

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 000-50404

LKQ CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
**500 West Madison Street,
Suite 2800, Chicago, IL**
(Address of principal executive offices)

36-4215970
(I.R.S. Employer
Identification Number)

60661
(Zip Code)

Registrant's telephone number, including area code: (312) 621-1950
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u> Common Stock, par value \$.01 per share	<u>Name of each exchange on which registered</u> NASDAQ Global Select Market
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2015, the aggregate market value of common stock outstanding held by stockholders who were not affiliates (as defined by regulations of the Securities and Exchange Commission) of the registrant was approximately \$9.1 billion (based on the closing sale price on the NASDAQ Global Select Market on such date). The number of outstanding shares of the registrant's common stock as of February 19, 2016 was 306,204,125.

Documents Incorporated by Reference

Those sections or portions of the registrant's proxy statement for the Annual Meeting of Stockholders to be held on May 2, 2016, described in Part III hereof, are incorporated by reference in this report.

PART I

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements. Words such as "may," "will," "plan," "should," "expect," "anticipate," "believe," "if," "estimate," "intend," "project" and similar words or expressions are used to identify these forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. However, these forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different. These factors include, among other things:

- changes in economic and political activity in the U.S. and other countries in which we are located or do business, and the impact of these changes on the demand for our products and our ability to obtain financing for operations;
- increasing competition in the automotive parts industry;
- fluctuations in the pricing of new original equipment manufacturer ("OEM") replacement products;
- changes in the level of acceptance and promotion of alternative automotive parts by insurance companies and auto repairers;
- changes to our business relationships with insurance companies or changes by insurance companies to their business practices relating to the use of our products;
- our ability to identify sufficient acquisition candidates at reasonable prices to maintain our growth objectives;
- our ability to integrate, realize expected synergies, and successfully operate acquired companies and any companies acquired in the future, and the risks associated with these companies;
- restrictions or prohibitions on selling certain aftermarket products to the extent OEMs seek and obtain more design patents than they have in the past and are successful in asserting infringement of these patents and defending their validity;
- variations in the number of vehicles sold, vehicle accident rates, miles driven, and the age profile of vehicles in accidents;
- fluctuations in the prices of fuel, scrap metal and other commodities;
- changes in state or federal laws or regulations affecting our business;
- higher costs and the resulting potential inability to service our customers to the extent that our suppliers decide to discontinue business relationships with us;
- price increases, interruptions or disruptions to the supply of vehicle parts from aftermarket suppliers and from salvage auctions;
- changes in the demand for our products and the supply of our inventory due to severity of weather and seasonality of weather patterns;
- the risks associated with operating in foreign jurisdictions, including foreign laws and economic and political instabilities;
- declines in the values of our assets;
- additional unionization efforts, new collective bargaining agreements, and work stoppages;
- our ability to develop and implement the operational and financial systems needed to manage our operations;
- interruptions, outages or breaches of our operational systems, security systems, or infrastructure as a result of attacks on, or malfunctions of, our systems;
- product liability claims by the end users of our products or claims by other parties who we have promised to indemnify for product liability matters;
- costs associated with recalls of the products we sell;
- inaccuracies in the data relating to our industry published by independent sources upon which we rely;
- currency fluctuations in the U.S. dollar, pound sterling and euro versus other currencies;
- our ability to obtain financing on acceptable terms to finance our growth; and
- our ability to satisfy our debt obligations and to operate within the limitations imposed by financing agreements.

Other matters set forth in this Annual Report may also cause our actual future results to differ materially from these forward-looking statements, including the risk factors set forth in Item 1A of this Annual Report. We cannot assure you that our expectations will prove to be correct. In addition, all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements mentioned above. You should not place undue reliance on these forward-looking statements. All of these forward-looking statements are based on our

expectations as of the date of this Annual Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website (www.lkqcorp.com) as soon as reasonably practicable after we electronically file the material with, or furnish it to, the Securities and Exchange Commission.

ITEM 1. BUSINESS

OVERVIEW

LKQ Corporation ("LKQ" or the "Company") is a global distributor of vehicle products, including replacement parts, components and systems used in the repair and maintenance of vehicles, as well as specialty vehicle products and accessories.

Buyers of vehicle replacement products have the option to purchase from primarily five sources: new products produced by original equipment manufacturers ("OEMs"); new products produced by companies other than the OEMs, which are sometimes referred to as aftermarket products; recycled products obtained from salvage vehicles; used products that have been refurbished; and used products that have been remanufactured. We distribute a variety of products to collision and mechanical repair shops, including aftermarket collision and mechanical products, recycled collision and mechanical products, refurbished collision products such as wheels, bumper covers and lights, and remanufactured engines. Collectively, we refer to these products as alternative parts because they are not new OEM products.

We are the nation's largest provider of alternative vehicle collision replacement products and a leading provider of alternative vehicle mechanical replacement products, with our sales, processing, and distribution facilities reaching most major markets in the U.S. and Canada. We are also a leading provider of alternative vehicle replacement and maintenance products in the United Kingdom and the Benelux region (Belgium, Netherlands, & Luxembourg) of continental Europe. In addition to our wholesale operations, we operate self service retail facilities across the U.S. that sell recycled automotive products from end-of-life-vehicles. With our 2014 acquisition of Keystone Automotive Holdings, Inc. ("Keystone Specialty"), we are also a leading distributor of specialty vehicle products and accessories reaching most major markets in the U.S. and Canada.

We are organized into four operating segments: Wholesale - North America; Europe; Specialty; and Self Service. We aggregate our Wholesale - North America and Self Service operating segments into one reportable segment, North America, resulting in three reportable segments: North America, Europe and Specialty. See Note 13, "Segment and Geographic Information" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for financial information by reportable segment and by geographic region.

HISTORY

LKQ was initially formed in 1998 through the combination of a number of wholesale recycled products businesses located in Florida, Michigan, Ohio and Wisconsin. We subsequently expanded through internal development and over 220 acquisitions of aftermarket, recycled, refurbished, and remanufactured product suppliers and manufacturers; self service retail businesses; and specialty vehicle aftermarket equipment and accessories suppliers. Our most significant acquisitions include:

- 2007 acquisition of Keystone Automotive Industries, Inc., which, at the time of acquisition, was the leading domestic distributor of aftermarket products, including collision replacement products, paint products, refurbished steel bumpers, bumper covers and alloy wheels.
- 2011 acquisition of Euro Car Parts Holdings Limited ("ECP"), a vehicle mechanical aftermarket parts distribution company operating in the United Kingdom. This acquisition allowed us to expand our operations into the European automotive aftermarket business.
- 2013 acquisition of Sator Beheer B.V. ("Sator"), a vehicle mechanical aftermarket parts distribution company based in the Netherlands, with operations in the Netherlands, Belgium and Northern France. This acquisition allowed us to further expand our geographic presence into continental Europe.
- 2014 acquisition of Keystone Specialty, which expanded our product offering and increased our addressable market to include specialty vehicle aftermarket equipment and accessories.
- On December 22, 2015, LKQ announced that it has signed a definitive agreement to acquire the holding company of Rhiag-Inter Auto Parts Italia S.p.A ("Rhiag"), a leading pan-European business-to-business distributor of aftermarket spare parts for passenger cars and commercial vehicles. Rhiag has operations in Italy, Czech Republic, Switzerland, Hungary, Romania, Ukraine, Bulgaria, Slovakia, Poland and Spain. The transaction is expected to be completed in the first half of 2016 and is subject to customary closing conditions and necessary regulatory approvals.

Further information regarding our acquisitions is included in Note 8, "Business Combinations" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

STRATEGY

We are focused on creating economic value for our stockholders by enhancing our position as a leading source for alternative collision and mechanical repair products, and by expanding into other product lines and businesses that may benefit from our operating strengths. We believe a supply network with a broad inventory of quality alternative collision and

mechanical repair products, specialty vehicle aftermarket products, high fulfillment rates, and superior customer service provides us with a competitive advantage.

Other than OEMs, the competition in the markets that we serve is extremely fragmented and the supply of products tends to be localized, often leading to low fulfillment rates, particularly with recycled products. In North America, the distribution channels for aftermarket and refurbished products have historically been distinct and separate from those for recycled and remanufactured products despite serving the same customer segment. We provide value to our customers by bringing these two channels together to provide a broader product offering and more efficient distribution process.

To execute our strategy in North America, we have expanded our network of parts warehouses and dismantling plants in major metropolitan areas and employ a distribution system that allows for order fulfillment from regional warehouses located across the U.S. and Canada. By increasing local inventory levels and expanding our network to provide timely access to a greater range of parts, we have increased fulfillment rates beyond the levels that we believe most of our competitors realize, particularly for recycled products.

In our European operations, we will continue to develop our existing branch networks in the U.K. and Benelux markets and add locations where needed. In the U.K., we have undertaken a major project to expand our distribution capabilities in Tamworth. This project is expected to be completed in 2018. Between now and completion, we will incur some duplicate operating and other start-up costs, which may be material, as a result of having multiple warehouses during the build out phase. In the Benelux markets, we will continue the integration of the distributor acquisitions we have completed in that market and look for further expansion opportunities. We continue to look for opportunities to lever our growing presence in Europe through reduced cost of goods purchased and a lower total cost structure. Over time we anticipate further integration of our European operations as we optimize purchasing, cataloging, logistics and back-office functions. Assuming we are successful in our acquisition of Rhiag, we expect to follow similar strategies in its respective markets.

Sources of high quality, reliable alternatives to OEM products are important to insurance companies and to our direct customers as they seek to control repair costs. Lower parts costs and quicker completion of orders save money and reduce repair times. We believe that we provide customers (and indirectly, insurance companies) with a value proposition that includes high quality products at a lower cost than new OEM products, extensive product availability due to our expansive distribution network, responsive service, and quick delivery. The breadth of our alternative parts offerings allows us to serve as a "one-stop" solution for our customers looking for the most cost effective way to provide quality repairs. In order to execute this strategy and build on our progress thus far, we will continue to seek to expand into new markets, and to improve penetration both organically and through acquisitions.

Similarly in our Specialty operations, the supplier base for the specialty vehicle aftermarket parts and accessories market is highly fragmented, typically consisting of suppliers that are small to medium-sized, independent businesses that focus on a narrow product or market niche. While our Specialty operations had an extensive distribution network already in place, we integrated the distribution network for our North American and Specialty operations to create synergies and efficiencies with our existing infrastructure. We believe this provides added value to our customers through a broader product offering and more efficient distribution process.

Extensive in-place network

We have invested significant capital to develop a network of alternative parts facilities across our operating segments. We believe our extensive network gives us a distinct ability to benefit the major automobile insurance companies, which are generally operated on a national or regional level. Additionally, the difficulty and time required to obtain proper zoning, as well as dismantling and other environmental permits necessary to operate newly-sited recycled parts facilities, would make establishing a new network of recycled parts locations a challenge for a competitor. There are also difficulties associated with recruiting and hiring an experienced management team that has strong industry knowledge.

We are attempting to utilize a similar strategy in Europe with our acquisitions of ECP, Sator and certain of Sator's distributors. These companies have a national presence in their respective countries, and we are working to integrate the operations to take advantage of shared procurement, warehousing and product offerings.

Strong business relationships

We have developed business relationships with key constituents, including automobile insurance companies, suppliers and other industry participants in North America, the United Kingdom, and the Netherlands. Insurance companies, as payers for most collision repairs, help drive demand, and take active roles in the selection of alternative replacement products for vehicle repairs in order to minimize the repair portion of the claims costs and reduce repair time. The use of our products lowers the cost of repairs, decreases the time required to return the repaired vehicle to the customer, and provides a replacement product that is of high quality and comparable performance to the part replaced, all of which are favorable to insurance companies.

Because of their importance to the process, we have formed relationships with certain insurance companies in North America for which we are designated a preferred products supplier.

Within our North American Segment, we provide quality assurance programs that offer additional product support to automobile insurance companies. These product support programs identify specific subsets of aftermarket products by vendor and product type that can be used in the repair of vehicles that these companies insure. The programs typically offer aftermarket products that have been produced by manufacturers certified by a third party testing lab. We may provide additional validation of the quality of the products beyond our standard warranties, and identification details that make the products traceable back to a manufacturer's specific production run.

Broad product offering

The breadth and depth of our inventory across all of our operating segments reinforces LKQ's ability to provide a "one-stop" solution for our customers' alternative vehicle replacement, maintenance, and specialty vehicle product needs. Customers place a high value on the availability of a broad range of vehicle replacement products. Historically, in our North American operations, we have been able to provide the collision and mechanical repair industry with premium products at costs typically 20% to 50% below new OEM replacement products. The availability of alternative products means that vehicles can be repaired with lower parts costs, and in some instances, reduced labor costs. In fact, many insurance companies in North America will not authorize the use of higher cost, new OEM replacement products if alternative products are available because the use of alternative products provides insurers a method to manage and reduce total repair costs. Some insurance companies designate us as a preferred supplier for their affiliated repair shops because of our ability to provide these products. With our distribution network and extensive range of products, we believe we are the only supplier that is able to support the insurance industry in this manner. We leverage this same distribution network to provide a broad offering of specialty vehicle aftermarket products and accessories used to customize or enhance the performance, handling or appearance of new or used vehicles. Additionally, we believe we are well-positioned in Europe to continue developing our distribution network of a broad offering of vehicle replacement products to support mechanical repair shops in that market.

High fulfillment rates

We manage local inventory levels to improve delivery time and maximize customer service. Improving local order fulfillment rates reduces transfer costs and delivery times, and improves customer satisfaction. Our ability to move inventory throughout our distribution networks increases the availability of our products and also helps us to fill a higher percentage of our customers' requests.

We deploy inventory management systems at our facilities that are similar to those used by other leading distribution companies. For example, we make extensive use of bar code technology and wireless data transmission to track parts from the time a vehicle or product arrives at a facility to its placement on a truck for delivery to the customer. With this real-time information, we are able to actively monitor inventory levels throughout our distribution channels.

Technology driven business processes

We focus on technology development as a way to support our competitive advantage. We believe that we can more cost effectively leverage our data to make better business decisions than our smaller competitors. We continue to develop our technology to better manage and analyze our inventory, assist our salespeople with up-to-date pricing and availability of our products, and further enhance our inventory procurement process.

We employ proprietary methodologies and information systems to help us identify high demand wholesale aftermarket and recycled products. Our aftermarket inventory systems track products sold and sales lost due to a lack of inventory, and make purchase recommendations based on this information. The inventory systems also recommend purchases and transfers based on the extent and location of demand, as well as other replenishment factors. When we procure aftermarket products or refurbish collision replacement products such as wheels, bumper covers and lights, we focus on products that are in the most demand at all levels of the automotive parts value chain including the professional repair market, the jobber market and the general insured repair market. Because lead times may take 40 days or more on imported products, sales volume and in-stock inventory are important factors in the procurement process. We use historical sales records of vehicles by model and year to estimate the demand for our products. We also analyze new vehicle designs that are expected to come to market to assure that we are working with suppliers to project future supply and demand trends. Combining this information with proprietary data that aggregate customer requests for products, we are able to source aftermarket products and salvage vehicles at prices that we believe will allow us to sell products profitably.

In Europe, we use a number of systems to manage our business. These systems assist with our purchasing, inventory management, order fulfillment, logistics, and other business functions at each location. Our systems allow customers to review our inventory and make purchases, and in many cases assist our customers with locating the appropriate part for repairs.

In our Specialty operations, we believe a focus on technology allows us to develop our business processes and enhance the customer experience. Our inventory forecasting systems help us ensure that the correct product is stocked in the right place to meet customer demand. Our warehousing and logistics systems help us deliver products to customers across the U.S. and Canada. Our online catalogs offer industry leading product information across all segments of automotive and recreational vehicle ("RV") aftermarket parts and accessories and allow customers to search, compare, and order products based upon the specifications of a vehicle. Furthermore, enhancements to our phone systems allow us to improve our customer support capability and the overall customer experience.

NORTH AMERICA SEGMENT

Wholesale Automotive Products

Our wholesale automobile product operations in North America are organized by geographic regions serving the U.S. and Canada that sell all five product types (aftermarket, recycled, remanufactured, refurbished and OEM parts) to professional collision and mechanical automobile repair businesses. Our combined distribution channels for our alternative parts offerings leverage our facility and warehouse costs and improve local product availability by locating multiple product operations together. Our aftermarket product operations may include a combination of sales, warehousing and distribution functions, and in many cases will be co-located with our refurbishing operations. Our wholesale recycling operations typically have processing, sales, distribution and administrative operations on site, indoor and outdoor storage areas, and include a large warehouse with multiple bays to dismantle vehicles. Our engine remanufacturing operations are conducted primarily at our facilities in Mexico as well as the U.S., with sales, warehousing and distribution operations in the U.S. As of December 31, 2015, our North American wholesale operations conducted business from 348 facilities.

Wholesale Aftermarket Products

Our 2015 sales included more than 110,000 SKUs of aftermarket automotive products, excluding refurbished products, for the most common models of domestic and foreign automobiles and light trucks, primarily for the repair of vehicles three to twelve years old. Our principal aftermarket product types consist of those most frequently damaged in collisions, including bumper covers, automotive body panels and lights. We also distribute paint and other materials used in repairing damaged vehicles, including sandpaper, abrasives, masking products and plastic filler. The paint and other materials distributed by us are purchased from numerous suppliers in the U.S. and Canada.

We expanded our wholesale aftermarket operations through the acquisition of PartsChannel, Inc. ("Parts Channel") in July 2015. At the time of acquisition, Parts Channel was one of the leading domestic distributors of aftermarket products, including collision replacement products.

Platinum Plus is our exclusive product line offered in the Keystone brand of aftermarket products. The Platinum Plus products are held to high quality standards and tested by quality assurance teams or independent third parties. We also developed a product line called "Value Line" for more value conscious, often self-pay, consumers. Our Value Line products offer quality products at reasonable prices, providing additional choices for repairs or rebuilding of vehicles.

Certain of our products are certified by independent organizations such as the Certified Automotive Parts Association ("CAPA") and NSF International ("NSF"). CAPA and NSF are associations that evaluate the functional equivalence of aftermarket collision replacement products to OEM collision replacement products. Members of CAPA and NSF include insurance companies, product distributors (including LKQ), collision repair shops and consumers. CAPA and NSF develop engineering specifications for aftermarket collision replacement products based upon examinations of OEM products; certify the factories, manufacturing processes and quality control procedures used by independent manufacturers; and certify the materials, fit and finish of specific aftermarket collision replacement products.

LKQ is certified under the NSF International Automotive Parts Distributor Certification Program, which addresses the needs of collision repair shops and insurers by maintaining quality management systems to address part traceability, service and quality. This certification program complements the existing parts certification program with NSF under which a broad range of automotive replacement parts are certified by NSF. Many major insurance companies have adopted policies recommending or requiring the use of products certified by CAPA or NSF. A number of CAPA and NSF certified products are also marketed under the Platinum Plus brand.

Procurement of Inventory

The aftermarket products we distribute are purchased from independent manufacturers and distributors located primarily in the U.S., Taiwan, and China. In 2015, approximately 29% of our aftermarket purchases were made from our top four vendors, with our largest vendor providing approximately 11% of our annual inventory purchases. We believe we are one of the largest customers of each of these suppliers. Outside of this group, no other supplier provided more than 5% of our supply of aftermarket products in 2015. We purchased approximately 54% of our aftermarket products in 2015 directly from

manufacturers in Taiwan and other Asian countries. Approximately 45% of our aftermarket products were purchased from vendors located in the U.S. and Canada; however, we believe the majority of these products were manufactured in Taiwan, Mexico or other foreign countries. We have business arrangements with manufacturers to produce certain of our products. These agreements automatically renew for additional 12 month periods unless written notice is given. While we compete with other distributors for production capacity, we believe that our sources of supply and our relationships with our suppliers are satisfactory.

We usually receive orders from domestic suppliers within ten days from the date ordered. Foreign orders typically are shipped in sea containers directly to certain of our aftermarket locations, and are received within 30 to 55 days from the date ordered. We operate an aftermarket parts warehouse in Taiwan that aggregates inventory from certain of our vendors for shipment to our North American locations. As of December 31, 2015, we operated 24 regional hubs and three distribution centers, which act as sources for our warehouse locations that do not receive containers directly and serve as redistribution centers for our operations.

Wholesale Recycled Products

Our recycled products include engines, transmissions, door assemblies, sheet metal products such as trunk lids, fenders and hoods, lights, and bumper assemblies. Some insurance companies mandate that the recycled products must be of the same model year or newer as the vehicle being repaired. As a result, the majority of the products we sell are from vehicles not more than ten years of age. Installing recycled products often means that collision shops not only save on product cost, but, because several products may come pre-assembled, the shops are also able to reduce labor costs.

We strive to be environmentally responsible. Our recycled automotive products provide an alternative to the manufacture of new products, which would require the expenditure of more resources and energy and would generate additional pollution. In addition, we save landfill space because the parts that we recycle would otherwise be discarded. We also collect materials, such as metals, plastics, fuel and motor oil, from the salvage vehicles that we procure, and use them in our operations or sell them to other users.

Procurement of Inventory

We procure recycled products for our wholesale operations by acquiring severely damaged or totaled vehicles, and then dismantling and inventorying the parts. Vehicles that have been declared "total losses" typically are sold at regional salvage auctions throughout the U.S. and Canada. Salvage auctions charge fees both to the suppliers of vehicles, which are primarily insurance companies, and to the purchasers. Additionally, we typically pay third parties to tow the vehicles from the auction to our facilities.

The availability and pricing of the salvage vehicles we procure for our wholesale recycled product operations may be impacted by a variety of factors, including the production level of new vehicles and the portion of damaged vehicles declared total losses. Over the past several years, the frequency with which vehicles are declared total losses has increased as a result, we believe, of the rise in repair costs relative to vehicle replacement cost and salvage vehicle prices. In 2000, approximately 9% of accident claims resulted in a total loss; by 2014, this percentage increased to almost 14%, with more than 70% of these total losses being declared for vehicles aged seven years or older. Additionally, sales of new vehicles have increased since 2010 and are projected to continue to increase over the next 3 years, which should result in a greater volume of salvage vehicles at auction.

In 2015, we acquired 287,000 salvage vehicles for our wholesale recycled product operations, primarily from salvage auctions. Prior to the scheduled auction date, our salvage buyers may preview the auctions online to investigate the vehicles to be sold and determine our interest in buying them. They obtain key information such as the model and mileage, and perform visual damage assessments to determine which parts on the targeted vehicles are recyclable. With the data from this preview, we deploy a bidding system that performs a valuation calculation for each vehicle. In order to recommend a maximum bid price, the calculation incorporates demand for a vehicle's recyclable parts, current inventory levels, average selling prices, auction costs, projected margins and instances of out-of-stock. Using this disciplined supply and demand procurement approach, we place bids on the targeted vehicles.

Vehicle Processing

Vehicle processing for our wholesale recycled operations involves dismantling a salvage vehicle into recycled products that are ready for sale. When a salvage vehicle arrives at our facility, an inventory specialist identifies, catalogs, and schedules the vehicle for dismantling. Prior to dismantling, we remove from each vehicle its battery, fluids, refrigerants, and parts containing hazardous substances or precious metals such as catalytic converters. The extracted fluids are stored in bulk and subsequently sold to recyclers. In the case of gasoline, the fuel retrieved is primarily used to power our delivery vehicles. A small portion of the recycled motor oil we collect is used at certain of our plants that have high-efficiency oil burning furnaces; the balance is sold to motor oil recyclers.

When ready for dismantling, each vehicle has an inventory report that indicates to the dismantler which parts should be removed and placed in a warehouse for future sales to customers, which parts should be collected in bulk for our refurbishing and remanufacturing operations or for sale to parts remanufacturers, and which parts have value but should remain on the vehicle until sold. We utilize bar coding systems and wireless transmission to keep track of inventory from the time a product is removed and inventoried to the time it is sold and put on a truck for delivery.

Refurbished and Remanufactured Products

As of December 31, 2015, we operated 25 refurbishing facilities and 4 engine remanufacturing facilities. We refurbish products such as wheels, lights, plastic bumpers, and chrome bumpers.

When identifying the products that we refurbish or remanufacture, we focus on products that have high demand. The majority of our refurbished and remanufactured products are processed from cores obtained from salvage vehicles purchased by our recycled operations, parts received in trade from customers purchasing replacement products from us, and cores collected by our route delivery drivers from vehicles under repair by our customers. These products are accumulated from our wholesale operations at our core sorting facilities, and are then either sent to our refurbishing or remanufacturing facilities or sold in bulk to other mechanical remanufacturers.

Heavy-Duty Truck Products

As of December 31, 2015, we operated a total of 25 heavy-duty truck facilities in the U.S. and Canada. Our inventory is composed of used heavy-duty trucks, usually at least five years old, which are purchased at salvage and truck auctions or directly from insurance companies or large fleet operators. During 2015, we purchased approximately 7,000 vehicles. Depending on the condition of the vehicles, they may be dismantled for parts or resold as running vehicles. If certain mechanical parts are damaged, such as transmissions, we may remanufacture them and offer them to our customers. The vehicles that are acquired for resale are typically special purpose or vocational use trucks such as those used for garbage pickup or cement delivery. If requested by the sellers of the vehicles, we provide assurance that the vehicles will be sold to foreign buyers and exported to countries for use outside of the U.S., or to domestic buyers after the vehicles have been reconditioned and modified for use other than their original purpose.

Scrap and Other Materials

Our wholesale recycled product operations generate scrap metal and other materials that we sell to recyclers. Vehicles that have been dismantled for recycled products and "crush only" end of life vehicles acquired from other companies, including OEMs, are typically crushed using equipment on site. In other cases, we will hire mobile crushing equipment to crush the vehicles before they are transported to shredders and scrap metal processors. Damaged and unusable wheel cores are melted in our aluminum furnace and sold to consumers of aluminum ingot and sow for the production of various automotive products, including wheels. We also extract and sell the precious metals contained in certain of our recycled parts such as catalytic converters.

Customers

We sell our products to wholesale customers that include collision and mechanical repair shops and new and used car dealerships, as well as to retail customers. Customers of our heavy-duty truck products may also include owner/operators, local cartage companies, or exporters. Most of our refurbished and remanufactured products are sold through our wholesale distribution channels. The balance is sold to retail automotive stores, wholesale distributors and via internet sales. We also generate a portion of our revenue from scrap sales to metal recyclers. No single customer accounted for 2% or more of our revenue in 2015.

Repair Shops and Others

We sell the majority of our wholesale products to collision and mechanical repair shops. Industry reports estimate there were approximately 41,000 collision repair shops, including those owned by new car dealerships, in the U.S. in 2014. The same reports estimate there were approximately 79,000 general (including mechanical) repair garages, excluding new car dealership service departments, in the U.S. in 2014. The majority of these customers tend to be individually-owned small businesses, although the number of independent and dealer-operated collision repair facilities has declined over the last decade, as regional or national multiple location operators have increased their geographic presence through acquisitions. We also sell our products to car rental companies and fleet management groups.

Insurance Companies

Automobile insurance companies affect the demand for our collision products. While insurance companies do not pay for our products directly, they ultimately pay for the repair costs of insured vehicles in excess of any deductible amount. As a result, insurance companies often influence the types of products used in a repair.

Our presence in most major markets in the U.S. and Canada gives us a distinctive ability to benefit the major automobile insurance companies. Insurance companies generally operate at a national or regional level. The use of our products provides a direct benefit to these companies by lowering the cost of repairs, decreasing the time required to return the repaired vehicle to the customer, and providing a replacement product that is of high quality and comparable performance to the part replaced.

We assist insurance companies by providing high quality aftermarket, recycled, refurbished and remanufactured products to collision repair shops, especially to repair shops that are part of an insurance company's Direct Repair Program ("DRP") network. A repair shop participating in a DRP is referred potential work from the insurance company in exchange for providing assurances to the insurance company of quality, timeliness, and cost. Industry reports indicate that over half the claims paid for by top insurance companies in 2012 were paid through a DRP, compared to 42% in 2009. To meet the needs of the DRPs, professional repairers have been required to become fluent in claims handling. We offer our repair shop customers access to our proprietary system, Keyless, which provides a link between their estimating systems and our inventory to identify the availability of alternative products for use in their repair. This data also helps insurance companies monitor the body shops' compliance with their DRP product guidelines that might, for instance, stipulate the use of the lowest cost products that meet quality specifications. In addition, in some markets insurance companies are able to dispose of low value total loss vehicles directly to us so they can save the transaction fees associated with selling these vehicles through salvage auctions.

Sales and Marketing

In the case of repairs paid for as a result of insurance claims, which industry publications estimate are approximately 85% of all repairs, insurance companies give collision repair shops information as to what type of replacement products are eligible for reimbursement. Typically insurance carriers have established a hierarchy or decision tree prioritizing the types of products to be used for repairs. As an example, a protocol may require recycled products if available; if recycled products are not available, then refurbished products; and, if recycled or refurbished products are not available, aftermarket products. If none of these alternative product types is available, the shop may then use new OEM replacement products. Once the estimated repair cost is determined, the body shop will begin its search for required products. The sourcing of products typically begins with a call to one of our recycled operations or one of our competitors. Our recycled sales personnel are encouraged to capture the sale as a "one-stop shop" and, if recycled products are out of stock, to fill orders from our refurbished or aftermarket product inventory. To support these efforts, we have provided our sales staff with access to both recycled and aftermarket sales systems, and we have developed sales incentive programs that encourage cross selling throughout our wholesale operations.

As of December 31, 2015, we had approximately 2,300 full-time sales staff in our North American wholesale operating segment. The full time sales personnel are located at sales desks at our facilities or at one of the regional call centers we operate. We deploy a call routing system that redirects overflow calls to alternative call centers, typically located within the same region. We also operate two other call centers, one to support national accounts, and the other to support insurance adjusters' needs and questions. Our sales personnel are encouraged to initiate outbound calls in addition to the inbound calls they handle. Our sales staff can use customer estimates from our Keyless estimating system to generate sales leads for both aftermarket and recycled products.

We are continually reviewing and revising the pricing of wholesale products. Our pricing specialists consider factors such as recent demand levels, inventory quantity on hand and turnover rates, new OEM product prices and local competitive pricing, with the goal of optimizing revenue. We set list prices and then sell items at a discount to list, with the discount typically based on each customer's purchasing volume. We may adjust prices during the year in response to material price changes of new OEM replacement products.

We believe our commitment to stock inventory in local warehouses, supplemented by the inventory sharing system within our regional trading zones, improves our ability to meet our customers' requirements more frequently than our competitors and gives us a competitive advantage.

Distribution

We have a distribution network of 348 wholesale plants and warehouses across the U.S. and Canada as of December 31, 2015, of which 66 function as cross dock facilities. Our network of facilities allows us to develop and maintain our relationships with local repair shops while providing a level of service that is made possible by our nationwide presence. Our local presence allows us to provide daily deliveries as required by our customers, using drivers who routinely deliver to the same customers. Our sales force and local delivery drivers develop and maintain critical personal relationships with the local repair shops that benefit from access to our wide selection of products, which we are able to offer as a result of our regional inventory network.

We have developed an internal distribution network to allow our sales representatives to sell our products within regional trading zones, thus improving our ability to fulfill customer requests and accelerating inventory turnover. Each weekday we operate approximately 310 transfer runs between our cross dock facilities and our plants and warehouses within

our regional trading zones to redistribute our alternative products for delivery on the next day. In addition, we have over 2,900 local delivery routes serving our customers each weekday.

Each sale results in the generation of a work order at the location housing the specific product. A dispatcher is then responsible for ensuring fulfillment accuracy, printing the final invoice, and including the product on the appropriate truck route for delivery to the customer. In markets where we offer more than one alternative product type, we are integrating the delivery of multiple product types on the same delivery routes to help minimize distribution costs and improve customer service. We operate a delivery fleet of medium-sized trucks and smaller trucks and vans. Over time, we expect that our delivery vehicles will become more consistent as we reconfigure the fleet to include vehicles that can carry all five product types.

Competition

We consider all suppliers of vehicle collision and mechanical products to be competitors, including aftermarket suppliers, recycling businesses, refurbishing operations, parts remanufacturers, OEMs and internet-based suppliers. We believe the principal areas of differentiation in our industry include availability of inventory, pricing, product quality and service.

The aftermarket product distribution business is highly fragmented and our competitors, other than OEMs, are generally independently owned distributors with one to three distribution centers. Similarly, we compete with domestic vehicle product recyclers, most of which are single-unit operators. In some markets, smaller competitors have organized affiliations to share marketing and distribution resources, including internet sites. We compete with alternative parts distributors on the basis of our nationwide distribution system, our product lines and inventory availability, customer service, our relationships with insurance companies, and to a lesser extent, price. We do not consider retail chains that focus on the do-it-yourself market to be our direct competitors since many of our wholesale product sales are paid for by insurance companies rather than the end user.

Manufacturers of original equipment products sell the majority of automobile collision replacement products. We believe, however, that the insurance and repair industries recognize advantages of using aftermarket, recycled, refurbished and remanufactured products for collision repairs. Industry sources estimate that alternative collision parts usage in the U.S. ranged between approximately 36% and 37% during 2015. We compete with OEMs primarily on the basis of price and, to a lesser extent, on service and product quality.

Self Service Retail Products

Our self service retail operations sell parts from older cars and light-duty trucks directly to consumers. In addition to revenue from the sale of parts, core, and scrap, we charge a nominal admission fee to access the property. Our self service facilities typically consist of a fenced or enclosed area of several acres with vehicles stored outdoors and a retail building through which customers are able to access the yard. As of December 31, 2015, we conducted our self service operations from 78 facilities in North America, most of which operate under the name "LKQ Pick Your Part."

