Corporate Governance Committee will consider the candidate against the criteria it has adopted, as further discussed below, in the context of the Board's then-current composition and the needs of the Board and its committees, and will ultimately recommend qualified candidates for election to the Board. Though the Nominating and Corporate Governance Committee does not have a formal policy regarding consideration of director candidates recommended by stockholders, the Nominating and Corporate Governance Committee generally evaluates such candidates in the same manner by which it evaluates director candidates recommended by other sources.

As detailed in both the Nominating and Corporate Governance Committee Charter and the Corporate Governance Guidelines, Board candidates are selected based upon various criteria including experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Nominating and Corporate Governance Committee considers appropriate in the context of the needs of the Board.

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All candidates are considered in light of the needs of the Board with due consideration given to the foregoing criteria. Board members are expected to prepare for, attend and participate in all Board and applicable committee meetings and the Company's annual meetings of stockholders.

In addition, a stockholder may nominate candidates for election as a director, provided that the nominating stockholder follows the procedures set forth in Article II, Section 5 of the Company's Second Amended and Restated By-Laws for nominations by stockholders of persons to serve as directors, including the requirements of timely notice and certain information to be included in such notice. Deadlines for stockholder nominations for next year's annual meeting are included in the "Requirements, Including Deadlines, for Submission of Proxy Proposals" section on page 61.

An employment agreement entered into on February 27, 2012 between the Company and James P. Hallett, the Company's CEO and Chairman of the Board, provides that Mr. Hallett shall be entitled to serve as a member of the Board for so long as the employment agreement is in effect.

BOARD QUALIFICATIONS AND DIVERSITY

The Nominating and Corporate Governance Committee and the Board believe that diversity along multiple dimensions, including opinions, skills, perspectives, personal and professional experiences, and other differentiating characteristics, is an important element of its nomination recommendations. The Nominating and Corporate Governance Committee has not identified any specific minimum qualifications which must be met for a person to be considered as a candidate for director. However, Board candidates are selected based upon various criteria including experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Nominating and Corporate Governance Committee considers appropriate in the context of the needs of the Board. Although the Board does not have a formal diversity policy, the Nominating and Corporate Governance Committee and Board review these factors, including diversity of gender, race, ethnicity, age, cultural background and professional experience, in considering candidates for Board membership.

INFORMATION REGARDING THE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

The following information is furnished with respect to each nominee for election as a director. All of the nominees, with the exception of Stefan Jacoby, are currently directors and were elected by the stockholders at last year's annual meeting. Mr. Jacoby was initially identified and recommended to the Nominating and Corporate Governance Committee as a potential nominee by a third-party search firm. Mr. Jacoby was subsequently recommended by the Nominating and Corporate Governance Committee to the Board for election as a director and the Board has nominated Mr. Jacoby to stand for election as a director at the 2019 annual meeting. Each of the nominees has consented to being named in this proxy statement and to serve as a director if elected. If a nominee is unavailable to stand for election as a director, your proxies will have the authority and discretion to vote for another nominee proposed by the Board or the Board may reduce the number of directors to be elected at the 2019 annual meeting. The ages of the nominees are as of the date of the 2019 annual meeting, June 4, 2019.

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Donna R. Ecton

Independent Director
since December 2013
Age: 72

Current Board Committees:
Compensation Committee (Chair)
and Audit Committee

James P. Hallett

Director
since April 2007
Age: 66

Chairman of the Board and
Chief Executive Officer

Career Highlights

Chairman and Chief Executive Officer of EEI Inc., a management consulting firm she founded in July 1998 to provide private equity firms with due diligence and market and operational assessments of companies being considered for acquisition, as well as turnaround management of troubled portfolio companies.

Director (1994 to 1998) and Chief Operating Officer (1996 to 1998) of PetsMart, Inc.

Chief Executive Officer of a number of companies, including Business Mail Express, Inc. (1995 to 1996) and Van Houten North America Inc./Andes Candies Inc. (1991 to 1994).

Held senior corporate management positions at Nutri/System, Inc., Campbell Soup Company and Nordemann Grimm, Inc.

Began career in banking at Chemical Bank and Citibank N.A. in New York City, running the Upper Manhattan middle market lending business and midtown Manhattan's retail banks.

Previous public company board of director positions have included Mellon Bank Corporation and Mellon Bank N.A., Mellon PSFS, H&R Block, Inc., Tandy Corporation, Barnes Group Inc. and Vencor, Inc.

Elected to and served on the Harvard University's Board of Overseers.

Member of the Council on Foreign Relations in New York City.

Graduate of Wellesley College (BA) and the Harvard Graduate School of Business Administration (MBA).

Other Current Public Company Directorships: Director of CVR GP, LLC, the general partner of CVR Partners, LP, a nitrogen fertilizer business, since March 2008.

Other Public Company Directorships in Last Five Years: Former Director and Non-Executive Chairman of the Board of Body Central Corp. (2011 to 2014).

Skills and Qualifications

More than 40 years of operational and management experience, including as a CEO, with established companies allows Ms. Ecton to provide to our Board insight into operations, marketing, finance, human resources and strategic planning.

Experience in running multiple location businesses not only in the U.S., but also in Canada, the U.K. and Australia.

Significant strategy and risk assessment experience developed in her roles as a management consultant and as a senior executive of multiple companies.

Substantial financial experience gained in her roles as CEO, COO and other senior executive positions.

Current and prior service on the board of directors of public companies, including several committee chair roles, provides additional perspective to our Board.

Career Highlights

Chairman of the Company since December 2014 and Chief Executive Officer since September 2009.

Chief Executive Officer and President of ADESA from April 2007 to September 2009, a wholly owned subsidiary of the Company.

President of Columbus Fair Auto Auction, a large independent automobile auction located in Columbus, Ohio, from May 2005 to April 2007.

After selling his auctions to ADESA in 1996, Mr. Hallett held various senior executive leadership positions with ADESA between 1996 and 2005, including President and Chief Executive Officer of ADESA.

Founded and owned two automobile auctions in Canada from 1990 to 1996.

Graduate of Algonquin College.

Managed and then owned a number of new car franchise dealerships for 15 years.

Winner of multiple industry awards, including NAAA Pioneer of the Year in 2008 and the Ed Bobit Industry Icon award in 2018.

Recognized as the EY Entrepreneur of the Year 2014 National Services Award Winner and one of Northwood University's 2015 Outstanding Business Leaders.

Skills and Qualifications

Committed and deeply engaged leader with over 20 years of experience in key leadership roles throughout the Company and over 40 years of experience in the industry.

As Chief Executive Officer, Mr. Hallett has a thorough and in-depth understanding of the Company's business and industry, including its employees, business units, customers and investors, which provides an additional perspective to our Board.

Utilizes strong communication skills to guide Board discussions and keep our Board apprised of significant developments in our business and industry; including our risk management practices, strategic planning and development.

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Mark E. Hill

Independent Director
since June 2014
Age: 63

Current Board Committees:
Nominating and Corporate Governance Committee (Chair) and Risk Committee

J. Mark Howell

Independent Director
since December 2014
Age: 54

Current Board Committees:
Risk Committee (Chair) and
Audit Committee

Career Highlights

Managing Partner of Collina Ventures, LLC, a private investment company that invests in software and technology companies, since 2006; and Chairman and Chief Executive Officer of Lumavate LLC, a company that provides a platform for building cloud-based mobile applications, since November 2017.

Co-founder and Chairman of Bluelock, LLC, a privately held infrastructure-as-a-service company, from 2006 to 2018.

Co-Founder, President and Chief Executive Officer of Baker Hill Corporation, a banking industry software and services business, from 1985 to 2006. Baker Hill Corporation was acquired by Experian PLC, a global information solutions company, in 2005.

Graduate of the University of Notre Dame and Indiana University (MBA).

Other Public Company Directorships in Last Five Years: Lead Independent Director of Interactive Intelligence Group, Inc., a global software business, from 2005 to 2016.

Skills and Qualifications

Significant executive leadership and management experience leading and owning a software and technology-based business provides our Board with expertise in technology, innovation, and strategic investments.

Extensive experience as an investor and mentor to numerous early stage software and technology companies provides entrepreneurial perspective to the Board.

Key leadership experience in numerous central Indiana business and community service organizations, including TechPoint, the Central Indiana Community Foundation, the Orr Fellowship and the local Teach For America board.

Public company board experience, including serving as a lead independent director.

Career Highlights

President and Chief Executive Officer of Conexus Indiana, Indiana's advanced manufacturing and logistics initiative sponsored by Central Indiana Corporate Partnership, Inc., since January 2018.

Chief Operating Officer of Angie's List, Inc., a publicly-traded, United States-based, leading consumer web services business connecting more than three million consumers to highly-rated local service providers via its online marketplace, from March 2013 to September 2017.

President, Ingram Micro North America Mobility of Ingram Micro Inc., a technology distribution company, from 2012 to 2013.

President, BrightPoint Americas of BrightPoint, Inc., a distributor of mobile devices for phone companies, including Chief Operating Officer, Executive Vice President and Chief Financial Officer, from 1994 to 2012. BrightPoint, Inc. was sold to Ingram Micro Inc. in 2012.

Vice President and Corporate Controller of ADESA from August 1992 to July 1994, now a wholly owned subsidiary of the Company.

Audit Staff and Senior Staff at Ernst & Young LLP.

Graduate of the University of Notre Dame (BBA in Accounting).

Skills and Qualifications

Extensive senior leadership experience at internet-based and technology-driven companies provides valuable insight as an increasing amount of the Company's consigned vehicles are sold online.

Provides unique, in-depth knowledge of ADESA and its industry as a former employee of ADESA.

Substantial financial experience.

Certified Public Accountant with experience in public accounting and public companies.

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Stefan Jacoby

Independent Director Nominee
Age: 61

Lynn Jolliffe

Independent Director
since June 2014
Age: 67

Current Board Committees:
Compensation Committee and Nominating and Corporate Governance Committee

Career Highlights

Consultant in the automotive industry since January 2018.

Executive Vice President of General Motors Company, a multinational company that designs, manufactures and markets vehicles worldwide, and President of GM International Operations, from August 2013 to January 2018.

Chief Executive Officer and President of Volvo Car Corporation, a multinational vehicle manufacturer and marketer, from August 2010 to October 2012.

Served in several capacities at Volkswagen AG, a multinational automotive manufacturing company, between 2004 and 2010, most recently serving as Chief Executive Officer and President of Volkswagen Group of America from 2007 to 2010 and as Executive Vice President of Group Marketing and Sales at Volkswagen AG from 2004 to 2007.

Chief Executive Officer and President of Mitsubishi Motors Europe, the European headquarters of automotive manufacturer Mitsubishi Motors, from 2001 to 2004.

