

KAR Auction Services, Inc.
Form DEF 14A
April 29, 2014

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

KAR AUCTION SERVICES, INC.

(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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (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):

Edgar Filing: KAR Auction Services, Inc. - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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:

(4) Date Filed:

Table of Contents

**13085 Hamilton Crossing Boulevard
Carmel, Indiana 46032**

April 29, 2014

Dear Stockholder:

We cordially invite you to attend KAR Auction Services' annual meeting of stockholders. The meeting will be held on June 10, 2014, at 9:00 a.m., Eastern Daylight Time, at the Renaissance Indianapolis North Hotel, 11925 North Meridian Street, in Carmel, Indiana 46032.

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

Election of the ten nominated directors;

Advisory vote approving the compensation of our named executive officers;

Approval of the amendment and restatement of the KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan;
and

Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2014.

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

Thank you for your continued support of KAR Auction Services.

Sincerely,

James P. Hallett

Edgar Filing: KAR Auction Services, Inc. - Form DEF 14A

Chief Executive Officer

This proxy statement is dated April 29, 2014 and is first being distributed to stockholders on or about April 29, 2014.

Table of Contents

13085 Hamilton Crossing Boulevard
Carmel, Indiana 46032

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Time and Date 9:00 a.m., Eastern Daylight Time, on June 10, 2014

Place Renaissance Indianapolis North Hotel
11925 North Meridian Street
Carmel, Indiana 46032

Items of Business *Proposal No. 1:* To elect ten directors to the Board of Directors.

Proposal No. 2: To provide an advisory vote to approve the compensation of our named executive officers.

Proposal No. 3: To approve the amendment and restatement of the KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan.

Proposal No. 4: To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2014.

To transact any other business as may properly come before the meeting or any adjournments or postponements thereof.

Record Date You are entitled to vote at the annual meeting and at any adjournments or postponements thereof if you were a stockholder of record at the close of business on April 16, 2014.

Voting by Proxy Please submit your proxy card as soon as possible so that your shares can be voted at the annual meeting in accordance with your instructions. For specific instructions on voting, please refer to the instructions on your enclosed proxy card.

On Behalf of the Board of Directors,

April 29, 2014
Carmel, Indiana

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

Table of Contents

Notice of Internet Availability of Proxy Materials for the Annual Meeting

The proxy statement for the Annual Meeting and the Annual Report to Stockholders for the fiscal year ended December 31, 2013, each of which is being provided to stockholders prior to or concurrently with this notice, are also available to you electronically via the Internet. We encourage you to review all of the important information contained in the proxy materials before voting. To view the proxy statement and Annual Report to Stockholders on the Internet, visit the "Investor Relations" section of our website, under the "Proxy Statement" link at www.karauctionservices.com.

Table of Contents

TABLE OF CONTENTS

<u>PROXY STATEMENT SUMMARY</u>	<u>1</u>
<u>QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING</u>	<u>4</u>
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	<u>9</u>
<u>Directors Elected Annually</u>	<u>9</u>
<u>Director Independence</u>	<u>9</u>
<u>Board Nominations and Director Nomination Process</u>	<u>9</u>
<u>Diversity</u>	<u>10</u>
<u>Information Regarding the Nominees for Election to the Board of Directors</u>	<u>10</u>
<u>BOARD OF DIRECTORS STRUCTURE AND CORPORATE GOVERNANCE</u>	<u>15</u>
<u>Role of the Board of Directors</u>	<u>15</u>
<u>Board Leadership</u>	<u>15</u>
<u>Board of Directors Meetings and Attendance</u>	<u>15</u>
<u>Committees of the Board of Directors</u>	<u>15</u>
<u>Board of Directors' Oversight of Risk</u>	<u>17</u>
<u>Corporate Governance Documents</u>	<u>18</u>
<u>Cessation of "Controlled Company" Status</u>	<u>18</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>19</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>19</u>
<u>Director Compensation</u>	<u>19</u>
<u>Communications with the Board of Directors</u>	<u>22</u>
<u>Executive Sessions</u>	<u>22</u>
<u>PROPOSAL NO. 2 APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</u>	<u>23</u>
<u>PROPOSAL NO. 3 APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE KAR AUCTION SERVICES, INC. 2009 OMNIBUS STOCK AND INCENTIVE PLAN</u>	<u>24</u>
<u>Purpose</u>	<u>24</u>
<u>Description of the Amendments</u>	<u>24</u>
<u>Eligible Participants</u>	<u>24</u>
<u>Available Shares and Award Limitations</u>	<u>24</u>
<u>Awards</u>	<u>25</u>
<u>Performance Goals</u>	<u>26</u>
<u>Change in Control</u>	<u>27</u>
<u>Capital Structure Changes</u>	<u>27</u>
<u>Amendment and Termination</u>	<u>27</u>
<u>Effective Date and Term</u>	<u>27</u>
<u>Incentive Compensation Recoupment Policy</u>	<u>27</u>
<u>U.S. Federal Income Tax Considerations</u>	<u>27</u>
<u>New Plan Benefits</u>	<u>29</u>
<u>PROPOSAL NO. 4 RATIFICATION OF INDEPENDENT AUDITORS</u>	<u>31</u>
<u>Proposal</u>	<u>31</u>
<u>Report of the Audit Committee</u>	<u>31</u>
<u>Fees Paid to KPMG</u>	<u>32</u>