Inventory

We acquire inventory for our self service retail product operations from a variety of sources, including but not limited to towing companies, auctions, the general public, municipality sales, insurance carriers, and charitable organizations. We typically procure salvage vehicles that are more than seven model years old for our self service retail product operations. These vehicles are generally older and of lower quality than the salvage vehicles we purchase for our wholesale recycled product operations. Using our new car buying system implemented in 2015, we have streamlined the car buying process and are better able to facilitate the quoting, purchasing, and processing of cars. In 2015, we purchased approximately 471,000 lower cost self service and "crush only" vehicles.

Vehicles are delivered to our locations by the seller, or we arrange for transportation. Once on our property, minimal labor is required to process the vehicle other than removing the battery, fluids, refrigerants, catalytic converters and hazardous materials. Vehicles are then placed in the yard for customers to remove parts. The vehicle inventory is usually organized according to domestic and import cars (further organized by make), passenger vans and trucks. In our self service business, availability of a specific part will depend on which vehicles are currently at the site and to what extent parts may have been previously sold. We usually keep a vehicle at our facility for 30 to 90 days, depending on the capacity of the yard and size of the market, before it is crushed and sold to scrap metal processors. By maintaining a relatively short turnover period, we ensure that our inventory is continually updated with different car options or removed from the yard when the saleable parts are depleted.

Scrap and Other Materials

Our self service operations generate scrap metal, alloys and other materials that we sell to recyclers. Vehicles that we no longer make available to the public and "crush only" vehicles acquired from other companies, including OEMs, are typically crushed using equipment on site.

Customers

The customers of our self service yards are frequently do-it-yourself mechanics, small independent repair shops servicing older vehicles, auto rebuilders, and resellers. The scrap from the vehicle hulks, when not processed by us, is sold to metals recyclers, with whom we may also compete when procuring salvage vehicles for our operations.

Sales and Marketing

We list part prices for automobiles and light-duty trucks on regularly updated price sheets, with prices varying by part type, but not by make or model. For instance, four cylinder engines are priced the same regardless of vehicle make, model, age or condition. While we do not consider retail automotive chains to be our direct competitors, as their product offerings are focused on maintenance products and mechanical parts, we may reference their prices on certain parts as a benchmark to ensure our prices remain competitive.

Competition

There are competitors operating self service businesses in all of the markets in which we operate. In some markets, there are numerous competitors, often operating in close proximity to our operations. We try to differentiate our business by the quality of the inventory and the size and cleanliness of the property.

EUROPE SEGMENT

Wholesale Automotive Products

Our European wholesale operating segment was formed in the fourth quarter of 2011 with our acquisition of ECP, a leading distributor of automotive aftermarket parts in the U.K. ECP has approximately 8,800 employees with a large customer base of both commercial and retail accounts. The majority of ECP's revenue comes directly from the professional repair segment. ECP's national distribution centers support its regional hubs and branch network with daily replenishment of stock, providing our customers with what we believe to be the highest in-stock rate in the U.K. As of December 31, 2015, we operated 218 selling locations, supported by 3 national distribution centers and 17 regional hubs (many of which are co-located with selling locations), which allows us to reach most major markets within the U.K.

Our European aftermarket collision parts program is managed by our ECP branch network through which we sell our Platinum Plus aftermarket products. We believe the historically low alternative collision parts usage percentage in Europe, which is currently less than 10%, provides an opportunity for us in this segment, particularly as insurance companies look to lower their costs. To further our commitment to expanding our European alternative collision parts program and becoming a leading one-stop shop supplier to the collision repair industry in the U.K., we also offer automotive paint products and related accessories.

In May 2013, we acquired Sator, which allowed us to expand our presence in Europe to continental Europe. Headquartered in Schiedam, the Netherlands, Sator is a market leading distributor of automotive aftermarket parts in Western Europe. The acquisition of Sator expanded LKQ's European presence, and provides a potential platform to capitalize on the large and fragmented mechanical replacement parts market in Europe. Sator also complements our existing ECP operations in the U.K. given the significant overlap in suppliers and product mix, which allows for potential cost savings from the leveraging of our combined purchasing power. Efforts to combine the purchasing function in Europe are ongoing and are expected to be a continuous effort over the coming years. We have modified Sator's distribution model to be consistent with our U.K. operations, primarily through acquisitions since the second quarter of 2014 of 18 warehouse distributors, 14 of which were customers of Sator. These acquisitions are integral to our plan to implement a two-step distribution model for Sator, under which we are selling directly to repair shops in order to improve our margins, drive product sales, and ultimately sell collision parts in the Benelux region.

Sator has over 2,800 employees at 97 aftermarket warehouses that serve a diverse base of repair shop and warehouse distributor customers. Sator generates approximately 89% of its revenue from sales in the Netherlands and Belgium, with the remainder in Northern France and other European countries. With their respective distribution networks, IT infrastructure and unique customer base, we believe ECP and Sator will serve as a platform to expand into complementary products to increase market penetration in this segment, as well as to further develop a collision repair parts business throughout Europe similar to our wholesale operations in North America.

In November 2014, we expanded our European segment to include wholesale recycling operations through our acquisition of a business with salvage and vehicle repair facilities in Sweden and Norway. We acquired an additional salvage business in Sweden in October 2015 bringing our Scandinavian employee headcount and warehouse count to 178 and 7, respectively. In addition to expanding our geographic presence in Europe, we believe these acquisitions provide us with the opportunity to leverage our experience in operating salvage facilities in a new market and leaves us well positioned to expand our aftermarket operations to include these countries.

Inventory

In 2015, ECP's and Sator's sales included 137,000 SKUs and 166,000 SKUs, respectively. Our inventory is primarily composed of mechanical aftermarket parts for the repair of vehicles 3 to 15 years old. Our top selling products include brake pads, discs and sensors; clutches; electrical products such as spark plugs and batteries; steering and suspension products; filters; and oil and automotive fluids. In 2015, our top five suppliers represented 20% of our inventory purchases, with our top supplier representing approximately 8% of our purchases. No suppliers outside of our top five suppliers provided more than 2% of our purchases during 2015.

The aftermarket products we distribute are purchased from vendors located primarily in the U.K. and continental Europe. In 2015, we purchased 90% of our products from companies in Europe. The remaining 10% of our 2015 purchases were sourced from vendors located primarily in China or Taiwan, some of which also supply collision parts for our Wholesale - North American operations. In 2015, 52%, 38%, and 10% of our total inventory purchases were made in Euros, Pounds Sterling, and U.S Dollars, respectively.

In our Scandinavia operations, we purchase severely damaged or totaled vehicles from insurance companies, which are transferred to our dismantling facilities or sold to other third party dismantlers. In 2015, we acquired over 8,150 salvage vehicles for our wholesale recycled product operations and resold 11,700 salvage vehicles to other third party dismantlers.

Customers

In our U.K. operations, we sell the majority of our products to over 37,000 commercial customers primarily consisting of professional repairers, including both independent mechanical repair shops and collision repair shops. In addition to our sales to repair shops, we generate a portion of our revenue through sales to retail customers from ECP's e-commerce platform and from counter sales at the branch locations. This retail component of ECP's business has historically represented approximately 10% of its revenue.

Historically our distribution network in the Benelux Region operated under a three-step distribution model where the immediate customers were warehouse distributors. Since the second quarter of 2014, we have acquired 18 aftermarket parts distributors in the Netherlands. These acquisitions have enabled us to transform the original distribution model to a two-step distribution model. Our customer base currently consists of a combination of warehouse distributors and local repair shops, and the demand for our products is driven by the needs of the same types of professional repairers we service in our ECP operations. As a result, our customer base primarily consists of local repair shops. We still sell to some warehouse distributors, although the proportion of revenue from the distributors has declined over time as we internalize this function. Sator markets directly to the mechanical repair shops through fliers and other promotional materials and provides software to the repair shops, which the shops need for their operations. During 2015, no customer accounted for more than 3% of revenue for ECP or Sator.

Sales and Marketing

ECP's customers will generally call a sales representative at the nearest branch to place an order. Using an electronic automotive exchange and our integrated IT platform displaying inventory availability, our sales representatives locate the appropriate replacement part for a customer. We set list prices for our products, and then apply a discount off of list, primarily depending on each customer's purchasing volume. We utilize a business-to-business website with certain of our customers to enable them to place product orders online through a customized interface that includes detailed parts specifications, customer-specific pricing, local branch availability, and account information. We believe this customer interface will result in fewer parts returns by improving order accuracy and will also reduce the time required by parts specialists to advise customers. Whether placed via a phone order or online, customer orders are filled from the local branch or routed to another location as necessary to fill the order.

Sator's sales and marketing platform is a proprietary stock management system that provides repair shops, jobbers and end users with an efficient system for ordering from our product catalog directly online. Through this online system, Sator is able to actively monitor inventory levels at all stages in the aftermarket automotive parts value chain in its markets.

Similar to our North American wholesale operations, insurance companies significantly influence the purchasing decisions for collision products in Europe. As a result, we are attempting to establish business relationships with insurance companies and implement insurer-based marketing models in the U.K. by emphasizing the cost savings that can be achieved through the use of alternative parts. As we continue to grow our collision parts offerings in the U.K., we believe we will be well-positioned to serve as a lower-cost alternative for insured repairs throughout Europe given the majority of U.K. carriers offer coverage in multiple European countries outside of the U.K.

Distribution

Our European operations employ a distribution model in which inventory is stored at regional distribution centers or hubs, with fast moving product stored at branch locations or at local warehouse distributors (for some of our Sator operations) for timely delivery to the repair shop customers. Product is moved through the distribution network on our vans or via common

carrier. In our ECP operations, we also sometimes employ a third party motorcycle fleet to deliver parts from our branch locations to nearby repair shop customers; as a result, our ECP branches can deliver certain in-stock parts within one hour.

Competition

We view all suppliers of replacement repair products as our competitors, including other alternative parts suppliers and OEMs and their dealer networks. While we compete with all alternative parts suppliers, there are few with national distribution networks like ECP and Sator that can reach the majority of repair shop customers within the required delivery time within their respective markets. We believe we have been able to distinguish ourselves from other alternative parts suppliers primarily through our distribution network, efficient stock management systems and proprietary technology which allows us to deliver our products quickly, as well as through our product lines and inventory availability, pricing, and service. We compete with OEMs primarily on the basis of price, service, and availability.

SPECIALTY SEGMENT

Specialty Vehicle Aftermarket Equipment and Accessories

Our Specialty operating segment was formed in January 2014 with our acquisition of Keystone Specialty. Keystone Specialty is a leading distributor and marketer of specialty vehicle aftermarket equipment and accessories in North America serving the following six product segments: truck and off-road; speed and performance; RV; towing; wheels, tires and performance handling; and miscellaneous accessories. Our specialty segment has over 2,200 employees. We expanded our Specialty operating segment through our October 2014 acquisition of a supplier of replacement parts, supplies and accessories for RVs. Our August 2015 acquisition of The Coast Distribution System, Inc. ("Coast") added to product offerings for the RV and outdoor recreation markets. With these acquisitions, we are a leading distributor and marketer of specialty vehicle aftermarket products and accessories, reaching most major markets in the U.S. and Canada.

Inventory

Our 2015 sales included more than 250,000 SKUs of specialty vehicle aftermarket equipment and accessories. Our top selling products are trailer hitches and RV products including satellite antennas, generators, waterproofing sealants, combination washer/dryer units and water pumps. The specialty vehicle aftermarket equipment and accessories we distribute are purchased from suppliers located primarily in the U.S., Canada, and China. Specialty aftermarket suppliers are typically small to medium-sized, independent businesses that focus on a narrow product or market niche. Due to the highly fragmented supplier base for specialty vehicle aftermarket products, we have very little supplier concentration. In 2015, approximately 17% of our specialty vehicle aftermarket purchases were made from our top five vendors, with our largest vendor providing approximately 5% of our inventory.

Customers

Specialty automotive and RV aftermarket accessories and equipment are purchased by our customers to improve the performance, functionality and appearance of their vehicles. Overall, the specialty vehicle aftermarket parts and accessories market contains a fragmented customer base comprised of specialty vehicle product installation outlets, automotive parts chains, or mail-order. In 2015, we sold products to approximately 20,000 customers. Our customers are principally small, independent retailers and installers of specialty vehicle automotive equipment. These businesses depend on us to provide a broad range of products, rapid delivery, marketing support and technical assistance. In addition to traditional customers, in recent years we have increased sales to several large automotive parts and online retailers. During 2015, our top two customers accounted for approximately 6% of Specialty segment revenue while no other customer accounted for more than 1% of revenue.

Sales and Marketing

Our employee sales force is comprised of inside sales personnel located within geographically-disbursed call centers and outside sales personnel who call directly on customers in the field. This sales force receives customer orders, responds to technical and other inquiries and proactively places outbound sales calls to customers. The focus of our outside sales force is to identify and acquire new customers, and to further develop relationships with existing customers. Outside sales personnel are responsible for specific geographic regions across the U.S. and Canada, and they work with regional managers to penetrate and service new and existing markets. Outside sales personnel also sell value-added marketing services, such as merchandising support.

Marketing programs include: catalogs; advertising, sponsorships and promotional activities; product level marketing and merchandising support; and online initiatives. Our national footprint allows us to stage trade shows across the U.S., which provide an opportunity to improve sales through the showcasing of new and innovative products from our vendors to our customers.

Through these sales and marketing initiatives, our goal is to continue to enhance our brand and reputation as a leading distributor in the industry.

Distribution

Our Specialty operations employ a hub-and-spoke distribution model which enables us to transport products from our 6 primary distribution centers and 18 inventory-stocking warehouses to our 54 non-inventory stocking cross docks, a majority of which are co-located with our Wholesale - North America operations and provide distribution points to key regional markets. Over 375 delivery routes are used to provide multi-day per week delivery and returns of our products directly to and from our customers in all 48 continental U.S. states and 9 Canadian provinces, and we ship globally to customers in over 40 countries. Keystone Specialty also operates 18 retail stores in northeastern Pennsylvania. Our retail stores accounted for less than 4% of Specialty segment revenue in 2015.

Competition

Industry participants have a variety of supply choices. Vendors can deliver products to market via warehouse distributors and mail order catalogs, or directly to retailers and/or consumers. We view all suppliers of specialty vehicle aftermarket equipment and accessories as our competitors. While we compete with all specialty vehicle aftermarket parts suppliers, there are few with national distribution networks like LKQ's that can reach the majority of customers within the optimum delivery time. We believe we have been able to distinguish ourselves from other specialty vehicle aftermarket parts suppliers primarily through our broad product selection, which encompasses both popular and hard-to-find products, our distribution network, and efficient stock management systems, as well as through our service. We compete on the basis of product breadth and depth, rapid and dependable delivery, marketing initiatives, support services, and price.

INTELLECTUAL PROPERTY

We own various trade names and trademarks as a result of past acquisitions. In addition to acquired trade names and trademarks, we also have technology based intellectual property that includes both internally developed websites and license agreements. We do not believe that our business is materially dependent on any single or group of related trademarks, licenses or registrations, nor would the expiration of any particular intellectual property right or termination of any particular intellectual property license agreement materially affect our business.

EMPLOYEES

As of December 31, 2015, we had approximately 31,100 employees. We are a party to a collective bargaining agreement with a union that represents 45 employees at our Totowa, New Jersey facility. Approximately 790 of our employees at our bumper refurbishing and engine remanufacturing operations in Mexico and 160 of our employees at our recycled parts facility in Quebec City, Canada are also represented by unions. Other than these locations, none of our employees are members of a union or participate in other collective bargaining arrangements. We consider our employee relations to be good.

FACILITIES

Our corporate headquarters are located at 500 West Madison Street, Chicago, Illinois 60661. We operate a field support center in Nashville, Tennessee that performs certain centralized functions for our North American operations, including accounting, procurement, and information systems support. Our Specialty operations maintain primary procurement, accounting and finance functions in Exeter, Pennsylvania. Certain back-office support functions for our segments are performed in Bangalore, India. Our European operations maintain procurement, accounting, and finance functions in Wembley, outside of London, England and in Schiedam, the Netherlands. In addition to these offices, we have numerous operating facilities that handle wholesale and self service retail product operations. We operate out of more than 790 locations in total, most of which are leased. Many of our locations stock multiple product types or serve more than one function.

Included in our total locations are 424 facilities in the U.S. and 219 facilities in the U.K., including the 500,000 square foot national distribution center in Tamworth that houses inventory to supply the hubs and branches of our U.K. operations. In 2015, we began working with a developer on a second national distribution center in Tamworth. The 750,000 square foot facility will be fully operational by 2018. We also operate 97 facilities in continental Europe, 41 facilities in Canada, seven facilities in Scandinavia, four facilities in Mexico and two facilities in Central America. Additionally, we operate an aftermarket parts warehouse in Taiwan to aggregate inventory for shipment to our locations in North America.

INFORMATION TECHNOLOGY

In our North American operations, our aftermarket operations use a third party enterprise management system. Additional third party software packages have been implemented to leverage the centralized data and information that a single system provides, such as a data warehouse to conduct enhanced analytics and reporting, an integrated budgeting system, an

electronic data interchange tool, and E-commerce tools to enhance our online business-to-business initiatives -OrderKeystone.com and Keyless. The systems used by our aftermarket operations are also used by all of our refurbishing operations.

Our wholesale recycled product locations in North America operate an internally-developed, proprietary enterprise management system called LKQX. We believe that the use of a single system across all of our wholesale recycled product operations helps facilitate the sales process, allows for continued implementation of standard operating procedures, and yields improved training efficiency, employee transferability, access to our national inventory database, management reporting and data storage. The system also supports an electronic exchange process for identifying and locating parts at other select recyclers and facilitates brokered sales to fill customer orders for items not in stock. Our bidding specialists responsible for procuring vehicles for our wholesale salvage operations are equipped with a proprietary software application that compares the vehicles at the salvage auctions to our current inventory, historical demand, and recent average selling prices to arrive at an estimated maximum bid. This bidding system reduces the likelihood of purchasing unneeded parts that might result in obsolete inventory.

To better serve our customers, a consolidated approach has been taken for the electronic sale of wholesale products in our North American Segment. A full suite of E-commerce services is available to approved partners that helps us improve order accuracy, reduce return rate and better fit our customer workflow. Using these services in coordination with our partners, products can be searched, priced and ordered without leaving the customers' own operating systems.

We operate a single enterprise system for all of our heavy-duty truck operations that supports inter-region sales to reduce the potential for lost sales due to out-of-stock parts. We are also transitioning to a single IT platform to support our remanufacturing operations. We operate an internally-developed point of sale system in our self service retail operations, which allows enhanced management reporting as well as improved system reliability. Through www.lkqpickyourpart.com our self service customers can access key information including yard location, vehicle inventory, and pricing by part type.

Our aftermarket operations in the U.K. use a single integrated IT platform for our purchasing, branch stock, and finance activities, which are further supported by a national distribution center system to manage inventory movement. The IT system allows customers to identify the correct part for repairs, thereby improving customer satisfaction and reducing return rates. Our aftermarket operations in continental Europe use several IT systems, which are linked to transfer data between systems, to manage customer orders and inventory movement, and for financial reporting purposes. This IT system can interface with our repair shop customers' respective IT systems, which enables them to identify the part required for the repair.

Our Specialty operations utilize an internally developed inventory management and order entry system that interfaces with third party software systems for accounting, transaction processing, data analytics, and reporting. Online sales of our Specialty products take place through our ekeystone.com and viantp.com sites. These sites provide customers (i) the ability to match products with the make and model of car thus allowing the customer to order the right part, (ii) the product information (e.g. pictures, attributes) available for review and (iii) the convenience of searching inventory availability and ordering the product on the site. Additionally, the site can provide sales opportunities by suggesting other parts to purchase based on an inquiry submitted by the customer. Our delivery fleet utilizes a third party software provider to optimize delivery routes, and to track the progress of delivery vehicles throughout their runs.

The hardware that supports the systems used in our operations is located in offsite data centers. The centers are in secure environments with around-the-clock monitoring, redundant power backup, and multiple, diverse data and telecommunication routing. We use separate third party provided software for our financial systems such as financial and budget reporting, general ledger accounting, accounts payable, payroll, and fixed assets. We currently protect our local customer, inventory, and corporate consolidated data, such as financial information, e-mail files, and other user files, with daily backups. These backups are stored off site with a third party data protection vendor. Additionally, we restrict access to customer, employee and vendor data to those users that have permission granted to them as part of their job function. We have made investments in various logging, encryption, event correlation and data loss prevention software to reduce the risk of unauthorized access and extraction of personally identifiable information of all types including that of vendors, customers and employees. Customer credit card information is not stored within the company's computing environment, and the card information is encrypted when it is transmitted and processed for authorization.

We continually evaluate our systems with the goal of ensuring that all critical systems remain secure, scalable, and operational as our business grows.

REGULATION

Environmental Compliance

Our operations and properties are subject to extensive laws and regulations relating to environmental protection and health and safety in the U.S. as well as other countries in which we operate. These environmental laws govern, among other things, the emission and discharge of hazardous materials into the ground, air, or water; exposure to hazardous materials; and the generation, handling, storage, use, treatment, identification, transportation, and disposal of industrial by-products, waste water, storm water, mercury, and other hazardous materials.

We have made and will continue to make capital and other expenditures relating to environmental matters. We have an environmental management process designed to facilitate and support our compliance with these requirements. We cannot assure you, however, that we will at all times be in complete compliance with such requirements.

Although we presently do not expect to incur any capital or other expenditures relating to environmental controls or other environmental matters in amounts that would be material to us, we may be required to make such expenditures in the future. Environmental laws are complex, change frequently and have tended to become more stringent over time. Accordingly, environmental laws may change or become more stringent in the future in a manner that could have a material adverse effect on our business.

Contamination resulting from vehicle recycling processes can include soil and ground water contamination from the release, storage, transportation, or disposal of gasoline, motor oil, antifreeze, transmission fluid, chlorofluorocarbons ("CFCs") from air conditioners, other hazardous materials, or metals such as aluminum, cadmium, chromium, lead, and mercury. Contamination from the refurbishment of chrome plated bumpers can occur from the release of the plating material. Contamination can migrate on-site or off-site which can increase the risk, and the amount, of any potential liability.

In addition, many of our facilities are located on or near properties with a history of industrial use that may have involved hazardous materials. As a result, some of our properties may be contaminated. Some environmental laws hold current or previous owners or operators of real property liable for the costs of cleaning up contamination, even if these owners or operators did not know of and were not responsible for such contamination. These environmental laws also impose liability on any person who disposes of, treats, or arranges for the disposal or treatment of hazardous substances, regardless of whether the affected site is owned or operated by such person, and at times can impose liability on companies deemed under law to be a successor to such person. Third parties may also make claims against owners or operators of properties, or successors to such owners or operators, for personal injuries and property damage associated with releases of hazardous or toxic substances.

When we identify a potential material environmental issue during our acquisition due diligence process, we analyze the risks, and, when appropriate, perform further environmental assessment to verify and quantify the extent of the potential contamination. Furthermore, where appropriate, we have established financial reserves for certain environmental matters. In addition, at times we, or sellers from whom we purchased a business, have undertaken remediation projects. We do not anticipate, based on currently available information and current laws, that we will incur liabilities in excess of reserves to address environmental matters. However, in the event we discover new information or if laws change, we may incur significant liabilities, which may exceed our reserves.

Title Laws

In some states, when a vehicle is deemed a total loss, a salvage title is issued. Whether states issue salvage titles is important to the supply of inventory for the vehicle recycling industry because an increase in vehicles that qualify as salvage vehicles provides greater availability and typically lowers the price of such vehicles. Currently, these titling issues are a matter of state law. In 1992, the U.S. Congress commissioned an advisory committee to study problems relating to vehicle titling, registration, and salvage. Since then, legislation has been introduced seeking to establish national uniform requirements in this area, including a uniform definition of a salvage vehicle. The vehicle recycling industry will generally favor a uniform definition, since it will avoid inconsistencies across state lines, and will generally favor a definition that expands the number of damaged vehicles that qualify as salvage. However, certain interest groups, including repair shops and some insurance associations, may oppose this type of legislation. National legislation has not yet been enacted in this area, and there can be no assurance that such legislation will be enacted in the future.

Anti-Car Theft Act

In 1992, Congress enacted the Anti-Car Theft Act to deter trafficking in stolen vehicles. The purpose of the law is to implement an electronic system to track and monitor vehicle identification numbers and major automotive parts. In January 2009, the U.S. Department of Justice implemented the portion of the system to track and monitor vehicle identification numbers. The portion of the system that would track and monitor major automotive parts would require various entities, including automotive parts recyclers like us, to inspect salvage vehicles for the purpose of collecting the part number for any

"covered major part." The Department of Justice has not promulgated rules on this portion of the system, and therefore there has been no progress on the implementation of the system to track and monitor major automotive parts. However, if this system is fully implemented, the requirement to collect the information would place substantial burdens on vehicle recyclers, including us, that otherwise would not normally exist. It would place similar burdens on repair shops, which may discourage the use by such shops of recycled products. There is no pending initiative to implement the parts registration from a law enforcement point of view. However, there is a risk that a heightened legislative concern over safety of parts might precipitate an effort to push for the implementation of such rules.

Legislation Affecting Automotive Repair Parts

Most states have laws relating to the use of aftermarket products in motor vehicle collision repair work. The provisions of these laws may include consumer disclosure, vehicle owner's consent regarding the use of aftermarket products in the repair process, and the requirement to have aftermarket products certified by an independent testing organization. Some jurisdictions have laws that regulate the sale of certain recycled products that we provide, such as airbags. Additional laws of this kind may be enacted in the future. An increase in the number of states passing such legislation with prohibitions or restrictions that are more severe than current laws could have a material adverse impact on our business. Additionally, Congress could enact federal legislation restricting the use of aftermarket and recycled automotive products used in the course of collision repair.

SEASONALITY

Our operating results are subject to quarterly variations based on a variety of factors, influenced primarily by seasonal changes in weather patterns. During the winter months, we tend to have higher demand for our vehicle replacement products because there are more weather related accidents, which generate repairs. We expect our specialty operations to generate greater revenue and earnings in the first half of the year, when vehicle owners tend to install specialty products.

ITEM 1A. RISK FACTORS

Risks Relating to Our Business

Our operating results and financial condition have been and could continue to be adversely affected by the economic and political conditions in the U.S. and elsewhere.

Changes in economic and political conditions in the U.S. and other countries in which we are located or do business could have a material effect on our company. Changes in such conditions have, in some periods, resulted in fewer miles driven, fewer accident claims, and a reduction of vehicle repairs, all of which could negatively affect our business. Our sales are also impacted by changes to the economic health of vehicle owners. The economic health of vehicle owners is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, fuel prices, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. If any of these conditions worsen, our business, results of operations, financial condition and cash flows could be adversely affected.

In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers, logistics and other service providers and financial institutions that are counterparties to our credit facilities and interest rate swap transactions. These unfavorable events affecting our business partners could have an adverse effect on our business, results of operations, financial condition and cash flows.

We face intense competition from local, national, international, and internet-based vehicle products providers, and this competition could negatively affect our business.

The vehicle replacement products industry is highly competitive and is served by numerous suppliers of OEM, recycled, aftermarket, refurbished and remanufactured products. Within each of these categories of suppliers, there are local owner-operated companies, larger regional suppliers, national and international providers, and internet-based suppliers. Providers of vehicle replacement products that have traditionally sold only certain categories of such products may decide to expand their product offerings into other categories of vehicle replacement products, which may further increase competition. Some of our current and potential competitors may have more operational expertise; greater financial, technical, manufacturing, distribution, and other resources; longer operating histories; lower cost structures; and better relationships in the insurance and vehicle repair industries or with consumers, than we do. In certain regions of the U.S., local vehicle recycling companies have formed cooperative efforts to compete in the wholesale recycled products industry. Similarly in Europe, some local companies

are part of cooperative efforts to compete in the aftermarket parts industry. As a result of these factors, our competitors may be able to provide products that we are unable to supply, provide their products at lower costs, or supply products to customers that we are unable to serve.

We believe that a majority of collision parts by dollar amount are supplied by OEMs, with the balance being supplied by distributors like us. The OEMs are therefore in a position to exert pricing pressure in the marketplace. We compete with the OEMs primarily on price and to a lesser extent on service and quality. From time to time, the OEMs have implemented programs seeking to increase their market share in the collision repair parts industry. For example, they have experimented with reducing prices on specific products to match the lower prices of alternative products and with other initiatives that may disrupt our sales. If such price reductions were to become widespread, it could have a material adverse impact on our business.

We rely upon our customers and insurance companies to promote the usage of alternative parts.

Our success depends, in part, on the acceptance and promotion of alternative parts usage by automotive insurance companies. There can be no assurance that current levels of alternative parts usage will be maintained or will increase in the future. In addition, in some places we operate, alternative parts usage is relatively low. We also rely on business relationships with insurance companies. These insurance companies encourage vehicle repair facilities to use products we provide. The business relationships include in some cases participation in aftermarket quality and service assurance programs that may result in a higher usage of our aftermarket products than would be the case without the programs. Our arrangements with these companies may be terminated by them at any time, including in connection with their own business concerns relating to the offering, availability, standards or operations of the aftermarket quality and service assurance programs. We rely on these relationships for sales to some collision repair shops, and a termination of these relationships may result in a loss of sales, which could adversely affect our results of operations.

In an Illinois lawsuit involving State Farm Mutual Automobile Insurance Company ("Avery v. State Farm"), a jury decided in October 1999 that State Farm breached certain insurance contracts with its policyholders by using non-OEM replacement products to repair damaged vehicles when use of such products did not restore the vehicle to its "pre-loss condition." The jury found that State Farm misled its customers by not disclosing the use of non-OEM replacement products and the alleged inferiority of those products. The jury assessed damages against State Farm of \$456 million, and the judge assessed an additional \$730 million of disgorgement and punitive damages for violations of the Illinois Consumer Fraud Act. In April 2001, the Illinois Appellate Court upheld the verdict but reduced the damage award by \$130 million because of duplicative damage awards. On August 18, 2005, the Illinois Supreme Court reversed the awards made by the circuit court and found, among other things, that the plaintiffs had failed to establish any breach of contract by State Farm. The U.S. Supreme Court declined to hear an appeal of this case. As a result of this case, some insurance companies reduced or eliminated their use of aftermarket products. Our financial results could be adversely affected if insurance companies modified or terminated the arrangements pursuant to which repair shops buy aftermarket or recycled products from us due to a fear of similar claims.

In addition, to the extent that the collision repair industry continues to consolidate, the buying power of collision repair shop customers may further increase, putting additional pressure on our financial returns.

We may not be able to successfully acquire new businesses or integrate acquisitions, which could cause our business to suffer.

We may not be able to successfully complete potential strategic acquisitions if we cannot reach agreement on acceptable terms, if we do not obtain antitrust or other regulatory approvals on applicable terms, or for other reasons. Moreover, we may not be able to identify a sufficient number of acquisition candidates at reasonable prices to maintain our growth objectives. Also, over time, we will likely seek to make acquisitions that are relatively larger as we grow. Larger acquisition candidates may attract additional competitive buyers, which could increase our cost or could cause us to lose such acquisitions.

If we buy a company or a division of a company, we may experience difficulty integrating that company's or division's personnel and operations, which could negatively affect our operating results. In addition:

- the key personnel of the acquired company may decide not to work for us;
- customers of the acquired company may decide not to purchase products from us;
- suppliers of the acquired company may decide not to sell products to us;
- we may experience business disruptions as a result of information technology systems conversions;
- we may experience additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, and financial reporting;
- we may be held liable for environmental, tax or other risks and liabilities as a result of our acquisitions, some of which we may not have discovered during our due diligence;

- we may intentionally assume the liabilities of the companies we acquire, which could result in material adverse affects on our business;
- our existing business may be disrupted or receive insufficient management attention;
- we may not be able to realize the cost savings or other financial benefits we anticipated, either in the amount or in the time frame that we expect; and
- we may incur debt or issue equity securities to pay for any future acquisition, the issuance of which could involve the imposition of restrictive covenants or be dilutive to our existing stockholders.

Claims by OEMs relating to aftermarket products could adversely affect our business.

OEMs and other manufacturers have attempted to use claims of intellectual property infringement against manufacturers and distributors of aftermarket products to restrict or eliminate the sale of aftermarket products that are the subject of the claims. The OEMs have brought such claims in federal court and with the U.S. International Trade Commission.

To the extent OEMs and other manufacturers are seeking and obtaining more design patents than they have in the past and are successful in asserting infringement of these patents and defending their validity, we could be restricted or prohibited from selling certain aftermarket products, which could have an adverse effect on our business. We will likely incur significant expenses investigating and defending intellectual property infringement claims. In addition, aftermarket products certifying organizations may revoke the certification of parts that are the subject of the claims. Lack of certification may negatively impact us because many major insurance companies recommend or require the use of aftermarket products only if they have been certified by an independent certifying organization.

In December 2005 and May 2008, Ford Global Technologies, LLC filed complaints with the International Trade Commission against us and others alleging that certain aftermarket products imported into the U.S. infringed on Ford design patents. The parties settled these matters in April 2009 pursuant to a patent license arrangement that expires in March 2020. In January 2014, Chrysler Group, LLC filed a complaint against us in the U.S. District Court in the Eastern District of Michigan contending that certain aftermarket parts we sell infringe Chrysler design patents relating to the Dodge Ram pickup truck. The parties settled this matter in June 2014 pursuant to a patent license arrangement that expires in June 2019. In the event that these license arrangements, or other similar license arrangements with OEMs, are terminated or we are unable to agree upon renewal terms, we may be subject to costs and uncertainties of litigation as well as restrictions on our ability to sell aftermarket parts that replicate parts covered by design patents.