Served in a variety of finance and leadership roles at Volkswagen AG from 1985 to 2001.

Graduate of the University of Cologne, Germany.

Skills and Qualifications

More than 30 years of broad international experience in the automotive industry, including senior management positions with global automakers in Germany, Japan, the Netherlands, Sweden, Singapore and the United States.

Deep insights and understanding of the macro trends and technologies rapidly transforming the automotive industry, including mobility as a service and autonomous vehicles.

Extensive knowledge of customer experience and retail structures. Expansive experience in finance, sales and marketing has given him a deep understanding of the impact of both areas on profitability and successful market growth.

Strong leadership skills in managing and motivating people for establishing momentum for growth and change, building high performance teams in transformative periods and recruiting and retaining senior management.

Career Highlights

Chief Executive Officer of Jolliffe Solutions, providing consulting in human capital and talent management since June 2015.

Executive Vice President, Global Human Resources of Ingram Micro Inc., a technology distribution company, from June 2007 to June 2015.

Vice President, Human Resources for the North America region from October 2006 to May 2007.

Served as Regional Vice President, Human Resources and Services for Ingram Micro European Coordination Center from August 1999 to October 2006.

Served in various capacities, including Vice President and Chief Financial Officer with responsibility for human resources, at two Canadian retailers, including Holt Renfrew, from 1985 to 1999.

Began career at Bell Canada and then moved to Bank of Montreal.

Graduated from Queens University and University of Toronto (MBA).

Skills and Qualifications

Extensive functional and leadership experience in finance, human resources and general management.

Deep understanding of business drivers from the financial, operational and people perspective gained from experience in multiple industries across three continents.

Diversity in viewpoint and international business experience as she has lived and worked in the U.S., Canada and abroad.

Significant experience with executive compensation decisions, strategies and policies for the acquisition and development of employee talent.

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Michael T. Kestner

Independent Director
since December 2013
Age: 65

Current Board Committees:
Audit Committee (Chair) and
Risk Committee

John P. Larson

Lead Independent Director
since June 2014
Age: 56

Current Board Committees:
Compensation Committee and
Risk Committee

Career Highlights

Consultant in the building products and automotive industry since December 2015.

Chief Financial Officer of Building Materials Holding Corporation, a building products company, from August 2013 to December 2015.

Partner in FocusCFO, LLC, a consulting firm providing part time CFO services, from April 2012 to August 2013.

Executive Vice President, Chief Financial Officer and a director of Hilite International, Inc., an automotive supplier of powertrain parts, from October 1998 to July 2011.

Chief Financial Officer of Sinter Metals, Inc., a supplier of metal power precision components, from 1995 to 1998.

Served in various capacities at Banc One Capital Partners, Wolfensohn Ventures LP and as a senior audit manager at KPMG LLP.

Graduated from Southeast Missouri State University.

Skills and Qualifications

Over 20 years as a CFO provides valuable experience and perspective as Chair of the Audit Committee.

Brings experience as the former CFO of a large, United States based company which includes experience with complex capital structures and mergers and acquisitions.

Extensive experience in financial analysis and financial statement preparation.

Management experience in the automotive industry both domestically and internationally provides him with additional insight into financial and business matters that are important to the Company.

Certified Public Accountant with experience in public accounting and public companies.

Career Highlights

Chief Executive Officer of Bestop, Inc., a leading manufacturer of soft tops and accessories for Jeep vehicles, since August 2015.

Chief Executive Officer of Escort Inc., an automotive electronics manufacturer, from January 2008 to January 2014 and prior to that as President and Chief Operating Officer from June 2007 to January 2008.

Served in a number of capacities at General Motors Company from 1986 to 2007, most recently serving as General Manager overseeing operations for the Buick, Pontiac and GMC Divisions from January 2005 to May 2007 and as General Director of Finance (CFO) for U.S. Sales, Service and Marketing Operations from 2001 to 2004.

Led General Motors Company's used car remarketing activity from 1999 to 2000.

Graduated from Northern Illinois University and Purdue University (M.S., Management).

Skills and Qualifications

Extensive business, management and operational experience as CEO in the automotive aftermarket and as a senior executive at one of the world's largest automakers, General Motors Company, provides him with perspective into the Company's challenges, operations, and strategic opportunities.

Extensive experience in automotive remarketing, captive finance (GMAC), rental car program design and automotive dealer activities, as well as an in depth understanding of the overall automotive business, provide him a broad perspective on our industry and key customers.

Extensive experience as a senior leader in corporate finance has provided him with key skills, including financial reporting, accounting and control, business planning and analysis and risk management, that are valuable to the oversight of our business.

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Stephen E. Smith

Independent Director
since December 2013
Age: 70

Current Board Committees:
Audit Committee and
Nominating and Corporate
Governance Committee

Career Highlights

Consultant in the automotive industry since October 2012.

Senior Vice President, Financial Services of American Honda Finance Corporation (AHFC), a provider of financial services to automobile, motorcycle, marine and power equipment product dealers and their customers, from 1985 to October 2012 (including various other positions). Financial services included commercial lending, consumer lending and financing and vehicle service contracts. Started the consumer finance organization at AHFC.

Served two terms as Chair of the Vehicle Finance Division for the American Financial Services Association. Member of the Financial Services Roundtable.

Began career at Bullock's Dept. Stores, a division of Federated Department Stores. Held senior level positions in the credit card division and in store management.

Member of the board of the directors of Carecredit Corporation, a privately-held consumer credit healthcare company, from 1996 to 2002.

Interim President of the California Council on Economic Education, a not-for-profit organization that provides training and educational materials to California teachers relating to economics and personal finance, from July 2013 to February 2014.

Graduated from California State University, Northridge (BA, MBA).

Skills and Qualifications

Over 25 years of extensive operational and management experience in the automotive industry with particular insight into the financing and leasing of vehicles.

Significant expertise in creating, building and developing consumer and commercial finance business. Expertise in strategy development, sales and marketing, operating efficiency and performance improvement, customer satisfaction and loyalty, and talent management.

Extensive experience in managing lease residual setting, vehicle remarketing, dealer inventory financing and vehicle service contracts.

Considerable financial skill and expertise.

The Board of Directors recommends a vote "FOR" the election of each of the foregoing nine nominees to the Board of Directors.

Proxies solicited by the Board of Directors will be voted "FOR" the election of each of the nine director nominees named in this proxy statement and on the proxy card unless stockholders specify a contrary vote.

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BOARD OF DIRECTORS STRUCTURE AND CORPORATE GOVERNANCE

ROLE OF THE BOARD OF DIRECTORS

The Board oversees the Company's CEO and other senior management in the competent and ethical operation of the Company and assures that the long-term interests of the stockholders are being served. The Company's Corporate Governance Guidelines are available on our website, www.karauctionservices.com, by clicking on "Governance" under the "Investor Relations" tab. The information on our website is not part of this proxy statement and is not deemed incorporated by reference into this proxy statement or any other public filing made with the Securities and Exchange Commission (the "SEC").

BOARD LEADERSHIP

Neither the Company's Second Amended and Restated By-Laws nor the Company's Corporate Governance Guidelines require that the Company separate the roles of Chairman of the Board and CEO, and the Board does not have a policy on whether the same person should serve as both the CEO and Chairman of the Board, or if the roles must remain separate. The Board believes that it should have the flexibility to make these determinations from time to time in the way that it believes best to provide appropriate leadership for the Company under then-existing circumstances.

At present, the Board has chosen to combine the positions of CEO and Chairman of the Board and to appoint a Lead Independent Director. Our Board believes that having the same person serve in the roles of Chairman of the Board and CEO is appropriate for the Company at this time, as it fosters clear accountability, effective decision making and alignment on corporate strategy. Given Mr. Hallett's unparalleled knowledge of the industry and the Company, the Board believes Mr. Hallett is in the best position to focus the independent directors' attention on critical business matters and to speak for and lead both the Company and the Board. In addition, the Board believes that the appointment of a Lead Independent Director helps ensure that the Company benefits from effective oversight by its independent directors. Our Lead Independent Director presides over the executive sessions of the independent directors and serves as the principal liaison between the independent directors and the Company's CEO and Chairman of the Board. Our Lead Independent Director, Mr. Larson, has served on the Board since 2014 and has strong communication and leadership skills, as well as extensive knowledge about the Company's strategic objectives, the industry in which we operate, and the areas of strategic importance to the Company.

In connection with the appointment of a Lead Independent Director, the Board adopted a Lead Independent Director Charter, which sets forth a clear mandate with significant authority and responsibilities, including:

Board Meetings and Executive Sessions

Has the authority to call meetings of the independent members of the Board, and calls and develops the agenda for executive sessions of the independent directors.

Presides at all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent members of the Board.

Communications

Serves as principal liaison on Board-wide issues among the independent directors and the Chairman and CEO and facilitates communication generally among directors.

Agendas	Reviews, in consultation with the Chairman and CEO, the agenda for Board meetings.
Meeting Schedules	Reviews, in consultation with the Chairman and CEO, the meeting schedules to assure there is sufficient time for discussion of all agenda items.
	Reviews, in consultation with the Chairman and CEO, information sent to the Board, including the quality, quantity, appropriateness and timeliness of such information.
Communicating with Stockholders	If requested by stockholders, ensures that he or she is available, when appropriate, for consultation and direct communication.
Chairman and CEO Performance Evaluation and Board Governance	Together with the Compensation Committee, conducts an annual evaluation of the Chairman and CEO, including an annual evaluation of his or her interactions with the independent directors.
Outside Advisors and Consultants	Recommends to the independent directors the retention of advisors and consultants who report directly to the Board, and, upon approval by the independent directors, retains such advisors and consultants.

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BOARD OF DIRECTORS MEETINGS AND ATTENDANCE

The Board held ten meetings during 2018. All of the incumbent directors attended at least 75% of the meetings of the Board and Board committees on which they served during 2018. As stated in our Corporate Governance Guidelines, each director is expected to attend all annual meetings of stockholders. All of our directors attended last year's annual meeting of stockholders.

COMMITTEES OF THE BOARD OF DIRECTORS

In 2018, the Board maintained four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Risk Committee. Each of our committees operates pursuant to a written charter. Copies of the committee charters are available on our website, www.karauctionservices.com, by clicking on the "Governance" tab under "Investor Relations" on our homepage. The information on our website is not part of this proxy statement and is not deemed incorporated by reference into this proxy statement or any other public filing made with the SEC. The following table sets forth the current membership of each committee:

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Risk Committee
Todd F. Bourell*				
Donna R. Ecton		(Chair)		
James P. Hallett**				
Mark E. Hill			(Chair)	
J. Mark Howell				(Chair)
Lynn Jolliffe				
Michael T. Kestner	(Chair)			
John P. Larson***				
Stephen E. Smith				

* Mr. Bourell is not standing for re-election at the 2019 annual meeting.
** Chief Executive Officer and Chairman of the Board
*** Lead Independent Director

A description of each Board committee is set forth below.