Table of Contents

<u>Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors</u>	<u>32</u>
<u>EXECUTIVE COMPENSATION</u>	<u>34</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>34</u>
<u>Overview</u>	<u>34</u>
<u>Executive Summary</u>	<u>34</u>
<u>Compensation Philosophy and Objectives</u>	<u>35</u>
<u>The Role of the Compensation Committee and the Executive Officers in Determining Executive Compensation</u>	<u>36</u>
<u>Elements Used to Achieve Compensation Philosophy and Objectives</u>	<u>36</u>
<u>Tax and Accounting Considerations</u>	<u>45</u>
<u>Insider Trading Policy</u>	<u>46</u>
<u>Anti-Hedging Policy</u>	<u>46</u>
<u>Results of Say on Pay Votes at 2011 Annual Meeting</u>	<u>46</u>
<u>Compensation Committee Report</u>	<u>47</u>
<u>Analysis of Risk in the Company's Compensation Structure</u>	<u>47</u>
<u>Summary Compensation Table For 2013</u>	<u>48</u>
<u>Grants of Plan-Based Awards For 2013</u>	<u>49</u>
<u>Employment Agreements with Named Executive Officers</u>	<u>49</u>
<u>Outstanding Equity Awards at Fiscal Year-End For 2013</u>	<u>55</u>
<u>Option Exercises During Fiscal Year 2013</u>	<u>56</u>
<u>Potential Payments Upon Termination or Change In Control</u>	<u>57</u>
<u>Potential Payments Upon Termination or Change in Control Tables</u>	<u>60</u>
<u>BENEFICIAL OWNERSHIP OF THE COMPANY'S COMMON STOCK</u>	<u>66</u>
<u>CERTAIN RELATED PARTY RELATIONSHIPS</u>	<u>68</u>
<u>REQUIREMENTS, INCLUDING DEADLINES, FOR SUBMISSION OF PROXY PROPOSALS, NOMINATION OF DIRECTORS AND OTHER BUSINESS OF STOCKHOLDERS</u>	<u>72</u>
<u>APPENDIX A KAR AUCTION SERVICES, INC. 2009 OMNIBUS STOCK AND INCENTIVE PLAN, AS AMENDED JUNE 10, 2014</u>	<u>A-1</u>

Table of Contents

PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement before voting. For more complete information regarding the Company's 2013 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

2014 ANNUAL MEETING OF STOCKHOLDERS

Date and Time: 9:00 a.m., Eastern Daylight Time, on June 10, 2014

Location: Renaissance Indianapolis North Hotel, 11925 North Meridian Street, Carmel, Indiana 46032

Record Date: April 16, 2014

Voting: Stockholders of record as of the close of business on the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and for each of the other proposals to be voted on at the 2014 annual meeting of stockholders.