If the number of vehicles involved in accidents declines or the number of cars being repaired declines, our business could suffer.

Our business depends on vehicle accidents and mechanical failures for both the demand for repairs using our products and the supply of recycled, remanufactured and refurbished parts. Thus, our business is impacted by factors which influence the number and/or severity of accidents and mechanical failures including, but not limited to, the number of vehicles on the road, the number of miles driven, the ages of drivers, the occurrence and severity of certain weather conditions, the congestion of traffic, the use of cellular telephones and other electronic equipment by drivers, the use of alcohol and drugs by drivers, the effectiveness of accident avoidance systems in new vehicles, the reliability of new OEM parts, and the condition of roadways. For example, an increase of the acceptance of the ride-sharing business model would reduce the number of vehicles on the road. Additionally, an increase in fuel prices may cause the number of vehicles on the road, the number of miles driven, and the need for mechanical repairs and maintenance to decline, as motorists seek alternative transportation options. Mild weather conditions, particularly during winter months, tend to result in a decrease in vehicle accidents. Moreover, a number of states and municipalities have adopted, or are considering adopting, legislation banning the use of handheld cellular telephones or other electronic devices while driving, and such restrictions could lead to a decline in accidents.

Systems designed to help drivers avoid accidents are becoming more prevalent and more technologically sophisticated. To the extent OEMs install or are mandated by law to install accident avoidance systems in their vehicles, the number and severity of accidents could decrease, which could have a material adverse effect on our business.

The average number of new vehicles sold annually has fluctuated from year-to-year. Periods of decreased sales could result in a reduction in the number of vehicles on the road and consequently fewer vehicles involved in accidents or in need of mechanical repair or maintenance. Substantial further declines in automotive sales in the future could have a material adverse effect on our business, results of operations and/or financial condition. In addition, if vehicle population trends result in a disproportionately high number of older vehicles on the road, insurance companies may find it uneconomical to repair such vehicles or there could be less costly repairs. If vehicle population trends result in a disproportionately high number of newer vehicles on the road, the demand generally for mechanical repairs and maintenance would likely decline due to the newer, longer-lasting parts in the vehicle population and mechanical failures being covered by OEM warranties for the first years of a vehicle's life. Moreover, alternative collision and mechanical parts are less likely to be used on newer vehicles.

Fluctuations in the prices of metals and other commodities could adversely affect our financial results.

Our recycling operations generate scrap metal and other metals that we sell. After we dismantle a salvage vehicle for wholesale parts and after vehicles have been used in our self service retail business, the remaining vehicle hulks are sold to scrap processors and other remaining metals are sold to processors and brokers of metals. In addition, we receive "crush only" vehicles from other companies, including OEMs, which we dismantle and which generate scrap metal and other metals. The prices of scrap and other metals have historically fluctuated, sometimes significantly, due to market factors. In addition, buyers may stop purchasing metals entirely due to excess supply. To the extent that the prices of metals decrease materially or buyers stop purchasing metals, our revenue from such sales will suffer and a write-down of our inventory value could be required. The cost of our wholesale recycled and our self service retail inventory purchases will change as a result of fluctuating scrap metal and other metals prices. In a period of falling metal prices, there can be no assurance that our inventory purchasing cost will decrease the same amount or at the same rate as the scrap metal and other metals prices decline, and there may be a delay between the scrap metal and other metals price reductions and any inventory cost reductions. The prices of steel, aluminum, and plastics are components of the cost to manufacture products for our aftermarket business. If the price of commodities rise and result in higher costs to us for products we sell, we may not be able to pass these higher costs on to our customers.

We may not be able to sell our products due to existing or new laws and regulations prohibiting or restricting the sale of aftermarket, recycled, refurbished or remanufactured products.

Some jurisdictions have enacted laws prohibiting or severely restricting the sale of certain recycled products that we provide, such as airbags. These and other jurisdictions could enact similar laws or could prohibit or severely restrict the sale of additional recycled products. In addition, the Federal Trade Commission (FTC) has issued guides which regulate the use of certain terms such as "rebuilt" or "remanufactured" in connection with the sale of automotive parts. Restrictions on the products we are able to sell and on the marketing of such products could decrease our revenue and have an adverse effect on our business and operations.

Most states have passed laws that prohibit or limit the use of aftermarket products in collision repair work and/or require enhanced disclosure or vehicle owner consent before using aftermarket products in such repair work. Additional legislation of this kind may be introduced in the future. If additional laws prohibiting or restricting the use of aftermarket products are passed, it could have an adverse impact on our aftermarket products business. Certain organizations test the quality and safety of vehicle replacement products. If these organizations decide not to test a particular vehicle product or in the event that such organizations decide that a particular vehicle product does not meet applicable quality or safety standards, we may decide to discontinue sales of such product or insurance companies may decide to discontinue authorization of repairs using such product. Such events could adversely affect our business.

An adverse change in our relationships with our suppliers or auction companies or a disruption to our supply of inventory could increase our expenses and impede our ability to serve our customers.

Our business is dependent on a relatively small number of suppliers of aftermarket products, a large portion of which are sourced from Taiwan. We incur substantial freight costs to import parts from our suppliers, many of which are located in Asia. If the cost of freight rose we might not be able to pass the cost increases on to our customers. Furthermore, although alternative suppliers exist for substantially all aftermarket products distributed by us, the loss of any one supplier could have a material adverse effect on us until alternative suppliers are located and have commenced providing products. In addition, we are subject to disruptions from work stoppages and other labor disputes at port facilities through which we import our inventory. Moreover, our operations are subject to the customary risks of doing business abroad, including, among other things, natural disasters, transportation costs and delays, political instability, currency fluctuations and the imposition of tariffs, import and export controls and other non-tariff barriers (including changes in the allocation of quotas), as well as the uncertainty regarding future relations between China, Japan and Taiwan. Because a substantial volume of our sales involves products manufactured from sheet metal, we can be adversely impacted if sheet metal becomes unavailable or is only available at higher prices, which we may not be able to pass on to our customers. Additionally, as manufacturers convert to raw materials other than steel, it may be more difficult or expensive to source aftermarket parts made with such materials and it may be more difficult for repair shops to work with such materials in the repair process.

Most of our salvage and a portion of our self service inventory is obtained from vehicles offered at salvage auctions operated by several companies that own auction facilities in numerous locations across the U.S. We do not typically have contracts with the auction companies. According to industry analysts, a small number of companies control a large percentage of the salvage auction market in the U.S. If an auction company prohibited us from participating in its auctions, began competing with us, or significantly raised its fees, our business could be adversely affected through higher costs or the resulting potential inability to service our customers. Moreover, we face competition in the purchase of vehicles from direct competitors, rebuilders, exporters and others. To the extent that the number of bidders increases, it may have the effect of increasing our cost of goods sold for wholesale recycled products. Some states regulate bidders to help ensure that salvage vehicles are purchased for legal purposes by qualified buyers. Auction companies have been actively seeking to reduce, circumvent or eliminate these

regulations, which would further increase the number of bidders. In addition, there is a limited supply of salvage vehicles in the U.S. As we grow and our demand for salvage vehicles increases, the costs of these incremental vehicles could be higher.

We also acquire inventory directly from insurance companies, OEMs, and others. To the extent that these suppliers decide to discontinue these arrangements, our business could be adversely affected through higher costs or the resulting potential inability to service our customers.

Our annual and quarterly performance may fluctuate.

Our revenue, cost of goods sold, and operating results have fluctuated on a quarterly and annual basis in the past and can be expected to continue to fluctuate in the future as a result of a number of factors, some of which are beyond our control. Future factors that may affect our operating results include, but are not limited to, those listed in the Special Note on Forward-Looking Statements in this Annual Report on Form 10-K. Accordingly, our results of operations may not be indicative of future performance. These fluctuations in our operating results may cause our results to fall below our published financial guidance and the expectations of public markets, which could cause our stock price or the value of our debt instruments to decline.

If we lose our key management personnel, we may not be able to successfully manage our business or achieve our objectives.

Our future success depends in large part upon the leadership and performance of our executive management team and key employees at the operating level. If we lose the services of one or more of our executive officers or key employees, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives. If we lose the services of any of our key employees at the operating or regional level, we may not be able to replace them with similarly qualified personnel, which could harm our business.

We operate in foreign jurisdictions, which exposes us to foreign exchange and other risks.

We have operations in Belgium, Canada, France, Mexico, Sweden, The Netherlands, Taiwan and the U.K., and we may expand our operations in these countries and into other countries. Our foreign operations expose us to additional risks associated with international business, which could have an adverse effect on our business, results of operations and/or financial condition, including import and export requirements and compliance with anti-corruption laws, such as the U.K. Bribery Act 2010 and the Foreign Corrupt Practices Act. We also incur costs in currencies, other than our functional currencies, in the countries in which we operate. We are thus subject to foreign exchange exposure to the extent that we operate in different currencies, as well as exposure to foreign tax and other foreign and domestic laws. In addition, Mexico is currently experiencing a heightened level of criminal activity that could affect our ability to maintain our supply of certain aftermarket products.

If we determine that our goodwill or other intangible assets have become impaired, we may incur significant charges to our pre-tax income.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. In the future, goodwill and intangible assets may increase as a result of acquisitions. Goodwill is reviewed at least annually for impairment. Impairment may result from, among other things, deterioration in the performance of acquired businesses, increases in our cost of capital, adverse market conditions, and adverse changes in applicable laws or regulations, including modifications that restrict the activities of the acquired business. As of December 31, 2015, our total goodwill subject to future impairment testing was \$2.3 billion. For further discussion of our annual impairment test, see "Goodwill Impairment" in the Critical Accounting Policies and Estimates section of Item 7 in this Annual Report on Form 10-K.

We amortize other intangible assets over the assigned useful lives, each of which is based upon the expected period to be benefited. We review other intangible assets for possible impairment whenever events or circumstances indicate that the carrying value may not be recoverable. In the event conditions change that affect our ability to realize the underlying cash flows associated with our intangible assets, we may record an impairment charge. As of December 31, 2015, the value of our other intangible assets, net of accumulated amortization, was \$215 million.

Our business may be adversely affected by union activities and labor laws.

A small percentage of our employees are represented by labor unions and work under collective bargaining or similar agreements, which are subject to periodic renegotiation. From time to time, there have been efforts to organize additional portions of our workforce and those efforts can be expected to continue. In addition, the U.S. Department of Labor or applicable foreign government agencies could adopt new regulations or interpret existing regulations that could make it significantly easier for unionization efforts to be successful. Also, we may in the future be subject to strikes or work stoppages and other labor disruptions. Additional unionization efforts, new collective bargaining agreements, and work stoppages could materially increase our costs and reduce revenue and could limit our flexibility in terms of work schedules, reductions in force and other operational matters.

We also are subject to federal and state laws and regulations, such as the Fair Labor Standards Act, that govern such matters as minimum wage, overtime and other working conditions. Some of these laws are technical in nature and could be subject to interpretation by government agencies different than our interpretations. Efforts to comply with existing laws, changes to such laws and newly-enacted laws may increase our labor costs. If we were found not to be in compliance with such laws, we could be subject to fines, penalties and liabilities to our employees or government agencies.

We rely on information technology and communication systems in critical areas of our operations and a disruption relating to such technology could harm our business.

Some of the information technology systems and communication systems we use for management of our facilities and our financial functions are leased from or operated by other companies, while others are owned by us. In the event that the providers of these systems terminate their relationships with us or if we suffer prolonged outages of these or our own systems for whatever reason, we could suffer disruptions to our operations.

In the event that we decide to switch providers or to implement upgrades or replacements to our own systems, we may also suffer disruptions to our business. We may be unsuccessful in the development of our own systems, and we may underestimate the costs and expenses of developing and implementing our own systems. Also, our revenue may be hampered during the period of implementing an alternative system, which period could extend longer than we anticipated.

Our business involves the storage of personal information about our customers and employees. We have taken reasonable and appropriate steps to protect this information; however, if we experience a significant data security breach, we could be exposed to damage to our reputation, additional costs, lost sales or possible regulatory action. The regulatory environment related to information security and privacy is constantly changing, and compliance with those requirements could result in additional costs. There is no guarantee that the procedures that we have implemented to protect against unauthorized access to secured data are adequate to safeguard against all data security breaches, and such a breach could potentially have a negative impact on our results of operations and financial condition.

Business interruptions in our distribution centers or other facilities may affect our operations, the function of our computer systems, and/or the availability and distribution of merchandise, which may affect our business.

Weather, terrorist activities, war or other disasters, or the threat of any of them, may result in the closure of our distribution centers (“DC”s) or other facilities or may adversely affect our ability to deliver inventory through our system on a timely basis. This may affect our ability to timely provide products to our customers, resulting in lost sales or a potential loss of customer loyalty. Some of our merchandise is imported from other countries and these goods could become difficult or impossible to bring into the United States or into the other countries in which we operate, and we may not be able to obtain such merchandise from other sources at similar prices. Such a disruption in revenue could potentially have a negative impact on our results of operations and financial condition.

We are subject to environmental regulations and incur costs relating to environmental matters.

We are subject to various federal, state, and local environmental protection and health and safety laws and regulations governing, among other things: the emission and discharge of hazardous materials into the ground, air, or water; exposure to hazardous materials; and the generation, handling, storage, use, treatment, identification, transportation, and disposal of industrial by-products, waste water, storm water, and mercury and other hazardous materials. We are also required to obtain environmental permits from governmental authorities for certain of our operations. If we violate or fail to obtain or comply with these laws, regulations, or permits, we could be fined or otherwise sanctioned by regulators. We could also become liable if employees or other parties are improperly exposed to hazardous materials.

Under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at, or migration to or from, our or our predecessors' past or present facilities and at independent waste disposal sites. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances.

Environmental laws are complex, change frequently, and have tended to become more stringent over time. Our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances, may adversely affect our business, results of operations, or financial condition.

We could be subject to product liability claims and involved in product recalls.

If customers of repair shops that purchase our products are injured or suffer property damage, we could be subject to product liability claims by such customers. The successful assertion of this type of claim could have an adverse effect on our business, results of operations or financial condition. In addition, we may become involved in the recall of a product that is determined to be defective. The expenses of a recall and the damage to our reputation could have an adverse effect on our business, results of operations or financial condition.

We have agreed to defend and indemnify in certain circumstances insurance companies and customers against claims and damages relating to product liability and product recalls. The existence of claims or damages for which we must defend and indemnify these parties could also negatively impact our business, results of operations or financial condition.

Governmental agencies may refuse to grant or renew our operating licenses and permits.

Our operating subsidiaries in our salvage, self-service, and refurbishing operations must obtain licenses and permits from state and local governments to conduct their operations. When we develop or acquire a new facility, we must seek the approval of state and local units of government. Governmental agencies may resist the establishment of a vehicle recycling or refurbishing facility in their communities. There can be no assurance that future approvals or transfers will be granted. In addition, there can be no assurance that we will be able to maintain and renew the licenses and permits our operating subsidiaries currently hold.

New regulations related to conflict-free minerals may force us to incur additional expenses and otherwise adversely impact our business .

In August 2012, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted final rules regarding disclosure of the use of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo (DRC) or adjoining countries. These new requirements impose significant burdens on U.S. public companies. Compliance with the rules requires substantial due diligence in an effort to determine whether products contain the conflict minerals. The results of such due diligence efforts must be disclosed on an annual basis in a filing with the SEC.

Our supply chain is complex and we may incur significant costs to determine the source of any such minerals used in our products. We may also incur costs with respect to potential changes to products, processes or sources of supply as a consequence of our diligence activities. Further, the implementation of these rules and their effect on customer, supplier and/or consumer behavior could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering products free of conflict minerals in some circumstances, we cannot be sure that we will be able to obtain necessary products from such suppliers in sufficient quantities or at competitive prices. We may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict-free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we implement. Accordingly, these rules could have a material adverse effect on our business, results of operations and/or financial condition.

If we experience problems with our fleet of trucks, our business could be harmed.

We use a fleet of trucks to deliver the majority of the products we sell. We are subject to the risks associated with providing trucking services, including inclement weather, disruptions in the transportation infrastructure, governmental regulation, availability and price of fuel, liabilities arising from accidents to the extent we are not covered by insurance, and insurance premium increases. In addition, our failure to deliver products in a timely and accurate manner could harm our reputation and brand, which could have a material adverse effect on our business.

Regulations that may be issued under the Anti-Car Theft Act could harm our business.

In 1992, Congress enacted the Anti-Car Theft Act to deter trafficking in stolen vehicles. The purpose of the law is to implement an electronic system to track and monitor vehicle identification numbers and major automotive parts. In January 2009, the U.S. Department of Justice implemented the portion of the system to track and monitor vehicle identification numbers. The portion of the system that would track and monitor major automotive parts would require various entities, including automotive parts recyclers like us, to inspect salvage vehicles for the purpose of collecting the part number for any "covered major part." The Department of Justice has not promulgated rules on this portion of the system, and therefore there has been no progress on the implementation of the system to track and monitor major automotive parts. However, if this system is fully implemented, the requirement to collect the information would place substantial burdens on automotive parts recyclers, including us, that otherwise would not normally exist. It would place similar burdens on repair shops, which may discourage the use of recycled products by such shops.

Risks Relating to Our Common Stock and Financial Structure

The market price of our common stock may be volatile and could expose us to securities class action litigation.

The stock market and the price of our common stock may be subject to wide fluctuations based upon general economic and market conditions. The market price for our common stock may also be affected by our ability to meet analysts' expectations. Failure to meet such expectations, even slightly, could have an adverse effect on the market price of our common stock. In addition, stock market volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies. Downturns in the stock market may cause the price of our common stock to decline. Additionally, the market price for our common stock has been in the past, and in the future may be,

adversely affected by allegations made or reports issued by short sellers, analysts or others regarding our business model, our management or our financial accounting.

Following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such companies. If similar litigation were instituted against us, it could result in substantial costs and a diversion of our management's attention and resources, which could have an adverse effect on our business.

Delaware law, our charter documents and our loan documents may impede or discourage a takeover, which could affect the price of our stock.

The anti-takeover provisions of our certificate of incorporation and bylaws, our loan documents and Delaware law could, together or separately, impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. Our certificate of incorporation and bylaws have provisions that could discourage potential takeover attempts and make attempts by stockholders to change management more difficult. Our credit agreement provides that a change of control is an event of default. Our incorporation under Delaware law and these provisions could also impede an acquisition, takeover, or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the price of our common stock.

Future sales of our common stock or other securities may depress our stock price.

We and our stockholders may sell shares of common stock or other equity, debt or instruments which constitute an element of our debt and equity (collectively, "securities") in the future. We may also issue shares of common stock under our equity incentive plan or in connection with future acquisitions. We cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of shares of our common stock or other securities will have on the price of our common stock. Sales of substantial amounts of common stock (including shares issued in connection with an acquisition), the issuance of additional debt securities, or the perception that such sales or issuances could occur, may cause the price of our common stock to fall.

We have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business.

As of December 31, 2015, we had \$ 1.6 billion aggregate principal amount of debt outstanding, including \$ 480 million under our senior secured credit facilities, \$ 600 million aggregate principal amount of 4.75% senior notes due 2023, \$410.6 million under our term loan, and \$ 63 million under our accounts receivable securitization program. As of December 31, 2015, we also had \$ 1.3 billion of undrawn availability (after giving effect to approximately \$ 66 million of outstanding letters of credit) under our revolving credit facilities and \$ 34 million of undrawn availability under our accounts receivable securitization program.

On January 29, 2016, we entered into an amendment to our senior secured credit facility to increase the capacity to \$3.2 billion (composed of approximately \$750 million in term loans and \$2.45 billion in a multicurrency revolving credit line). The credit facility matures in January 2021.

Our significant amount of debt and our debt service obligations could limit our ability to satisfy our obligations, limit our ability to operate our business and impair our competitive position.

For example, it could:

- increase our vulnerability to adverse economic and general industry conditions, including interest rate fluctuations, because a portion of our borrowings are and will continue to be at variable rates of interest;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce the availability of our cash flow from operations to fund working capital, capital expenditures or other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- place us at a disadvantage compared to competitors that may have proportionately less debt;
- limit our ability to obtain additional debt or equity financing due to applicable financial and restrictive covenants in our debt agreements; and
- increase our cost of borrowing.

In addition, if we or our subsidiaries incur additional debt, the risks associated with our substantial leverage and the ability to service such debt would increase.

Although we are subject to our senior secured credit facilities for so long as they remain in effect, the indenture that governs the senior notes does not restrict the future incurrence of unsecured indebtedness, guarantees or other obligations. The indenture contains certain limitations on our ability to incur liens on assets, sell our assets, make dividends and distributions and engage in sale and leaseback transactions. However, these limitations are subject to important exceptions. In addition, the indenture does not contain many other restrictions, including certain restrictions contained in our senior secured credit facilities, including, without limitation, restrictions on investments, incurring indebtedness or prepaying subordinated indebtedness or engaging in transactions with our affiliates.

Our senior secured credit facilities impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities.

Our senior secured credit facilities impose significant operating and financial restrictions on us. These restrictions limit our ability, among other things, to:

- incur, assume or permit to exist additional indebtedness (including guarantees thereof);
- pay dividends or certain other distributions on our capital stock or repurchase our capital stock or prepay subordinated indebtedness;
- incur liens on assets;
- make certain investments or other restricted payments;
- engage in transactions with affiliates;
- sell certain assets or merge or consolidate with or into other companies;
- guarantee indebtedness; and
- alter the business we conduct.

As a result of these covenants and restrictions, we will be limited in how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants. The failure to comply with any of these covenants would cause a default under the credit agreement. A default, if not waived, could result in acceleration of our debt, in which case the debt would become immediately due and payable. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if new financing were available, it may be on terms that are less attractive to us than our existing credit facilities or it may be on terms that are not acceptable to us.

We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Any future refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants which could further restrict our business operations. Additionally, the senior secured credit facilities and the indenture that governs our senior notes limit the use of the proceeds from certain dispositions of our assets; as a result, our senior secured credit facilities and our senior notes may prevent us from using the proceeds from such dispositions to satisfy all of our debt service obligations.

In addition, we are a holding company and repayment of our indebtedness is dependent upon cash flow generated by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are borrowers or guarantors of the indebtedness, our subsidiaries do not have any obligation to pay amounts due on the indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries

and, under certain circumstances, distributions from our subsidiaries may be subject to significant taxes that reduce the amount of such distributions available to us. In the event that we do not receive sufficient distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our future capital needs may require that we seek to refinance our debt or obtain additional debt or equity financing, events that could have a negative effect on our business.

We may need to raise additional funds in the future to, among other things, refinance existing debt, fund our existing operations, improve or expand our operations, respond to competitive pressures, or make acquisitions. From time to time, we may raise additional funds through public or private financing, strategic alliances, or other arrangements. Funds may not be available or available on terms acceptable to us as a result of different factors, including but not limited to turmoil in the credit markets that results in the tightening of credit conditions and current or future regulations applicable to the financial institutions from whom we seek financing. If adequate funds are not available on acceptable terms, we may be unable to meet our business or strategic objectives or compete effectively. If we raise additional funds by issuing equity securities, stockholders may experience dilution of their ownership interests, and the newly issued securities may have rights superior to those of the common stock. If we raise additional funds by issuing debt, we may be subject to higher borrowing costs and further limitations on our operations. If we refinance or restructure our debt, we may incur charges to write off the unamortized portion of deferred debt issuance costs from a previous financing, or we may incur charges related to hedge ineffectiveness from our interest rate swap obligations. In addition, there are restrictions in the indenture that governs our senior notes on our ability to refinance the notes prior to 2018. If we fail to raise capital when needed, our business may be negatively affected.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly and could affect the value of our senior notes.

Certain borrowings under our senior secured credit facilities and the borrowing under our accounts receivable securitization facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. Moreover, changes in market interest rates could affect the trading value of our senior notes.

A downgrade in our credit rating would impact our cost of capital and could impact the market value of our senior notes.

Credit ratings have an important effect on our cost of capital. Credit rating agencies rate our debt securities on factors that include, among other items, our results of operations, business decisions that we make, their view of the general outlook for our industry, and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading, or downgrading the current rating or placing us on a watch list for possible future downgrading. We believe our current credit ratings enhance our ability to borrow funds at favorable rates. A downgrade in our current credit rating from a rating agency could adversely affect our cost of capital by causing us to pay a higher interest rate on borrowed funds under our credit facilities. A downgrade could also adversely affect the market price and/or liquidity of our senior notes, preventing a holder from selling the notes at a favorable price, as well as adversely affect our ability to issue new notes in the future or incur other indebtedness upon favorable terms.

The right to receive payments on the senior notes is effectively junior to those lenders who have a security interest in our assets.

Our obligations under the senior notes and our guarantors' obligations under their guarantees of the senior notes are unsecured, but our and each co-borrower's obligations under our senior secured credit facilities and each guarantor's obligations under their respective guarantees of the senior secured credit facilities are secured by a security interest in substantially all of our domestic tangible and intangible assets, including the stock of most of our wholly-owned United States subsidiaries and the stock of certain of our non-United States subsidiaries. If we are declared bankrupt or insolvent, or if we default under our senior secured credit facilities, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the senior notes, even if an event of default exists under the indenture governing the notes. Furthermore, if the lenders foreclose and sell the pledged equity interests in any subsidiary guarantor under the senior notes, then that guarantor will be released from its guarantee of the senior notes automatically and immediately upon such sale. In any such event, because the senior notes are not secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which claims by holders of the senior notes could be satisfied or, if any assets remained, they might be insufficient to satisfy claims fully.

United States federal and state statutes allow courts, under specific circumstances, to void the senior notes and the guarantees, subordinate claims in respect of the senior notes and the guarantees, and require holders of the senior notes to return payments received from us or the guarantors.

Our direct and indirect domestic subsidiaries that are obligors under the senior secured credit facilities also guarantee the

obligations under the senior notes. Our issuance of the senior notes and the issuance of the guarantees by the guarantors under the secured credit facilities and the senior notes may be subject to review under state and federal laws if a bankruptcy, liquidation or reorganization case or a lawsuit, including in circumstances in which bankruptcy is not involved, were commenced at some future date by, or on behalf of, our unpaid creditors or the unpaid creditors of a guarantor. Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a court may avoid or otherwise decline to enforce the senior secured credit facilities, the senior notes or a guarantor's guarantee, or may subordinate the senior secured credit facilities, the senior notes or such guarantee to our or the applicable guarantor's existing and future indebtedness. While the relevant laws may vary from state to state, a court might do so if it found that when indebtedness under the senior secured credit facilities was incurred, or the senior notes were issued, or when the applicable guarantor entered into its guarantee, or, in some states, when payments became due under the senior secured credit facilities, the senior notes or such guarantee, the borrower, the issuer or the applicable guarantor received less than reasonably equivalent value or fair consideration and:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

A court would likely find that we or a guarantor did not receive reasonably equivalent value or fair consideration for the senior secured credit facilities, the senior notes or such guarantee if we or such guarantor did not substantially benefit directly or indirectly from the senior secured credit facilities or the issuance of the senior notes. The measures of insolvency for purposes of these fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a borrower, an issuer or a guarantor, as applicable, would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

A court might also void the senior secured credit facilities, the senior notes or a guarantee, without regard to the above factors, if the court found that the senior secured credit facilities or the senior notes were incurred or issued or the applicable guarantor entered into its guarantee with actual intent to hinder, delay or defraud its creditors. In addition, any payment by us or a guarantor pursuant to the senior secured credit facilities, the senior notes or its guarantee could be avoided and required to be returned to us or such guarantor or to a fund for the benefit of our or such guarantor's creditors, and accordingly the court might direct the lenders under the senior secured credit facilities or the holders of the senior notes to repay any amounts already received from us or such guarantor. Although each guarantee contains a "savings clause" intended to limit the subsidiary guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer, this provision may not be effective to protect any subsidiary guarantees from being avoided under fraudulent transfer law. Furthermore, in *Official Committee of Unsecured Creditors of TOUSA, Inc. v Citicorp North America, Inc.*, the United States Bankruptcy Court in the Southern District of Florida held that a savings clause similar to the savings clause included in the documents relating to our senior secured credit facilities and senior notes was unenforceable. As a result, the subsidiary guarantees were found to be fraudulent conveyances. The United States Court of Appeals for the Eleventh Circuit recently affirmed the liability findings of the Bankruptcy Court without ruling directly on the enforceability of savings clauses generally. If the TOUSA decision were followed by other courts, the risk that the guarantees would be deemed fraudulent conveyances would be significantly increased.

To the extent a court avoids the senior secured credit facilities or the senior notes or any of the guarantees as fraudulent transfers or holds the senior secured credit facilities or the senior notes or any of the guarantees unenforceable for any other reason, the lenders under the senior secured credit facilities or the holders of the senior notes, as the case may be, would cease to have any direct claim against us or the applicable guarantor. If a court were to take this action, our or the applicable guarantor's assets would be applied first to satisfy our or the applicable guarantor's other liabilities, if any, and might not be applied to the payment of the senior secured credit facilities or the senior notes, as the case may be. Sufficient funds to repay the senior secured credit facilities and the senior notes may not be available from other sources, including the remaining guarantors, if any.

Not all of our subsidiaries have guaranteed our senior secured credit facilities or our senior notes, and the assets of our non-guarantor subsidiaries may not be available to make payments on such obligations.

Not all of our subsidiaries have guaranteed the senior secured credit facilities or the senior notes. In the event that any non-guarantor subsidiary becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of its indebtedness and its trade creditors generally will be entitled to payment on their claims from the assets of that subsidiary

before any of those assets are made available to the lenders under the senior secured credit facilities or the holders of the senior notes. Consequently, claims in respect of the senior secured credit facilities and the senior notes are structurally subordinated to all of the liabilities of our non-guarantor subsidiaries, including trade payables, and any claims of third party holders of preferred equity interests, if any, in our non-guarantor subsidiaries. For the year ended December 31, 2015, our subsidiaries that are not borrowers under or do not guarantee the senior secured credit facilities and our subsidiaries that do not guarantee the senior notes represented approximately 33% and 26% of our total revenue and operating income, respectively. In addition, these non-guarantor subsidiaries represented approximately 35% and 37% of our total assets and total liabilities, respectively, as of December 31, 2015 (excluding, in each case, intercompany amounts) with respect to both the senior secured credit facilities and the senior notes. Of these amounts, as of the same date, our subsidiaries that do not guarantee the senior notes and our subsidiaries that do not guarantee the senior secured credit facilities had approximately \$543.5 million of outstanding indebtedness (which includes \$480.5 million of borrowings under our revolving credit facilities by foreign subsidiaries that are borrowers under the revolving credit facilities but that do not guarantee the notes).

We may not be able to repurchase the senior notes upon a change of control or pursuant to an asset sale offer.

Upon a change of control, as defined in the indenture governing the senior notes, the holders of the notes will have the right to require us to offer to purchase all of the notes then outstanding at a price equal to 101% of their principal amount plus accrued and unpaid interest. Such a change of control would also be an event of default under our senior secured credit facilities. In order to obtain sufficient funds to pay amounts due under the senior secured credit facilities and the purchase price of the outstanding senior notes, we expect that we would have to refinance our indebtedness. We cannot assure you that we would be able to refinance our indebtedness on reasonable terms, if at all. Our failure to offer to purchase all outstanding senior notes or to purchase all validly tendered senior notes would be an event of default under the indenture. Such an event of default may cause the acceleration of our other debt. Our other debt also may contain restrictions on repayment requirements with respect to specified events or transactions that constitute a change of control under the indenture.

The definition of change of control in the indenture governing the senior notes includes a phrase relating to the sale of “all or substantially all” of our assets. There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, the ability of a holder of senior notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

In addition, in certain circumstances as specified in the indenture governing the senior notes, we will be required to commence an asset sale offer, as defined in the indenture, pursuant to which we will be obligated to purchase certain senior notes at a price equal to 100% of their principal amount plus accrued and unpaid interest with the proceeds we receive from certain asset sales. Our other debt may contain restrictions that would limit or prohibit us from completing any such asset sale offer. In particular, our senior secured credit facilities contain provisions that require us, upon the sale of certain assets, to apply all of the proceeds from such asset sale to the prepayment of amounts due under the senior secured credit facilities. The mandatory prepayment obligations under the senior secured credit facilities will be effectively senior to our obligations to make an asset sale offer with respect to the senior notes under the terms of the indenture. Our failure to purchase any such senior notes when required under the indenture would be an event of default under the indenture.

Key terms of the senior notes will be suspended if the notes achieve investment grade ratings and no default or event of default has occurred and is continuing.

Many of the covenants in the indenture governing the senior notes will be suspended if the notes are rated investment grade by Standard & Poor’s and Moody’s provided at such time no default or event of default has occurred and is continuing, including those covenants that restrict, among other things, our ability to pay dividends, incur liens and to enter into certain other transactions. There can be no assurance that the senior notes will ever be rated investment grade. However, suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force (although provisions under our other debt, like the senior secured credit facilities, may continue to restrict us from engaging in these transactions), and the effects of any such transactions will be permitted to remain in place even if the senior notes are subsequently downgraded below investment grade.

The liquidity and market value of the senior notes may change due to a variety of factors.