Audit Committee

Meetings Held in 2018: Nine

Primary Responsibilities: Our Audit Committee assists the Board in its oversight of the integrity of our financial statements, our independent registered public accounting firm's qualifications and independence and the performance of our independent registered public accounting firm. The Audit Committee reviews the audit plans and findings of our independent registered public accounting firm and our internal audit team and tracks management's corrective action plans where necessary; reviews our financial statements, including any significant financial items and changes in accounting policies or practices, with our senior management and independent registered public accounting firm; reviews our financial risk and control procedures, compliance programs (including our Code of Business Conduct and Ethics) and significant tax, legal and regulatory matters; reviews and approves related person transactions; and has the sole discretion to appoint annually our independent registered public accounting firm, evaluate its independence and performance and set clear hiring policies for employees or former employees of the independent registered public accounting firm.

Independence: Each member of the Audit Committee is "financially literate" under the rules of the NYSE, and each of Messrs. Howell and Kestner and Ms. Ecton has been designated as an "audit committee financial expert" as that term is defined by the SEC. In addition, the Board has determined that each member of the Audit Committee meets the standards of "independence" established by the NYSE and is "independent" under the independence standards for audit committee members adopted by the SEC.

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Compensation Committee

Meetings Held in 2018: Eight

Primary Responsibilities: The Compensation Committee reviews and recommends policies relating to the compensation and benefits of our executive officers and employees. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of our CEO and other executive officers, evaluates the performance of these officers in light of those goals and objectives, and approves the compensation of these officers based on such evaluations. The Compensation Committee also administers the issuance of equity and other awards under our equity plans.

Independence: All of the members of the Compensation Committee are independent under the NYSE rules (including the enhanced independence requirements for compensation committee members).

Nominating and Corporate Governance Committee

Meetings Held in 2018: Four

Primary Responsibilities: The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board regarding candidates for directorships and the size and composition of the Board. The Nominating and Corporate Governance Committee also reviews non-employee director compensation on an annual basis and makes recommendations to the Board. In addition, the Nominating and Corporate Governance Committee is responsible for overseeing our Corporate Governance Guidelines and reporting and making recommendations to the Board concerning governance matters.

As required by the Company's Corporate Governance Guidelines, the Nominating and Corporate Governance Committee oversees an annual evaluation process of the Board and each committee of the Board. The evaluation process includes a self-evaluation by the Board and each committee. Once the evaluation process is complete, the results are discussed by the full Board and each committee, as applicable, and changes in practices or procedures are considered and implemented as appropriate. The Nominating and Corporate Governance Committee also utilizes the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees. The Lead Independent Director also conducts a personal interview with each Board member to gather in-depth perspectives and candid insight about Board, committee and individual director performance and suggestions for improvement. In addition, each Board member completes an evaluation of each other Board member.

The Nominating and Corporate Governance Committee periodically reviews the format of the evaluation process to ensure that actionable feedback is solicited on the operation of the Board and director performance.

Independence: All of the members of the Nominating and Corporate Governance Committee are independent under the NYSE rules.

Risk Committee

Meetings Held in 2018: Four

Primary Responsibilities: The Risk Committee assists the Board in its oversight of (i) the principal business, financial, technology, operational and regulatory risks, and other material risks and exposures of the Company and (ii) the actions, activities and initiatives of the Company to mitigate such risks and exposures. The Risk Committee also provides oversight for matters specifically relating to cyber security and other risks related to information technology systems and procedures. The Risk Committee also oversees the Company's enterprise risk management ("ERM") program and has direct oversight over certain risks within the ERM framework.

Independence: All of the members of the Risk Committee are independent under the NYSE rules.

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BOARD OF DIRECTORS' RISK OVERSIGHT

Our management is responsible for the management and assessment of risk at the Company, including communication of the most material risks to the Board and its committees. Oversight of the Company's risks is carried out by the Board as a whole and by each of its various committees. The Risk Committee provides oversight with respect to risk practices implemented by management, except for the oversight of risks that have been specifically delegated to another committee of the Board. Even when the oversight of a specific area of risk has been delegated to another committee, the Risk Committee may maintain oversight over such risks through the receipt of reports from the committee chairs to the Risk Committee. The Board maintains oversight over such risks through the receipt of reports from the Chairman of the Risk Committee and from the other committees at each regularly scheduled Board meeting. The Risk Committee and other committee reviews occur principally through the receipt of reports from management and third parties on these areas of risk, and discussions with management and third parties regarding risk assessment and risk management.

At its regularly scheduled meetings, the Board generally receives a number of reports which include information relating to risks faced by the Company. The Company's Chief Financial Officer provides a report on the Company's results of operations, its liquidity position, including an analysis of prospective sources and uses of funds, and the implications to the Company's debt covenants and credit rating, if any. The president of each primary business unit provides information relating to strategic, operational and competitive risks. Finally, the Company's Chief Legal Officer provides a privileged report which provides information regarding the status of the Company's material litigation and related matters, if any, including environmental updates and the Company's continuing compliance with applicable laws and regulations. At each regularly scheduled Board meeting, the Board also receives reports from the Chairman of the Risk Committee as well as other committee chairs, which may include a discussion of risks initially overseen by the committees for discussion and input from the Board. As noted above, in addition to these regular reports, the Risk Committee receives reports on specific areas of risk such as regulatory, cyclical or other risks and reports to the Board on these matters.

The Board's leadership structure, through its committees, also supports its role in risk oversight. In general, the committees oversee the following risks:

Audit Committee: The Audit Committee maintains initial oversight over risks related to (i) the integrity of the Company's financial statements; (ii) internal controls over financial reporting and disclosure controls and procedures (including the performance of the Company's internal audit function); (iii) the performance of the independent registered public accounting firm; and (iv) ethics and related issues arising from the Company's whistleblower hotline.

Compensation Committee: The Compensation Committee maintains oversight over risks related to the Company's compensation programs and practices.

Nominating and Corporate Governance Committee: The Nominating and Corporate Governance Committee monitors potential risks relating to the effectiveness of the Board, notably director succession, composition of the Board and the principal policies that guide the Company's governance.

Risk Committee: The Risk Committee maintains oversight over the Company's enterprise-level risks generally and specifically with respect to cyber security and information technology systems and procedures as noted above.

CORPORATE GOVERNANCE DOCUMENTS

The Board has adopted the following corporate governance documents:

Document	Purpose/Application
Code of Business Conduct and Ethics	Applies to all of the Company's employees, officers and directors, including those officers responsible for financial reporting.
Code of Ethics for Principal Executive and Senior Financial Officers	Applies to the Company's principal executive officer, principal financial and accounting officer and such other persons who are designated by the Board.
Corporate Governance Guidelines	Contains general principles regarding the functions of the Board and its committees.
Committee Charters	Apply to the following Board committees, as applicable: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Committee.
Lead Independent Director Charter	Sets forth a clear mandate and significant authority and responsibilities for the Lead Independent Director.

We expect that any amendment to or waiver of the codes of ethics that apply to executive officers or directors will be disclosed on the Company's website. The foregoing documents are available on our website, www.karauctionservices.com, by clicking on the "Governance" tab under "Investor Relations" on our homepage and in print to any stockholder who requests them. Requests should be made to KAR Auction Services, Inc., Investor Relations, 13085 Hamilton Crossing Boulevard, Carmel, Indiana 46032. The information on our website is not part of this proxy statement and is not deemed incorporated by reference into this proxy statement or any other public filing made with the SEC.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year 2018, Messrs. Bourell and Larson and Mmes. Ecton and Jolliffe served as members of the Compensation Committee. None of our executive officers serve, or in fiscal year 2018 has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or our Compensation Committee. None of the individuals serving as members of the Compensation Committee during fiscal year 2018 are now or were previously an officer or employee of the Company or its subsidiaries.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD

Any stockholder or other interested parties desiring to communicate with the Board, the Chairman of the Board, a committee of the Board or any of the independent directors individually or as a group regarding the Company may directly contact such directors by delivering such correspondence to the Company's Chief Legal Officer at KAR Auction Services, Inc., 13085 Hamilton Crossing Boulevard, Carmel, Indiana 46032. Our Chief Legal Officer reviews all such correspondence and forwards to the applicable director(s) copies of all such applicable correspondence.

The Audit Committee has established procedures for employees, stockholders and others to submit confidential and anonymous reports regarding accounting, internal accounting controls, auditing or any other relevant matters.

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EXECUTIVE SESSIONS

The independent directors of the Company meet in executive session at every regularly scheduled Board meeting. The Company's Corporate Governance Guidelines state that the Chairman of the Board (if an independent director) or the Lead Independent Director (if the Chairman of the Board is not an independent director) shall preside at such executive sessions, or in such director's absence, another independent director designated by the Chairman of the Board or the Lead Independent Director, as applicable. Currently, Mr. Larson, our Lead Independent Director, presides at the executive sessions of our independent directors.

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DIRECTOR COMPENSATION

We use a combination of cash and stock based incentive compensation to attract and retain independent, qualified candidates to serve on the Board. The Board makes all director compensation determinations after considering the recommendations of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews director compensation annually, assisted periodically by an independent compensation consultant (most recently by ClearBridge Compensation Group LLC ("ClearBridge") in October 2018). Based in part on the independent compensation consultant's most recent review of our director compensation program and those of the 17 companies in our proxy comparator group (also used in executive compensation benchmarking), the Nominating and Corporate Governance Committee recommended, and the Board approved, the following changes to our director compensation program to better align it with market practices: (i) annual stock retainer increased to $130,000, effective June 2019 (and will vest after one year as opposed to one-fourth vesting quarterly); (ii) Audit Committee chair fee increased to $25,000, effective February 2019; and (iii) Audit Committee membership fee of $7,500 implemented, effective February 2019. There previously had been no increases in compensation paid to our directors since 2016. In setting director compensation, we consider various factors including market comparison studies and trends (such as the most recent review in October 2018), the responsibilities of directors generally, including committee chairs, and the significant amount of time that directors expend in fulfilling their duties. In establishing the non-employee director compensation recommendations, the Nominating and Corporate Governance Committee utilized a balance of cash and equity, with the majority of the compensation delivered through equity grants. Directors who also serve as employees of the Company do not receive payment for service as directors.