Stock Symbol on the NYSE: "KAR"

Registrar and Transfer Agent: American Stock Transfer & Trust Company, LLC

ITEMS TO BE VOTED ON AT 2014 ANNUAL MEETING OF STOCKHOLDERS

Proposal			Board of Directors' Recommendation
			FOR
Election of ten directors (Proposal No. 1)			
Name	Director Since	Independent	
Ryan M. Birtwell	2013	Yes	
Brian T. Clingen (Chairman of Board)	2007	No	
Donna R. Ecton	2013	Yes	
Peter R. Formanek	2009	Yes	
James P. Hallett (Chief Executive Officer)	2007	No	
Mark E. Hill		Yes	
Lynn Jolliffe		Yes	
Michael T. Kestner	2013	Yes	
John P. Larson		Yes	
Stephen E. Smith	2013	Yes	

FOR

Advisory vote approving the compensation of our named executive officers (Proposal No. 2)

FOR

Edgar Filing: KAR Auction Services, Inc. - Form DEF 14A

Approval of the amendment and restatement of the KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan (Proposal No. 3)

FOR

Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2014 (Proposal No. 4)

1

Table of Contents

KAR AUCTION SERVICES HIGHLIGHTS

Business Highlights

Despite the impact of Superstorm Sandy on our salvage auction business, KAR delivered solid growth in volume of total vehicles sold, revenues and Adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure and is defined and reconciled to the GAAP measure, net income (loss), in our Annual Report on Form 10-K for the year ended December 31, 2013 in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations EBITDA and Adjusted EBITDA."

Specific highlights for fiscal 2013 included:

Total vehicles sold for our ADESA, Inc. ("ADESA") and Insurance Auto Auctions, Inc. ("IAA") business segments rose approximately 12% to 3.7 million units.

Net revenue was up 11% to more than \$2.1 billion.

Adjusted EBITDA rose 8% to \$538.2 million.

We reduced our leverage, as measured by Net Debt / Adjusted EBITDA, to 3.07X.

We increased our annual dividend from \$0.76 to \$1.00 per share.

Shares of KAR stock rose 46% to \$29.55.

Corporate Governance

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

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

Director Independence: Eight of our ten director nominees are independent, and our Board of Directors' committees are comprised entirely of independent directors.

Board Leadership: We separate the roles of Chairman of the Board and Chief Executive Officer. Our Chairman of the Board is a non-executive chairman.

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

Board of Directors Risk Oversight: Our Board of Directors provides oversight with respect to risk practices implemented by management, except for the oversight of risks that have been specifically delegated to a committee of the Board of Directors (in which case the Board of Directors may maintain oversight over such risks through the receipt of reports from the committees). The Audit Committee maintains initial oversight over risks related to the integrity of our financial

Edgar Filing: KAR Auction Services, Inc. - Form DEF 14A

statements; internal controls over financial reporting and disclosure controls and procedures (including the performance of our internal audit function); the performance of the independent auditor; and oversees our responses to ethics issues arising from our whistleblower hotline. The Compensation Committee maintains oversight over risks related to our compensation practices. The Nominating and Corporate Governance Committee monitors potential risks relating to the effectiveness of the Board of Directors, notably director succession, composition of the Board of Directors and the principal policies that guide our governance.

Cessation of Controlled Company Status: At the time of our initial public offering, we qualified as a "controlled company" within the meaning of the NYSE corporate governance standards, as KAR Holdings II, LLC ("KAR LLC") controlled a majority of the voting power of our

Table of Contents

outstanding common stock. As of June 6, 2013, KAR LLC ceased to hold a majority of our outstanding common stock and, as of the date of this proxy statement, does not hold any shares of our common stock. Accordingly, we are no longer a controlled company, and we continue to evaluate our corporate governance structure in light of such transition. We currently have a majority of independent directors under the NYSE standards and each of our committees is comprised entirely of independent directors. See "Board of Directors Structure and Corporate Governance."

Executive Compensation

During the past five years, including following the sale by our former equity sponsors of all of their holdings of our common stock in 2013, we have maintained a compensation program structured to achieve close connection between executive pay and company performance.