The liquidity of any trading market in the senior notes, and the market price quoted for the senior notes, may be adversely affected by changes in the overall market for these types of securities, changes in interest rates, changes in our ratings, and changes in our financial performance or prospects or in the prospects for companies in our industries generally.

We rely on an accounts receivable securitization program for a portion of our liquidity.

We have an arrangement whereby we sell an interest in a portion of our accounts receivable to a special purpose vehicle and receive funding through the commercial paper market. This arrangement expires in October 2017. In the event that the market for commercial paper were to close or otherwise become constrained, our cost of credit relative to this program could rise, or credit could be unavailable altogether.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our properties are described in Item 1 of this Annual Report on Form 10-K, and such description is incorporated by reference into this Item 2. Our properties are sufficient to meet our present needs, and we do not anticipate any difficulty in securing additional space to conduct operations or additional office space, as needed, on terms acceptable to us.

ITEM 3. LEGAL PROCEEDINGS

The Office of the District Attorney of Harris County, Texas has been investigating a possible violation of the Texas Clean Water Act in connection with alleged discharges of petroleum products at two of our facilities in Texas. We are in negotiations with the Office of the District Attorney to resolve this matter. The resolution will likely involve a monetary payment to Harris County for the alleged violations at each location. The amount of each payment individually and the amount of the payments in the aggregate are expected to have a de minimis effect on our financial position, results of operations and cash flows.

In addition, we are from time to time subject to various claims and lawsuits incidental to our business. In the opinion of management, currently outstanding claims and suits will not, individually or in the aggregate, have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

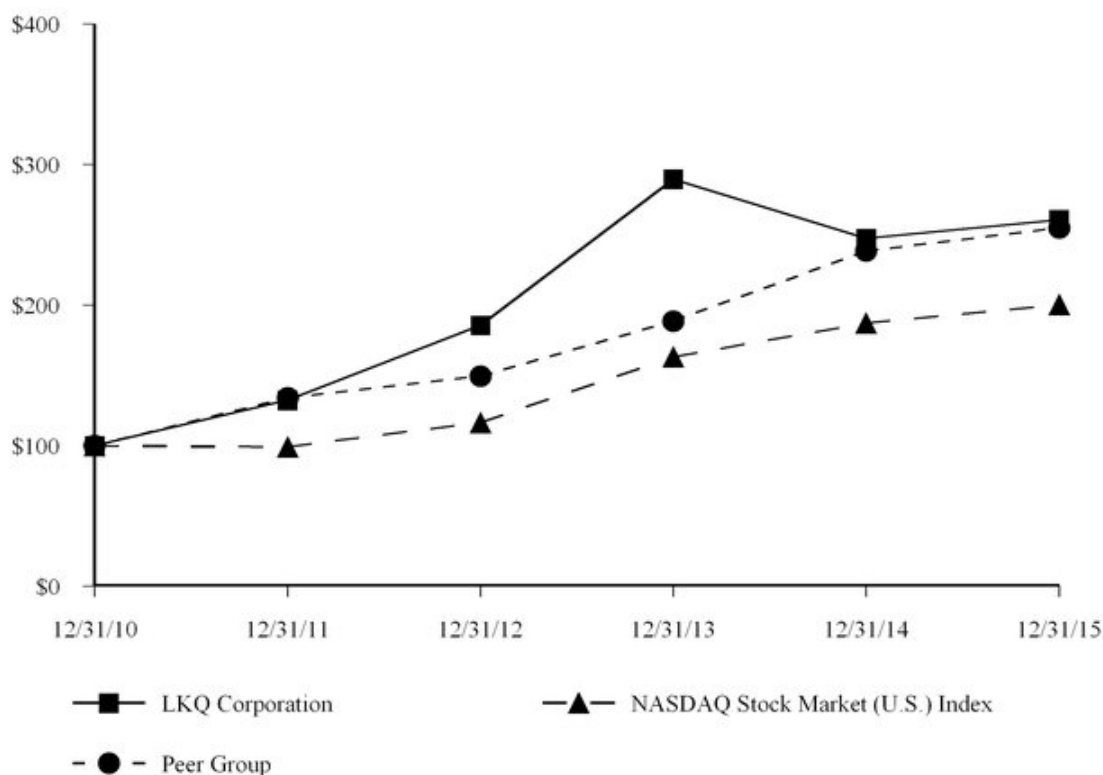
Our common stock is traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol "LKQ." At December 31, 2015, there were 25 record holders of our common stock. The following table sets forth, for the periods indicated, the range of the high and low sales prices of shares of our common stock on NASDAQ.

	High	Low
2014		
First Quarter	\$ 32.90	\$ 24.46
Second Quarter	29.84	24.95
Third Quarter	29.21	25.15
Fourth Quarter	29.64	25.04
2015		
First Quarter	\$ 28.23	\$ 22.90
Second Quarter	30.82	24.92
Third Quarter	32.25	26.67
Fourth Quarter	30.50	27.08

We have not paid any cash dividends on our common stock. We intend to continue to retain our earnings to finance our growth and for general corporate purposes. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, our senior secured credit agreement and our senior notes indenture contain, and future financing agreements may contain, limitations on payment of cash dividends or other distributions of assets. Based on limitations in effect under our senior secured credit agreement and senior notes indenture, the maximum amount of dividends we could pay as of December 31, 2015 was approximately \$970 million. The limit on the payment of dividends is calculated using historical financial information and will change from period to period.

The following graph compares the percentage change in the cumulative total returns on our common stock, the NASDAQ Stock Market (U.S.) Index and the following group of peer companies (the "Peer Group"): Copart, Inc.; O'Reilly Automotive, Inc.; Genuine Parts Company; and Fastenal Co., for the period beginning on December 31, 2010 and ending on December 31, 2015 (which was the last day of our 2015 fiscal year). The stock price performance in the following graph is not necessarily indicative of future stock price performance. The graph assumes that the value of an investment in each of the Company's common stock, the NASDAQ Stock Market (U.S.) Index and the Peer Group was \$100 on December 31, 2010 and that all dividends, where applicable, were reinvested.

**Comparison of Cumulative Return
Among LKQ Corporation, the NASDAQ Stock Market (U.S.) Index and the Peer Group**



	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
LKQ Corporation	\$ 100	\$ 132	\$ 186	\$ 290	\$ 248	\$ 261
NASDAQ Stock Market (U.S.) Index	\$ 100	\$ 99	\$ 117	\$ 163	\$ 187	\$ 200
Peer Group	\$ 100	\$ 134	\$ 150	\$ 189	\$ 239	\$ 255

This stock performance information is "furnished" and shall not be deemed to be "soliciting material" or subject to Rule 14A, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this report and irrespective of any general incorporation by reference language in any such filing, except to the extent that it specifically incorporates the information by reference.

Information about our common stock that may be issued under our equity compensation plans as of December 31, 2015 included in Part III, Item 12 of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K and our consolidated financial statements and related notes included in Item 8 of this Annual Report on Form 10-K.

(in thousands, except per share data)	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(1)	(2)	(3)	(4)	(5)
Statements of Income Data:					
Revenue	\$ 7,192,633	\$ 6,740,064	\$ 5,062,528	\$ 4,122,930	\$ 3,269,862
Cost of goods sold	4,359,104	4,088,151	2,987,126	2,398,790	1,877,869
Gross margin	2,833,529	2,651,913	2,075,402	1,724,140	1,391,993
Operating income	704,627	649,868	530,180	437,953	361,483
Other expense (income)					
Interest expense	57,860	64,542	51,184	31,429	24,307
Other (income) expense, net	(2,263)	(2,562)	3,169	(2,643)	1,405
Income from continuing operations before provision for income taxes	649,030	587,888	475,827	409,167	335,771
Provision for income taxes	219,703	204,264	164,204	147,942	125,507
Equity in earnings of unconsolidated subsidiaries	(6,104)	(2,105)	—	—	—
Income from continuing operations	\$ 423,223	\$ 381,519	\$ 311,623	\$ 261,225	\$ 210,264
Basic earnings per share from continuing operations	\$ 1.39	\$ 1.26	\$ 1.04	\$ 0.88	\$ 0.72
Diluted earnings per share from continuing operations	\$ 1.38	\$ 1.25	\$ 1.02	\$ 0.87	\$ 0.71
Weighted average shares outstanding-basic	304,722	302,343	299,574	295,810	292,252
Weighted average shares outstanding-diluted	307,496	306,045	304,131	300,693	296,750

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Other Financial Data:					
Net cash provided by operating activities	\$ 529,837	\$ 370,897	\$ 428,056	\$ 206,190	\$ 211,772
Net cash used in investing activities	(329,993)	(920,994)	(505,606)	(352,534)	(571,607)
Net cash provided by financing activities	(224,092)	519,003	165,941	157,072	311,411
Capital expenditures	170,490	140,950	90,186	88,255	86,416
Business acquisitions ⁽⁶⁾	160,517	775,921	408,384	265,336	486,934
Depreciation and amortization	128,192	125,437	86,463	70,165	54,505
Balance Sheet Data:					
Total assets ⁽⁷⁾	\$ 5,647,837	\$ 5,475,739	\$ 4,438,058	\$ 3,664,503	\$ 3,146,262
Working capital ⁽⁷⁾	1,588,742	1,491,169	1,062,926	843,689	708,690
Long-term obligations, including current portion ⁽⁷⁾	1,584,702	1,846,148	1,287,242	1,111,058	946,494
Stockholders' equity	3,114,682	2,720,657	2,350,745	1,964,094	1,644,085

(1) Includes the results operations of 18 businesses from their respective acquisition dates in 2015.

(2) Includes the results of operations of Keystone Automotive Holdings, Inc. ("Keystone Specialty") from its acquisition effective January 3, 2014 and 22 other businesses from their respective acquisition dates in 2014.

- (3) Includes the results of operations of Sator Beheer B.V. ("Sator") from its acquisition effective May 1, 2013 and 19 other businesses from their respective acquisition dates in 2013 .
- (4) Includes the results of operations of 30 businesses from their respective acquisition dates in 2012 . Our 2012 results include gains totaling \$17.9 million , which are included in Cost of goods sold, resulting from lawsuit settlements with certain of our aftermarket product suppliers.
- (5) Includes the results of operations of Euro Car Parts Holdings Limited ("ECP") from its acquisition effective October 1, 2011 and 20 other businesses from their respective acquisition dates in 2011 . Our 2011 results include a loss on debt extinguishment of \$5.3 million related to the execution of the senior secured credit facilities on March 25, 2011 . The loss on debt extinguishment is included in Other expense, net.
- (6) Includes cash paid for acquisitions, net of cash acquired.
- (7) Prior year balances have been updated to reflect the balance sheet reclassifications resulting from the adoption of two new accounting pronouncements in the fourth quarter of 2015 as described in Recent Accounting Pronouncements within Note 2, "Summary of Significant Accounting Policies " in Part II, Item 8 of this Annual Report on Form 10-K. The reclassifications made for each year are reflected in the table below:

	December 31,			
	2014	2013	2012	2011
Total Assets				
As reported	\$ 5,573,492	\$ 4,518,774	\$ 3,723,456	\$ 3,199,704
Adjustment - adoption of ASU 2015-03	(18,414)	(18,539)	(7,420)	(9,582)
Adjustment - adoption of ASU 2015-17	(79,339)	(62,177)	(51,533)	(43,860)
As adjusted	<u>\$ 5,475,739</u>	<u>\$ 4,438,058</u>	<u>\$ 3,664,503</u>	<u>\$ 3,146,262</u>
Working Capital				
As reported	\$ 1,566,721	\$ 1,121,864	\$ 896,407	\$ 752,042
Adjustment - adoption of ASU 2015-03	1,577	1,645	762	777
Adjustment - adoption of ASU 2015-17	(77,129)	(60,583)	(53,480)	(44,129)
As adjusted	<u>\$ 1,491,169</u>	<u>\$ 1,062,926</u>	<u>\$ 843,689</u>	<u>\$ 708,690</u>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a global distributor of vehicle products, including replacement parts, components and systems used in the repair and maintenance of vehicles, as well as specialty vehicle products and accessories.

Buyers of vehicle replacement products have the option to purchase from primarily five sources: new products produced by original equipment manufacturers ("OEMs"); new products produced by companies other than the OEMs, which are sometimes referred to as aftermarket products; recycled products obtained from salvage vehicles; used products that have been refurbished; and used products that have been remanufactured. We distribute a variety of products to collision and mechanical repair shops, including aftermarket collision and mechanical products, recycled collision and mechanical products, refurbished collision products such as wheels, bumper covers and lights, and remanufactured engines. Collectively, we refer to these products as alternative parts because they are not new OEM products.

We are the nation's largest provider of alternative vehicle collision replacement products and a leading provider of alternative vehicle mechanical replacement products, with our sales, processing, and distribution facilities reaching most major markets in the United States and Canada. We are also a leading provider of alternative vehicle replacement and maintenance products in the United Kingdom and the Benelux region (Belgium, Netherlands, & Luxembourg) of continental Europe. In addition to our wholesale operations, we operate heavy duty truck facilities and self service retail facilities across the U.S. that sell recycled automotive products from end-of-life-vehicles. In 2014, we expanded our product offering to include specialty vehicle aftermarket equipment and accessories through the acquisition of Keystone Specialty.

We are organized into four operating segments: Wholesale - North America; Europe; Specialty; and Self Service. We aggregate our North American operating segments (Wholesale - North America and Self Service) into one reportable segment, resulting in three reportable segments: North America, Europe and Specialty.

Our revenue, cost of goods sold, and operating results have fluctuated on a quarterly and annual basis in the past and can be expected to continue to fluctuate in the future as a result of a number of factors, some of which are beyond our control. Factors that may affect our operating results include, but are not limited to, those listed in the Special Note on Forward-Looking Statements in Part I, Item 1 and Risk Factors in Part I, Item 1A of this Annual Report on Form 10-K. Accordingly, our historical results of operations may not be indicative of future performance.

Acquisitions and Investments

Since our inception in 1998, we have pursued a growth strategy through both organic growth and acquisitions. We have pursued acquisitions that we believe will help drive profitability, cash flow and stockholder value. Our principal focus for acquisitions is companies that are market leaders, will expand our geographic presence and enhance our ability to provide a wide array of automotive products to our customers through our distribution network.

During the year ended December 31, 2015, we completed 18 acquisitions, including 4 wholesale businesses in North America and 12 wholesale businesses in Europe, a self service retail operation, and a specialty vehicle aftermarket business. Our wholesale business acquisitions in North America included PartsChannel, Inc. ("Parts Channel"), an aftermarket collision parts distributor. The specialty aftermarket business acquired was The Coast Distribution System, Inc. ("Coast"), a supplier of replacement parts, supplies and accessories for the recreational vehicle ("RV") and outdoor recreation markets. Our European acquisitions included 11 aftermarket parts distribution businesses in the Netherlands, 9 of which were former customers of and distributors for our Netherlands subsidiary, Sator, and were acquired with the objective of expanding our distribution network in the Netherlands. Our other acquisitions completed in 2015 enabled us to expand our geographic presence.

On December 22, 2015, LKQ and its wholly-owned subsidiary LKQ Italia S.r.l. entered into an agreement to acquire the holding company of Rhiag-Inter Auto Parts Italia S.p.A ("Rhiag"), a distributor of aftermarket spare parts for passenger cars and commercial vehicles in Italy, Czech Republic, Switzerland, Hungary, Romania, Ukraine, Bulgaria, Slovakia, Poland and Spain. The transaction is expected to be completed in the first half of 2016 and is subject to customary closing conditions and necessary regulatory approvals. This acquisition will expand LKQ's geographic presence in continental Europe. We believe the acquisition will create potential purchasing synergies.

On January 3, 2014, we completed our acquisition of Keystone Specialty. Keystone Specialty is a leading distributor and marketer of specialty vehicle aftermarket equipment and accessories in North America serving the following six product segments: truck and off-road; speed and performance; recreational vehicle; towing; wheels, tires and performance handling; and miscellaneous accessories. Our acquisition of Keystone Specialty allowed us to enter into new product lines and increase the size of our addressable market. In addition, we believe that the acquisition creates logistics and administrative cost synergies and potential cross-selling opportunities.

In addition to our acquisition of Keystone Specialty, we made 22 acquisitions during 2014, including 9 wholesale businesses in North America, 9 wholesale businesses in Europe, 2 self service retail operations, and 2 specialty vehicle aftermarket businesses. Our European acquisitions included seven aftermarket parts distribution businesses in the Netherlands, five of which were customers of and distributors for our Netherlands subsidiary, Sator. Our acquisitions in the Netherlands enabled us to transform the existing distribution model to better align with that of our U.K. operations. This realignment has allowed us to sell directly to the end repair shop customer versus through a local wholesale distributor, and to improve margins, customer service, and fulfillment rates, and positioned us well to introduce additional product categories in the long term. Our other acquisitions completed during the year ended December 31, 2014 enabled us to expand into new product lines and enter new markets.

During the year ended December 31, 2013, we completed 20 acquisitions, including our May 2013 acquisition of Sator, a vehicle mechanical aftermarket parts distribution company based in the Netherlands, with operations in the Netherlands, Belgium and Northern France. With the acquisition of Sator, we expanded our geographic presence in the European vehicle mechanical aftermarket products market into continental Europe to complement our existing U.K. operations. In addition to our acquisition of Sator, we acquired 10 wholesale businesses in North America, 7 wholesale businesses in Europe and 2 self service operations. Our European acquisitions included five automotive paint distribution businesses in the U.K., which enabled us to expand our collision product offerings. The other acquisitions completed during 2013 enabled us to expand into new product lines and enter new markets.

In August 2013, we entered into an agreement with Suncorp Group, a leading general insurance group in Australia and New Zealand, to develop an alternative vehicle replacement parts business, ACM Parts Pty Ltd ("ACM Parts"), in those countries. As of December 31, 2015, this investment was classified as held for sale and included within Other Current Assets on the Consolidated Balance Sheets. The sale of this investment was completed in February 2016. Refer to Note 2, "Summary of Significant Accounting Policies" within the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for more information related to this investment.

Sources of Revenue

We report our revenue in two categories: (i) parts and services and (ii) other. Our parts and services revenue is generated from the sale of vehicle products and related services including (i) aftermarket, other new and refurbished products and (ii) recycled, remanufactured and related products and services. Our service revenue is generated primarily from the sale of extended warranties, fees for admission to our self service yards, and processing fees related to the secure disposal of vehicles. For the year ended December 31, 2015, parts and services revenue represented approximately 93% of our consolidated revenue.

The majority of our parts and services revenue is generated from the sale of vehicle replacement products to collision and mechanical repair shops. In North America, our vehicle replacement products include sheet metal crash parts such as doors, hoods, and fenders; bumper covers; mirrors and grills; head and tail lamps; wheels; and large mechanical items such as engines and transmissions. In Europe, our products include a wide variety of small mechanical products such as filters, belts and hoses, spark plugs, alternators and water pumps, batteries, suspension and brake parts, clutches, and oil and lubricants. The demand for these products is influenced by several factors, including the number of vehicles in operation, the number of miles being driven, the frequency and severity of vehicle accidents, the age profile of vehicles in accidents, seasonal weather patterns and local weather conditions and the availability and pricing of new OEM parts. With respect to collision related products, automobile insurers exert significant influence over collision repair shops as to how an insured vehicle is repaired and the cost level of the products used in the repair process. Accordingly, we consider automobile insurers to be key demand drivers of our vehicle replacement products. While they are not our direct customers, we do provide insurance carriers services in an effort to promote the increased usage of alternative replacement products in the repair process. Such services include the review of vehicle repair order estimates, direct quotation services to insurance company adjusters and an aftermarket parts quality and service assurance program. We neither charge a fee to the insurance carriers for these services nor adjust our pricing of products for our customers when we perform these services for insurance carriers. There is no standard price for many of our vehicle replacement products, but rather a pricing structure that varies from day to day based upon such factors as product availability, quality, demand, new OEM product prices, the age and mileage of the vehicle from which the part was obtained, competitor pricing and our product cost.

Our revenue from aftermarket, other new and refurbished products also includes revenue generated from the sale of specialty aftermarket vehicle equipment and accessories. These products are primarily sold to a large customer base of specialty vehicle retailers and equipment installers, including mostly independent, single-site operators. Specialty vehicle aftermarket products are typically installed on vehicles within the first year of ownership to enhance functionality, performance or aesthetics. As a result, the demand for these products is influenced by new and used vehicle sales and the overall economic health of vehicle owners, which may be affected by general business conditions, interest rates, inflation, consumer debt levels

and other matters that influence consumer confidence and spending. The prices for our specialty vehicle products are based on manufacturers' suggested retail prices, with discounts applied based on prevailing market conditions, customer volumes and promotions that we may offer from time to time.

For the year ended December 31, 2015, revenue from other sources represented approximately 7% of our consolidated sales. These other sources include scrap sales and sales of aluminum ingots and sows. We derive scrap metal from several sources, including vehicles that have been used in both our wholesale and self service recycling operations and from OEMs and other entities that contract with us for secure disposal of "crush only" vehicles. Other revenue will vary from period to period based on fluctuations in commodity prices and the volume of materials sold.

Cost of Goods Sold

Our cost of goods sold for aftermarket products includes the price we pay for the parts, freight, and overhead costs related to the purchasing, warehousing and distribution of our inventory, including labor, facility and equipment costs and depreciation. Our aftermarket products are acquired from a number of vendors. Our cost of goods sold for refurbished products includes the price we pay for cores, freight, and costs to refurbish the parts, including direct and indirect labor, facility and equipment costs, depreciation and other overhead related to our refurbishing operations.

Our cost of goods sold for recycled products includes the price we pay for the salvage vehicle and, where applicable, auction, towing and storage fees. Prices for salvage vehicles may be impacted by a variety of factors, including the number of buyers competing to purchase the vehicles, the demand and pricing trends for used vehicles, the number of vehicles designated as "total losses" by insurance companies, the production level of new vehicles (which provides the source from which salvage vehicles ultimately come), the age of vehicles at auction and the status of laws regulating bidders or exporters of salvage vehicles. From time to time, we may also adjust our buying strategy to target vehicles with different attributes (for example, age, level of damage, and revenue potential). Due to changes relating to these factors, we have seen the prices we pay for salvage vehicles fluctuate over time. Our cost of goods sold also includes labor and other costs we incur to acquire and dismantle such vehicles. Our labor and labor-related costs related to acquisition and dismantling generally account for between 9% and 11% of our cost of goods sold for vehicles we dismantle. The acquisition and dismantling of salvage vehicles is a manual process and, as a result, energy costs are not material. Our cost of goods sold for remanufactured products includes the price we pay for cores; freight; and costs to remanufacture the products, including direct and indirect labor, facility and equipment costs, depreciation and other overhead related to our remanufacturing operations.

Some of our salvage mechanical products are sold with a standard six-month warranty against defects. Additionally, some of our remanufactured engines are sold with a standard three-year warranty against defects. We also provide a limited lifetime warranty for certain of our aftermarket products that is supported by certain of the suppliers of those products. We record the estimated warranty costs at the time of sale using historical warranty claims information to project future warranty claims activity and related expenses.

Other revenue is primarily generated from the hulks and unusable parts of the vehicles we acquire for our wholesale and self service recycled product operations, and therefore, the costs of these sales include the proportionate share of the price we pay for the salvage vehicles as well as the applicable auction, storage and towing fees and internal costs to purchase and dismantle the vehicles. Our cost of goods sold for other revenue will fluctuate based on the prices paid for salvage vehicles, which may be impacted by a variety of factors as discussed above.

Expenses

Our facility and warehouse expenses primarily include our costs to operate our aftermarket warehouses, salvage yards and self service retail facilities. These costs include personnel expenses such as wages, incentive compensation and employee benefits for plant management and facility and warehouse personnel, as well as rent for our facilities and related utilities, property taxes, repairs and maintenance. The costs included in facility and warehouse expenses do not relate to inventory processing or conversion activities and, as such, are classified below the gross margin line on our Consolidated Statements of Income.

Our distribution expenses primarily include our costs to prepare and deliver our products to our customers. Included in our distribution expense category are personnel costs such as wages, employee benefits and incentive compensation for drivers; third party freight costs; fuel; and expenses related to our delivery and transfer trucks, including vehicle leases, repairs and maintenance and insurance.

Our selling and marketing expenses primarily include salary, commission and other incentive compensation expenses for sales personnel; advertising, promotion and marketing costs; credit card fees; telephone and other communication expenses; and bad debt expense. Personnel costs generally account for between 75% and 80% of our selling and marketing expenses. Most of our sales personnel are paid on a commission basis. The number and quality of our sales force is critical to our ability

to respond to our customers' needs and increase our sales volume. Our objective is to continually evaluate our sales force, develop and implement training programs, and utilize appropriate measurements to assess our selling effectiveness.

Our general and administrative expenses primarily include the costs of our corporate offices and field support center, which provide management, treasury, accounting, legal, payroll, business development, human resources and information systems functions. General and administrative expenses include wages, benefits, stock-based compensation and other incentive compensation for corporate, regional and administrative personnel; information systems support and maintenance expenses; and accounting, legal and other professional fees.

Seasonality

Our operating results are subject to quarterly variations based on a variety of factors, influenced primarily by seasonal changes in weather patterns. During the winter months, we tend to have higher demand for our vehicle replacement products because there are more weather related accidents, which generate repairs. We expect our specialty vehicle operations to generate greater revenue and earnings in the first half of the year, when vehicle owners tend to install specialty products.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates, assumptions, and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, assumptions, and judgments, including those related to revenue recognition, inventory valuation, business combinations, and goodwill impairment. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for our judgments about the carrying values of assets and liabilities and our recognition of revenue. Actual results may differ from these estimates.

Revenue Recognition

We recognize and report revenue from the sale of vehicle products when they are shipped to or picked up by the customers and title has transferred, subject to an allowance for estimated returns, discounts and allowances that management estimates based upon historical information. In instances where a product is returned by a customer, the product would ordinarily be returned within a few days of shipment. Our customers may earn discounts based upon sales volumes or sales volumes coupled with prompt payment. Allowances are normally given within a few days following product shipment. We analyze historical returns and allowances activity by comparing the items to the original invoice amounts and dates. We use this information to project future returns and allowances on products sold. If actual returns and allowances are higher than our historical experience, there would be an adverse impact on our operating results in the period of occurrence.

We recognize revenue from the sale of scrap metal, other metals, and cores when title has transferred, which typically occurs upon delivery to the customer.

Inventory Accounting

Salvage and Remanufactured Inventory . Our salvage inventory cost is established based upon the price we pay for a vehicle, including auction, towing and storage fees, as well as expenditures for buying and dismantling vehicles. Inventory carrying value is determined using the average cost to sales percentage at each of our facilities and applying that percentage to the facility's inventory at expected selling prices, the assessment of which incorporates the sales probability based on a part's days in stock and historical demand. The average cost to sales percentage is derived from each facility's historical profitability for salvage vehicles. Remanufactured inventory cost is based upon the price paid for cores, and also includes expenses incurred for freight, direct manufacturing costs and overhead related to our remanufacturing operations.

For all inventory, carrying value is recorded at the lower of cost or market and is reduced to reflect current anticipated demand. If actual demand differs from our estimates, additional reductions to inventory carrying value would be necessary in the period such determination is made.

Business Combinations

We record our acquisitions under the acquisition method of accounting, under which the acquisition purchase price is allocated to the assets acquired and liabilities assumed based upon their respective fair values. We utilize management estimates and, in some instances, independent third-party valuation firms to assist in determining the fair values of assets acquired, liabilities assumed and contingent consideration granted. Such estimates and valuations require us to make significant assumptions, including projections of future events and operating performance.

Goodwill Impairment

We are required to test our goodwill for impairment at least annually. When testing goodwill for impairment, we are required to evaluate events and circumstances that may affect the performance of the reporting unit and the extent to which the events and circumstances may impact the future cash flows of the reporting unit to determine whether the fair value of the assets exceed the carrying value. If these assumptions or estimates change in the future, we may be required to record impairment charges for these assets. In response to changes in industry and market conditions, we may be required to strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses, which could result in an impairment of goodwill.

We are organized into four operating segments: Wholesale-North America; Europe; Specialty; and Self Service. We have also concluded that these four operating segments are reporting units for purposes of goodwill impairment testing in 2015. We perform goodwill impairment tests annually in the fourth quarter and between annual tests whenever events indicate that an impairment may exist.

Our goodwill would be considered impaired if the net book value of a reporting unit exceeded its estimated fair value. The fair value estimates are established using weightings of the results of a discounted cash flow methodology and a comparative market multiples approach. We believe that using two methods to determine fair value limits the chances of an unrepresentative valuation.

During the quarter ended September 30, 2015, we noted that our North American operating margins continued to be negatively affected by the decline in scrap steel and other metals prices, which began in the fourth quarter of 2014. Our Self Service reporting unit has been most impacted by the change in scrap steel prices as the sale of crushed car bodies comprises a relatively large percentage of its sales. It is anticipated that scrap steel prices will continue to have a negative impact on operating margins during 2016. Given the decrease in scrap steel prices throughout 2015 and projected softness in 2016 and the corresponding negative effect on our current and expected results, we performed an interim goodwill impairment test for the Self Service reporting unit as of August 31, 2015. Based on the step one analysis performed for the Self Service reporting unit, no impairment adjustment was required. Our forecasts assume scrap steel prices will continue at their current depressed level through all of 2016 before returning to our seven year historical average price of approximately \$200 per ton in 2018. Based on this forecast, the impairment test indicated the fair value of the Self Service reporting unit, determined using both market and income approaches, exceeded the reporting unit's carrying value by approximately 11%. Declines in expected future cash flows (which are driven by scrap steel and other metals prices), reduction in terminal value growth rates, or an increase to the risk-adjusted discount rate used to estimate the fair value of the Self Service reporting unit may result in the determination that an impairment adjustment is required.

As of December 31, 2015, we had a total of \$2.3 billion in goodwill subject to future impairment tests with approximately \$259.0 million allocated to our Self Service reporting unit. We determined that no adjustments were necessary when we performed our annual impairment testing in the fourth quarter of 2015 on all four reporting units. A 10% decrease in the fair value estimates of the reporting units in the annual impairment test would not have changed this determination, but the excess over carrying value for our Self Service reporting unit was 11% in the most recent test. If we were required to recognize goodwill impairments, we would report those impairment losses as part of our operating results.

Recently Issued Accounting Pronouncements

See "Recent Accounting Pronouncements" in Note 2, "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for information related to new accounting standards.

Financial Information by Geographic Area

See Note 13, "Segment and Geographic Information" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for information related to our revenue and long-lived assets by geographic region.

Results of Operations—Consolidated

The following table sets forth statements of income data as a percentage of total revenue for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Revenue	100.0 %	100.0 %	100.0 %
Cost of goods sold	60.6 %	60.7 %	59.0 %
Gross margin	39.4 %	39.3 %	41.0 %
Facility and warehouse expenses	7.7 %	7.8 %	8.4 %
Distribution expenses	8.4 %	8.6 %	8.5 %
Selling, general and administrative expenses	11.5 %	11.3 %	11.8 %
Restructuring and acquisition related expenses	0.3 %	0.2 %	0.2 %
Depreciation and amortization	1.7 %	1.8 %	1.6 %
Operating income	9.8 %	9.6 %	10.5 %
Other expense, net	0.8 %	0.9 %	1.1 %
Income before provision for income taxes	9.0 %	8.7 %	9.4 %
Provision for income taxes	3.1 %	3.0 %	3.2 %
Equity in earnings of unconsolidated subsidiaries	(0.1)%	0.0 %	0.0 %
Net income	5.9 %	5.7 %	6.2 %

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue. The following table summarizes the changes in revenue by category (amounts in thousands):

	Year Ended December 31,		Percentage Change in Revenue			
	2015	2014	Organic	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	\$ 6,713,951	\$ 6,086,759	7.0 %	7.1%	(3.8)%	10.3 %
Other revenue	478,682	653,305	(28.6)%	2.2%	(0.3)%	(26.7)%
Total revenue	\$ 7,192,633	\$ 6,740,064	3.5 %	6.6%	(3.4)%	6.7 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

The change in parts and services revenue of 10.3% represents increases of 6.8% in North America, 8% in Europe, and 30.6% in Specialty. The decline in other revenue of 26.7% primarily reflects the decline in the price of scrap steel and other metals. Refer to the discussion of our segment results of operations for factors contributing to revenue changes during 2015 compared to the prior year.

Cost of Goods Sold. Our cost of goods sold decreased to 60.6% of revenue for the year ended December 31, 2015 from 60.7% of revenue in the prior year. The decrease is related to (i) a decline of 0.3% in costs of goods sold in our European operations, as a result of a 0.2% decrease in our U.K. operations due to lower product costs and 0.1% due to internalizing gross margin from our May 2014 acquisitions of seven Netherlands distributors, and (ii) improved net pricing to customers in our North American operations; as our purchase costs were flat on average, the increase in revenue from favorable pricing resulted in a decrease of 0.2% in cost of goods sold as a percentage of revenue. These decreases were offset by (i) an increase of 0.2% in our Specialty operations due to higher inventory costs and unfavorable net customer pricing, and (ii) a negative mix effect of 0.3% primarily resulting from growth of our Specialty segment from our October 2014 acquisition of a supplier of parts for recreational vehicles, as this business yields lower gross margins than our North American and European segments. Refer to the discussion of our segment results of operations for factors contributing to the change in cost of goods sold as a percentage of revenue by segment for the year ended December 31, 2015 compared to the prior year.