CASH AND STOCK RETAINERS

Non-employee directors who served for the entirety of 2018 received:

Components of Director Compensation Program For 2018 Service	Annual Amount	Form of Payment(1)
Annual Cash Retainer(2)	$85,000	Cash
Annual Stock Retainer(3)	$115,000	Restricted Stock
Lead Independent Director Fee	$30,000	Cash
Audit and Compensation Committee Chair Fee	$20,000	Cash
Nominating and Corporate Governance and Risk Committee Chair Fee	$10,000	Cash

(1) May elect to receive annual cash retainer in shares of our common stock.

(2) One-fourth of the annual cash retainer is paid at the end of each quarter, provided that the director served as a director in such fiscal quarter.

(3) Pursuant to our Policy on Granting Equity Awards, unless specifically provided otherwise by the Compensation Committee or the Board, annual grants for directors are effective on the date of the annual meeting at which the director was elected or re-elected. One-fourth of the annual restricted stock grant vests quarterly following the date of the grant. The number of shares of our common stock received is based on the value of the shares on the date of the restricted stock grant.

All of our directors are reimbursed for reasonable expenses incurred in connection with attending Board meetings, committee meetings and Board education events.

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DIRECTORS DEFERRED COMPENSATION PLAN

Our Board adopted the KAR Auction Services, Inc. Directors Deferred Compensation Plan (the "Director Deferred Compensation Plan") in December 2009. Pursuant to the terms of the Director Deferred Compensation Plan, each non-employee director may elect to defer the receipt of his or her cash director fees into a pre-tax interest-bearing deferred compensation account, which account accrues interest as described in the Director Deferred Compensation Plan. Amounts under the Director Deferred Compensation Plan may also be invested in the same investment choices as are available under our 401(k) plan. Non-employee directors also may choose to receive all or a portion of their annual stock retainer in the form of a deferred share account. The Director Deferred Compensation Plan provides that the amount of cash in a director's deferred cash account, plus the number of shares of our common stock equal to the number of shares in the director's deferred share account, will be delivered to a director in installments over a specified period or within 60 days following the date of the director's departure from the Board, with cash being paid in lieu of any fractional shares.

DIRECTOR STOCK OWNERSHIP AND HOLDING GUIDELINES

The Company's non-employee directors are subject to the Company's director stock ownership and holding guidelines. The stock holding guideline requires each non-employee director to hold any shares of the Company's common stock granted by the Company for at least three years post-vesting while serving as a director, subject to certain exceptions approved by the Nominating and Corporate Governance Committee.

The Company's stock ownership guideline requires each non-employee director to own a minimum of five times his or her annual cash retainer amount in shares of Company stock. All non-employee directors are in compliance with this stock ownership guideline.

DIRECTOR COMPENSATION PAID IN 2018

The following table provides information regarding the fiscal 2018 compensation paid to our non-employee directors:

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	Total
Todd F. Bourell	$85,000	$115,025	$200,025
Donna R. Ecton	$105,000	$115,025	$220,025
Mark E. Hill	$95,000	$115,025	$210,025
J. Mark Howell	$95,000	$115,025	$210,025
Lynn Jolliffe	$85,000	$115,025	$200,025
Michael T. Kestner	$105,000	$115,025	$220,025
John P. Larson	$115,000	$115,025	$230,025
Stephen E. Smith	$85,000	$115,025	$200,025

(1) The amounts represent the $85,000 annual cash retainer paid to each non-employee director, plus an additional $30,000 paid to the Lead Independent Director, an additional $20,000 paid to the Chairman of the Audit Committee and the Chairman of the Compensation Committee and an additional $10,000 paid to the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Risk Committee.

(2) The amounts represent the aggregate grant date fair value, computed in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC 718"), of shares of restricted stock awarded to each non-employee director as an annual stock retainer. All non-employee directors received 2,140 shares of restricted stock as an annual stock retainer in June 2018. Pursuant to the Director Deferred Compensation Plan, Messrs. Bourell, Hill, Howell, Kestner and Larson and Ms. Ecton each elected to receive 100% of his or her annual stock retainer in a deferred share account.

Mr. Hallett was not entitled to receive any fees or other compensation for serving as a member of our Board in 2018 because he was employed by the Company.

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OUTSTANDING DIRECTOR RESTRICTED STOCK AWARDS

The following table sets forth information regarding the number of unvested or deferred shares of our common stock held by each non-employee director as of December 31, 2018:

Name	Unvested Shares and Dividend Equivalents(1)	Deferred Phantom Shares and Dividend Equivalents(2)
Todd F. Bourell	1,082	9,837
Donna R. Ecton	1,082	15,369
Mark E. Hill	1,082	13,446
J. Mark Howell	1,082	11,249
Lynn Jolliffe	1,070	6,498
Michael T. Kestner	1,082	12,603
John P. Larson	1,082	9,736
Stephen E. Smith	1,070	8,421

(1) This number represents unvested shares of restricted stock and, for those directors who deferred, unvested phantom stock and dividend equivalents.

(2) This number represents vested phantom stock and dividend equivalents which are deferred in each director's account pursuant to the Director Deferred Compensation Plan. These shares will be settled for shares of our common stock on a one-for-one basis.

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BENEFICIAL OWNERSHIP OF THE COMPANY'S COMMON STOCK

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of April 11, 2019 of: (1) each person or entity who owns of record or beneficially owns 5% or more of any class of the Company's voting securities of which 133,271,194 shares of common stock were outstanding as of April 11, 2019; (2) each of our directors, director nominees and named executive officers; and (3) all of our directors, director nominees and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC. To our knowledge, each stockholder will have sole voting and investment power with respect to the shares indicated as beneficially owned, unless otherwise indicated in a footnote to the following table. The percentage calculations below are based on 133,271,194 shares of our common stock outstanding as of April 11, 2019, rather than the percentages set forth in any stockholder's Schedule 13D or Schedule 13G filing. Unless otherwise indicated in a footnote, the business address of each person is our corporate address, c/o KAR Auction Services, Inc., 13085 Hamilton Crossing Boulevard, Carmel, Indiana 46032.

	Shares Beneficially Owned	
Name of Beneficial Owner	**Number of Shares(1)**	**Percent of Class(2)**
5% BENEFICIAL OWNERS		
The Vanguard Group(3)	13,295,682	9.98%
T. Rowe Price Associates, Inc.(4)	8,391,117	6.30%
BlackRock, Inc.(5)	7,337,570	5.51%
NAMED EXECUTIVE OFFICERS, DIRECTORS AND DIRECTOR NOMINEES		
Todd F. Bourell	11,074	*
Donna R. Ecton	16,684	*
Donald S. Gottwald	38,604	*
James P. Hallett(6)	517,837	*
John C. Hammer	1,830	
Mark E. Hill(7)	45,234	*
J. Mark Howell	12,506	*
Stefan Jacoby		
Lynn Jolliffe	14,280	*
Michael T. Kestner	19,802	*
John P. Larson	10,971	*
Eric M. Loughmiller(6)	274,046	*
Rebecca C. Polak(6)	92,364	*
Stephen E. Smith	16,230	*
Executive officers, directors and director nominees as a group (20 persons)(8)	1,472,050	1.10%

* Less than one percent

(1) The number of shares includes shares of our common stock subject to vesting requirements and options exercisable within 60 days of April 11, 2019.

(2) Shares subject to options exercisable within 60 days of April 11, 2019 are considered outstanding for the purpose of determining the percent of the class held by the holder of such option, but not for the purpose of computing the percentage held by others.

(3) Based solely on information disclosed in a Schedule 13G/A filed by The Vanguard Group on March 11, 2019. According to this Schedule 13G/A, The Vanguard Group has sole voting power with respect to 73,904 shares, sole dispositive power with respect to

13,218,488 shares, shared voting power with respect to 16,581 shares and shared dispositive power with respect to 77,194 shares. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(4) Based solely on information disclosed in a Schedule 13G/A filed by T. Rowe Price Associates, Inc. on February 14, 2019. According to this Schedule 13G/A, T. Rowe Price Associates, Inc. has sole voting power with respect to 3,132,887 shares, sole dispositive power with respect to 8,391,117 shares, and no shared voting or dispositive power. The address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202.

(5) Based solely on information disclosed in a Schedule 13G filed by BlackRock, Inc. on February 8, 2019. According to this Schedule 13G, BlackRock, Inc. has sole voting power with respect to 6,596,193 shares, sole dispositive power with respect to 7,337,570 shares, and no shared voting or dispositive power. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(6) Includes the following shares of our common stock issuable pursuant to options that are exercisable within 60 days of April 11, 2019: Mr. Hallett, 194,404; Mr. Loughmiller, 97,204; and Ms. Polak, 34,996.

(7) Includes 800 shares held in a family member's brokerage account, over which Mr. Hill holds a power of attorney. Mr. Hill disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(8) Includes an aggregate of 496,604 shares of our common stock issuable pursuant to options that are exercisable within 60 days of April 11, 2019.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), requires KAR Auction Services' directors and executive officers and persons who own more than 10% of the issued and outstanding shares of the Company's common stock to file reports of initial ownership of common stock and other equity securities and subsequent changes in that ownership with the SEC and the NYSE. Based solely on a review of such reports and written representations from the directors and executive officers, the Company believes that all such filing requirements were met during 2018, except that (1) due to a clerical error, Mr. Hallett filed one Form 4 late to report two tax withholding transactions that occurred on December 5, 2018, and (2) due to a technical issue with filing codes caused by a third-party clerical error, Ms. Ecton filed one Form 4 late to report one stock acquisition transaction resulting from the reinvestment of dividends that occurred on October 3, 2018.

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ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION: PROPOSAL NO. 2

PROPOSAL

In accordance with Section 14A of the Exchange Act and related SEC rules, the Company seeks a non-binding advisory vote from its stockholders to approve the compensation of its named executive officers as described in the "Compensation Discussion and Analysis" section beginning on page 25 and the compensation tables that follow such section. The Company seeks this non-binding advisory vote from its stockholders annually, pursuant to the results of the stockholders' vote at the Company's 2017 annual meeting of stockholders selecting such frequency.

Our executive compensation program includes certain "best practices" in governance and executive compensation, including the following:

Stockholder alignment: We have demonstrated a trend of alignment between our TSR performance and the compensation of our CEO.

Independent Compensation Committee: All of the members of our Compensation Committee are independent under NYSE rules.

Independent compensation consultant: The Compensation Committee retains its own independent compensation consultant to review our executive compensation program and practices.

Pay for performance: Our annual incentive program is 100% performance-based and our equity incentive program is heavily performance-based with 75% of our equity awards in the form of PRSUs.

Maximum payout caps: The Compensation Committee sets maximum amounts that may be payable for annual cash incentive compensation and PRSUs.