Pay for Performance Alignment: During the past 5 fiscal years, including 2013, we have demonstrated close alignment between our total stockholder return (TSR) performance and the compensation of our Chief Executive Officer, as shown in the chart below.

5-Year Pay Alignment Chart

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

Independent Compensation Consultant: In 2013, our compensation committee engaged ClearBridge Compensation Group as its independent compensation consultant.

Performance-Based Compensation Awards: The equity awards granted to our named executive officers in late 2013 and in 2014 are heavily performance-based, consisting of restricted stock units that vest based on achievement of relative TSR and adjusted earnings per share goals and stock options.

Edgar Filing: KAR Auction Services, Inc. - Form DEF 14A

Incentive Compensation Recoupment Policy: In 2014, we adopted a policy providing for the recovery of incentive compensation in the event we are required to prepare an accounting restatement due to any executive officer's intentional misconduct.

Anti-Hedging and Pledging of Company Stock Policy: In addition to our existing anti-pledging of Company stock policy, we adopted a formal anti-hedging of Company stock policy in 2014, which is applicable to our officers and directors.

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

Table of Contents

KAR AUCTION SERVICES, INC.

13085 Hamilton Crossing Boulevard
Carmel, Indiana 46032

PROXY STATEMENT

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

Q:
Why am I receiving these materials?

A:
We are providing these proxy materials to you in connection with the solicitation, by the Board of Directors of KAR Auction Services, Inc. (the "Company" or "KAR Auction Services"), of proxies to be voted at the Company's 2014 annual meeting of stockholders and at any adjournments or postponements thereof. Stockholders are invited to attend the annual meeting to be held on June 10, 2014 beginning at 9:00 a.m., Eastern Daylight Time, at the Renaissance Indianapolis North Hotel, 11925 North Meridian Street, Carmel, Indiana 46032. Our proxy materials are first being distributed to stockholders on or about April 29, 2014.

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

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

To elect ten directors to the Board of Directors;

To provide an advisory vote to approve the compensation of our named executive officers;

To approve the amendment and restatement of the KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan (the "Omnibus Plan"); and

To ratify the appointment of KPMG LLP ("KPMG") as our independent registered public accounting firm for 2014.

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

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

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

"FOR" the approval, on an advisory basis, of the compensation of our named executive officers;

Edgar Filing: KAR Auction Services, Inc. - Form DEF 14A

"FOR" the approval of the amendment and restatement of the Omnibus Plan; and

"FOR" the ratification of the appointment of KPMG as our independent registered public accounting firm for 2014.

Q:

Who is entitled to vote?

A:

All shares owned by you as of the record date, which is the close of business on April 16, 2014, may be voted by you. You may cast one vote per share of common stock that you held on the record date.

These shares include shares that are:

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

Table of Contents

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

On the record date, KAR Auction Services had approximately 139,772,786 shares of common stock issued and outstanding.

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

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

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

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

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

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

Beneficial Owner. Shares held in street name may be voted in person by you only if you obtain an account statement or letter from your bank, broker or other nominee indicating that you are the beneficial owner of the shares and a legal proxy from the record holder giving you the right to vote the shares. The account statement or letter must show that you were the beneficial owner of shares on April 16, 2014, the record date.

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

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

Internet. Go to www.proxyvote.com and follow the instructions. You will need the control number included on your proxy card or voting instruction form;

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

Table of Contents

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

If you vote on the Internet or by telephone, you do not need to return your proxy card or voting instruction card. Internet and telephone voting for stockholders will be available 24 hours a day, and will close at 11:59 p.m., Eastern Daylight Time, on June 9, 2014.

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

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

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

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

Q: *What happens if I do not give specific voting instructions?*

A: **Stockholder of Record.** If you are a stockholder of record and you sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Board of Directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the annual meeting.