Facility and Warehouse Expenses. As a percentage of revenue, facility and warehouse expenses for the year ended December 31, 2015 decreased to 7.7% from 7.8% in the prior year. Compared to the prior year, we experienced a negative impact on operating leverage due to a decrease in other revenue, primarily as a result of declining prices of scrap steel and other metals. Excluding the impact of the decline in scrap and other metal prices of 0.1%, facility and warehouse expenses would have improved by 0.2% primarily reflecting a positive mix effect as a greater proportion of revenue was generated from our Specialty segment. Compared to our North American operations, Specialty stores a greater portion of inventory at their regional

distribution centers, the costs of which are capitalized into inventory and expensed through cost of goods sold. In our North American wholesale operations, most of the inventory sold by our local operations is stored on site rather than in distribution centers, and the related facility and warehouse expenses of the local operations are recorded in this line item.

Distribution Expenses. As a percentage of revenue, distribution expenses for the year ended December 31, 2015 decreased to 8.4% from 8.6% in the prior year. Distribution expenses decreased by 0.4% compared to the prior year due to fuel cost savings driven by lower average prices. The decline in other revenue caused a 0.2% loss in operating leverage due to the revenue mix shift (scrap and other metals revenue has lower distribution costs than parts sales).

Selling, General and Administrative Expenses. As a percentage of revenue, selling, general and administrative expenses for the year ended December 31, 2015 increased to 11.5% from 11.3% in the prior year. Compared to the prior year, other revenue decreased as a result of declining prices of scrap steel and other metals, which negatively impacted our operating leverage and increased our selling, general and administrative expenses as percentage of revenue by 0.2%. Excluding this impact, our selling, general and administrative expenses as a percentage of revenue were flat over the prior year.

Restructuring and Acquisition Related Expenses. The following table summarizes restructuring and acquisition related expenses for the periods indicated (in thousands):

	Year Ended December 31,		
	2015	2014	Change
Restructuring expenses	\$ 13,083 ⁽¹⁾	\$ 11,123 ⁽²⁾	\$ 1,960
Acquisition related expenses	6,428 ⁽³⁾	3,683 ⁽⁴⁾	2,745
Total restructuring and acquisition related expenses	\$ 19,511	\$ 14,806	\$ 4,705

- (1) Restructuring expenses of \$10.5 million, \$2.0 million, and \$0.6 million for the year ended December 31, 2015 were primarily related to the integration of acquired businesses in our Specialty, North America, and Europe segments, respectively. These integration activities included the closure of duplicate facilities and termination of employees in connection with the integration of recent acquisitions into our existing business.
- (2) Restructuring expense for the year ended December 31, 2014 included \$5.8 million of expense related to the integration of our Keystone Specialty acquisition, as well as \$1.9 million, \$1.0 million, and \$0.8 million of expense related to the integration of acquired businesses in our European, North American and Specialty segments, respectively. Additionally, we incurred \$1.6 million of severance costs to terminated employees as part of the ongoing rationalization of our European operations.
- (3) Acquisition related expenses for the year ended December 31, 2015 included \$1.6 million for our acquisitions of eleven aftermarket parts distribution businesses in the Netherlands and \$0.2 million for other European acquisitions, \$3.6 million for potential and pending acquisitions, and \$1.0 million related to our North America and Specialty acquisitions during the year.
- (4) Acquisition related expenses for the prior year ended December 31, 2014 include external costs primarily related to our acquisitions of seven distribution companies in the Netherlands.

See Note 9, "Restructuring and Acquisition Related Expenses" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on our restructuring and integration plans.

Depreciation and Amortization. The following table provides additional information about the increase in depreciation and amortization compared to the prior year (in thousands):

	Year Ended December 31,		
	2015	2014	Change
Depreciation	\$ 88,335	\$ 86,216	\$ 2,119 ⁽¹⁾
Amortization	33,785	34,503	(718) ⁽²⁾
Total depreciation and amortization	\$ 122,120	\$ 120,719	\$ 1,401

- (1) The increase in depreciation expense was a result of increased levels of property and equipment to support our acquisition and organic related growth, partially offset by a decline of \$3.1 million attributable to the impact of foreign exchange rates.
- (2) The decrease in amortization expense reflects a \$1.6 million decline due to foreign exchange rates partially offset by net increases in amortization expense for intangibles recorded related to our 2014 and 2015 acquisitions. The

amortization expense for the year ended December 31, 2014 included accelerated amortization for intangibles recognized during 2014 for the January 2014 acquisition of Keystone Specialty.

Other Expense, Net. The following table summarizes the components of the year-over-year increase in other expense, net (in thousands):

Other expense, net for the year ended December 31, 2014	\$ 61,980
Increase (decrease) due to:	
Interest expense	(6,682) ⁽¹⁾
Loss on debt extinguishment	(324) ⁽²⁾
Changes in fair value of contingent consideration liabilities	2,305 ⁽³⁾
Interest and other income, net	(1,682) ⁽⁴⁾
Total decrease	(6,383)
Other expense, net for the year ended December 31, 2015	\$ 55,597

- (1) Approximately \$4.2 million of the reduction in interest expense from the prior year is due to lower outstanding borrowings. The remaining \$2.5 million is attributable to lower interest rates under our senior secured credit agreement. The higher outstanding debt levels in the prior year were primarily related to borrowings used to finance the Keystone Specialty acquisition in January 2014 and cash flow from operations in 2015 that was used to pay down debt.
- (2) During the year ended December 31, 2014, we incurred a \$0.3 million loss on debt extinguishment as a result of our March 2014 amendment to our senior secured credit agreement. We did not incur a similar charge during 2015.
- (3) See Note 6, "Fair Value Measurements " to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on our contingent payment arrangements.
- (4) The increase in Interest and other income, net reflects an increase in customer finance fees of \$1.3 million and a favorable impact due to a decrease in foreign currency losses of \$0.5 million, including the impact of unrealized mark-to-market losses on foreign currency forward contracts used to hedge the purchase of inventory and, to a lesser extent, unrealized and realized gains and losses on foreign currency transactions for the year ended December 31, 2015 compared to the prior year.

Provision for Income Taxes. Our effective income tax rate was 33.9% for the year ended December 31, 2015, compared to 34.7% for the year ended December 31, 2014. The lower effective tax rate in 2015 reflects a 0.5% benefit relative to the prior year as a result of an increase in earnings in our lower tax rate international operations. In addition, the effective tax rate for the current year benefited from discrete items, including favorable return to provision adjustments of \$1.9 million and the favorable settlement of a Canada tax matter totaling \$1.8 million.

Equity in Earnings of Unconsolidated Subsidiaries. During the year ended December 31, 2015, we recorded impairment charges of \$2.0 million in our equity method investments. No tax benefit was recognized related to these charges. Our share of net operating losses in our equity method investments totaled \$4.1 million through the year ended December 31, 2015 compared to \$2.1 million during the prior year. With our divestiture of ACM Parts in February 2016, we expect our equity in earnings of unconsolidated subsidiaries to be nominal in 2016.

Foreign Currency Impact. We translate our statements of income at the average exchange rates in effect for the period. Relative to the average rates used in 2014, the pound sterling, euro and Canadian dollar rates used to translate the 2015 statements of income declined by 7.2%, 16.4%, and 13.5%, respectively. The translation effect of the decline of these currencies against the U.S. dollar and realized and unrealized currency losses for the year resulted in an approximately \$0.04 negative effect on diluted earnings per share relative to the prior year.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue. The following table summarizes the changes in revenue by category (in thousands):

	Year Ended December 31,		Percentage Change in Revenue			
	2014	2013	Organic	Acquisition	Foreign Exchange	Total Change
Parts & services revenue	\$ 6,086,759	\$ 4,429,580	9.0 %	27.8%	0.6 %	37.4%
Other revenue	653,305	632,948	(6.0)%	9.3%	(0.1)%	3.2%
Total revenue	\$ 6,740,064	\$ 5,062,528	7.1 %	25.5%	0.6 %	33.1%

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

The change in parts and services revenue of 37.4% represents increases in segment revenue of 8.4% in North America, 46.6% in Europe, and the addition of our Specialty segment in 2014. Refer to the discussion of our segment results of operations for factors contributing to revenue growth during 2014 compared to the prior year.

Cost of Goods Sold . Our cost of goods sold increased to 60.7% of revenue in 2014 from 59.0% of revenue in 2013. The increase in cost of goods sold was primarily the result of lower margins generated by certain of our acquired businesses, which increased cost of goods sold by 2.0% of revenue. Our Keystone Specialty business operates a three step distribution model, which generates lower gross margins compared to our revenue from sales directly to repairers, and therefore was responsible for 1.2% of the increase in cost of goods sold as a percentage of revenue. Our other acquisitions completed since the beginning of the prior year were responsible for the remainder of the acquisition impact on cost of goods sold, none of which had a material impact on our gross margins individually. Partially offsetting the impact of our acquisitions, improvement in our North American gross margins decreased cost of goods sold by 0.4% of revenue. Refer to the discussion of our segment results of operations for factors contributing to the changes in cost of goods sold by segment for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Facility and Warehouse Expenses . As a percentage of revenue, facility and warehouse expenses for the year ended December 31, 2014 decreased to 7.8% from 8.4% in the prior year, which was primarily due to the effect of our Keystone Specialty acquisition. As discussed in our current year section, Specialty operates with lower facility and warehouse expenses than our North American operations.

Distribution Expenses . As a percentage of revenue, distribution expenses increased to 8.6% in 2014 from 8.5% in 2013, primarily due to greater costs in our European segment. In our U.K. operations, we incurred greater personnel expenditures as a result of 59 new branch openings since the beginning of the prior year, which increased distribution expenses by 0.1% of revenue.

Selling, General and Administrative Expenses . Our selling, general and administrative expenses for the year ended December 31, 2014 decreased to 11.3% of revenue from 11.8% of revenue in the prior year. Our acquisitions contributed 0.4% of the reduction in expense, including primarily the effect of Keystone Specialty, which has lower selling, general and administrative costs compared to our other operations. Greater leverage of our sales force and general and administrative personnel in our North American operations contributed an additional 0.3% improvement in costs as a percentage of revenue. These reductions in expense as a percentage of revenue were partially offset by greater expenses in our European operations, including greater expenditures for our sales force, primarily related to new branch openings, and higher advertising costs compared to the prior year period, which increased selling, general and administrative expenses by 0.2% of revenue.

Restructuring and Acquisition Related Expenses . The following table summarizes restructuring and acquisition related expenses for the periods indicated (in thousands):

	Year Ended December 31,		
	2014	2013	Change
Restructuring expenses	\$ 11,123 ⁽¹⁾	\$ 3,526 ⁽²⁾	\$ 7,597
Acquisition related expenses	3,683 ⁽¹⁾	6,647 ⁽³⁾	(2,964)
Total restructuring and acquisition related expenses	\$ 14,806	\$ 10,173	\$ 4,633

(1) Refer to our Year Ended December 31, 2015 compared to Year Ended December 31, 2014 discussion for details.

(2) Restructuring expenses for the year ended December 31, 2013 include \$2.1 million related to the integration of certain of our 2013 European acquisitions and \$1.4 million related to the integration of certain of our 2012 North American acquisitions.

(3) Acquisition related expenses for the year ended December 31, 2013 include external costs primarily related to our acquisitions of Sator, five automotive paint distribution businesses in the U.K. and our January 2014 acquisition of Keystone Specialty.

See Note 9, "Restructuring and Acquisition Related Expenses " to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on our restructuring and integration plans.

Depreciation and Amortization . The following table provides additional information about the increase in depreciation and amortization compared to the prior year (in thousands):

	Year Ended December 31,		
	2014	2013	Change
Depreciation	\$ 86,216	\$ 67,122	\$ 19,094 ⁽¹⁾
Amortization	34,503	13,847	20,656 ⁽²⁾
Total depreciation and amortization	\$ 120,719	\$ 80,969	\$ 39,750

- (1) The increase in depreciation is a result of increased levels of property and equipment to support our organic and acquisition related growth.
- (2) The increase in amortization is a result of amortization of intangible assets related to our acquisitions completed since the beginning of the prior year. We recognized \$78.1 million of intangibles related to our January 2014 acquisition of Keystone Specialty and \$45.3 million of intangibles related to our May 2013 acquisition of Sator.

Other Expense, Net. The following table summarizes the components of the year-over-year increase in other expense, net (in thousands):

Other expense, net for the year ended December 31, 2013	\$ 54,353
Increase (decrease) due to:	
Interest expense	13,358 ⁽¹⁾
Loss on debt extinguishment	(2,471) ⁽²⁾
Changes in fair value of contingent consideration liabilities	(4,355) ⁽³⁾
Interest and other income, net	1,095 ⁽⁴⁾
Net increase	7,627
Other expense, net for the year ended December 31, 2014	\$ 61,980

- (1) Interest expense increased \$17.8 million as a result of higher average outstanding debt levels, primarily to finance our Keystone Specialty and 2014 European acquisitions, partially offset by a decrease of \$4.4 million as a result of lower interest rates relative to the prior year, primarily due to a lower applicable margin on our credit agreement borrowings as a result of our March 2014 amendment.
- (2) In 2014, we incurred a loss on debt extinguishment of \$0.3 million related to the March 2014 amendment to our senior secured credit agreement, compared to a loss on debt extinguishment of \$2.8 million during the prior year related to our May 2013 amendment to our senior secured credit agreement.
- (3) During 2014, we recorded gains of \$1.9 million as a result of fair value adjustments to our contingent consideration liabilities, compared to losses of \$2.5 million in the prior year. See Note 6, "Fair Value Measurements " to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on our contingent payment arrangements.
- (4) Interest and other income, net decreased primarily due to \$0.9 million of greater losses as a result of foreign currency exchange for the year ended December 31, 2014 compared to the year ended December 31, 2013.

See Note 4, "Long-Term Obligations " to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on the amendments to our credit agreement.

Provision for Income Taxes . Our effective income tax rate was 34.7% for the year ended December 31, 2014, compared to 34.5% for the year ended December 31, 2013. The lower effective income tax rate in 2013 primarily reflects the discrete benefit related to the revaluation of our net U.K. deferred tax liabilities as a result of reductions in the U.K. corporate income tax rate.

Equity in Earnings of Unconsolidated Subsidiaries. Our share of net operating losses in our equity method investments totaled \$2.1 million through the year ended December 31, 2014. Net operating losses during the year ended December 31, 2013 were not material.

Foreign Currency Impact. We translate our statements of income at the average exchange rates in effect for the period. Relative to the average rates used in 2013, the Canadian dollar and Euro rates used to translate the 2014 statements of income declined by 6.8% and 0.5%, respectively and the pound sterling rate increased by 5.3%. The translation effect of the change in these currencies against the U.S. dollar and realized and unrealized currency losses for the year resulted in approximately a \$0.01 positive effect on diluted earnings per share relative to the prior year.

Results of Operations—Segment Reporting

We have four operating segments: Wholesale – North America; Europe; Specialty; and Self Service. Our Specialty operating segment was formed with our January 3, 2014 acquisition of Keystone Specialty, as discussed in Note 8, "Business Combinations" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K. Our Wholesale – North America and Self Service operating segments are aggregated into one reportable segment, North America, because they possess similar economic characteristics and have common products and services, customers, and methods of distribution. Therefore, we present three reportable segments: North America, Europe and Specialty.

We evaluate growth and profitability in our operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP ("Generally Accepted Accounting Principles") measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our growth and profitability, consistent with how we evaluate our performance. Constant currency Segment EBITDA results are calculated by translating prior year Segment EBITDA in local currency using the current year's currency conversion rate. This non-GAAP measure has important limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Our use of this term may vary from the use of similarly-titled measures by other issuers due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation.

The following table presents our financial performance, including third party revenue, total revenue and Segment EBITDA, by reportable segment for the periods indicated (in thousands):

	Year Ended December 31,					
	2015	% of Total Segment Revenue	2014	% of Total Segment Revenue	2013	% of Total Segment Revenue
<u>Third Party Revenue</u>						
North America	\$ 4,145,998		\$ 4,088,701		\$ 3,802,929	
Europe	1,995,385		1,846,155		1,259,599	
Specialty	1,051,250		805,208		—	
Total third party revenue	<u>\$ 7,192,633</u>		<u>\$ 6,740,064</u>		<u>\$ 5,062,528</u>	
<u>Total Revenue</u>						
North America	\$ 4,146,833		\$ 4,089,290		\$ 3,802,929	
Europe	1,995,455		1,846,155		1,259,599	
Specialty	1,054,584		807,015		—	
Eliminations	(4,239)		(2,396)		—	
Total revenue	<u>\$ 7,192,633</u>		<u>\$ 6,740,064</u>		<u>\$ 5,062,528</u>	
<u>Segment EBITDA</u>						
North America	\$ 547,405	13.2%	\$ 543,943	13.3%	\$ 486,831	12.8%
Europe	200,563	10.1%	167,155	9.1%	141,756	11.3%
Specialty	106,561	10.1%	79,453	9.8%	—	n/m
Total Segment EBITDA	<u>\$ 854,529</u>	11.9%	<u>\$ 790,551</u>	11.7%	<u>\$ 628,587</u>	12.4%

The key measure of segment profit or loss reviewed by our chief operating decision maker, who is our Chief Executive Officer, is Segment EBITDA. Segment EBITDA includes revenue and expenses that are controllable by the segment. Corporate and administrative expenses are allocated to the segments based on usage, with shared expenses apportioned based on the segment's percentage of consolidated revenue. Segment EBITDA is calculated as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities and equity in earnings of unconsolidated subsidiaries. EBITDA, which is the basis for Segment EBITDA, is calculated as net income excluding depreciation, amortization, interest (including loss on debt extinguishment) and taxes. Loss on debt extinguishment is considered a component of interest in calculating EBITDA, as the write-off of debt issuance costs is similar to the treatment of debt issuance cost amortization. See Note 13, "Segment and Geographic Information" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for a reconciliation of total Segment EBITDA to Net Income.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

North America

Third Party Revenue . The following table summarizes the changes in third party revenue by category in our North American segment (in thousands):

North America	Year Ended December 31,		Percentage Change in Revenue			
	2015	2014	Organic	Acquisition ⁽¹⁾	Foreign Exchange	Total Change
Parts & services revenue	\$ 3,671,595	\$ 3,437,821	5.6 % ⁽²⁾	2.2%	(1.0)%	6.8 %
Other revenue	474,403	650,880	(28.8)% ⁽³⁾	2.0%	(0.3)%	(27.1)%
Total revenue	<u>\$ 4,145,998</u>	<u>\$ 4,088,701</u>	0.1 %	2.2%	(0.9)%	1.4 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) The acquisition growth in revenue reflects the impact of 13 wholesale businesses and 3 self service retail operations acquired since the beginning of 2014 up to the one year anniversary of the acquisition date.
- (2) Approximately 60% of our organic growth in parts and services revenue was due to increased net pricing in our wholesale operations. In our aftermarket operations, we increased our net prices to customers compared to the prior year. In our salvage operations, we shifted our salvage vehicle purchasing to higher quality vehicles beginning in the third quarter of 2014, which increased the average revenue per part sold during 2015. The remainder of our organic growth in parts and services revenue was primarily due to increased sales volumes in our salvage operations and to a lesser extent, our aftermarket operations.
- (3) Approximately \$161 million of the \$187 million organic decline in other revenue was a result of lower prices received from the sale of scrap and other metals. This was primarily due to lower prices from the sale of crushed auto bodies, which fluctuate based on steel prices. Lower sales volumes were responsible for the remaining decline, primarily due to fewer vehicles processed relative to the prior year.

Segment EBITDA . Segment EBITDA increased \$3.5 million, or 0.6%, in 2015 compared to the prior year. The decline in scrap steel and other metals prices as described in the revenue section above had a negative year over year impact of \$34.4 million on North American Segment EBITDA and a \$0.07 negative effect on diluted earnings per share relative to the prior year.

The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our North American segment:

North America	Percentage of Total Segment Revenue
Segment EBITDA for the year ended December 31, 2014	13.3 %
Increase (decrease) due to:	
Change in gross margin	0.4 % ⁽¹⁾
Change in segment operating expenses	(0.5)% ⁽²⁾
Segment EBITDA for the year ended December 31, 2015	<u>13.2 %</u>

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) The improvement in gross margin reflects a 0.2% favorable impact from our aftermarket product lines and a 0.1% favorable mix impact resulting from more revenue being derived from our wholesale operations, which have higher gross margin percentages relative to our self service operations during periods when scrap and other metal prices decline. In our aftermarket products, we improved our gross margin through increases in net prices to our customers. Despite the continued decline in scrap and other metal prices, margins in our self service operations have remained consistent year over year, resulting from the continued effort to reduce car costs and purchase higher quality cars that will yield more parts revenue per vehicle to offset the loss in scrap and other metal revenue.
- (2) The decline in Segment EBITDA margin related to operating expenses was primarily the result of the negative impact on operating leverage caused by the decrease in other revenue related to the declining prices of scrap steel and other metals. In periods of falling scrap revenue, we do not experience a commensurate decline in operating expenses, as we

have few variable costs associated with the sale of scrap and other metals. The 0.5% increase in segment operating expenses as a percentage of revenue included an unfavorable impact of 1.1% related to the decline in prices for scrap steel and other metals. This increase was partially offset by an improvement in segment operating expenses of 0.6% , which is primarily the result of a 0.4% improvement in distribution expenses due to a reduction in fuel costs.

Europe

Third Party Revenue . The following table summarizes the changes in third party revenue by category in our European segment (in thousands):

Europe	Year Ended December 31,		Percentage Change in Revenue			
	2015	2014	Organic ⁽¹⁾	Acquisition ⁽²⁾	Foreign Exchange ⁽³⁾	Total Change
Parts & services revenue	\$ 1,991,106	\$ 1,843,730	9.2%	8.5%	(9.7)%	8.0%
Other revenue	4,279	2,425	23.7%	60.3%	(7.5)%	76.4%
Total revenue	\$ 1,995,385	\$ 1,846,155	9.3%	8.6%	(9.7)%	8.1%

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) In our U.K. operations, parts and services revenue grew organically by 11.8%, while in our continental European operations, parts and services revenue grew organically by 2.8%, resulting in net organic revenue growth of 9.2% over the prior year. Our organic revenue growth in the U.K., which resulted from higher sales volumes, was composed of a 7.5% increase in revenue from stores open more than 12 months and a 4.3% increase from revenue generated by 54 branch openings since the beginning of the prior year through the one year anniversary of their respective opening dates. Organic revenue growth in our continental European operations was primarily due to the opening of a new warehouse location in France in 2014 and, to a lesser extent, growth in our Belgian market.
- (2) Acquisition related growth for the year-ended December 31, 2015 includes \$158.1 million from our acquisitions of 18 distribution companies in the Netherlands since the beginning of 2014 and the purchase of a salvage business in Sweden through the one year anniversary of the acquisitions.
- (3) Compared to the prior year, exchange rates reduced our revenue growth by \$179.8 million, or 9.7%, primarily due to the strengthening of the U.S. dollar against both the pound sterling and euro relative to 2014.

Segment EBITDA . Segment EBITDA increased \$33.4 million, or 20%, to \$200.6 million through the year ended December 31, 2015 compared to \$167.2 million in the prior year. Our European Segment EBITDA includes a negative year over year impact of \$15.7 million related to the translation of local currency results into U.S. dollars at lower exchange rates than those experienced during 2014. On a constant currency basis (i.e. excluding the translation impact), Segment EBITDA increased by \$49.1 million, or 29.4%, compared to the prior year. Refer to the Foreign Currency Impact discussion within the Results of Operations - Consolidated section above for further detail regarding foreign currency impact on our results for the year ended December 31, 2015. The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our European segment:

Europe	Percentage of Total Segment Revenue
Segment EBITDA for the year ended December 31, 2014	9.1 %
Increase (decrease) due to:	
Change in gross margin	1.3 % ⁽¹⁾
Change in segment operating expenses	(0.3)% ⁽²⁾
Segment EBITDA for the year ended December 31, 2015	10.1 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) The increase in gross margin reflects improvement of 0.7% in our UK operations, primarily as a result of a reduction in product costs and an increase in supplier rebates, and 0.6% in our continental European operations as a result of internalizing incremental gross margin from our 2014 acquisitions of seven Netherlands distributors.
- (2) The increase in segment operating expenses reflects higher selling, general and administrative expenses of 0.5%, related to higher personnel costs to support the growth of the business, including our e-commerce business, in the UK

and continental Europe. Distribution costs improved over the prior year period by 0.2% due to internalizing previously outsourced delivery expenses as well as lower fuel costs.

Specialty

Third Party Revenue . The following table summarizes the changes in third party revenue by category in our Specialty segment (in thousands):

Specialty	Year Ended December 31,		Percentage Change in Revenue			
	2015	2014	Organic ⁽¹⁾	Acquisition ⁽²⁾	Foreign Exchange ⁽³⁾	Total Change
Parts & services revenue	\$ 1,051,250	\$ 805,208	7.8%	24.6%	(1.9)%	30.6%
Other revenue	—	—	—%	—%	— %	—%
Total revenue	\$ 1,051,250	\$ 805,208	7.8%	24.6%	(1.9)%	30.6%

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) Organic growth in Specialty parts and services revenue reflects increased sales volumes as a result of favorable economic conditions.
- (2) Acquisition related growth reflects the impact of two Specialty businesses acquired in the fourth quarter of 2014, as well as the acquisition of Coast on August 19, 2015.
- (3) Compared to the prior year, exchange rates reduced our revenue growth by 1.9%, primarily due to the strengthening of the U.S. dollar against the Canadian dollar in 2015 compared to the prior year.

Segment EBITDA . Segment EBITDA increased \$27.1 million, or 34.1%, in 2015 compared to the prior year.

The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our Specialty segment:

Specialty	Percentage of Total Segment Revenue
Segment EBITDA for the year ended December 31, 2014	9.8 %
(Decrease) increase due to:	
Change in gross margin	(1.2)% ⁽¹⁾
Change in segment operating expenses	1.5 % ⁽²⁾
Change in other expenses	0.1 %
Segment EBITDA for the year ended December 31, 2015	10.1 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) The decline in gross margin reflects a 0.7% increase in inventory costs, most of which we expect to be temporary as integration plans are completed, and a decrease in gross margin of 0.4% due to unfavorable net customer pricing. Our acquisition completed in the fourth quarter of 2014 of a supplier of parts for recreational vehicles resulted in a 0.4% decline in gross margin compared to the prior year. Compared to our existing Specialty business, this acquisition realizes lower gross margins than our other specialty product sales. These negative effects on gross margin were partially offset by a favorable mix effect of 0.2% resulting from a shift toward higher margin product lines, particularly truck and off road products.
- (2) Reflects a 0.8% reduction in selling, general and administrative expenses as a percentage of revenue related to (i) a 0.6% decline in personnel expenses as a percentage of revenue primarily as a result of integration synergies and (ii) a reduction in professional fees and advertising expenses of 0.2% . Distribution expenses decreased 0.7% due to (i) favorable fuel pricing compared to the prior year of 0.6% , (ii) logistics synergies as we leverage our North American distribution network for the delivery of specialty products of 0.5% , partially offset by (iii) higher freight costs of 0.4% driven by higher use of third party freight to handle increased volumes, as well as sales related to our October 2014 acquisition of a supplier of parts for recreational vehicles and our 2015 acquisition of Coast, which are all shipped via third party carriers. We expect to realize additional integration synergies throughout 2016 as we continue to rationalize our facilities within this segment.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

North America

Third Party Revenue . The following table summarizes the changes in third party revenue by category in our North American segment (in thousands):

North America	Year Ended December 31,		Percentage Change in Revenue			
	2014	2013	Organic	Acquisition ⁽¹⁾	Foreign Exchange	Total Change
Parts & services revenue	\$ 3,437,821	\$ 3,171,733	6.1 % ⁽²⁾	2.8%	(0.5)%	8.4%
Other revenue	650,880	631,196	(6.0)% ⁽³⁾	9.3%	(0.1)%	3.1%
Total revenue	\$ 4,088,701	\$ 3,802,929	4.1 %	3.8%	(0.5)%	7.5%

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) Reflects the impact of 9 wholesale businesses and 2 self service retail operations acquired during 2014.
- (2) Our organic growth in parts and services revenue was primarily due to higher sales volumes, as severe winter weather conditions during the second half of the fourth quarter of 2013 and through the first quarter of 2014 contributed to increased vehicle accidents, resulting in higher insurance claims activity. In addition, we believe the increased new car production since 2009 and greater miles driven has increased the demand for automotive parts used in repairs, including alternative parts. Industry reports also indicate that the number of parts used in each insured repair is increasing compared to historical levels.
- (3) Approximately half of the reduction in other revenue was due to reduced volume of scrap and other metals, with the remaining decline a result of lower prices for scrap and other metals. Compared to the prior year, our furnace operations processed lower volumes of aluminum. Additionally, we purchased fewer self service and "crush only" cars in the first quarter of 2014 as the prices demanded for vehicles in certain markets exceeded our acceptable cost given the prices of scrap and other metals. While we increased our purchasing levels during the remainder of the year to offset the shortfall, we crushed fewer vehicles compared to the prior year period due to the lag time to process these cars.

Segment EBITDA . Segment EBITDA increased \$57.1 million, or 11.7%, in 2014 compared to the prior year. The decline in scrap steel and other metals prices as described in the revenue section above had a negative year over year impact of \$9.6 million on North American Segment EBITDA and a \$0.02 negative effect on diluted earnings per share relative to the prior year.

The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our North American segment:

North America	Percentage of Total Segment Revenue
Segment EBITDA for the year ended December 31, 2013	12.8%
Increase due to:	
Change in gross margin	0.2% ⁽¹⁾
Change in segment operating expenses	0.3% ⁽²⁾
Segment EBITDA for the year ended December 31, 2014	13.3%

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) Our wholesale operations increased gross margin by 0.6%, including a 0.5% improvement from lower inventory purchase costs and a favorable mix effect of 0.2% as a result of generating less revenue from our lower margin sales of scrap and precious metals. The improvement in gross margin as a percentage of revenue was partially offset by the impact of our acquisition of an automotive core business in January 2014, which increased our revenue in product lines that are complementary to our existing vehicle replacement parts offerings but generate lower gross margins, thereby decreasing gross margins by 0.5% of revenue.
- (2) Selling, general and administrative expenses declined by 0.5% of revenue, primarily due to improved leverage of our

sales force and general and administrative personnel, but this was partially offset by an increase of facility and warehouse expenses by 0.2% of revenue due to higher personnel expenditures.

Europe

Third Party Revenue . The following table summarizes the changes in third party revenue by category in our European segment (in thousands):

Europe	Year Ended December 31,		Percentage Change in Revenue			
	2014	2013	Organic ⁽¹⁾	Acquisition ⁽²⁾	Foreign Exchange ⁽³⁾	Total Change
Parts & services revenue	\$ 1,843,730	\$ 1,257,847	16.1%	27.0%	3.6%	46.6%
Other revenue	2,425	1,752	19.7%	12.8%	5.8%	38.4%
Total revenue	\$ 1,846,155	\$ 1,259,599	16.1%	26.9%	3.6%	46.6%

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) In our U.K. operations, revenue grew organically by 20.6%, while our continental European operations were flat with the prior year post-acquisition period, resulting in net organic revenue growth of 16.1% over the prior year. Our organic revenue growth in the U.K., which resulted from higher sales volumes, was composed of a 13.3% increase from stores open more than 12 months and a 7.3% increase from revenue generated by 59 branch openings since the beginning of the prior year through the one year anniversary of their respective opening dates. In our continental European operations, a new warehouse location in France resulted in greater sales volumes compared to the prior year period, but this growth was offset by a decline in sales into Eastern Europe as a result of the devaluation of local currencies and political instability.
- (2) Includes \$131.3 million from our May 2013 acquisition of Sator, \$85.6 million from our August 2013 acquisitions of five paint distributors in the U.K. and \$100.3 million from our 2014 acquisitions of seven distribution companies in the Netherlands.
- (3) Compared to the prior year, exchange rates contributed 3.6% of the revenue growth, primarily due to the strengthening of the British pound against the U.S. dollar in the first nine months of 2014. While exchanges rates positively affected revenue on a year-to-date basis, the British pound weakened against the U.S. dollar in the fourth quarter to partially offset the benefit realized during the first nine months of the year.

Segment EBITDA . Segment EBITDA increased \$25.4 million, or 17.9%, in 2014 compared to the prior year. Our European Segment EBITDA includes a positive year over year impact of \$6.3 million related to the strengthening of the pound sterling relative to the U.S. dollar in 2014. On a constant currency basis (i.e. excluding the translation impact), Segment EBITDA increased by \$19.1 million, or 13.5%, compared to the prior year. Refer to the Foreign Currency Impact discussion within the Results of Operations - Consolidated section above for further detail regarding the foreign currency impact on our results for the year ended December 31, 2014. The following table summarizes the changes in Segment EBITDA as a percentage of revenue in our European segment:

Europe	Percentage of Total Segment Revenue
Segment EBITDA for the year ended December 31, 2013	11.3 %
Decrease due to:	
Change in gross margin	(1.0)% ⁽¹⁾
Change in segment operating expenses	(1.1)% ⁽¹⁾
Change in other income, net	(0.1)%
Segment EBITDA for the year ended December 31, 2014	9.1 %

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding.