Clawback policy for financial misconduct: Our clawback policy provides for the recovery and cancellation of an executive officer's incentive compensation in the event we are required to prepare an accounting restatement due to such executive officer's intentional misconduct.

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 other executive officers.

Double-trigger vesting provisions in equity award agreements: Beginning with the 2017 equity grants, our equity awards permit accelerated vesting of assumed or replaced equity awards upon a change in control of the Company only if an executive experiences a qualifying termination of employment in connection with or following such change in control.

Robust equity ownership requirements: We have stock ownership guidelines that are applicable to our named executive officers. The stock ownership guideline for our CEO is five times his annual base salary, and the CEO currently holds over 20 times his annual base salary.

In deciding how to vote on this proposal, the Board encourages you to read the "Compensation Discussion and Analysis" section and the compensation tables that follow. Because this vote is advisory, it will not be binding upon the Board; however, the Board and the Compensation Committee value our stockholders' opinions, and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.

The Board of Directors recommends that you vote "FOR" the advisory vote to approve executive compensation.

Proxies solicited by the Board of Directors will be voted "FOR" the advisory vote to approve executive compensation unless stockholders specify a contrary vote.

COMPENSATION DISCUSSION AND ANALYSIS

OVERVIEW

The following discussion and analysis of our compensation program for named executive officers should be read in conjunction with the tables and text elsewhere in this proxy statement that describe the compensation awarded and paid to the named executive officers.

Named Executive Officers

Our named executive officers for the last completed fiscal year were (i) our chief executive officer; (ii) our chief financial officer; and (iii) each of the three other most highly compensated executive officers who were serving as executive officers at the end of the last completed fiscal year. Our named executive officers are:

Name	Title
James P. ("Jim") Hallett	Chief Executive Officer and Chairman of the Board
Eric M. ("Eric") Loughmiller	Executive Vice President and Chief Financial Officer
John C. ("John") Hammer	President of ADESA
Donald S. ("Don") Gottwald	Chief Operating Officer and Chief Strategy Officer*
Rebecca C. ("Becca") Polak	Chief Legal Officer and Secretary for KAR and President of TradeRev**

* Effective February 18, 2019, Mr. Gottwald began serving as the Company's Chief Strategy Officer and President of Digital, Data and Mobility Solutions.

** "TradeRev" is the assumed name for Nth Gen Software Inc.

This Compensation Discussion and Analysis is organized into six sections:

2018 Executive Compensation Highlights

Payouts based on Adjusted EBITDA performance in 2018 under our Annual Incentive Program (as subsequently defined) were at 92.83% of the target award amount for the named executive officers whose payout is based on the performance of KAR and 46.42% of the target award amount for the remaining named executive officer whose payout is based on the performance of KAR and ADESA. The Compensation Committee applied the MBO modifier (as subsequently defined) to the Annual Incentive Program 2018 payout, based on the Compensation Committee's review of the named executive officers' level of achievement of certain pre-established departmental, strategic or operational initiatives and objectives, which resulted in varying increases in payouts for each named executive officer based on their respective performance.

The 2016 PRSUs paid out at 117.1% of target based on strong Cumulative Operating Adjusted Net Income Per Share performance.

We continued our heavy focus on performance-based equity awards with 75% of our 2018 equity awards in the form of PRSUs that will pay out based on our Cumulative Operating Adjusted Net Income Per Share performance over a three-year measurement period.

These compensation highlights are discussed in more detail below.

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EXECUTIVE SUMMARY

For the year ended December 31, 2018, the Company again delivered solid growth in volume of total vehicles sold, revenues, adjusted EBITDA and gross profit. Specific highlights for fiscal 2018 included:

Net revenue was up 9% to approximately $3.8 billion.

+ 7%

Total vehicles sold by ADESA, Inc. ("ADESA") and Insurance Auto Auctions, Inc. ("IAA") rose approximately 7% to 6.0 million units.

Gross profit increased approximately 11% to $1.6 billion.

*Through share buybacks and dividends, in 2018 we returned approximately **$338 million** to stockholders and invested approximately **$243 million** in our business through capital expenditures and strategic acquisitions.*

Achieved net income of $328.0 million.

Adjusted EBITDA* rose 7% to $893.9 million.

* Adjusted EBITDA is a non-GAAP measure and is defined and reconciled to the most comparable GAAP measure, net income, in our Annual Report on Form 10-K for the year ended December 31, 2018 in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations EBITDA and Adjusted EBITDA."

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Our Executive Compensation Practices are Aligned with Stockholders' Interests

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.

WHAT WE DO

Pay for performance: Our annual incentive program is 100% performance-based and our equity incentive program is heavily performance-based with 75% of our equity awards in the form of PRSUs.

Independent Compensation Committee: All of the members of our Compensation Committee are independent under NYSE rules.

Independent compensation consultant: The Compensation Committee retains its own independent compensation consultant to evaluate and review our executive compensation program and practices.

Stockholder alignment: We have demonstrated a trend of alignment between our TSR performance and the compensation of our CEO, as shown in the chart below.

Fiscal Year	2013 YE	2014	2015	2016	2017	2018
CEO Pay ($000)		$4,808	$4,824	$5,078	$5,812	$6,138
Indexed TSR	100	121	133	158	193	187

Maximum payout caps: The Compensation Committee sets maximum amounts that may be payable for annual cash incentive compensation and PRSUs.

Clawback policy for financial misconduct: Our clawback policy provides for the recovery and cancellation of incentive compensation of an executive officer in the event we are required to prepare an accounting restatement due to such executive officer's intentional misconduct.

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 other executive officers.

"Double-trigger" vesting provisions in equity award agreements: Beginning with the 2017 equity grants, accelerated vesting of assumed or replaced equity awards upon a change in control of the Company is only permitted if an executive experiences a qualifying termination of employment in connection with or following such change in control.

Robust equity ownership requirements: We have stock ownership guidelines that are applicable to our executive officers. The stock ownership guideline for our CEO is five times his annual base salary, and the CEO currently holds over 20 times his annual base salary. Executive officers are required to hold 60% of vested shares, net of taxes, until stock ownership guidelines are met.

WHAT WE DON'T DO

Allow dividends or dividend equivalents to be 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.

Provide excessive perquisites: We provide a limited number of perquisites that are designed to attract and retain highly qualified executives.

Allow hedging or pledging of the Company's securities: We prohibit hedging, pledging and short sales of Company stock by our directors and executive officers.

Reprice stock options: Stock option exercise prices are set equal to the grant date market price and cannot be repriced or discounted without stockholder approval.

Maintain a defined benefit pension plan: We do not maintain a defined benefit pension plan for our executive officers.

COMPENSATION PHILOSOPHY AND OBJECTIVES

We design and administer our executive pay programs to help ensure the compensation of our named executive officers is (i) closely aligned with our performance on both a short-term and long-term basis; (ii) linked to specific, measurable results intended to create value for stockholders; and (iii) competitive in attracting and retaining key executive talent into the vehicle remarketing and auto finance industry. Each of the compensation programs that we have developed and implemented is intended to satisfy one or more of the following specific objectives:

- align the interests of our executive officers with the interests of our stockholders so that our executive officers manage from the perspective of owners with an equity stake in the Company;
- motivate and focus our executive officers through incentive compensation programs directly tied to our financial results;
- support a one-company culture and encourage synergies among all business units by aligning rewards with long-term, overall Company performance and stockholder value;
- provide a significant percentage of total compensation through variable pay based on pre-established, measurable goals and objectives;
- provide competitive upside opportunity without encouraging excessive risk-taking;
- enhance our ability to attract and retain skilled and experienced executive officers; and
- provide rewards commensurate with performance and with competitive market practices.

While the Company does not target any specific percentile positioning versus the market, the market median is used as a reference point but is not the sole determinant when making compensation decisions. Compensation decisions are made considering a number of factors including experience, tenure, sustained performance, specific requirements of roles relative to the market and individual and Company performance.

THE ROLE OF THE COMPENSATION COMMITTEE AND THE EXECUTIVE OFFICERS IN DETERMINING EXECUTIVE COMPENSATION

Composition of the Compensation Committee. The Compensation Committee of our Board is comprised of Mmes. Ecton (Chairman) and Jolliffe and Messrs. Bourell and Larson.

Role of the Compensation Committee. The Compensation Committee has primary responsibility for all compensation decisions relating to our named executive officers. The Compensation Committee reviews the aggregate level of our executive compensation, as well as the mix of elements used to compensate our named executive officers on an annual basis.

Compensation Committee's Use of Market and Survey Data. Although KAR Auction Services is comprised of a unique mix of businesses and lacks directly comparable public companies, the Compensation Committee understands that most companies consider pay levels at comparably-sized, peer companies when setting named executive officer compensation levels. With assistance from its independent compensation consultant, ClearBridge, the Compensation Committee has developed a meaningful comparator group for the Company.

In order to confirm competitiveness of compensation, the Compensation Committee uses a combination of (i) survey data (cuts from the Aon Hewitt and Mercer general industry and service industry surveys); and (ii) proxy compensation data of a "proxy comparator group" in setting and adjusting compensation levels. In light of the lack of directly comparable companies for KAR Auction Services' business, as noted above, companies in the proxy comparator group were selected based on (i) a focus on service-oriented industries; (ii) similarly-sized revenue and market capitalization levels; (iii) comparable growth, profitability and/or market valuation profiles; and (iv) companies with which KAR Auction Services competes for executive talent. Where possible, the Compensation Committee included companies that are in related or similar industries to the Company. Our proxy comparator group for 2018 has not changed from the comparator group we used in 2017.

Based on the recommendation of ClearBridge, the Compensation Committee used a proxy comparator group consisting of the following 17 companies in making 2018 compensation decisions:

2018 Proxy Comparator Group

Allison Transmission Holdings, Inc.	GATX Corp.	Stericycle, Inc.
Cintas Corporation	LKQ Corp.	Total System Services, Inc.
Copart, Inc.	MSC Industrial Direct Co. Inc.	Werner Enterprises, Inc.
CDK Global, Inc.	Old Dominion Freight Line Inc.	Westinghouse Air Brake Technologies Corporation
ebay Inc.	Pitney Bowes Inc.	Worldpay, Inc. (formerly known as Vantiv, Inc.)
Equifax Inc.	Sotheby's	

The Compensation Committee viewed the proxy comparator group and market data as an important guide, but not as the sole determinant in making its decisions regarding 2018 compensation levels. The Compensation Committee also considered experience, tenure, sustained performance, specific requirements of roles relative to market and individual and Company performance.