Beneficial Owners. If you are a beneficial owner of shares held in street name and do not provide the organization (e.g., broker or bank) that holds your shares in "street name" with specific voting instructions, the organization that holds your shares may generally vote on routine matters (Proposal No. 4 (ratification of auditor)) but cannot vote on non-routine matters (Proposal No. 1 (director elections), Proposal No. 2 (advisory vote on the compensation of our named executive officers) and Proposal No. 3 (approval of the amendment and restatement of the Omnibus Plan)). If the organization that holds your shares does not receive instructions from you on how to vote your shares on Proposals No. 1, 2 and 3, such organization will inform the inspector of election that it does not have the authority to vote on these matters with respect to your shares. This is generally referred to as a "broker non-vote." Therefore, we urge you to give voting instructions to your broker. Shares represented by such broker non-votes will be counted in determining whether there is a quorum. Because broker non-votes are not considered shares entitled to vote, they will have no effect on the outcome of any proposal other than reducing the number of shares present in person or by proxy and entitled to vote from which a majority is calculated.

Q: *Which proposals are considered "routine" or "non-routine?"*

A: The ratification of the appointment of KPMG as our independent registered public accounting firm for 2014 (Proposal No. 4) is considered a routine matter under applicable rules. A broker or

Edgar Filing: KAR Auction Services, Inc. - Form DEF 14A

Table of Contents

other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal No. 4.

The election of directors (Proposal No. 1), the advisory vote on the compensation of our named executive officers (Proposal No. 2) and the approval of the amendment and restatement of the Omnibus Plan (Proposal No. 3) are considered non-routine matters under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposal Nos. 1, 2 and 3.

Q: *What is the voting requirement to approve each of the proposals?*

A: Ten director nominees have been nominated for election at the annual meeting. Directors will be elected by a plurality of the votes cast in the election of directors at the annual meeting, either in person or represented by a properly authorized proxy. This means that the ten nominees who receive the largest number of "FOR" votes cast will be elected as directors. Stockholders cannot cumulate votes in the election of directors. "WITHHOLD" votes and broker non-votes will not have any effect on the election of directors, except in the case of "WITHHOLD" votes to the extent they revoke earlier dated proxies.

The advisory approval of the compensation of our named executive officers, the approval of the amendment and restatement of the Omnibus Plan and the ratification of the appointment of our independent registered public accounting firm require the affirmative vote of a majority of the votes represented at the meeting and entitled to vote on the proposals. In accordance with Delaware law, only votes cast "FOR" a matter constitute affirmative votes. A properly executed proxy marked "abstain" with respect to the advisory approval of our executive compensation, the approval of the amendment and restatement of the Omnibus Plan and/or the ratification of the appointment of our independent registered public accounting firm will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, with respect to Proposals Nos. 2, 3 and 4, abstentions will have the same effect as negative votes or votes "AGAINST" that matter. Broker non-votes will have no effect on Proposals Nos. 2 and 3.

Q: *What does it mean if I receive more than one proxy or voting instruction card?*

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.

Q: *Who will count the vote?*

A: The votes will be counted by the inspector of election appointed for the annual meeting.

Q: *Can I revoke my proxy or change my vote?*

A: Yes. You may revoke your proxy or change your voting instructions at any time prior to the vote at the annual meeting by:

providing written notice of revocation to the Secretary of the Company at 13085 Hamilton Crossing Boulevard, Carmel, Indiana 46032;

delivering a valid, later-dated proxy or a later-dated vote on the Internet or by telephone; or

attending the annual meeting and voting in person.

Please note that your attendance at the annual meeting in person will not cause your previously granted proxy to be revoked unless you vote in person at the annual meeting to revoke your proxy. If you wish to revoke your proxy, you must do so in sufficient time to

permit the necessary

Table of Contents

examination and tabulation of the subsequent proxy or revocation before the vote is taken. Shares held in street name may be voted in person by you at the annual meeting only if you obtain a signed proxy from the record holder giving you the right to vote the shares.

Q:

Who will bear the cost of soliciting votes for the annual meeting?

A:

The Board of Directors of the Company is soliciting your proxy to vote your shares of common stock at the annual meeting. We have engaged MacKenzie Partners, Inc., to assist in the solicitation of proxies for the annual meeting for a fee of approximately \$15,000 plus reimbursement of reasonable out-of-pocket expenses. KAR Auction Services will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the distribution of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic and facsimile transmission by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. The Company also may reimburse brokerage firms and other persons representing beneficial owners of shares of KAR Auction Services' common stock for their expenses in forwarding solicitation material to such beneficial owners.