- (1) Our acquisitions completed since the beginning of the prior year were responsible for 1.1% of the decline in Segment EBITDA as a percentage of revenue, including primarily the effect of the Netherlands distributors we acquired in May 2014. The effect of the Netherlands distributors includes a negative gross margin impact of 0.3% that will not affect future periods once the higher cost acquired inventory has turned and we are able to internalize the incremental

distributor margin. Additionally, as we transition our continental European operations to a two step distribution model, including the effect of these acquisitions, our operating expenses will increase as we internalize the cost of the distribution network; during the year ended December 31, 2014, these greater operating costs resulted in a decline in Segment EBITDA as a percentage of revenue, thereby accounting for the remaining negative impact on Segment EBITDA margins. Our existing operations were responsible for the remaining decline in Segment EBITDA, including a 0.7% effect from 59 new branch openings in the U.K. since the beginning of the prior year in our U.K. operations. Additionally, we incurred 0.2% in higher advertising expenses compared to the prior year.

Specialty

Because our Specialty segment was formed on January 3, 2014 with our Keystone Specialty acquisition, the discussion of our consolidated results of operations covers the factors driving the year-over-year performance of our existing business and also discusses the effect of the Specialty operations on our consolidated results. Compared to Keystone Specialty's unaudited results for the year ended December 31, 2013, revenue in our Specialty segment increased 15.8%. During the fourth quarter of 2014, we completed two additional acquisitions in our Specialty segment, which contributed approximately one quarter of the revenue growth. The remaining revenue growth was primarily due to greater sales volumes as a result of favorable economic conditions. Additionally, during the year ended December 31, 2014, we generated a greater proportion of revenue from our higher-end specialty vehicle products, such as truck and RV accessories, which resulted in a favorable mix of revenue compared to the prior year unaudited results.

2016 Outlook

We estimate that adjusted net income and adjusted diluted earnings per share for the year ending December 31, 2016, excluding the impact of any restructuring and acquisition related expenses, amortization expense related to acquired intangibles and any gains or losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities), will be in the range of \$490 million to \$520 million and \$1.59 to \$1.69, respectively.

Liquidity and Capital Resources

The following table summarizes liquidity data as of the dates indicated (in thousands):

	December 31, 2015	December 31, 2014
Cash and equivalents	\$ 87,397	\$ 114,605
Total debt ⁽¹⁾	1,599,695	1,864,562
Net debt (total debt less cash and equivalents)	1,512,298	1,749,957
Current maturities	57,494	63,515
Capacity under credit facilities ⁽²⁾	1,947,000	1,947,000
Availability under credit facilities ⁽²⁾	1,337,653	1,127,810
Total liquidity (cash and equivalents plus availability on credit facilities)	1,425,050	1,242,415

⁽¹⁾ Debt amounts reflect the gross values to be repaid (excluding debt issuance costs of \$15.0 million and \$18.4 million as of December 31, 2015 and 2014, respectively).

⁽²⁾ Includes our revolving credit facilities, our receivables securitization facility, and letters of credit. The amounts do not reflect the impact of the amendment to our senior secured credit facility on January 29, 2016.

We assess our liquidity in terms of our ability to fund our operations and provide for expansion through both internal development and acquisitions. Our primary sources of liquidity are cash flows from operations and our credit facilities. We utilize our cash flows from operations to fund working capital and capital expenditures, with the excess amounts going towards funding acquisitions or paying down outstanding debt. As we have pursued acquisitions as part of our growth strategy, our cash flows from operations have not always been sufficient to cover our investing activities. To fund our acquisitions, we have accessed various forms of debt financing, including our March 2014 amendment to our senior secured credit facilities and the issuance of \$600 million of senior notes in May 2013.

As of December 31, 2015, we had debt outstanding and additional available sources of financing, as follows:

- Senior secured credit facilities maturing in May 2019, composed of \$450 million in term loans (\$411 million outstanding at December 31, 2015) and \$1.85 billion in revolving credit (\$480 million outstanding at December 31, 2015), bearing interest at variable rates (although a portion of this debt is hedged through interest rate swap contracts)
- Senior notes totaling \$600 million , maturing in May 2023 and bearing interest at a 4.75% fixed rate
- Receivables securitization facility with availability up to \$97 million (\$63 million outstanding as of December 31, 2015), maturing in October 2017 and bearing interest at variable commercial paper rates

On January 29, 2016, LKQ Corporation, LKQ Delaware LLP, and certain other subsidiaries entered into a fourth amended and restated credit agreement to (1) extend the maturity date by approximately two years to January 29, 2021; (2) increase the total availability under the credit agreement from \$2.3 billion to \$3.2 billion (composed of \$2.45 billion in the revolving credit facility's multicurrency component; and \$750 million of term loans, which consist of a term loan of approximately \$500 million and a €230 million term loan); (3) increase our ability to incur additional indebtedness; and (4) make other immaterial or clarifying modifications and amendments to the terms of the Third Amended and Restated Credit Agreement. See Note 4, "Long-Term Obligations " within the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for more information related to our long-term obligations.

From time to time, we may undertake financing transactions to increase our available liquidity, such as our January 2016 amendment to our senior secured credit facilities and our September 2014 amendment to our receivables securitization facility. Our financing structure, which includes our senior secured credit facilities, senior notes, and receivables securitization facility, provides financial flexibility to execute our long-term growth strategy. If we see an attractive acquisition opportunity, we have the ability to move quickly and have certainty of funding up to the amount of our then-available liquidity.

As of December 31, 2015 , we had approximately \$1.3 billion available under our credit facilities. Combined with approximately \$87.4 million of cash and equivalents at December 31, 2015 , we had approximately \$1.4 billion in available liquidity, an increase of \$182.6 million over our available liquidity as of December 31, 2014 .

After giving effect to the January 2016 amendment, we will have an additional \$600 million of availability under our revolving credit facilities and an increase in term loan borrowings of approximately \$339 million which, combined with our existing capacity, will be used to finance the potential Rhiag acquisition. Total consideration transferred for the purchase price is expected to include approximately \$616 million of cash and approximately \$500 million in assumed debt. We plan to refinance the assumed debt with revolver borrowings under our secured credit facility and/or other long term obligations. Additional amounts are expected to be transferred for acquisition related costs.

We believe that our current liquidity and cash expected to be generated by operating activities in future periods will be sufficient to meet our current operating and capital requirements, although such sources may not be sufficient for future acquisitions depending on their size. While we believe that with the amended credit facility we have adequate capacity, from time to time, we may need to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that additional funding, or refinancing of our credit facilities, if needed, will be available on terms attractive to us, or at all. Furthermore, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants or higher interest costs. Our failure to raise capital if and when needed could have a material adverse impact on our business, operating results, and financial condition.

Borrowings under the credit agreement accrue interest at variable rates, which depend on the currency and the duration of the borrowing, plus an applicable margin rate which is subject to change quarterly based on our reported leverage ratio. We hold interest rate swaps to hedge the variable rates on a portion of our credit agreement borrowings (as described in Note 5, "Derivative Instruments and Hedging Activities " to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K), with the effect of fixing the interest rates on the respective notional amounts. After giving effect to these interest rate swap contracts, the weighted average interest rate on borrowings outstanding under our credit agreement at December 31, 2015 was 1.76% . Including the borrowings on our senior notes and receivables securitization program, our overall weighted average interest rate on borrowings was 2.89% at December 31, 2015 . Cash interest payments were \$54.9 million for the year ended December 31, 2015 , including interest payments totaling \$28.5 million related to our senior notes. The semi-annual interest payments on our senior notes are made in May and November each year, and began in November 2013. We had outstanding credit agreement borrowings of \$0.9 billion and \$1.1 billion at December 31, 2015 and December 31, 2014 , respectively. Of these amounts, \$22.5 million were classified as current maturities at December 31, 2015 and December 31, 2014 .

Under the terms of the January 2016 amendment, we have scheduled repayments of \$3.1 million for the fiscal quarters ending on June 30, 2016, September 30, 2016 and December 31, 2016, and \$6.2 million each fiscal quarter thereafter through the maturity of the USD term loan maturity in January 2021. We also have scheduled repayments of €1.4 million for the fiscal quarters ending on June 30, 2016, September 30, 2016 and December 31, 2016, and €2.9 million each fiscal quarter thereafter

through the maturity of the Euro term loan in January 2021. We have no other significant principal payments on our credit facilities scheduled prior to the maturity of the receivables securitization program in October 2017. In addition to the repayments under our credit facilities, we will make payments on notes payable and other debt totaling \$35.0 million in the next 12 months.

Our credit agreement contains customary covenants that provide limitations and conditions on our ability to enter into certain transactions. The credit agreement also contains financial and affirmative covenants, including limitations on our net leverage ratio and a minimum interest coverage ratio. We were in compliance with all restrictive covenants under our credit agreement as of December 31, 2015 .

As of December 31, 2015 , the Company had cash of \$87.4 million , of which \$59.4 million was held by foreign subsidiaries. We consider the undistributed earnings of these foreign subsidiaries to be indefinitely reinvested, and accordingly no provision for U.S. income taxes has been provided thereon. Should these earnings be repatriated in the future, in the form of dividends or otherwise, we would be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and potential withholding taxes payable to the various foreign countries. We believe that we have sufficient cash flow and liquidity to meet our financial obligations in the U.S. without resort to repatriation of foreign earnings.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The procurement of inventory is the largest operating use of our funds. We normally pay for aftermarket product purchases at the time of shipment or on standard payment terms, depending on the manufacturer and the negotiated payment terms. We normally pay for salvage vehicles acquired at salvage auctions and under direct procurement arrangements at the time that we take possession of the vehicles.

The following table sets forth a summary of our aftermarket inventory procurement for 2015 and 2014 (in thousands):

	Year Ended December 31,		
	2015	2014	Change
North America	\$ 1,023,400	\$ 985,300	\$ 38,100 ⁽¹⁾
Europe	1,143,668	1,087,020	56,648 ⁽²⁾
Specialty	776,611	612,970	163,641 ⁽³⁾
Total	\$ 2,943,679	\$ 2,685,290	\$ 258,389

- (1) In North America, we accelerated our aftermarket inventory purchases in the fourth quarter of 2014 in anticipation of potential labor issues at West Coast ports in the U.S., leading to growth in the year-end inventory balance. As a result, our aftermarket inventory purchases in the first half of 2015 fell below 2014 levels. During the second half of 2015, we increased our aftermarket inventory purchases above the prior year levels as a result of an increase in sales and the depletion of the inventory acquired in the fourth quarter of 2014. Our July 2015 acquisition of Parts Channel also contributed to the increase in purchases in the second half of 2015. For the year ended December 31, 2015, our North American purchases were \$38.1 million higher than the prior year.
- (2) In our European segment, our acquisitions of the Netherlands distributors in 2014 and 2015 contributed incremental inventory purchases of \$49.4 million for the year ended December 31, 2015. Purchases for our U.K. operations increased in 2015 compared to the prior period primarily as a result of opening five new regional distribution centers. However, the greater purchase levels in Europe were partially offset by the devaluation of the pound sterling and euro compared to the prior year period.
- (3) The increase in Specialty aftermarket inventory purchases of \$163.6 million during the year ended December 31, 2015, was related to accelerated inventory purchases to stock two new distribution centers scheduled to open in the first quarter of 2016. Our August 2015 acquisition of Coast and our October 2014 acquisition of a supplier of parts for recreational vehicles also contributed to the increase in purchases compared to prior year period.

The following table sets forth a summary of our salvage and self service procurement for 2015 and 2014 (in thousands):

	Year Ended December 31,		
	2015	2014	% Change
Wholesale salvage cars and trucks	310	290	6.9 % ⁽¹⁾
Self Service and "crush only" cars	471	514	(8.4)% ⁽²⁾

- (1) The increase in our salvage car and truck purchases is primarily due to the inclusion of a full year of purchasing activity related to our November 2014 acquisition of a business with salvage and vehicle repair facilities in Sweden and Norway.
- (2) Compared to the prior year, we reduced our purchases of lower cost self service and "crush only" cars as prices demanded for vehicles in certain markets exceeded our acceptable cost given the prices of scrap and other metals. The decrease in purchases was partially offset by the acquisition of a self service yard operation in 2015.

Net cash provided by operating activities totaled \$529.8 million for the year ended December 31, 2015, compared to \$370.9 million in 2014. Compared to the prior year, our 2015 EBITDA increased by \$52.9 million, due to both acquisition related growth and organic growth. Cash outflows for our primary working capital accounts (receivables, inventory and payables) totaled \$72.7 million during 2015 compared to \$189.8 million during 2014. In 2015, cash outflows for inventory totaled \$83.2 million as a result of inventory growth, particularly in our Specialty operations; cash outflows for inventory were \$122.6 million in the prior year. As discussed above, we increased our North American aftermarket inventory purchases in the fourth quarter of 2014 in anticipation of port issues in the U.S., which resulted in a larger cash outflow in the prior year as compared to 2015. Accounts receivable represented a cash inflow of \$14.7 million in 2015 compared to a cash outflow of \$61.7 million in 2014. In Europe, our Netherlands operations experienced a reduction in accounts receivable in 2015 as result of a higher rate of collections due to the implementation of an automatic payment program. In the prior year, receivables balances increased primarily as a result of increased sales levels in our U.K. operations. Cash flows related to our primary working capital accounts can be volatile as the purchases, payments and collections can be timed differently from period to period and can be influenced by factors outside of our control. However, we expect that the net change in these working capital items will generally be a cash outflow as we grow our business each year.

Net cash used in investing activities totaled \$330.0 million for the year ended December 31, 2015, compared to \$921.0 million in 2014. We invested \$160.5 million of cash, net of cash acquired, in business acquisitions during 2015, compared to \$775.9 million for business acquisitions in 2014, which included \$427.1 million for our Keystone Specialty acquisition. Property and equipment purchases were \$170.5 million in the year ended December 31, 2015 compared to \$141.0 million in the prior year. The increase in capital expenditures relative to the prior year period reflects an increase of \$33.0 million in our U.K. operations primarily due to costs incurred to develop and equip a new distribution center. During 2015, cash provided by other investing activities, net was \$1.0 million and primarily consisted of proceeds from disposals of fixed assets totaling \$10.7 million, partially offset by payments of \$9.7 million for investments in unconsolidated subsidiaries, including a \$7.5 million payment to increase our investment in ACM Parts. During 2014, we paid \$2.2 million for investments in unconsolidated subsidiaries.

Net cash used in financing activities totaled \$224.1 million for the year ended December 31, 2015, compared to an inflow of \$519.0 million in 2014. During 2015, net repayments under our credit facilities were \$186.5 million compared to net borrowings of \$578.4 million in 2014. Compared to the prior year period, our cash investment in acquisitions was lower, and therefore, we used the excess cash generated by operations to repay outstanding amounts under our revolving credit facilities. During 2014, we used the proceeds from the net borrowings primarily to fund acquisitions, including \$370 million of revolver borrowings and \$80 million of borrowings under our receivables facility to finance the Keystone Specialty acquisition. Our March 2014 amendment of our credit facilities generated \$11.3 million in additional term loan borrowings, which were used to pay \$3.7 million in debt issuance costs related to the amendment, as well as to repay outstanding revolver borrowings. During 2014, we made a payment of \$44.8 million (\$39.5 million included in financing cash flows and \$5.3 million included in operating cash flows) for the final earnout period under the contingent payment agreement related to our 2011 ECP acquisition. Cash generated from exercises of stock options provided \$8.2 million and \$9.3 million in the years ended December 31, 2015 and 2014, respectively. The excess tax benefit from share-based payment arrangements reduced income taxes payable by \$14.4 million and \$17.8 million in the years ended December 31, 2015 and 2014, respectively. We paid \$7.6 million and \$0.4 million related to taxes for net share settlements of stock-based compensation in the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2014, we paid \$12.6 million related to the settlement of foreign currency forward contracts; no such payment occurred in 2015.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

The following table sets forth a summary of our aftermarket inventory procurement for 2014 and 2013 (in thousands):

	Year Ended December 31,		
	2014	2013	Change
North America	\$ 985,300	\$ 900,000	\$ 85,300 ⁽¹⁾
Europe	1,087,020	807,088	279,932 ⁽²⁾
Specialty	612,970	—	612,970 ⁽³⁾
Total	\$ 2,685,290	\$ 1,707,088	\$ 978,202

- (1) In North America, we increased our aftermarket inventory purchases above the prior year levels as a result of an increase in sales. Additionally, we accelerated our aftermarket inventory purchases in the fourth quarter of 2014 in anticipation of potential labor issues at West Coast ports in the U.S., leading to an increase in the year-end inventory balance compared to 2013.
- (2) In our European segment, our acquisitions of five Netherlands distributors in 2014 contributed incremental inventory purchases of \$63.5 million. Our ECP operations contributed incremental inventory purchases of \$146.4 million as a result of opening 44 new branches in 2014 and the appreciation of the pound sterling compared to 2013.
- (3) Our Specialty operating segment was formed with our January 3, 2014 acquisition of Keystone Specialty, as discussed in Note 8, "Business Combinations." Total purchases in 2014 include both Keystone Specialty and our October 2014 acquisition of a supplier of replacement parts, supplies and accessories for RVs.

The following table sets forth a summary of our salvage and self service procurement for 2014 and 2013 (in thousands):

	Year Ended December 31,		
	2014	2013	% Change
Wholesale salvage cars and trucks	290	281	3.2%
Self Service and "crush only" cars	514	513	0.2%

Net cash provided by operating activities totaled \$370.9 million for the year ended December 31, 2014, compared to \$428.1 million in 2013. Compared to the prior year, our 2014 EBITDA increased by \$159.6 million, due to both acquisition related growth and organic growth. Cash outflows for our primary working capital accounts (receivables, inventory and payables) increased to \$189.8 million during 2014, from \$64.3 million during 2013, as a result of greater inventory growth, particularly in our aftermarket products, as well as increased receivables balances, including the effect of increased sales levels in our U.K. operations. Cash flows related to our primary working capital accounts can be volatile as the purchases, payments and collections can be timed differently from period to period and can be influenced by factors outside of our control. However, we expect that the net change in these working capital items will generally be a cash outflow as we grow our business each year. Cash paid for income taxes increased to \$177.0 million from \$110.9 million due to the overpayment of taxes in 2012 that we offset against the estimated tax payments in 2013, as well as greater earnings that required higher estimated tax payments in 2014 compared to the prior year. During 2014, we made two semi-annual interest payments totaling \$28.5 million on our senior notes, whereas in 2013 we made one semi-annual interest payment of \$14.2 million. Cash payments for bonuses were \$7.8 million higher during 2014 than they were in 2013.

Net cash used in investing activities totaled \$921.0 million for the year ended December 31, 2014, compared to \$505.6 million for the same period of 2013. We invested \$775.9 million of cash, net of cash acquired, in business acquisitions during 2014, including \$427.1 million for our Keystone Specialty acquisition. We invested \$408.4 million for business acquisitions in the comparable prior year, including our acquisition of Sator for \$272.8 million. Property and equipment purchases were \$141.0 million in the year ended December 31, 2014 compared to \$90.2 million in the prior year. The increase in capital expenditures relative to the prior year period reflects an increase of \$17.4 million in our U.K. operations, including greater expenditures for leasehold improvements and vehicles for 44 new branch locations opened during the year ended December 31, 2014. Capital expenditures in our North American segment increased by \$19.9 million, primarily due to costs incurred to build a facility that we subsequently sold and leased back from the buyer. The proceeds of the sale-leaseback transaction are reflected as financing cash inflows in the year ended December 31, 2014. In 2013, we entered into an agreement with Suncorp Group to develop an alternative vehicle products business in Australia and New Zealand, for which our initial investment totaled \$9.1 million; during 2014, we paid \$2.2 million for investments in unconsolidated subsidiaries.

Net cash provided by financing activities totaled \$519.0 million for the year ended December 31, 2014, compared to \$165.9 million in 2013. During 2014, net borrowings under our credit facilities were \$578.4 million compared to net borrowings of \$227.1 million in 2013. In both periods, we used the proceeds from the net borrowings primarily to fund acquisitions, including borrowings to finance our acquisition of Keystone Specialty in 2014 and our acquisition of Sator in 2013. During 2013, we completed a \$600 million senior notes offering, as well as an amendment to our credit agreement that resulted in \$35 million in term loan proceeds, which were used to pay \$16.9 million in debt issuance costs as well as to repay outstanding amounts on our revolving credit facilities. In March 2013, we made a payment of \$33.9 million (\$31.5 million included in financing cash flows and \$2.4 million included in operating cash flows) for the 2012 earnout period under the contingent payment agreement related to our 2011 ECP acquisition; we made a similar payment of \$44.8 million in 2014 (\$39.5 million included in financing cash flows and \$5.3 million included in operating cash flows) for the final earnout period. Cash generated from exercises of stock options provided \$9.3 million and \$15.4 million in the years ended December 31, 2014 and 2013, respectively. The excess tax benefit from share-based payment arrangements reduced income taxes payable by \$17.8 million and \$18.3 million in the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, we paid \$12.6 million related to the settlement of foreign currency forward contracts.

We intend to continue to evaluate markets for potential growth through the internal development of distribution centers, processing and sales facilities, and warehouses, through further integration of our facilities, and through selected business acquisitions. Our future liquidity and capital requirements will depend upon numerous factors, including the costs and timing of our internal development efforts and the success of those efforts, the costs and timing of expansion of our sales and marketing activities, and the costs and timing of future business acquisitions.

2016 Outlook

We estimate that our capital expenditures for 2016, excluding business acquisitions, will be between \$170 million and \$180 million. We expect to use these funds for the development of a new distribution center in the U.K., several major facility expansions, improvement of current facilities, real estate acquisitions and systems development projects. We anticipate that net cash provided by operating activities for 2016 will be between \$520 million and \$550 million.

Off-Balance Sheet Arrangements and Future Commitments

We do not have any off-balance sheet arrangements or undisclosed borrowings or debt that would be required to be disclosed pursuant to Item 303 of Regulation S-K under the Securities Exchange Act of 1934. Additionally, we do not have any synthetic leases.

The following table represents our future commitments under contractual obligations as of December 31, 2015 (in millions):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual obligations					
Long-term debt ⁽¹⁾	\$ 1,868.0	\$ 101.0	\$ 198.8	\$ 894.1	\$ 674.1
Capital lease obligations ⁽²⁾	16.0	2.0	1.9	0.7	11.4
Operating leases ⁽³⁾	856.4	155.1	248.2	167.0	286.1
Purchase obligations ⁽⁴⁾	226.0	226.0	—	—	—
Contingent consideration liabilities ⁽⁵⁾	4.8	4.4	0.4	—	—
Outstanding letters of credit	65.9	65.9	—	—	—
Other asset purchase commitments ⁽⁶⁾	98.0	56.7	37.5	3.8	—
Other long-term obligations					
Self-insurance reserves ⁽⁷⁾	69.1	33.2	23.5	8.3	4.1
Deferred compensation plans and other retirement obligations ⁽⁸⁾	31.8	1.8	—	—	30.0
Long term incentive plan	5.1	2.2	2.9	—	—
Liabilities for unrecognized tax benefits	2.3	0.1	1.3	0.6	0.3
Other	3.7	3.7	—	—	—
Total	\$ 3,247.1	\$ 652.1	\$ 514.5	\$ 1,074.5	\$ 1,006.0

- (1) Our long-term debt under contractual obligations above includes interest on the balances outstanding as of December 31, 2015 . The Long-term debt balance excludes debt issuances costs as these expenses have already been paid. Interest on our senior notes, notes payable, and other long-term debt is calculated based on the respective stated rates. Interest on our variable rate credit facilities is calculated based on the weighted average rates, including the impact of interest rate swaps through their respective expiration dates, in effect for each tranche of borrowings as of December 31, 2015 . Future estimated interest expense for the next year, one to three years, and three to five years is \$45.2 million, \$88.2 million and \$69.5 million, respectively. Estimated interest expense beyond five years is \$71.9 million.
- (2) Interest on capital lease obligations is included based on incremental borrowing or implied rates. Future estimated interest expense for the next year, one to three years, and three to five years is \$0.3 million, \$0.6 million and \$0.5 million, respectively. Estimated interest expense beyond five years is \$8.2 million.
- (3) The operating lease payments above do not include certain tax, insurance and maintenance costs, which are also required contractual obligations under our operating leases but are generally not fixed and can fluctuate from year to year. Historically, these expenses have averaged approximately 25% of the corresponding lease payments.
- (4) Our purchase obligations include open purchase orders for aftermarket inventory.
- (5) Our contingent consideration liabilities reflect the undiscounted estimated payments of additional consideration related to business combinations. The actual payments will be determined at the end of the applicable performance periods based on the acquired entities' achievement of the targets specified in the purchase agreements.
- (6) Includes asset purchase commitments related to the construction of a new distribution center for our U.K. operations, commitments to purchase land and buildings, IT related expenditures, and other asset purchase commitments.
- (7) Self-insurance reserves include undiscounted estimated payments, net of estimated insurance recoveries, for our employee medical benefits, automobile liability, general liability, directors and officers liability, workers' compensation and property insurance.
- (8) Deferred compensation payments are dependent on elected payment dates. While we expect that these payments will be made more than five years from the latest balance sheet date, payments may be made earlier depending on such elections. Our deferred compensation plans are funded through investments in life insurance policies. Other retirement obligations consist of our expected required contributions to Sator's pension plan. We have not included future funding requirements beyond 2016 in the table above, as these funding projections are not practicable to estimate.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our results of operations are exposed to changes in interest rates primarily with respect to borrowings under our credit facilities, where interest rates are tied to the prime rate, LIBOR or CDOR. Therefore, we implemented a policy to manage our exposure to variable interest rates on a portion of our outstanding variable rate debt instruments through the use of interest rate swap contracts. These contracts convert a portion of our variable rate debt to fixed rate debt, matching the currency, effective dates and maturity dates to specific debt instruments. Net interest payments or receipts from interest rate swap contracts are included as adjustments to interest expense. All of our interest rate swap contracts have been executed with banks that we believe are creditworthy (Wells Fargo Bank, N.A., Bank of America, N.A. and RBS Citizens, N.A.).

As of December 31, 2015, we held five interest rate swap contracts representing a total of \$170 million of U.S. dollar-denominated notional amount debt, £50 million of pound sterling-denominated notional amount debt, and CAD \$25 million of Canadian dollar-denominated notional amount debt. Our interest rate swap contracts are designated as cash flow hedges and modify the variable rate nature of that portion of our variable rate debt. These swaps have maturity dates ranging from March 2016 through December 2016.

In total, we had 29% of our variable rate debt under our credit facilities at fixed rates at December 31, 2015 compared to 47% at December 31, 2014. As of December 31, 2015, the fair market value of these swap contracts was a net liability of \$1.3 million. The values of such contracts are subject to changes in interest rates.

At December 31, 2015, we had \$692 million of variable rate debt that was not hedged. Using sensitivity analysis, a 100 basis point movement in interest rates would change interest expense by \$6.9 million over the next twelve months.

In January 2016, we entered into four interest rate swap contracts representing a total of \$200 million of U.S. dollar-denominated debt. In February 2016, we entered into four additional interest rate swap contracts representing a total of \$240 million of U.S. dollar-denominated debt. All new swaps mature in January 2021. Further information regarding our interest rate swaps is included in Note 5, "Derivative Instruments and Hedging Activities" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

The proceeds of our May 2013 senior notes offering were used to finance our euro-denominated acquisition of Sator, as well as to repay a portion of our pound sterling-denominated revolver borrowings held by our European operations. In connection with these transactions, in 2013 we entered into euro-denominated and pound sterling-denominated intercompany notes, which incurred transaction gains and losses from fluctuations in the U.S. dollar against these currencies. To mitigate these fluctuations, we entered into foreign currency forward contracts to sell €150.0 million for \$195.0 million and £70.0 million for \$105.8 million. The gains or losses from the remeasurement of these contracts are recorded to earnings to offset the remeasurement of the related notes. During the year ended December 31, 2014, we settled these forward contracts through payments to the counterparties totaling \$20.0 million. While there are no such forward contracts outstanding as of December 31, 2015, we may enter into additional foreign currency forward contracts from time to time to mitigate the impact of fluctuations in exchange rates on similar intercompany financing transactions.

Additionally, we are exposed to currency fluctuations with respect to the purchase of aftermarket products from foreign countries. The majority of our foreign inventory purchases are from manufacturers based in Taiwan. While our transactions with manufacturers based in Taiwan are conducted in U.S. dollars, changes in the relationship between the U.S. dollar and the Taiwan dollar might impact the purchase price of aftermarket products. Our aftermarket operations in Canada, which also purchase inventory from Taiwan in U.S. dollars, are further subject to changes in the relationship between the U.S. dollar and the Canadian dollar. Our aftermarket operations in the U.K. also source a portion of their inventory from Taiwan, as well as from other European countries and China, resulting in exposure to changes in the relationship of the pound sterling against the euro and the U.S. dollar. We hedge our exposure to foreign currency fluctuations for certain of our purchases in our European operations, but the notional amount and fair value of these foreign currency forward contracts at December 31, 2015 were immaterial. We do not currently attempt to hedge our foreign currency exposure related to our foreign currency denominated inventory purchases in our North American operations, and we may not be able to pass on any price increases to our customers.

Foreign currency fluctuations may also impact the financial results we report for the portions of our business that operate in functional currencies other than the U.S. dollar. Our operations in Europe and other countries represented 32.8% and 33.2% of our revenue during 2015 and 2014, respectively. An increase or decrease in the strength of the U.S. dollar against these currencies by 10% would result in a 3% change in our consolidated revenue and our operating income for the year ended December 31, 2015.

Other than with respect to our intercompany transactions denominated in euro and pound sterling and a portion of our foreign currency denominated inventory purchases in the U.K., we do not hold derivative contracts to hedge foreign currency risk. Our net investment in foreign operations is partially hedged by the foreign currency denominated borrowings we use to fund foreign acquisitions. Additionally, we have elected not to hedge the foreign currency risk related to the interest payments

on these borrowings as we generate Canadian dollar, pound sterling and euro cash flows that can be used to fund debt payments. As of December 31, 2015, we had amounts outstanding under our revolving credit facilities of €247.7 million, £73.3 million, CAD \$130.4 million, and kr78.0 million. As of December 31, 2014, we had amounts outstanding under our revolving credit facilities of €216.5 million, £96.2 million, and CAD \$130.4 million. Since December 31, 2013, we have replaced certain of our U.S. dollar denominated borrowings with foreign-currency denominated borrowings, primarily in Europe, which more closely aligns the functional currency of our borrowings and the cash flows used to fund debt payments.