Role of the Independent Compensation Consultant. The Compensation Committee used ClearBridge as its independent compensation consultant in 2018. ClearBridge provided (i) advice to the Compensation Committee with respect to the assessment of the Company's executive compensation practices; (ii) advice regarding the evaluation of long-term incentive compensation practices; (iii) advice and guidance regarding the design of new long-term equity awards; (iv) advice regarding related compensation matters; (v) advice to the Compensation Committee with respect to annual and long-term incentive plan design; and (vi) guidance on the competitiveness of the executive officers' elements of compensation. ClearBridge regularly attends Compensation Committee meetings and attends executive sessions as requested by the Chairman of the Compensation Committee. The Compensation Committee has reviewed the independence of ClearBridge in light of SEC rules and NYSE listing standards regarding compensation consultants and has concluded that the work of ClearBridge for the Compensation Committee does not raise any conflict of interest. All work performed by ClearBridge is and was subject to review and approval of the Compensation Committee.

Role of the Executive Officers. Mr. Hallett regularly participates in meetings of the Compensation Committee at which compensation actions involving our named executive officers are discussed. Mr. Hallett assists the Compensation Committee by making recommendations regarding compensation actions for the executive officers other than himself. Mr. Hallett recuses himself and does not participate in any portion of any meeting of the Compensation Committee at which his compensation is discussed.

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ELEMENTS USED TO ACHIEVE COMPENSATION PHILOSOPHY AND OBJECTIVES

Elements of 2018 Executive Compensation Program Design

The following table lists the elements of compensation for our 2018 executive compensation program. The program uses a mix of fixed and variable compensation elements and provides alignment with both short- and long-term business goals through annual and long-term incentives. Our incentives are designed to drive overall corporate performance and business unit strategies that correlate to stockholder value and align with our strategic vision. In order to confirm competitiveness of compensation, the Compensation Committee reviews survey data and proxy compensation data of our proxy comparator group.

	Element	Key Characteristics	Why We Pay This Element	How We Determine Amount	2018 Decisions
Fixed	Base salary	Fixed compensation component payable in cash. Reviewed annually and adjusted when appropriate.	Reward the named executive officers for their past performance and facilitate the attraction and retention of a skilled and experienced executive management team.	Company performance, individual performance, experience, job scope, tenure, review of competitive pay practices and base salary as a percentage of total compensation.	Three named executive officers received a salary increase in 2018. See pages 31 32.
	Annual cash incentive awards	Variable compensation component payable in cash based on performance against annually established targets.	Motivate and reward the successful achievement of pre-determined financial objectives at the Company.	Award opportunities are based on individual performance, experience, job scope and review of competitive pay practices. Actual award payouts were based on achievement of 2018 Adjusted EBITDA and an MBO modifier (as defined below on page 34) relating	KAR's performance resulted in 92.83% of the target award for certain named executive officers of KAR and ADESA's performance resulted in 0% of the target award for the remaining named executive officer based on Adjusted EBITDA performance in 2018. The

				to certain pre-established departmental, strategic or operational initiatives and objectives for each executive.	application of the MBO modifier (as defined below) resulted in varying increases in the total payout for each named executive officer based on her/her respective performance. See page 35.
Variable	Performance-based restricted stock units (PRSUs)	PRSUs vest at the end of a three-year performance period.	Motivate and reward executives for performance on key long-term measures. Align the interests of executives with long-term stockholder value and serve to retain executive talent.	Award opportunities are based on individual's ability to impact future results, job scope, individual performance and review of competitive pay practices. 2018 PRSU awards earned based on 3-year Cumulative Operating Adjusted Net Income Per Share performance through December 31, 2020. PRSU awards made up 75% of the value of the aggregate long-term incentives granted to the named executive officers in 2018.	The Compensation Committee granted PRSUs to all of the named executive officers in 2018. See page 35.
	Restricted stock units (RSUs)	RSUs vest ratably on each of the first three anniversaries of the grant date	Align the interests of executives with long-term stockholder value	Awards based on individual's ability to impact future results, job	The Compensation Committee granted RSUs to

subject to the named executive officer's continued employment with the Company.	and serve to retain executive talent.	scope, individual performance and review of competitive pay practices. RSU awards made up 25% of the value of the aggregate long-term incentives granted to the named executive officers in 2018.	all of the named executive officers in 2018. See page 35.

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Compensation Structure and Goal Setting

Our executive compensation program is designed to deliver compensation in accordance with corporate and business unit performance with a large percentage of compensation at risk through long-term equity awards and annual cash incentive awards. These awards are linked to actual performance, consistent with our belief that a significant amount of executive compensation should be in the form of equity and that a greater percentage of compensation should be tied to performance for executives who bear higher levels of responsibility for our performance. The mix of target direct compensation awarded in 2018 for our CEO and the average of our other named executive officers is shown in the charts below. Approximately 84% of our CEO's total compensation, and approximately 72% of the average total compensation of our other named executive officers, is at-risk, consisting of PRSUs, restricted stock units ("RSUs") and other performance-based incentives.

CEO Compensation

Other Named Executive Officer Average Compensation*

* The amounts reported in the "Other Named Executive Officer Average Compensation" chart for Mr. Hammer have been annualized, due to Mr. Hammer's February 19, 2018 hire date. In addition, Mr. Hammer's special sign-on awards (cash and equity) have been excluded from this chart.

Base Salary

General. Annual salary levels for our named executive officers are based upon various factors, including the amount and relative percentage of total compensation that is derived from base salary when setting the compensation of our executive officers, Company performance, individual performance, experience, job scope and tenure. In view of the wide variety of factors considered by the Compensation Committee in connection with determining the base salary of each of our named executive officers, the Compensation Committee has not attempted to rank or otherwise assign relative weights to the factors that it considers. A description of how these factors were applied in 2018 is described below.

Base Salaries for 2018. In late 2017 and the first quarter of 2018 (and for Mr. Loughmiller, again in the third quarter of 2018), the Compensation Committee reviewed the base salaries of each of our named executive officers for 2018. After considering multiple factors as noted above, the Compensation Committee approved a base salary adjustment for Messrs. Hallett and Loughmiller and Ms. Polak. The Compensation Committee did not approve a base salary adjustment for Mr. Gottwald because the Compensation Committee determined that his base salary was already set at a competitive level. Mr. Hammer became an employee of the Company effective February 19, 2018, and his base salary was set as part of his initial compensation package.

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The following base salaries were in effect for 2018:

Name	Base Salary	Increase %	Effective Date
Jim Hallett	$975,000	8%	January 1, 2018
Eric Loughmiller	$525,000	5%	January 1, 2018
	$550,000	5%	July 29, 2018
John Hammer	$500,000	N/A	February 19, 2018
Don Gottwald	$583,495	0%	N/A
Becca Polak	$515,000	8%	January 1, 2018

The base salary increases effective January 1, 2018 for Mr. Hallett and Ms. Polak were based on both a merit review and a market adjustment and for Mr. Loughmiller was based on a merit review. Mr. Loughmiller's salary was further increased effective July 29, 2018 based on a variety of factors, including market positioning, individual performance and the criticality of his role.

Base Salaries for 2019. In late 2018, the Compensation Committee reviewed the base salaries of each of our named executive officers for 2018. After considering multiple factors as noted above, the Compensation Committee approved the following base salaries for 2019:

Name	Base Salary	Effective Date
Jim Hallett	$975,000	N/A
Eric Loughmiller	$550,000	N/A
John Hammer	$525,000	March 1, 2019
Don Gottwald	$500,000	January 28, 2019
Becca Polak	$515,000	N/A

The Compensation Committee did not approve a 2019 base salary adjustment for Messrs. Hallett or Loughmiller or Ms. Polak because the Compensation Committee determined that their base salaries were already set at competitive levels. The Compensation Committee approved the base salary increase for Mr. Hammer as a market adjustment and to support engagement during a transformative period at ADESA and the base salary adjustment for Mr. Gottwald to reflect his new role. In order to confirm competitiveness of compensation, the Compensation Committee reviews survey data and proxy compensation data of our proxy comparator group.

Annual Cash Incentive Program

General. Named executive officers with greater job responsibilities have a significant proportion of their annual cash compensation tied to Company performance through their annual incentive opportunity.

The KAR Auction Services, Inc. Annual Incentive Program. Under the KAR Auction Services, Inc. Annual Incentive Program (the "Annual Incentive Program"), which is part of the KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan, as amended (the "Omnibus Plan"), the grant of cash-based awards to eligible participants is contingent upon the achievement of certain pre-established corporate performance goals as determined by the Compensation Committee.

Use of 2018 Adjusted EBITDA

In 2018, the Compensation Committee used "2018 Adjusted EBITDA" for KAR Auction Services and/or ADESA, depending upon the named executive officer, as the relevant metric for determining awards under the Annual Incentive Program.

"Adjusted EBITDA" is equal to EBITDA (earnings before interest expense, income taxes, depreciation and amortization) adjusted to exclude, among other things:

- gains and losses from asset sales;
- unrealized foreign currency translation gains and losses in respect of indebtedness;

certain non-recurring gains and losses;

stock based compensation expense;

certain other non-cash amounts included in the determination of net income;

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charges and revenue reductions resulting from purchase accounting;

minority interest;

expenses associated with the consolidation of salvage operations;

consulting expenses incurred for cost reduction, operating restructuring and business improvement efforts;

expenses realized upon the termination of employees and the termination or cancellation of leases, software licenses or other contracts in connection with the operational restructuring and business improvement efforts;

expenses incurred in connection with permitted acquisitions;

any impairment charges or write-offs of intangibles; and

any extraordinary, unusual or non-recurring charges, expenses or losses.

Using these measures, the Compensation Committee establishes, on an annual basis, specific targets that determine the size of payouts under the Annual Incentive Program. In 2018, the annual incentive opportunity based on achievement of 2018 Adjusted EBITDA for each named executive officer was as follows:

		Bonus Opportunity			Bonus Goal Weighting % 2018 Adjusted EBITDA	
Name	**Base Salary**	**Threshold % of Base Salary**	**Target % of Base Salary**	**Superior % of Base Salary**	**KAR Auction Services**	**ADESA**
Jim Hallett	$975,000	62.5	125	187.5	100	
Eric Loughmiller(1)	$535,417	42.5	85	127.5	100	
John Hammer(2)	$500,000	50	100	150	50	50
Don Gottwald	$583,495	50	100	150	100	
Becca Polak	$515,000	37.5	75	112.5	100	

(1) Mr. Loughmiller's base salary and target annual incentive opportunity were increased from $525,000 to $550,000 and 75% to 100%, respectively, as of the end of July 2018 and the figures shown in the table reflect the prorated, blended amounts applied to his award. These increases were based on a variety of factors, including market positioning, individual performance and the criticality of his role.