Q:

I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

A:

The Company has adopted a procedure called "householding" which the Securities and Exchange Commission (the "SEC") has approved. Under this procedure, the Company is delivering a single copy of this proxy statement and the Company's Annual Report to multiple stockholders who share the same address unless the Company has received contrary instructions from one or more of the stockholders. This procedure reduces the Company's costs. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, a separate copy of this proxy statement and the Company's Annual Report will be promptly delivered to any stockholder at a shared address to which the Company delivered a single copy of any of these documents. If you prefer to receive separate copies of the proxy statement or annual report, contact Broadridge Financial Solutions, Inc. by calling 1-800-542-1061 or in writing at 51 Mercedes Way, Edgewood, New York 11717, Attention: Householding Department.

In addition, if you currently are a stockholder who shares an address with another stockholder and would like to receive only one copy of future notices and proxy materials for your household, you may notify your broker if your shares are held in a brokerage account or you may notify us if you hold registered shares. Registered stockholders may notify us by contacting Broadridge Financial Solutions, Inc. at the above telephone number or address.

Q:

What is notice and access and why did KAR Auction Services elect to use it?

A:

This year, for the first time, we are making the proxy materials available to stockholders electronically via the Internet under the Notice and Access regulations of the SEC. Most of our stockholders will receive a Notice of Electronic Availability ("Notice") in lieu of receiving a full set proxy materials in the mail. The Notice includes information on how to access and review the proxy materials, and how to vote, via the Internet. We believe this method of delivery will decrease costs, expedite distribution of proxy materials to you, and reduce our impact on the environment. Stockholders who receive a Notice but would like to receive a printed copy of the proxy materials in the mail should follow the instructions in the Notice for requesting such materials.

Q:

How can I obtain a copy of KAR Auction Services' Annual Report on Form 10-K?

A:

Copies of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed with the SEC, are available to stockholders free of charge on KAR Auction Services' website at www.karauctionservices.com or by writing to KAR Auction Services, Inc., Investor Relations, 13085 Hamilton Crossing Boulevard, Carmel, Indiana 46032.

Q:

Where can I find the voting results of the annual meeting?

A:

Edgar Filing: KAR Auction Services, Inc. - Form DEF 14A

KAR Auction Services will announce preliminary voting results at the annual meeting and publish preliminary, or final results if available, in a Current Report on Form 8-K within four business days of the annual meeting.

Table of Contents

ELECTION OF DIRECTORS

PROPOSAL NO. 1

Directors Elected Annually

Our Board of Directors has nominated the ten individuals named below to stand for election to the Board of Directors at the annual meeting. Messrs. Ament, Finlayson, Goldberg, Moore, O'Brien and Ward, who currently serve on our Board of Directors, are not standing for re-election at the annual meeting. KAR Auction Services' 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 2015 annual meeting of stockholders and until such director's successor is duly elected and qualified, or such director's earlier death, resignation or removal. Directors are elected by a plurality of the votes cast at the annual meeting.

Director Independence

The Board of Directors is responsible for determining the independence of our directors. Under the NYSE listing standards, a director qualifies as independent if the Board of Directors 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. Based upon its evaluation, our Board has affirmatively determined that the following directors and director nominees meet the standards of "independence" established by the NYSE: David J. Ament, Ryan M. Birtwell, Donna R. Ecton, Robert M. Finlayson, Peter R. Formanek, Michael B. Goldberg, Mark E. Hill, Lynn Jolliffe, Michael T. Kestner, John P. Larson, Church M. Moore, Stephen E. Smith and Jonathan P. Ward. Brian T. Clingen, our Chairman of the Board, James P. Hallett, our CEO, and Thomas C. O'Brien, CEO of IAA, are not independent directors.

Board Nominations and Director Nomination Process

The Board of Directors is responsible for nominating members for election to the Board of Directors and for filling vacancies on the Board of Directors 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 of Directors for board