We are also exposed to market risk related to price fluctuations in scrap metal and other metals. Market prices of these metals affect the amount that we pay for our inventory as well as the revenue that we generate from sales of these metals. As both our revenue and costs are affected by the price fluctuations, we have a natural hedge against the changes. However, there is typically a lag between the effect on our revenue from metal price fluctuations and inventory cost changes and there is no guarantee that the car costs will decrease at the same rate as the metal prices. Therefore, we can experience positive or negative gross margin effects in periods of rising or falling metals prices, particularly when such prices move rapidly. If market prices were to fall at a greater rate than our vehicle acquisition costs, we could experience a decline in operating margin. Scrap metal and other metal prices declined in 2015 and have decreased 56% since the fourth quarter of 2014. As of December 31, 2015, we held short-term metals forward contracts to mitigate a portion of our exposure to fluctuations in metals prices specifically related to our precious metals refining and reclamation business. The notional amount and fair value of these forward contracts at December 31, 2015 were immaterial.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of LKQ Corporation:

We have audited the accompanying consolidated balance sheets of LKQ Corporation and subsidiaries (the "Company") as of December 31, 2015 and 2014 , and the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2015 . Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of LKQ Corporation and subsidiaries as of December 31, 2015 and 2014 , and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 , in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015 , based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 25, 2016

LKQ CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31,	
	2015	2014
Assets		
Current Assets:		
Cash and equivalents	\$ 87,397	\$ 114,605
Receivables, net	590,160	601,422
Inventory	1,556,552	1,433,847
Prepaid expenses and other current assets	106,603	85,799
Total Current Assets	2,340,712	2,235,673
Property and Equipment, net	696,567	629,987
Intangible Assets:		
Goodwill	2,319,246	2,288,895
Other intangibles, net	215,117	245,525
Other Assets	76,195	75,659
Total Assets	\$ 5,647,837	\$ 5,475,739
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 415,588	\$ 400,202
Accrued expenses:		
Accrued payroll-related liabilities	86,527	86,016
Self-insurance reserves	37,759	36,369
Other accrued expenses	124,466	127,779
Other current liabilities	31,596	32,200
Current portion of long-term obligations	56,034	61,938
Total Current Liabilities	751,970	744,504
Long-Term Obligations, Excluding Current Portion	1,528,668	1,784,210
Deferred Income Taxes	127,239	106,938
Other Noncurrent Liabilities	125,278	119,430
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 305,574,384 and 303,452,655 shares issued and outstanding at December 31, 2015 and 2014, respectively	3,055	3,035
Additional paid-in capital	1,090,713	1,054,686
Retained earnings	2,126,384	1,703,161
Accumulated other comprehensive loss	(105,470)	(40,225)
Total Stockholders' Equity	3,114,682	2,720,657
Total Liabilities and Stockholders' Equity	\$ 5,647,837	\$ 5,475,739

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Income
(In thousands, except per share data)**

	Year Ended December 31,		
	2015	2014	2013
Revenue	\$ 7,192,633	\$ 6,740,064	\$ 5,062,528
Cost of goods sold	4,359,104	4,088,151	2,987,126
Gross margin	2,833,529	2,651,913	2,075,402
Facility and warehouse expenses	556,041	526,291	425,081
Distribution expenses	602,897	577,341	431,947
Selling, general and administrative expenses	828,333	762,888	597,052
Restructuring and acquisition related expenses	19,511	14,806	10,173
Depreciation and amortization	122,120	120,719	80,969
Operating income	704,627	649,868	530,180
Other expense (income):			
Interest expense	57,860	64,542	51,184
Loss on debt extinguishment	—	324	2,795
Change in fair value of contingent consideration liabilities	454	(1,851)	2,504
Interest and other income, net	(2,717)	(1,035)	(2,130)
Total other expense, net	55,597	61,980	54,353
Income before provision for income taxes	649,030	587,888	475,827
Provision for income taxes	219,703	204,264	164,204
Equity in earnings of unconsolidated subsidiaries	(6,104)	(2,105)	—
Net income	\$ 423,223	\$ 381,519	\$ 311,623
Earnings per share:			
Basic	\$ 1.39	\$ 1.26	\$ 1.04
Diluted	\$ 1.38	\$ 1.25	\$ 1.02

**Consolidated Statements of Comprehensive Income
(In thousands)**

	Year Ended December 31,		
	2015	2014	2013
Net income	\$ 423,223	\$ 381,519	\$ 311,623
Other comprehensive (loss) income:			
Foreign currency translation	(69,817)	(51,979)	14,056
Net change in unrecognized gains/losses on derivative instruments, net of tax	2,469	2,195	4,495
Net change in unrealized gains/losses on pension plan, net of tax	2,103	(10,452)	701
Total other comprehensive (loss) income	(65,245)	(60,236)	19,252
Total comprehensive income	\$ 357,978	\$ 321,283	\$ 330,875

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 423,223	\$ 381,519	\$ 311,623
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	128,192	125,437	86,463
Stock-based compensation expense	21,336	22,021	22,036
Deferred income taxes	22,388	6,242	4,279
Excess tax benefit from stock-based payments	(14,445)	(17,814)	(18,348)
Other	7,348	6,593	9,630
Changes in operating assets and liabilities, net of effects from acquisitions:			
Receivables	14,704	(61,739)	(44,670)
Inventory	(83,188)	(122,590)	(69,222)
Prepaid income taxes/income taxes payable	17,474	18,428	49,993
Accounts payable	(4,222)	(5,474)	49,641
Other operating assets and liabilities	(2,973)	18,274	26,631
Net cash provided by operating activities	529,837	370,897	428,056
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(170,490)	(140,950)	(90,186)
Acquisitions, net of cash acquired	(160,517)	(775,921)	(408,384)
Other investing activities, net	1,014	(4,123)	(7,036)
Net cash used in investing activities	(329,993)	(920,994)	(505,606)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	8,168	9,324	15,392
Excess tax benefit from stock-based payments	14,445	17,814	18,348
Taxes paid related to net share settlements of stock-based compensation awards	(7,581)	(443)	—
Debt issuance costs	(97)	(3,750)	(16,940)
Proceeds from issuance of senior notes	—	—	600,000
Borrowings under revolving credit facilities	313,142	1,587,644	437,023
Repayments under revolving credit facilities	(445,282)	(1,098,518)	(748,086)
Borrowings under term loans	—	11,250	35,000
Repayments under term loans	(22,500)	(16,875)	(16,875)
Borrowings under receivables securitization facility	3,858	95,050	41,500
Repayments under receivables securitization facility	(35,758)	(150)	(121,500)
Repayments of other debt, net	(29,696)	(40,051)	(45,062)
Payments of other obligations	(22,791)	(41,992)	(32,859)
Other financing activities, net	—	(300)	—
Net cash (used in) provided by financing activities	(224,092)	519,003	165,941
Effect of exchange rate changes on cash and equivalents	(2,960)	(4,789)	2,327
Net (decrease) increase in cash and equivalents	(27,208)	(35,883)	90,718
Cash and equivalents, beginning of period	114,605	150,488	59,770
Cash and equivalents, end of period	\$ 87,397	\$ 114,605	\$ 150,488
Supplemental disclosure of cash paid for:			
Income taxes, net of refunds	\$ 180,126	\$ 176,955	\$ 110,862
Interest	54,917	59,678	45,253
Supplemental disclosure of noncash investing and financing activities:			
Notes payable and other obligations, including notes issued and debt assumed in connection with business acquisitions	\$ 28,348	\$ 96,258	\$ 8,360
Contingent consideration liabilities	—	5,854	3,854
Non-cash property and equipment additions	8,846	2,293	6,615

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(In thousands)

	Common Stock				Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares Issued	Amount	Additional Paid- In Capital	Retained Earnings		
BALANCE, January 1, 2013	297,811	\$ 2,978	\$ 950,338	\$ 1,010,019	\$ 759	\$ 1,964,094
Net income	—	—	—	311,623	—	311,623
Other comprehensive income	—	—	—	—	19,252	19,252
Restricted stock units vested	595	6	(6)	—	—	—
Stock-based compensation expense	—	—	22,036	—	—	22,036
Exercise of stock options	2,399	24	15,368	—	—	15,392
Excess tax benefit from stock-based payments	—	—	18,348	—	—	18,348
BALANCE, December 31, 2013	300,805	\$ 3,008	\$ 1,006,084	\$ 1,321,642	\$ 20,011	\$ 2,350,745
Net income	—	—	—	381,519	—	381,519
Other comprehensive loss	—	—	—	—	(60,236)	(60,236)
Restricted stock units vested	975	10	(10)	—	—	—
Stock-based compensation expense	—	—	22,021	—	—	22,021
Exercise of stock options	1,688	17	9,307	—	—	9,324
Tax withholdings related to net share settlements of stock-based compensation awards	(15)	—	(443)	—	—	(443)
Excess tax benefit from stock-based payments	—	—	17,727	—	—	17,727
BALANCE, December 31, 2014	303,453	\$ 3,035	\$ 1,054,686	\$ 1,703,161	\$ (40,225)	\$ 2,720,657
Net income	—	—	—	423,223	—	423,223
Other comprehensive loss	—	—	—	—	(65,245)	(65,245)
Restricted stock units vested, net of shares withheld for employee tax	840	8	(4,349)	—	—	(4,341)
Stock-based compensation expense	—	—	21,336	—	—	21,336
Exercise of stock options	1,425	14	8,849	—	—	8,863
Tax withholdings related to net share settlements of stock-based compensation awards	(144)	(2)	(3,934)	—	—	(3,936)
Excess tax benefit from stock-based payments	—	—	14,125	—	—	14,125
BALANCE, December 31, 2015	305,574	\$ 3,055	\$ 1,090,713	\$ 2,126,384	\$ (105,470)	\$ 3,114,682

The accompanying notes are an integral part of the consolidated financial statements.

LKQ CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Business

The financial statements presented in this report represent the consolidation of LKQ Corporation, a Delaware corporation, and its subsidiaries. LKQ Corporation is a holding company and all operations are conducted by subsidiaries. When the terms "LKQ," "the Company," "we," "us," or "our" are used in this document, those terms refer to LKQ Corporation and its consolidated subsidiaries.

We are the nation's largest provider of alternative vehicle collision replacement products and a leading provider of alternative vehicle mechanical replacement products, with our sales, processing, and distribution facilities reaching most major markets in the United States and Canada. We are also a leading provider of alternative vehicle replacement and maintenance products in the United Kingdom and the Benelux region of continental Europe. In addition to our wholesale operations, we operate self service retail facilities across the U.S. that sell recycled automotive products from end of life vehicles. We also have operations in the Netherlands, Belgium, Northern France, Sweden, Norway, Mexico, Taiwan and India. In total, we operate more than 790 facilities.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of LKQ Corporation and its subsidiaries. All intercompany transactions and accounts have been eliminated.

Use of Estimates

In preparing our financial statements in conformity with accounting principles generally accepted in the United States, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The majority of our revenue is derived from the sale of vehicle parts. Revenue is recognized when the products are shipped to, delivered to or picked up by customers and title has transferred, subject to an allowance for estimated returns, discounts and allowances that we estimate based upon historical information. We recorded a reserve for estimated returns, discounts and allowances of approximately \$32.8 million and \$31.3 million at December 31, 2015 and 2014, respectively. We present taxes assessed by governmental authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenue on our Consolidated Statements of Income and are shown as a current liability on our Consolidated Balance Sheets until remitted. We recognize revenue from the sale of scrap, cores and other metals when title has transferred, which typically occurs upon delivery to the customer. Revenue also includes amounts billed to customers for shipping and handling. Distribution expenses in the accompanying Consolidated Statements of Income are the costs incurred to prepare and deliver products to customers.

Receivables and Allowance for Doubtful Accounts

In the normal course of business, we extend credit to customers after a review of each customer's credit history. We recorded a reserve for uncollectible accounts of approximately \$24.6 million and \$19.4 million at December 31, 2015 and 2014, respectively. The reserve is based upon the aging of the accounts receivable, our assessment of the collectability of specific customer accounts and historical experience. Receivables are written off once collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when received.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentration of credit risk consist primarily of cash and equivalents and accounts receivable. We control our exposure to credit risk associated with these instruments by (i) placing our cash and equivalents with several major financial institutions; (ii) holding high-quality financial instruments; and (iii) maintaining strict policies over credit extension that include credit evaluations, credit limits and monitoring procedures. In addition, our overall credit risk with respect to accounts receivable is limited to some extent because our customer base is composed of a large number of geographically diverse customers.

Inventory

We classify our inventory into the following categories: aftermarket and refurbished products, and salvage and remanufactured products.

An aftermarket product is a new vehicle product manufactured by a company other than the original equipment manufacturer. Cost is established based on the average price we pay for parts, and includes expenses incurred for freight and overhead costs. For items purchased from foreign companies, import fees and duties and transportation insurance are also included. Refurbished inventory cost is based on the average price we pay for cores, which are recycled automotive parts that are not suitable for sale as a replacement part without further processing. The cost of our refurbished inventory also includes expenses incurred for freight, labor and other overhead.

A salvage product is a recycled vehicle part suitable for sale as a replacement part. Cost is established based upon the price we pay for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling. Inventory carrying value is determined using the average cost to sales percentage at each of our facilities and applying that percentage to the facility's inventory at expected selling prices, the assessment of which incorporates the sales probability based on a part's days in stock and historical demand. The average cost to sales percentage is derived from each facility's historical profitability for salvage vehicles. Remanufactured inventory cost is based upon the price paid for cores, and also includes expenses incurred for freight, direct manufacturing costs and overhead.

For all inventory, carrying value is recorded at the lower of cost or market and is reduced to reflect current anticipated demand. If actual demand differs from our estimates, additional reductions to inventory carrying value would be necessary in the period such determination is made.

Inventory consists of the following (in thousands):

	December 31,	
	2015	2014
Aftermarket and refurbished products	\$ 1,146,162	\$ 1,022,549
Salvage and remanufactured products	410,390	411,298
	<u>\$ 1,556,552</u>	<u>\$ 1,433,847</u>

Our acquisitions completed during 2015 and adjustments to preliminary valuations of inventory for certain of our 2014 acquisitions contributed \$73.4 million to our aftermarket and refurbished products inventory and \$6.3 million to our salvage and remanufactured products inventory during 2015. See Note 8, "Business Combinations" for further information on our acquisitions.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Expenditures for major additions and improvements that extend the useful life of the related asset are capitalized. As property and equipment are sold or retired, the applicable cost and accumulated depreciation are removed from the accounts and any resulting gain or loss thereon is recognized. Construction in progress consists primarily of building and land improvements at our existing facilities. Depreciation is calculated using the straight-line method over the estimated useful lives or, in the case of leasehold improvements, the term of the related lease and reasonably assured renewal periods, if shorter.

Our estimated useful lives are as follows:

Land improvements	10-20 years
Buildings and improvements	20-40 years
Furniture, fixtures and equipment	3-20 years
Computer equipment and software	3-10 years
Vehicles and trailers	3-10 years

Property and equipment consists of the following (in thousands):

	December 31,	
	2015	2014
Land and improvements	\$ 118,420	\$ 112,582
Buildings and improvements	183,480	173,366
Furniture, fixtures and equipment	379,645	337,125
Computer equipment and software	130,363	125,888
Vehicles and trailers	101,201	87,944
Leasehold improvements	140,732	129,309
	<u>1,053,841</u>	<u>966,214</u>
Less—Accumulated depreciation	(437,946)	(374,291)
Construction in progress	80,672	38,064
	<u>\$ 696,567</u>	<u>\$ 629,987</u>

We record depreciation expense within Depreciation and Amortization on our Consolidated Statements of Income. Additionally, included in Cost of Goods Sold on the Consolidated Statements of Income is depreciation expense associated with our refurbishing, remanufacturing, and furnace operations and our distribution centers. Total depreciation expense for the years ended December 31, 2015, 2014 and 2013 was \$94.4 million, \$90.9 million, and \$72.7 million, respectively.

Intangible Assets

Intangible assets consist primarily of goodwill (the cost of purchased businesses in excess of the fair value of the identifiable net assets acquired) and other specifically identifiable intangible assets, such as trade names, trademarks, customer relationships, software and other technology related assets, and covenants not to compete.

Goodwill is tested for impairment at least annually, and we performed annual impairment tests during the fourth quarters of 2015, 2014 and 2013. The results of all of these tests indicated that goodwill was not impaired. Goodwill impairment testing may also be performed on an interim basis when events or circumstances arise that may lead to impairment. We performed an interim impairment test in the third quarter for our Self Service reporting unit based on the impact of declining scrap steel and other metals prices on operating margin in addition to our annual test performed in the fourth quarter. The impairment test indicated the fair value of the Self Service reporting unit, determined using both market and income approaches, exceeded the reporting unit's carrying value by approximately 11% and no impairment adjustment was required.

The changes in the carrying amount of goodwill by reportable segment are as follows (in thousands):

	North America	Europe	Specialty	Total
Balance as of January 1, 2013	\$ 1,339,831	\$ 350,453	\$ —	\$ 1,690,284
Business acquisitions and adjustments to previously recorded goodwill	27,035	208,412	—	235,447
Exchange rate effects	(7,929)	19,642	—	11,713
Balance as of December 31, 2013	\$ 1,358,937	\$ 578,507	\$ —	\$ 1,937,444
Business acquisitions and adjustments to previously recorded goodwill	43,752	91,916	280,035	415,703
Exchange rate effects	(10,657)	(53,604)	9	(64,252)
Balance as of December 31, 2014	\$ 1,392,032	\$ 616,819	\$ 280,044	\$ 2,288,895
Business acquisitions and adjustments to previously recorded goodwill	72,355	21,217	(1,397)	92,175
Exchange rate effects	(18,537)	(43,554)	267	(61,824)
Balance as of December 31, 2015	<u>\$ 1,445,850</u>	<u>\$ 594,482</u>	<u>\$ 278,914</u>	<u>\$ 2,319,246</u>

In 2015 and 2014, we finalized the valuation of certain intangible assets acquired related to our 2014 and 2013 acquisitions, respectively. As these adjustments did not have a material impact on our financial position or results of operations, we recorded these adjustments to goodwill and amortization expense in 2015 and 2014.

The components of other intangibles are as follows (in thousands):

	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trade names and trademarks	\$ 172,219	\$ (43,458)	\$ 128,761	\$ 173,340	\$ (35,538)	\$ 137,802
Customer and supplier relationships	95,508	(41,007)	54,501	92,972	(26,751)	66,221
Software and other technology related assets	44,500	(17,844)	26,656	44,640	(10,387)	34,253
Covenants not to compete	10,774	(5,575)	5,199	11,074	(3,825)	7,249
	<u>\$ 323,001</u>	<u>\$ (107,884)</u>	<u>\$ 215,117</u>	<u>\$ 322,026</u>	<u>\$ (76,501)</u>	<u>\$ 245,525</u>

During 2015 , we recorded \$3.6 million of trade names, \$4.6 million of customer and supplier relationships, \$1.2 million of software and other technology related assets and \$0.6 million of covenants not to compete resulting from our 2015 acquisitions and adjustments to certain preliminary intangible asset valuations from our 2014 acquisitions.

During 2014 , we recorded \$35.5 million of trade names, \$65.1 million of customer and supplier relationships, \$26.7 million of software and other technology related assets and \$1.9 million of covenants not to compete resulting from our 2014 acquisitions and adjustments to certain preliminary intangible asset valuations from our 2013 acquisitions. The trade names, customer relationships, and software and other technology related assets recorded in 2014 included \$22.0 million , \$30.5 million , and \$25.5 million , respectively, related to our acquisition of Keystone Specialty as discussed in Note 8, "Business Combinations ." Other intangible assets resulting from our acquisition of Keystone Specialty were not material. We also recognized trade names and customer relationships of \$10.1 million and \$17.6 million , respectively, related to our 2014 acquisition of a supplier of replacement parts, supplies and accessories for recreational vehicles in our Specialty segment and customer relationships of \$12.0 million related to our 2014 acquisition of an automotive core business.

Trade names and trademarks are amortized over a useful life ranging from 4 to 30 years on a straight-line basis. Customer and supplier relationships are amortized over the expected period to be benefited (4 to 20 years) on an accelerated basis. Software and other technology related assets are amortized on a straight-line basis over the expected period to be benefited (three to six years). Covenants not to compete are amortized over the lives of the respective agreements, which range from one to five years, on a straight-line basis. The weighted average amortization period for our intangible assets acquired during 2015 is 11 years. Amortization expense for intangibles was \$33.8 million , \$34.5 million and \$13.8 million during the years ended December 31, 2015 , 2014 and 2013 , respectively. Estimated amortization expense for each of the five years in the period ending December 31, 2020 is \$29.8 million , \$27.3 million , \$22.9 million , \$18.3 million and \$12.5 million , respectively.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value. There were no material adjustments to the carrying value of long-lived assets during the years ended December 31, 2015 , 2014 or 2013 .

Warranty Reserve

Some of our salvage mechanical products are sold with a standard six month warranty against defects. Additionally, some of our remanufactured engines are sold with a standard three year warranty against defects. We also provide a limited lifetime warranty for certain of our aftermarket products. We record the estimated warranty costs at the time of sale using historical warranty claim information to project future warranty claims activity. The changes in the warranty reserve are as follows (in thousands):

Balance as of January 1, 2014	\$ 12,447
Warranty expense	30,370
Warranty claims	(27,936)
Balance as of December 31, 2014	\$ 14,881
Warranty expense	33,727
Warranty claims	(31,245)
Balance as of December 31, 2015	<u>\$ 17,363</u>

Self-Insurance Reserves

We self-insure a portion of employee medical benefits under the terms of our employee health insurance program. We purchase certain stop-loss insurance to limit our liability exposure. We also self-insure a portion of our property and casualty risk, which includes automobile liability, general liability, directors and officers liability, workers' compensation, and property coverage, under deductible insurance programs. The insurance premium costs are expensed over the contract periods. A reserve for liabilities associated with these losses is established for claims filed and claims incurred but not yet reported based upon our estimate of ultimate cost, which is calculated using analysis of historical data. We monitor new claims and claim development as well as trends related to the claims incurred but not reported in order to assess the adequacy of our insurance reserves. Total self-insurance reserves were \$78.4 million and \$76.0 million, of which \$37.8 million and \$36.4 million was classified as current as of December 31, 2015 and 2014, respectively. The remaining balances of self-insurance reserves are classified as Other Noncurrent Liabilities, which reflects management's estimates of when claims will be paid. The reserves presented on the Consolidated Balance Sheets are net of claims deposits of \$0.6 million at both December 31, 2015 and 2014, respectively. In addition to these claims deposits, we had outstanding letters of credit of \$64.9 million and \$59.2 million at December 31, 2015 and 2014, to guarantee self-insurance claims payments. While we do not expect the amounts ultimately paid to differ significantly from our estimates, our insurance reserves and corresponding expenses could be affected if future claims experience differs significantly from historical trends and assumptions.

Income Taxes

Current income taxes are provided on income reported for financial reporting purposes, adjusted for transactions that do not enter into the computation of income taxes payable in the same year. Deferred income taxes have been provided to show the effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before we are able to realize their benefit or that future deductibility is uncertain.

We recognize the benefits of uncertain tax positions taken or expected to be taken in tax returns in the provision for income taxes only for those positions that are more likely than not to be realized. We follow a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. Our policy is to include interest and penalties associated with income tax obligations in income tax expense.

U.S. federal income taxes are not provided on our interest in undistributed earnings of foreign subsidiaries when it is management's intent that such earnings will remain invested in those subsidiaries or other foreign subsidiaries. Taxes will be provided on these earnings in the period in which a decision is made to repatriate the earnings.

Investment in Unconsolidated Subsidiary

As of December 31, 2015, the carrying value of our investments in unconsolidated subsidiaries was \$10.9 million; of this amount, \$8.2 million relates to our investment in ACM Parts which was included within Other Current Assets on the Consolidated Balance Sheet as the investment was classified as held for sale as of year-end. In August 2013, we entered into an agreement with Suncorp Group, a leading general insurance group in Australia and New Zealand, to develop ACM Parts, an alternative vehicle replacement parts business in those countries. We held a 49% interest in the entity and contributed our experience to help establish automotive parts recycling operations and to facilitate the procurement of aftermarket parts; Suncorp Group held a 51% equity interest and supplied salvage vehicles to the venture as well as assisting in establishing relationships with repair shops as customers. We accounted for our interest in this subsidiary using the equity method of accounting, as our investment gave us the ability to exercise significant influence, but not control, over the investee. We divested our interest in ACM Parts in February 2016. Our equity in the net earnings of the investees for the years ended December 31, 2015 and 2014 was not material.

Rental Expense

We recognize rental expense on a straight-line basis over the respective lease terms, including reasonably assured renewal periods, for all of our operating leases.

Foreign Currency Translation

For most of our foreign operations, the local currency is the functional currency. Assets and liabilities are translated into U.S. dollars at the period-ending exchange rate. Statements of Income amounts are translated to U.S. dollars using monthly average exchange rates during the period. Translation gains and losses are reported as a component of Accumulated Other Comprehensive Income (Loss) in stockholders' equity.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which was amended in July 2015. This update outlines a new comprehensive revenue recognition model that supersedes most current revenue recognition guidance, and requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities adopting the standard have the option of using either a full retrospective or modified retrospective approach in the application of this guidance. ASU 2014-09 will be effective for the Company during the first quarter of our fiscal year 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. We are still evaluating the impact that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued Accounting Standards Update 2015-03, "Interest-Imputation of Interest" ("ASU 2015-03"). This update simplifies the presentation of debt issuance costs on the financial statements by requiring companies to deduct debt issuance costs from the carrying value of their corresponding liability on the balance sheet, rather than presenting debt issuance costs as deferred charges. ASU 2015-03 required that the Company adopt the ASU during the first quarter of our fiscal year 2016; however, early adoption was permitted. Entities must retrospectively apply this guidance within the balance sheet for all periods presented in order to reflect the period-specific effects of this new guidance. We elected to early adopt this guidance during the fourth quarter of 2015. We have disclosed the amounts reclassified for December 31, 2014 in Note 4, "Long-term Obligations" as well as in the table below.

In July 2015, the FASB issued Accounting Standards Update 2015-11, "Simplifying the Measurement of Inventory" ("ASU 2015-11"), which requires entities to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 will be effective for the Company during the first quarter of our fiscal year 2017 and must be applied on a prospective basis. Early adoption is permitted. We do not anticipate the adoption of this guidance will have a material impact on our financial position, results of operations, or cash flows.

In September 2015, the FASB issued Accounting Standards Update 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"), which requires an acquirer to recognize adjustments to provisional amounts identified during the measurement period in the reporting period in which the adjustments are identified as opposed to recognition as if the accounting adjustment had been completed as of the acquisition date. The ASU also requires disclosure regarding amounts that would have been recorded in previous reporting periods if the adjustment had been recognized as of the acquisition date. ASU 2015-16 will be effective for the Company during the first quarter of our fiscal year 2016 and must be applied on a prospective basis. Early adoption is permitted for financial statements that have not been issued. We do not anticipate that the adoption of this guidance will have a material impact on our financial position, results of operations, or cash flows.

In November 2015 the FASB issued Accounting Standards Update 2015-17, "Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. As a result, each jurisdiction will now only have one net noncurrent deferred tax asset or liability. The new guidance does not change the existing requirement that only permits offsetting within a jurisdiction - that is, companies are still prohibited from offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. ASU 2015-17 requires adoption by the Company during the first quarter of our fiscal year 2017 and can be applied prospectively and retrospectively. Early adoption is permitted for financial statements that have not been issued, and we elected to adopt this standard on a retrospective basis for the fourth quarter of 2015.

The reclassification adjustments made to our December 31, 2014 balances to conform with our presentation as of December 31, 2015 for the adoption of ASU 2015-03 and ASU 2015-17 have been presented below (in thousands):

	December 31, 2014					
	Deferred Income Taxes ⁽¹⁾	Other Assets	Other Current Liabilities	Current Portion of Long-Term Obligations	Long-Term Obligations, Excluding Current Portion	Deferred Income Taxes
As reported	\$ 81,744	\$ 91,668	\$ 36,815	\$ 63,515	\$ 1,801,047	\$ 181,662
Adjustment - adoption of ASU 2015-03	—	(18,414)	—	(1,577)	(16,837)	—
Adjustment - adoption of ASU 2015-17	(81,744)	2,405	(4,615)	—	—	(74,724)
As adjusted	\$ —	\$ 75,659	\$ 32,200	\$ 61,938	\$ 1,784,210	\$ 106,938

⁽¹⁾ As of December 31, 2014, the current portion of deferred tax assets was included as a separate line item within the Consolidated Balance Sheets. With the adoption of ASU 2015-17 in the fourth quarter of 2015, we no longer present the current portion of deferred taxes; all deferred taxes are presented as non-current.

Note 3. Equity Incentive Plans

In order to attract and retain employees, non-employee directors, consultants, and other persons associated with us, we may grant qualified and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units (“RSUs”), performance shares and performance units under the LKQ Corporation 1998 Equity Incentive Plan (the “Equity Incentive Plan”). The total number of shares approved by our stockholders for issuance under the Equity Incentive Plan is 69.9 million shares, subject to antidilution and other adjustment provisions. We have granted RSUs, stock options, and restricted stock under the Equity Incentive Plan. Of the shares approved by our stockholders for issuance under the Equity Incentive Plan, 12.5 million shares remained available for issuance as of December 31, 2015. We expect to issue new shares of common stock to cover past and future equity grants.

RSUs

RSUs vest over periods of up to five years, subject to a continued service condition. Each RSU converts into one share of LKQ common stock on the applicable vesting date. RSUs may not be sold, pledged or otherwise transferred until they vest. The grant date fair value of RSUs is based on the market price of LKQ stock on the grant date.

We also grant RSUs to our executive officers that include both a performance-based vesting condition and a time-based vesting condition. The performance-based vesting condition is the report by the Company of positive diluted earnings per share, subject to certain adjustments, during any fiscal year period within five years following the grant date. The time-based vesting condition is the vesting of the number of RSUs subject to the grant in each of the six months following the grant date over a total of three years. The Compensation Committee approved the grant of 215,076 ; 175,800 ; and 946,800 RSUs to our executive officers that include both a performance-based vesting condition and a time-based vesting condition in 2015, 2014, and 2013, respectively. Of the amounts approved in 2013, 671,400 represented a replacement for the cancellation of an equal number of then unvested RSUs that had only a time-based vesting condition. The performance-based vesting condition for the 2015, 2014, and 2013 grants to our executive officers has been satisfied.

The fair value of RSUs that vested during the years ended December 31, 2015 , 2014 and 2013 was \$28.2 million , \$27.7 million and \$14.4 million , respectively.

In January 2016, our Board of Directors granted 746,558 RSUs to employees (including executive officers).

The following table summarizes activity related to our RSUs under the Equity Incentive Plan:

	Number Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands) ⁽¹⁾
Unvested as of January 1, 2013	2,351,362	\$ 14.02		
Granted	924,312	\$ 22.18		
Vested	(594,961)	\$ 15.05		
Forfeited / Canceled	(122,500)	\$ 16.25		
Unvested as of December 31, 2013	2,558,213	\$ 16.63		
Granted	664,897	\$ 31.82		
Vested	(975,462)	\$ 17.01		
Forfeited / Canceled	(96,416)	\$ 20.73		
Unvested as of December 31, 2014	2,151,232	\$ 20.97		
Granted	926,051	\$ 27.08		
Vested	(994,130)	\$ 19.87		
Forfeited / Canceled	(101,861)	\$ 24.66		
Unvested as of December 31, 2015	1,981,292	\$ 24.19		
Expected to vest after December 31, 2015	1,940,820	\$ 24.13	2.3	\$ 57,506

⁽¹⁾ The aggregate intrinsic value of expected to vest RSUs represents the total pretax intrinsic value (the fair value of the Company's stock on the last day of each period multiplied by the number of units) that would have been received by the holders had all RSUs vested. This amount changes based on the market price of the Company's common stock.

The RSUs containing a performance-based vesting condition that were granted in replacement of canceled RSUs were accounted for as a modification of the original awards, and therefore are not reflected as grants or cancellations in the table above.

Stock Options

Stock options vest over periods of up to five years, subject to a continued service condition. Stock options expire either six or ten years from the date they are granted. During 2015, we granted no stock options to employees.

The total grant-date fair value of options that vested during the years ended December 31, 2015, 2014 and 2013 was \$1.2 million, \$3.3 million and \$5.1 million, respectively.

The following table summarizes activity related to our stock options under the Equity Incentive Plan:

	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands) ⁽¹⁾
Balance as of January 1, 2013	9,355,070	\$ 6.90		
Exercised	(2,399,419)	\$ 6.41		\$ 46,899
Forfeited / Canceled	(123,320)	\$ 8.89		
Balance as of December 31, 2013	6,832,331	\$ 7.04		
Granted	126,755	\$ 32.31		
Exercised	(1,687,700)	\$ 5.52		\$ 38,373
Forfeited / Canceled	(63,614)	\$ 16.10		
Balance as of December 31, 2014	5,207,772	\$ 8.04		
Exercised	(1,425,075)	\$ 6.22		\$ 32,375
Forfeited / Canceled	(16,745)	\$ 28.12		
Balance as of December 31, 2015	3,765,952	\$ 8.63	2.9	\$ 79,317
Exercisable as of December 31, 2015	3,673,816	\$ 8.04	2.9	\$ 79,317
Exercisable as of December 31, 2015 and expected to vest thereafter	3,756,738	\$ 8.58	2.9	\$ 79,317

⁽¹⁾ The aggregate intrinsic value of outstanding, exercisable and expected to vest options represents the total pretax intrinsic value (the difference between the fair value of the Company's stock on the last day of each period and the exercise price, multiplied by the number of options where the fair value exceeds the exercise price) that would have been received by the option holders had all option holders exercised their options as of the last day of the period indicated. This amount changes based on the market price of the Company's common stock.

Restricted Stock

Restricted stock vested over a five year period, subject to a continued service condition. Shares of restricted stock may not be sold, pledged or otherwise transferred until they vest. During the year ended December 31, 2014, all remaining unvested restricted stock became fully vested.

The fair value of restricted stock that vested during the years ended December 31, 2014 and 2013 was \$0.5 million and \$2.3 million, respectively.

The following table summarizes activity related to our restricted stock under the Equity Incentive Plan:

	Number Outstanding	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2013	116,000	\$ 9.47
Vested	(96,000)	\$ 9.51
Unvested as of December 31, 2013	20,000	\$ 9.30
Vested	(20,000)	\$ 9.30
Unvested as of December 31, 2014	—	\$ —

Stock-Based Compensation Expense

For the RSUs that contain both a performance-based vesting condition and a time-based vesting condition, we recognize compensation expense under the accelerated attribution method, pursuant to which expense is recognized over the requisite service period for each separate vesting tranche of the award. For the RSUs that were canceled and replaced, the fair values of the RSUs immediately before and after the modification were the same. As a result, there was no charge recorded in 2013 and the expense for these RSUs was continued at the grant date fair value. During the years ended December 31, 2015, 2014, and 2013, we recognized \$ 8.2 million, \$8.2 million, and \$8.3 million, respectively, of stock based compensation expense related to the RSUs containing a performance-based vesting condition. For all other awards, which are subject to only a time-

based vesting condition, we recognize compensation expense on a straight-line basis over the requisite service period of the entire award.

In all cases, compensation expense is adjusted to reflect estimated forfeitures. When estimating forfeitures, we consider voluntary and involuntary termination behavior as well as analysis of historical forfeitures.

The components of pre-tax stock-based compensation expense are as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
RSUs	\$ 21,058	\$ 18,965	\$ 17,299
Stock options	278	2,917	4,529
Restricted stock	—	139	208
Total stock-based compensation expense	<u>\$ 21,336</u>	<u>\$ 22,021</u>	<u>\$ 22,036</u>

The following table sets forth the classification of total stock-based compensation expense included in our Consolidated Statements of Income (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cost of goods sold	\$ 358	\$ 410	\$ 392
Facility and warehouse expenses	2,271	2,195	2,745
Selling, general and administrative expenses	18,707	19,416	18,899
	<u>21,336</u>	<u>22,021</u>	<u>22,036</u>
Income tax benefit	(8,221)	(8,478)	(8,594)
Total stock-based compensation expense, net of tax	<u>\$ 13,115</u>	<u>\$ 13,543</u>	<u>\$ 13,442</u>

We have not capitalized any stock-based compensation costs during the years ended December 31, 2015 , 2014 or 2013 .