(2) Mr. Hammer's award was prorated based on his February 19, 2018 start date.

The chart below reflects Adjusted EBITDA performance metrics and achieved results for 2018. The payout percentages are based on the achievement of the performance metrics set forth below, with payment amounts prorated for performance between the established levels.

Achieved Results

Target Incentive Opportunity: Base Pay multiplied by Individual Target Opportunity
Business Performance Factor: 2018 Adjusted EBITDA of KAR (50% or 100%) and 2018 Adjusted EBITDA of Business Unit (0% to 50%)

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Use of Management by Objectives

In 2018, the Compensation Committee could also, in its discretion, apply the Management by Objectives ("MBO") modifier to increase or reduce the annual incentive awards by up to plus or minus 10% based on the Compensation Committee's review of each named executive officer's achievement of two or more pre-established objectives, which are tailored to each executive depending on departmental, strategic or operational initiatives and objectives with respect to such executive's role.

Based on each named executive officer's level of achievement of his or her objectives, the Compensation Committee applied the MBO modifier to increase the annual incentive award of each of the named executive officers, as shown below. For 2019, the Compensation Committee has decided to rely on Company performance exclusively and has not included an MBO modifier in the 2019 Annual Incentive Program.

Performance Targets for the Annual Incentive Program

The Compensation Committee reviews the Company's business plan approved by the Board and determines the level of performance required to receive threshold, target and superior annual incentive payouts. The Compensation Committee established the performance objectives in amounts which it believed would increase stockholder value and be achievable given a sustained performance on the part of the named executive officers and which would require increasingly greater results to achieve the target and superior objectives. The Compensation Committee may decrease the potential payouts at each performance target if, in the discretion of the Compensation Committee, the circumstances warrant such an adjustment. In 2018, the Compensation Committee did not increase or decrease the performance targets of any 2018 annual incentive program award. As described elsewhere in this proxy statement, the Compensation Committee applied the MBO modifier to the 2018 annual incentive program payout, based on the Compensation Committee's review of the named executive officers' achievement of certain pre-established departmental, strategic or operational initiatives and objectives, which resulted in varying increases in payouts for each named executive officer based on their respective performance.

2018 Performance Targets. The chart which follows provides the 2018 Adjusted EBITDA performance targets established by the Compensation Committee for 2018 as well as the actual level of performance achieved (dollars in millions):

	Threshold	Target	Superior	Achieved Results(1)	Percentage of Target Award Earned (Adjusted EBITDA)
KAR Auction Services	$841.75	$910.00	$955.50	$900.22	92.83%
ADESA	$454.00	$478.53	$526.39	$448.76	0.00%

(1) KAR's reported Adjusted EBITDA for the year ended December 31, 2018 was approximately $893.9 million, but for Annual Incentive Program purposes, certain acquisitions consummated in 2018 were excluded, which resulted in Adjusted EBITDA of $900.22 million.

2018 Annual Incentive Program Payouts. Under the Annual Incentive Program, threshold performance objectives must be met in order for any payout to occur. Payouts can range from 50% of target awards for performance at threshold up to a maximum of 150% of target awards (165% with the MBO modifier) for superior performance or no payout if performance is below threshold. The table below shows the annual incentive opportunities for our named executive officers for 2018. Because KAR Auction Services achieved at least the threshold level of performance in 2018, each of our named executive officers was eligible to receive an award under the Annual Incentive Program in 2018, which amounts are set forth in the "Summary Compensation Table for 2018" on page 42. Based on the Company's performance during 2018, the accompanying payout percentages for the different performance goals set forth above and each named executive officer's resulting achievement level with respect to his or her MBO initiatives and objectives

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(described above), our named executive officers earned the percentages and corresponding payout amounts of their target annual incentive awards as set forth below based on the following formula:

Target Annual Incentive Award × Percentage of Target Award Earned × MBO Modifier = 2018 Payout

Name	Target Annual Incentive Award	Percentage of Target Award Earned (Adjusted EBITDA)	MBO Modifier	2018 Payout
Jim Hallett	$1,218,750	92.83%	107.75%	$1,219,046
Eric Loughmiller	$458,854(1)	92.83%	108.20%	$460,882
John Hammer	$416,667(2)	46.42%(3)	108.75%	$210,318
Don Gottwald	$583,495	92.83%	108.80%	$589,324
Becca Polak	$386,250	92.83%	105.00%	$376,484

(1) Mr. Loughmiller's target annual incentive award reflects the prorated, blended adjustments to his base salary and target annual incentive opportunity as discussed above.

(2) Mr. Hammer's target annual incentive award was prorated based on his February 19, 2018 start date.

(3) This amount is based on the percentages of the target annual incentive awards earned for KAR and ADESA.

Long-Term Incentive Opportunities

The Company provides long-term incentive compensation opportunities in the form of PRSUs and RSUs, each as described below. Although we have granted stock options in the past, stock options are not currently part of the Company's long-term incentive program.

2018 Long-Term Incentive Awards. On March 2, 2018, the Compensation Committee granted PRSUs and RSUs under its long-term incentive program to the Company's named executive officers, as described in the table below. Awards were based on the individual's ability to impact future results, job scope, individual performance and a review of competitive pay practices.

The aggregate target award value for each named executive officer was allocated such that 75% of the value was in the form of PRSUs and 25% of the value was in the form of RSUs.

Name	Target PRSUs (Cumulative Operating Adjusted Net Income Per Share Goal)	Value of Target Shares at Grant	RSUs	Value of RSUs at Grant
Jim Hallett	54,057	$2,925,024	18,019	$975,008
Eric Loughmiller	12,735	$689,091	4,245	$229,697
John Hammer(1)	15,594	$843,791	5,199	$281,318
Don Gottwald	14,154	$765,873	4,718	$255,291
Becca Polak	12,492	$675,942	4,164	$225,314

(1) $500,000 of the aggregate value of Mr. Hammer's equity awards was attributable to a special sign-on award to make up for compensation from his previous employer that was forfeited when he joined the Company and is predominantly performance-based (i.e., 75%/25% allocation between PRSUs/RSUs).

2018 Performance-Based RSU Awards

The PRSUs will vest if and to the extent that the sum of the Company's "Cumulative Operating Adjusted Net Income Per Share" exceeds certain levels over the three-year measurement period beginning on January 1, 2018 and ending on December 31, 2020.

"Cumulative Operating Adjusted Net Income Per Share" for a fiscal year is calculated by dividing Operating Adjusted Net Income by the weighted average diluted common shares outstanding per year. "Operating

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Adjusted Net Income" for a fiscal year is equal to the Company's net income as reported in the Form 10-K filed by the Company with respect to such fiscal year, adjusted to (i) exclude gains/losses from certain non-recurring and unbudgeted capital transactions, including debt prepayment, debt refinancing, share repurchases and related financing costs not contemplated in the long term incentive targets; (ii) exclude amortization expense associated with acquired intangible assets recorded during purchase accounting of acquisitions; (iii) exclude acquisition contingent consideration; (iv) exclude the impact of significant acts of God or other events outside of the Company's control that may affect the overall economic environment; (v) exclude significant asset impairments; (vi) exclude the impact of adoption of new accounting standards; and (vii) exclude the impact of tax rate changes caused by changes in tax legislation.

The amount of the target PRSUs actually earned and paid in shares of common stock in a lump sum following the performance period will be: 0% for below threshold performance, 50% for threshold performance, 100% for target performance and up to 200% for achieving the maximum performance level or higher. Linear interpolation will be used to calculate the percentage of PRSUs earned and paid if performance falls between the levels described above.

2018 Time-Based RSU Awards

The RSUs will vest and convert into shares of common stock of the Company on each of the first three anniversaries of the grant date, subject to the named executive officer's continued employment with the Company through each such anniversary.

Prior Years' Awards.

2017 Performance-Based and Time-Based RSU Awards

As previously disclosed, on February 24, 2017, the Compensation Committee granted PRSUs and RSUs to certain of the Company's named executive officers, some of which remained outstanding at fiscal year-end 2018. The amounts of PRSUs and RSUs are disclosed in the "Outstanding Equity Awards" table below. Other than the condition that the Company achieve $100 million in adjusted net income in its 2017 fiscal year (as reported by the Company and which condition was satisfied), these awards have terms substantially similar to those granted in 2018. For the year ended December 31, 2018, one-third of the RSUs had vested, as disclosed in the "Option Exercises and Stock Vested" table below.

2016 Performance-Based and Time-Based RSU Awards

As previously disclosed, on February 22, 2016, the Compensation Committee granted PRSUs and RSUs to certain of the Company's named executive officers, some of which remained outstanding at fiscal year-end 2018. Other than with respect to the double-trigger vesting upon a change in control of the Company described above, these awards have terms substantially similar to those granted in 2017.

For the year ended December 31, 2018, an additional one-third of the RSUs had vested, as disclosed in the "Option Exercises and Stock Vested" table below.

The number of PRSUs that vested on February 19, 2019 was determined based on the sum of the Company's Cumulative Operating Adjusted Net Income Per Share exceeding certain levels over the three-year period beginning on January 1, 2016 and ending on December 31, 2018. The amounts of PRSUs and RSUs are disclosed in the "Outstanding Equity Awards" table below.

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The number of PRSUs that vested based on Cumulative Operating Adjusted Net Income Per Share achieved was determined in accordance with the chart below:

Cumulative Operating Adjusted Net Income Per Share During the Measurement Period	Number of PRSUs Vesting
Below Threshold:	
Below $6.22	0% of Target
Threshold:	
$6.22	50% of Target
Target:	
$6.72	100% of Target
Maximum:	
Greater than or equal to $8.06	200% of Target

The Company achieved Cumulative Operating Adjusted Net Income Per Share of $6.95 versus a target of $6.72 for the three-year performance period ended December 31, 2018. As such, on February 19, 2019, based on the Cumulative Operating Adjusted Net Income Per Share achieved, 117.1% of the 2016 PRSUs vested above the target level but below the maximum level and resulted in the following number of PRSUs vesting:

Name	Number of PRSUs Vesting (including dividend equivalents)	2016 PRSU Payout(1)
Jim Hallett	83,528	$4,497,983
Eric Loughmiller	36,004	$1,938,815
John Hammer	N/A	N/A
Don Gottwald	20,396	$1,098,325
Becca Polak	12,673	$682,441

(1) Based on a share price of $53.85, the February 19, 2019 market close price.

2015 Performance-Based RSU Awards

As previously disclosed, on February 6, 2018, the 2015 PRSUs vested above the target performance level but below the maximum performance level based on the sum of the Company's Cumulative Adjusted Net Income Per Share exceeding certain levels over the three-year period beginning on January 1, 2015 and ending on December 31, 2017.

Plan under which Long-Term Incentive Awards are Granted. The Company currently grants long-term incentive awards under the Omnibus Plan.

Our Board adopted the Omnibus Plan on December 10, 2009, and it has since been amended and restated, as approved by the stockholders. Under the Omnibus Plan, participants are eligible to receive stock options, restricted stock, RSUs (with or without performance conditions), stock appreciation rights, other stock-based awards and/or cash-based awards, each as determined by the Compensation Committee.

Retirement, Health and Welfare Benefits

We offer a variety of health and welfare and retirement programs to all eligible employees, including our named executive officers. As with all Company employees, our named executive officers are eligible to receive 401(k) employer matching contributions equal to 100% of the first 4% of compensation contributed by the named executive officer. The health and welfare programs are intended to protect employees against catastrophic loss and encourage a healthy lifestyle. Our health and welfare programs include medical, dental, vision, pharmacy, life, disability and accidental death and disability insurance. We also provide travel insurance to all employees who travel for business purposes.

We also provide certain enhanced retirement vesting of equity-incentive awards as described in "Potential Payments Upon Termination of Change in Control Potential Payments Upon Termination of Change of Control Table".

Perquisites

The Company provides the named executive officers a limited number of perquisites that the Compensation Committee believes are reasonable and consistent with the objective of attracting and retaining highly qualified executive officers. The perquisites which are currently available to certain of our named executive officers include an automobile allowance or use of a Company-owned automobile, an allowance for executive physicals, Company-paid group term life insurance premiums and relocation benefits under the Company's mobility program. Please see footnote 4 to the "Summary Compensation Table for 2018" on page 42 for more information regarding perquisites.

COMPENSATION POLICIES AND OTHER INFORMATION

Employment and Severance Agreements

The Compensation Committee recognizes that, from time to time, it is appropriate to enter into agreements with our executive officers to ensure that we continue to retain their services and to promote stability and continuity within the Company. All of our named executive officers have an employment agreement with the Company or one of its subsidiaries. A description of these agreements can be found in the section titled "Potential Payments Upon Termination or Change in Control Employment Agreements with Named Executive Officers."

Tax and Accounting Considerations

Employment Agreements. Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and related provisions impose substantial excise taxes under Section 4999 of the Code on so-called "excess parachute payments" payable to certain named executive officers upon a change in control and results in the loss of the compensation deduction for such payments by the Company.

Mr. Hallett's employment agreement, which became effective as of February 27, 2012, provides for a potential "gross-up payment" in the event that such excise taxes result from any excess parachute payments. Mr. Hallett's employment agreement provides that in the event that any payment or benefit under such agreement in connection with Mr. Hallett's employment or termination of employment is or becomes subject to an excise tax under Section 4999 of the Code, then the Company will make a cash payment to Mr. Hallett, which, after the imposition of all income, employment, excise and other taxes thereon, as well as any penalty and interest assessments associated therewith, will be sufficient to place Mr. Hallett in the same after-tax position as he would have been in had such excise tax not been applied. However, in the event that a reduction of the total payments to Mr. Hallett would avoid the application of the excise tax, then the total payments will be reduced to the extent necessary to avoid the excise tax, but in no event by more than 10% of the original amount of the total payments.

None of the employment agreements entered into with Messrs. Loughmiller, Hammer or Gottwald, or Ms. Polak contain excise tax gross-up provisions.

Tax Deductibility of Awards Under the Omnibus Plan. Section 162(m) of the Code ("Section 162(m)") generally disallows a federal tax deduction by the Company for compensation paid to Covered Employees (as defined in Section 162(m)) in excess of $1,000,000. Historically, compensation that qualified as "performance-based compensation" under Section 162(m) could be excluded from this limit. This exception has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to the Covered Employees in excess of $1,000,000 will not be deductible by the Company unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017.

The Compensation Committee historically structured certain awards under the Omnibus Plan so that they could comply with the "performance-based compensation" exception for purposes of Section 162(m) and be

deductible by the Company for federal income tax purposes. However, because of the continued development of the application and interpretation of Section 162(m) and the regulations issued thereunder, we cannot guarantee that compensation intended to satisfy the requirements for deductibility under Section 162(m), as in effect prior to 2018, would or will in fact be deductible.

Though tax deductibility is one of many factors considered by the Compensation Committee when determining executive compensation, the Compensation Committee believes that the tax deduction limitation should not be permitted to compromise our ability to design and maintain executive compensation arrangements that will attract and retain the executive talent to compete successfully. For example, in seeking to tie executive pay to company performance in a meaningful way, the Compensation Committee may make decisions in designing and approving pay programs that are not driven by tax consequences to the Company.

Accounting for Stock-Based Compensation. We account for stock-based compensation in accordance with the requirements of ASC 718.

Clawback Policy for Financial Restatements. The Company's clawback policy provides for the recovery of incentive compensation in the event the Company is required to prepare an accounting restatement due to any current or former executive officer's intentional misconduct. In such an event, the executive officer would be required to repay to the Company the excess amount of incentive compensation received under the inaccurate financial statement. The Company intends to revise this policy as needed to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act when such requirements become effective.

Insider Trading Policy

Our insider trading policy expressly prohibits:

- ownership of margin securities;
- trading in options, warrants, puts and calls or similar instruments on the Company's securities; and
- selling the Company's securities "short."

We also prohibit officers, directors and employees from:

- pledging the Company's securities as collateral for loans; and
- purchasing or selling the Company's securities while in possession of material, non-public information, or otherwise using such information for their personal benefit.

Our executives and directors are permitted to enter into trading plans that are intended to comply with the requirements of Rule 10b5-1 of the Exchange Act so that they can prudently diversify their asset portfolios and exercise their stock options before their scheduled expiration dates.

Anti-Hedging Policy

In addition to the Company's existing anti-pledging of Company stock policy, the Company adopted a formal anti-hedging of Company stock policy, which prohibits our officers and directors from engaging in certain forms of hedging or monetization transactions with respect to the Company's stock, such as prepaid variable forward contracts, equity swaps, collars and exchange funds.

Stock Ownership Guidelines and Stock Holding Requirement

The Compensation Committee adopted the following stock ownership guidelines which are applicable to our named executive officers:

Title	Stock Ownership Guideline
CEO	5 times annual base salary

Other Named Executive Officers	3 times annual base salary

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The named executive officers must hold 60% of the vested shares, net of taxes, of Company stock received under awards granted on or after January 1, 2015 until the applicable ownership guideline is met. All named executive officers own shares in excess of the stock ownership guidelines, except for Mr. Hammer who became an employee of the Company on February 19, 2018 and is subject to the aforementioned holding requirement.

RESULTS OF SAY ON PAY VOTES AT 2018 ANNUAL MEETING

At the Company's 2018 annual meeting of stockholders, the Company held a non-binding stockholder vote on executive compensation (commonly referred to as "Say on Pay"). At the meeting, excluding broker non-votes, over 94% of the votes on the matter were cast to approve the Company's executive compensation programs, less than 5% of the votes were cast against, and less than 1% abstained from voting.

The Compensation Committee considered the results of the vote, including the appropriateness of the compensation philosophy and objectives, the role of the Compensation Committee and executive officers in setting compensation, the elements used to achieve the compensation philosophy and objectives and the levels of compensation provided to the named executive officers. Following its review, the Compensation Committee decided to retain the Company's general approach to executive compensation in 2019, in part due to the significant majority of stockholders that voted to approve the Company's executive compensation programs at the 2018 annual meeting of stockholders.

In addition, at the Company's 2017 annual meeting of stockholders, the Company held a non-binding stockholder vote on whether to hold a Say on Pay vote every one, two or three years. At that meeting, a majority of our stockholders voted in favor of holding a Say on Pay vote every year, and accordingly, the Company adopted an annual Say on Pay vote frequency. As described in more detail in Proposal No. 2 above, the Company is again holding an a Say on Pay vote to approve executive compensation at the 2019 annual meeting of stockholders.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the Compensation Discussion and Analysis for executive compensation for 2018 and discussed that analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's 2018 Annual Report on Form 10-K. This report is submitted by Donna R. Ecton, Todd F. Bourell, Lynn Jolliffe and John P. Larson.

Compensation Committee

Donna R. Ecton ***(Chairman)***
Todd F. Bourell
Lynn Jolliffe
John P. Larson

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ANALYSIS OF RISK IN THE COMPANY'S COMPENSATION STRUCTURE

The Compensation Committee considers the potential risks in our business when designing and administering the Company's pay program, and the Compensation Committee believes its balanced approach to performance measurement and pay delivery works to avoid misaligned incentives for individuals to undertake excessive or inappropriate risk. Further, program administration is subject to considerable internal controls, and when determining the principal outcomes performance assessments and pay decisions the Compensation Committee relies on principles of sound governance and good business judgment. As part of its responsibilities to annually review all incentive compensation and equity-based plans, and evaluate whether the compensation arrangements of the Company's employees incentivize unnecessary and excessive risk-taking, the Compensation Committee evaluated the risk profile of all of the Company's compensation policies and practices for 2018.

In its evaluation, the Compensation Committee reviewed the Company's employee compensation structures and noted numerous design elements that manage and mitigate risk without diminishing the incentive nature of the compensation. There is a balanced mix between cash and equity and between annual and longer-term incentives. In addition, annual incentive awards and long-term incentive awards granted to executives are tied to corporate performance goals, including Adjusted EBITDA and Cumulative Operating Adjusted Net Income Per Share. These metrics encourage performance that supports the business as a whole. The executive annual incentive awards include a maximum payout opportunity equal to 165% of target. Our executives are also expected to meet share ownership guidelines in order to align the executives' interests with those of our stockholders. Also, the Company's clawback policy permits the Company to recover incentive compensation paid to an executive officer if the compensation resulted from any financial result or metric impacted by the executive officer's intentional misconduct. This policy helps to discourage inappropriate risks, as executives will be held accountable for misconduct which is harmful to the Company's financial and reputational health.

The Compensation Committee also reviewed the Company's compensation programs for certain design features that may have the potential to encourage excessive risk-taking, including: over-weighting towards annual incentives, highly leveraged payout curves, unreasonable thresholds and steep payout cliffs at certain performance levels that may encourage short-term business decisions to meet payout thresholds. The Compensation Committee concluded that the Company's compensation programs (i) do not include such elements; or (ii) have implemented features, steps and controls that are designed to limit risks of our compensation arrangements. In light of these analyses, the Compensation Committee concluded that the Company has a balanced pay and performance program that does not encourage excessive risk-taking that is reasonably likely to have a material adverse effect on the Company.

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