As of December 31, 2015 , unrecognized compensation expense related to unvested RSUs and stock options is expected to be recognized as follows (in thousands):

	RSUs	Stock Options	Total
2016	\$ 13,997	\$ 267	\$ 14,264
2017	8,760	7	8,767
2018	5,334	—	5,334
2019	2,754	—	2,754
2020	30	—	30
Total unrecognized compensation expense	<u>\$ 30,875</u>	<u>\$ 274</u>	<u>\$ 31,149</u>

Note 4. Long-Term Obligations

Long-Term Obligations consist of the following (in thousands):

	December 31,	
	2015	2014
Senior secured credit agreement:		
Term loans payable	\$ 410,625	\$ 433,125
Revolving credit facilities	480,481	663,912
Senior notes	600,000	600,000
Receivables securitization facility	63,000	94,900
Notes payable through October 2025 at weighted average interest rates of 2.2% and 1.0%, respectively	16,104	45,891
Other long-term debt at weighted average interest rates of 2.4% and 3.1%, respectively	29,485	26,734
Total debt	1,599,695	1,864,562
Less: long-term debt issuance costs	(13,533)	(16,837)
Less: current debt issuance costs	(1,460)	(1,577)
Total debt, net of debt issuance costs	1,584,702	1,846,148
Less: current maturities, net of debt issuance costs	(56,034)	(61,938)
Long term debt, net of debt issuance costs	\$ 1,528,668	\$ 1,784,210

The scheduled maturities of long-term obligations outstanding at December 31, 2015 are as follows (in thousands):

2016	\$ 57,494
2017	89,036
2018	22,907
2019	824,572
2020	225
Thereafter	605,461
	<u>\$ 1,599,695</u>

The total debt amounts presented above exclude debt issuance costs totaling \$15 million as of December 31, 2015.

Senior Secured Credit Agreement

On March 27, 2014, LKQ Corporation, LKQ Delaware LLP, and certain other subsidiaries (collectively, the "Borrowers") entered into a third amended and restated credit agreement (the "Third Amended and Restated Credit Agreement"). On January 29, 2016, the Borrowers entered into a fourth amended and restated credit agreement (the "Fourth Amended and Restated Credit Agreement"). The terms of the Fourth Amended and Restated Credit Agreement are discussed below. The Third Amended and Restated Credit Agreement retained many of the terms of the Company's second amended and restated credit agreement dated May 3, 2013 while also modifying certain terms to (1) extend the maturity date by one year to May 3, 2019; (2) increase the total availability under the Third Amended and Restated Credit Agreement from \$1.8 billion to \$2.3 billion (composed of \$1.69 billion in the revolving credit facility's multicurrency component, \$165 million in the revolving credit facility's U.S. dollar only component, and \$450 million of term loans); (3) reduce both the applicable margin on outstanding borrowings under the Third Amended and Restated Credit Agreement and the commitment fee percentage we paid on average daily unused amounts under the revolving credit facilities; and (4) make other immaterial or clarifying modifications and amendments to the terms of the Company's second amended and restated credit agreement. The Third Amended and Restated Credit Agreement allowed the Company to increase the amount of the revolving credit facility or obtain incremental term loans up to the greater of \$400 million or the amount that may be borrowed while maintaining a senior secured leverage ratio of less than or equal to 2.50 to 1.00, subject to the agreement of the lenders. The proceeds of the Credit Agreement were used to repay outstanding revolver borrowings and to pay fees related to the amendment and restatement.

The Third Amended and Restated Credit Agreement included customary representations and warranties, and included customary covenants that provide limitations and conditions on our ability to enter into certain transactions. The Credit Agreement also contained financial and affirmative covenants, including limitations on our net leverage ratio and a minimum interest coverage ratio.

Borrowings under the Third Amended and Restated Credit Agreement accrued interest at variable rates, which depended on the currency and duration of the borrowing elected, plus an applicable margin. The applicable margin was subject to change in increments of 0.25% depending on our net leverage ratio. Interest payments were due on the last day of the selected interest period or quarterly in arrears depending on the type of borrowing. Including the effect of the interest rate swap agreements described in Note 5, "Derivative Instruments and Hedging Activities," the weighted average interest rates on borrowings outstanding under the Third Amended and Restated Credit Agreement at December 31, 2015 and December 31, 2014 were 1.76% and 2.10%, respectively. We also paid a commitment fee based on the average daily unused amount of the revolving credit facilities. The commitment fee was subject to change in increments of 0.05% depending on our net leverage ratio. In addition, we paid a participation commission on outstanding letters of credit at an applicable rate based on our net leverage ratio, as well as a fronting fee of 0.125% to the issuing bank, which are due quarterly in arrears.

Of the total borrowings outstanding under the Third Amended and Restated Credit Agreement, \$22.5 million was classified as current maturities at both December 31, 2015 and December 31, 2014. As of December 31, 2015, there were letters of credit outstanding in the aggregate amount of \$65.9 million. The amounts available under the revolving credit facilities are reduced by the amounts outstanding under letters of credit, and thus availability under the revolving credit facilities at December 31, 2015 was \$1.3 billion.

Related to the execution of the Third Amended and Restated Credit Agreement in March 2014, we incurred \$3.7 million of fees, of which \$3.4 million were capitalized as an offset to Long-Term Obligations and are amortized over the term of the agreement. The remaining \$0.3 million of fees were expensed during the year ended December 31, 2014 as a loss on debt extinguishment. Related to the execution of the second amended and restated credit agreement in May 2013, we incurred \$7.2 million of fees, of which \$6.1 million were capitalized as an offset to Long-Term Obligations. The remaining \$1.1 million of fees, together with \$1.7 million of capitalized debt issuance costs related to the original credit agreement, were expensed during the year ended December 31, 2013 as a loss on debt extinguishment.

On January 29, 2016, the Borrowers entered into the Fourth Amended and Restated Credit Agreement, which amended the Company's Third Amended and Restated Credit Agreement by modifying certain terms to (1) extend the maturity date by approximately two years to January 29, 2021; (2) increase the total availability under the credit agreement from \$2.3 billion to \$3.2 billion (composed of \$2.45 billion in the revolving credit facility's multicurrency component; and \$750 million of term loans, which consist of a term loan of approximately \$500 million and a €230 million term loan); (3) increase our ability to incur additional indebtedness; and (4) make other immaterial or clarifying modifications and amendments to the terms of the Third Amended and Restated Credit Agreement. The additional term loan borrowing was used to repay outstanding revolver borrowings and the amount outstanding under our receivables securitization facility, and to pay fees and expenses relating to the amendment and restatement. The remaining additional term loan borrowing will be used for general corporate purposes.

Amounts under the revolving credit facility are due and payable upon maturity of the Fourth Amended and Restated Credit Agreement on January 29, 2021. Amounts under the initial and additional term loan borrowings will be due and payable in quarterly installments equal to 0.625% of the original principal amount on each of June 30, September 30, and December 31, 2016, and quarterly installments thereafter equal to 1.25% of the original principal amount beginning on March 31, 2017, with the remaining balance due and payable on the maturity date of the Fourth Amended and Restated Credit Agreement.

We are required to prepay the term loan by amounts equal to proceeds from the sale or disposition of certain assets if the proceeds are not reinvested within twelve months. We also have the option to prepay outstanding amounts under the Credit Agreement without penalty.

Senior Notes

On May 9, 2013, LKQ Corporation completed an offering of \$600 million aggregate principal amount of senior notes due May 15, 2023 (the "Original Notes") in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933. In April 2014, LKQ Corporation completed an offer to exchange \$600 million aggregate principal amount of registered 4.75% Senior Notes due 2023 (the "Notes") for the Original Notes. The Notes are governed by the Indenture dated as of May 9, 2013 among LKQ Corporation, certain of our subsidiaries (the "Guarantors") and U.S. Bank National Association, as trustee. The Notes are substantially identical to the Original Notes, except the Notes are registered under the Securities Act of 1933, and the transfer restrictions, registration rights, and related additional interest provisions applicable to the Original Notes do not apply to the Notes.

The Notes bear interest at a rate of 4.75% per year from the date of the original issuance or from the most recent payment date on which interest has been paid or provided for. Interest on the Notes is payable in arrears on May 15 and November 15 of each year. The first interest payment was made on November 15, 2013. The Notes are fully and unconditionally guaranteed, jointly and severally, by the Guarantors.

The Notes and the guarantees are, respectively, LKQ Corporation's and each Guarantor's senior unsecured obligations and are subordinated to all of the Guarantors' existing and future secured debt to the extent of the assets securing that secured debt. In addition, the Notes are effectively subordinated to all of the liabilities of our subsidiaries that are not guaranteeing the Notes to the extent of the assets of those subsidiaries.

Restricted Payments

Our senior secured credit agreement and our senior notes indenture contain limitations on payment of cash dividends or other distributions of assets. Based on limitations in effect under our senior secured credit agreement and senior notes indenture, the maximum amount of dividends we could pay as of December 31, 2015 was approximately \$970 million. The limit on the payment of dividends is calculated using historical financial information and will change from period to period.

Receivables Securitization Facility

On September 28, 2012, LKQ entered into a three year receivables securitization facility with The Bank of Tokyo-Mitsubishi UFJ, LTD. ("BTMU") as Administrative Agent. On September 29, 2014, we amended the terms of the facility to: (i) extend the term of the facility to October 2, 2017; (ii) increase the maximum amount available to \$97 million; and (iii) make other clarifying and updating changes. Under the facility, LKQ sells an ownership interest in certain receivables, related collections and security interests to BTMU for the benefit of conduit investors and/or financial institutions for cash proceeds. Upon payment of the receivables by customers, rather than remitting to BTMU the amounts collected, LKQ retains such collections as proceeds for the sale of new receivables generated by certain of the ongoing operations of the Company.

The sale of the ownership interest in the receivables is accounted for as a secured borrowing in our Consolidated Balance Sheets, under which the receivables included in the program collateralize the amounts invested by BTMU, the conduit investors and/or financial institutions (the "Purchasers"). The receivables are held by LKQ Receivables Finance Company, LLC ("LRFC"), a wholly owned bankruptcy-remote special purpose subsidiary of LKQ, and therefore, the receivables are available first to satisfy the creditors of LRFC, including the investors. As of December 31, 2015 and December 31, 2014, \$136.1 million and \$129.5 million, respectively, of net receivables were collateral for the investment under the receivables facility.

Under the receivables facility, we pay variable interest rates plus a margin on the outstanding amounts invested by the Purchasers. The variable rates are based on (i) commercial paper rates, (ii) the London InterBank Offered Rate ("LIBOR"), or (iii) base rates, and are payable monthly in arrears. Commercial paper rates will be the applicable variable rate unless conduit investors are not available to invest in the receivables at commercial paper rates. In such case, financial institutions will invest at the LIBOR rate or at base rates. We also pay a commitment fee on the excess of the investment maximum over the average daily outstanding investment, payable monthly in arrears. As of December 31, 2015, the interest rate under the receivables facility was based on commercial paper rates and was 1.13%. The outstanding balance of \$63.0 million as of December 31, 2015 was classified as long-term on the Consolidated Balance Sheets because we have the ability and intent to refinance these borrowings on a long-term basis.

Note 5. Derivative Instruments and Hedging Activities

We are exposed to market risks, including the effect of changes in interest rates, foreign currency exchange rates and commodity prices. Under our current policies, we use derivatives to manage our exposure to variable interest rates on our senior secured debt, changing foreign exchange rates for certain foreign currency denominated transactions and changes in metals prices. We do not hold or issue derivatives for trading purposes.

Cash Flow Hedges

At December 31, 2015, we had interest rate swap agreements in place to hedge a portion of the variable interest rate risk on our variable rate borrowings under our Credit Agreement, with the objective of minimizing the impact of interest rate fluctuations and stabilizing cash flows. Under the terms of the interest rate swap agreements, we pay the fixed interest rate and receive payment at a variable rate of interest based on LIBOR or the Canadian Dealer Offered Rate ("CDOR") for the respective currency of each interest rate swap agreement's notional amount. The effective portion of changes in the fair value of the interest rate swap agreements is recorded in Accumulated Other Comprehensive Income (Loss) and is reclassified to interest expense when the underlying interest payment has an impact on earnings. The ineffective portion of changes in the fair value of the interest rate swap agreements is reported in interest expense. Our interest rate swap contracts outstanding as of December 31, 2015 mature in 2016.

From time to time, we may hold foreign currency forward contracts related to certain foreign currency denominated intercompany transactions, with the objective of minimizing the impact of changing exchange rates on these future cash flows, as well as minimizing the impact of fluctuating exchange rates on our results of operations through the respective dates of settlement. Under the terms of the foreign currency forward contracts, we will sell the foreign currency in exchange for U.S. dollars at a fixed rate on the maturity dates of the contracts. The effective portion of the changes in fair value of the foreign currency forward contracts is recorded in Accumulated Other Comprehensive Income (Loss) and reclassified to other income (expense) when the underlying transaction has an impact on earnings. During 2013, we entered into two foreign exchange forward currency contracts with notional amounts of £70 million and €150 million. During 2014, these foreign currency forward contracts were settled through payments to the counterparties totaling \$20.0 million. At that time, we also settled the underlying intercompany debt transactions.

The following table summarizes the notional amounts and fair values of our designated cash flow hedges as of December 31, 2015 and 2014 (in thousands):

Notional Amount				Fair Value at December 31, 2015 (USD)		Fair Value at December 31, 2014 (USD)							
	December 31, 2015		December 31, 2014	Other Accrued Expenses	Other Noncurrent Liabilities	Other Accrued Expenses	Other Noncurrent Liabilities						
Interest rate swap agreements													
USD denominated	\$	170,000	\$	420,000	\$	858	\$	—	\$	2,691	\$	1,615	
GBP denominated	£	50,000	£	50,000		465		—		—		893	
CAD denominated	C\$	25,000	C\$	25,000		24		—		—		19	
Total cash flow hedges					\$	1,347		\$	—	\$	2,691	\$	2,527

While our derivative instruments executed with the same counterparty are subject to master netting arrangements, we present our cash flow hedge derivative instruments on a gross basis in our Consolidated Balance Sheets. The impact of netting the fair values of these contracts would not have a material effect on our Consolidated Balance Sheets at December 31, 2015 or 2014.

The activity related to our cash flow hedges is included in Note 12, "Accumulated Other Comprehensive Income (Loss)." Ineffectiveness related to our cash flow hedges was immaterial to our results of operations during 2015, 2014 and 2013. We do not expect future ineffectiveness related to our cash flow hedges to have a material effect on our results of operations.

As of December 31, 2015, we estimate that \$0.9 million of derivative losses (net of tax) included in Accumulated Other Comprehensive Income will be reclassified into our Consolidated Statements of Income within the next 12 months.

In January 2016, we entered into four interest rate swap contracts representing a total of \$200 million of U.S. dollar-denominated debt. In February 2016, we entered into four additional interest rate swap contracts representing a total of \$240 million of U.S. dollar-denominated debt. All new swaps mature in January 2021. All of the swaps convert floating to fixed interest rates.

Other Derivative Instruments

We hold other short-term derivative instruments, including foreign currency forward contracts to manage our exposure to variability related to inventory purchases and intercompany financing transactions denominated in a non-functional currency, as well as commodity forward contracts to manage our exposure to fluctuations in metals prices. We have elected not to apply hedge accounting for these transactions, and therefore the contracts are adjusted to fair value through our results of operations as of each balance sheet date, which could result in volatility in our earnings. The notional amount and fair value of these contracts at December 31, 2015 and 2014, along with the effect on our results of operations in 2015, 2014 and 2013, were immaterial.

Note 6. Fair Value Measurements

Financial Assets and Liabilities Measured at Fair Value

We use the market and income approaches to value our financial assets and liabilities, and during the year ended December 31, 2015, there were no significant changes in valuation techniques or inputs related to the financial assets or liabilities that we have historically recorded at fair value. The tiers in the fair value hierarchy include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following tables present information about our financial assets and liabilities measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation inputs we utilized to determine such fair value as of December 31, 2015 and 2014 (in thousands):

	Balance as of December 31, 2015	Fair Value Measurements as of December 31, 2015		
		Level 1	Level 2	Level 3
Assets:				
Cash surrender value of life insurance	\$ 29,782	\$ —	\$ 29,782	\$ —
Total Assets	\$ 29,782	\$ —	\$ 29,782	\$ —
Liabilities:				
Contingent consideration liabilities	\$ 4,584	\$ —	\$ —	\$ 4,584
Deferred compensation liabilities	30,336	—	30,336	—
Interest rate swaps	1,347	—	1,347	—
Total Liabilities	\$ 36,267	\$ —	\$ 31,683	\$ 4,584

	Balance as of December 31, 2014	Fair Value Measurements as of December 31, 2014		
		Level 1	Level 2	Level 3
Assets:				
Cash surrender value of life insurance	\$ 28,242	\$ —	\$ 28,242	\$ —
Total Assets	\$ 28,242	\$ —	\$ 28,242	\$ —
Liabilities:				
Contingent consideration liabilities	\$ 7,295	\$ —	\$ —	\$ 7,295
Deferred compensation liabilities	27,580	—	27,580	—
Interest rate swaps	5,218	—	5,218	—
Total Liabilities	\$ 40,093	\$ —	\$ 32,798	\$ 7,295

The cash surrender value of life insurance and deferred compensation liabilities are included in Other Assets and Other Noncurrent Liabilities, respectively, on our Consolidated Balance Sheets. The current portion of contingent consideration liabilities is included in Other Current Liabilities and the noncurrent portion is included in Other Noncurrent Liabilities on our Consolidated Balance Sheets based on the expected timing of the related payments. The balance sheet classification of the interest rate swaps and foreign currency forward contracts is presented in Note 5, "Derivative Instruments and Hedging Activities."

Our Level 2 assets and liabilities are valued using inputs from third parties and market observable data. We obtain valuation data for the cash surrender value of life insurance and deferred compensation liabilities from third party sources, which determine the net asset values for our accounts using quoted market prices, investment allocations and reportable trades. We value our derivative instruments using a third party valuation model that performs a discounted cash flow analysis based on the terms of the contracts and market observable inputs such as current and forward interest rates and current and forward foreign exchange rates.

Our contingent consideration liabilities are related to our business acquisitions as further described in Note 8, "Business Combinations." Under the terms of the contingent consideration agreements, payments may be made at specified future dates depending on the performance of the acquired business subsequent to the acquisition. The liabilities for these payments are classified as Level 3 liabilities because the related fair value measurement, which is determined using an income approach, includes significant inputs not observable in the market. These unobservable inputs include internally-developed assumptions of the probabilities of achieving specified targets, which are used to determine the resulting cash flows and the

applicable discount rate. Our Level 3 fair value measurements are established and updated quarterly by our corporate accounting department using current information about these key assumptions, with the input and oversight of our operational and executive management teams. We evaluate the performance of the business during the period compared to our previous expectations, along with any changes to our future projections, and update the estimated cash flows accordingly. In addition, we consider changes to our cost of capital and changes to the probability of achieving the earnout payment targets when updating our discount rate on a quarterly basis.

The significant unobservable inputs used in the fair value measurements of our Level 3 contingent consideration liabilities were as follows:

	December 31,	
	2015	2014
Unobservable Input	(Weighted Average)	
Probability of achieving payout targets	76.2%	79.1%
Discount rate	7.5%	7.5%

A decrease in the assessed probabilities of achieving the targets or an increase in the discount rate, in isolation, would result in a lower fair value measurement. Changes in the values of the liabilities are recorded in Change in Fair Value of Contingent Consideration Liabilities within Other Expense (Income) on our Consolidated Statements of Income.

Changes in the fair value of our contingent consideration obligations are as follows (in thousands):

Balance as of January 1, 2014	\$	55,653
Contingent consideration liabilities recorded for business acquisitions		5,854
Payments		(52,363)
Decrease in fair value included in earnings		(1,851)
Exchange rate effects		2
Balance as of December 31, 2014	\$	7,295
Contingent consideration liabilities recorded for business acquisitions		—
Payments		(2,815)
Increase in fair value included in earnings		454
Exchange rate effects		(350)
Balance as of December 31, 2015	\$	4,584

The purchase price for our 2011 acquisition of Euro Car Parts Holdings Limited ("ECP") included contingent payments depending on the achievement of certain annual performance targets. The performance target for each of the measurement periods was exceeded, and therefore, we settled the liabilities related to the 2012 and 2013 performance periods for the maximum amounts of £25 million and £30 million, respectively. During 2014, we settled the liability for the 2013 performance period through a cash payment of \$44.8 million (£26.9 million) and the issuance of notes for \$5.1 million (£3.1 million). The cash payments made for the settlement of these contingent consideration liabilities are included within Payments of Other Obligations and Other Cash Outflows in the Cash Flows from Financing Activities and Cash Flows from Operating Activities sections, respectively, of our Consolidated Statements of Cash Flows.

Of the amounts included in earnings for the twelve months ended December 31, 2015, \$ 0.3 million of losses were related to contingent consideration obligations outstanding as of December 31, 2015. Of the amounts included in earnings for the twelve months ended December 31, 2014, \$ 0.2 million of losses were related to contingent consideration obligations outstanding as of December 31, 2015.

The changes in the fair value of contingent consideration obligations included in earnings during 2015 and 2014 reflect the quarterly reassessment of each obligation's fair value, including an analysis of the significant inputs used in the valuation, as well as the accretion of the present value discount.

Financial Assets and Liabilities Not Measured at Fair Value

Our debt is reflected on the Consolidated Balance Sheets at cost. Based on market conditions as of December 31, 2015 and 2014, the fair value of our credit agreement borrowings reasonably approximated the carrying value of \$891.1 million and \$1.1 billion, respectively. In addition, based on market conditions, the fair value of the outstanding borrowings under the receivables facility reasonably approximated the carrying value of \$63.0 million and \$94.9 million at December 31, 2015 and

2014 , respectively. As of December 31, 2015 and 2014 , the fair value of our senior notes was approximately \$567 million and \$569 million , respectively, compared to a carrying value of \$ 600 million .

The fair value measurements of the borrowings under our credit agreement and receivables facility are classified as Level 2 within the fair value hierarchy since they are determined based upon significant inputs observable in the market, including interest rates on recent financing transactions with similar terms and maturities. We estimated the fair value by calculating the upfront cash payment a market participant would require at December 31, 2015 to assume these obligations. The fair value of our senior notes is classified as Level 1 within the fair value hierarchy since it is determined based upon observable market inputs including quoted market prices in an active market.

Note 7. Commitments and Contingencies

Operating Leases

We are obligated under noncancelable operating leases for corporate office space, warehouse and distribution facilities, trucks and certain equipment.

The future minimum lease commitments under these leases at December 31, 2015 are as follows (in thousands):

Years ending December 31:	
2016	\$ 155,104
2017	134,774
2018	113,440
2019	91,927
2020	75,084
Thereafter	286,127
Future Minimum Lease Payments	<u>\$ 856,456</u>

Rental expense for operating leases was approximately \$168.4 million , \$148.5 million and \$122.4 million during the years ended December 31, 2015 , 2014 and 2013 , respectively.

We guarantee the residual values of the majority of our truck and equipment operating leases. The residual values decline over the lease terms to a defined percentage of original cost. In the event the lessor does not realize the residual value when a piece of equipment is sold, we would be responsible for a portion of the shortfall. Similarly, if the lessor realizes more than the residual value when a piece of equipment is sold, we would be paid the amount realized over the residual value. Had we terminated all of our operating leases subject to these guarantees at December 31, 2015 , our portion of the guaranteed residual value would have totaled approximately \$32.9 million . We have not recorded a liability for the guaranteed residual value of equipment under operating leases as the recovery on disposition of the equipment under the leases is expected to approximate the guaranteed residual value.

Litigation and Related Contingencies

We have certain contingencies resulting from litigation, claims and other commitments and are subject to a variety of environmental and pollution control laws and regulations incident to the ordinary course of business. We currently expect that the resolution of such contingencies will not materially affect our financial position, results of operations or cash flows.

Note 8. Business Combinations

During the year ended December 31, 2015 , we completed 18 acquisitions, including 4 wholesale businesses in North America, 12 wholesale businesses in Europe, a self service retail operation, and a specialty vehicle aftermarket business. Our wholesale business acquisitions in North America included Parts Channel, an aftermarket collision parts distributor. We also acquired Coast, a specialty aftermarket business that distributes replacement parts, supplies and accessories in North America for the RV and outdoor recreation markets. Our European acquisitions included 11 aftermarket parts distribution businesses in the Netherlands, 9 of which were former customers of and distributors for our Netherlands subsidiary, Sator, and were acquired with the objective of expanding our distribution network in the Netherlands. Our other acquisitions completed during the year ended December 31, 2015 enabled us to expand our geographic presence. Total acquisition date fair value of the consideration for these acquisitions was \$ 187.9 million , composed of \$161.3 million of cash (net of cash acquired), \$4.3 million of notes payable, \$21.2 million of other purchase price obligations, and \$1.1 million of pre-existing balances between us and the acquired entities considered to be effectively settled as a result of the acquisitions. During the year ended December 31, 2015 ,

we recorded \$92.2 million of goodwill related to these acquisitions and immaterial adjustments to preliminary purchase price allocations related to certain of our 2014 acquisitions. We expect \$ 69.9 million of the \$92.2 million of goodwill recorded to be deductible for income tax purposes. In the period between the acquisition dates and December 31, 2015, these acquisitions generated revenue of \$159.6 million and net income of \$4.5 million.

On December 22, 2015, LKQ and its wholly-owned subsidiary LKQ Italia S.r.l. entered into an agreement to acquire Rhiag, a distributor of aftermarket spare parts for passenger cars and commercial vehicles in Italy, Czech Republic, Switzerland, Hungary, Romania, Ukraine, Bulgaria, Slovakia, Poland and Spain. The transaction is expected to be completed in the first half of 2016 and is subject to customary closing conditions and necessary regulatory approvals. This acquisition will expand LKQ's geographic presence in continental Europe. In addition, we believe the acquisition will create potential purchasing synergies.

On January 3, 2014, we completed our acquisition of Keystone Specialty, which is a leading distributor and marketer of specialty vehicle aftermarket equipment and accessories in North America. This acquisition enabled us to expand into new product lines and enter new markets. Total acquisition date fair value of the consideration for our Keystone Specialty acquisition was \$471.9 million, composed of \$427.1 million of cash (net of cash acquired), \$31.5 million of notes payable and \$13.4 million of other purchase price obligations (non-interest bearing). We recorded \$237.7 million of goodwill related to our acquisition of Keystone Specialty, which we do not expect to be deductible for income tax purposes.

In addition to our acquisition of Keystone Specialty, we made 22 acquisitions during 2014, including 9 wholesale businesses in North America, 9 wholesale businesses in Europe, 2 self service retail operations, and 2 specialty vehicle aftermarket businesses. Our European acquisitions included seven aftermarket parts distribution businesses in the Netherlands, five of which were customers of and distributors for our Netherlands subsidiary, Sator. Our European acquisitions were completed with the objective of aligning our Netherlands and U.K. distribution models; our other acquisitions completed during the year ended December 31, 2014 enabled us to expand in existing markets, introduce new product lines, and enter new markets. Total acquisition date fair value of the consideration for these additional acquisitions was \$359.1 million, composed of \$334.3 million of cash (net of cash acquired), \$13.5 million of notes payable, \$0.3 million of other purchase price obligations (non-interest bearing), \$5.9 million for the estimated value of contingent payments to former owners (with maximum potential payments totaling \$8.3 million), and \$5.1 million of pre-existing balances between us and the acquired entities considered to be effectively settled as a result of the acquisitions. During the year ended December 31, 2014, we recorded \$178.0 million of goodwill related to these acquisitions and immaterial adjustments to preliminary purchase price allocations related to certain of our 2013 acquisitions. We expect \$44.2 million of the \$178.0 million of goodwill recorded to be deductible for income tax purposes.

On May 1, 2013, we acquired the shares of Sator, a vehicle mechanical aftermarket parts distribution company based in the Netherlands, with operations in the Netherlands, Belgium and Northern France. With the acquisition of Sator, we expanded our geographic presence in the European vehicle mechanical aftermarket products market into continental Europe to complement our existing U.K. operations. Total acquisition date fair value of the consideration for the acquisition of Sator was €209.8 million (\$272.8 million) of cash, net of cash acquired. We recorded \$142.7 million of goodwill related to our acquisition of Sator, which we do not expect will be deductible for income tax purposes.

In addition to our acquisition of Sator, we made 19 acquisitions during 2013, including 10 wholesale businesses in North America, 7 wholesale businesses in Europe and 2 self service retail operations. Our European acquisitions included five automotive paint distribution businesses in the U.K., which enabled us to expand our collision product offerings. Our other acquisitions completed during 2013 enabled us to expand into new product lines and enter new markets. Total acquisition date fair value of the consideration for these additional 2013 acquisitions was \$146.1 million, composed of \$134.6 million of cash (net of cash acquired), \$7.5 million of notes payable, \$0.2 million of other purchase price obligations (non-interest bearing) and \$3.9 million for the estimated value of contingent payments to former owners (with maximum potential payments totaling \$5.0 million). During the year ended December 31, 2013 we recorded \$92.7 million of goodwill related to these acquisitions and immaterial adjustments to preliminary purchase price allocations related to certain of our 2012 acquisitions. We expect \$18.3 million of the \$92.7 million of goodwill recorded to be deductible for income tax purposes.

Our acquisitions are accounted for under the purchase method of accounting and are included in our consolidated financial statements from the dates of acquisition. The purchase prices were allocated to the net assets acquired based upon estimated fair market values at the dates of acquisition. In connection with the 2015 acquisitions, certain of the purchase price allocations are preliminary as we are in the process of determining the following: 1) valuation amounts for certain receivables, inventories and fixed assets acquired; 2) valuation amounts for certain intangible assets acquired; 3) the acquisition date fair value of certain liabilities assumed; and 4) the final estimation of the tax basis of the entities acquired. We have recorded preliminary estimates for certain of the items noted above and will record adjustments, if any, to the preliminary amounts upon finalization of the valuations.

The purchase price allocations for the acquisitions completed during 2015 and 2014 are as follows (in thousands):

	Year Ended December 31, 2015	Year Ended December 31, 2014	
	All Acquisitions	Keystone Specialty	Other Acquisitions
			Total
Receivables	\$ 29,628	\$ 48,473	\$ 75,330
Receivable reserves	(3,926)	(7,748)	(7,383)
Inventory	79,646	150,696	123,815
Income taxes receivable	—	14,096	—
Prepaid expenses and other current assets	3,337	8,085	4,050
Property and equipment	11,989	38,080	27,026
Goodwill	92,175	237,729	177,974
Other intangibles	9,926	78,110	51,135
Other assets	5,166	6,159	2,793
Deferred income taxes	4,102	(26,591)	313
Current liabilities assumed	(39,191)	(63,513)	(52,961)
Debt assumed	(2,365)	—	(32,441)
Other noncurrent liabilities assumed	(2,651)	(11,675)	(10,573)
Contingent consideration liabilities	—	—	(5,854)
Other purchase price obligations	(21,199)	(13,351)	(333)
Notes issued	(4,296)	(31,500)	(13,535)
Settlement of pre-existing balances	(1,073)	—	(5,052)
Cash used in acquisitions, net of cash acquired	\$ 161,268	\$ 427,050	\$ 334,304

We pursue acquisitions to create economic value for our stockholders by enhancing our position as a leading source for alternative collision and mechanical repair products and expanding into other product lines and businesses that may benefit from our operating strengths. Our acquisitions in the last three years reflect this strategy through (i) broadening our product offering, (ii) entering new geographic markets and (iii) strengthening our position in our existing markets through tuck-in acquisitions.

Our 2014 acquisition of Keystone Specialty allows us to enter into new product lines and increase the size of our addressable market. In addition, we believe that the acquisition creates logistics and administrative cost synergies as well as cross-selling opportunities, which contributed to the goodwill recorded on the Keystone Specialty acquisition. Additionally, our 2013 acquisitions of five automotive paint distribution businesses in the U.K. expanded our product offering beyond the core mechanical parts sold by ECP.

Our 2013 acquisition of Sator enabled us to expand our market presence to continental Europe. We believe that our Sator acquisition will allow for synergies within our European operations, most notably in procurement, warehousing and product management. These projected synergies contributed to the goodwill recorded on the Sator acquisition.

The majority of our other acquisitions completed during the last three years were completed to strengthen our position in existing markets by achieving greater geographic coverage, adding capacity in key locations and improving customer service. These tuck-in acquisitions tend to have high synergies as we are able to leverage our existing infrastructure to eliminate redundant warehouse, distribution and administrative costs.

When we identify potential acquisitions, we attempt to target companies with a leading market share, an experienced management team and workforce that provide a fit with our existing operations, and strong cash flows. As described above, for certain of our acquisitions, we have identified cost savings and synergies as a result of integrating the company with our existing business that provide additional value to the combined entity. In many cases, acquiring companies with these characteristics will result in purchase prices that include a significant amount of goodwill.

The following pro forma summary presents the effect of the businesses acquired during the year ended December 31, 2015 as though the businesses had been acquired as of January 1, 2014, the businesses acquired during the year ended December 31, 2014 as though they had been acquired as of January 1, 2013 and the businesses acquired during the year ended December 31, 2013 as though they had been acquired as of January 1, 2012. The pro forma adjustments are based upon unaudited financial information of the acquired entities (in thousands, except per share data):

	Year Ended December 31,		
	2015	2014	2013
Revenue, as reported	\$ 7,192,633	\$ 6,740,064	\$ 5,062,528
Revenue of purchased businesses for the period prior to acquisition:			
Keystone Specialty	—	3,443	696,960
Sator	—	—	126,309
Other acquisitions	213,630	676,965	695,596
Pro forma revenue	<u>\$ 7,406,263</u>	<u>\$ 7,420,472</u>	<u>\$ 6,581,393</u>
Net income, as reported	\$ 423,223	\$ 381,519	\$ 311,623
Net income of purchased businesses for the period prior to acquisition, and pro forma purchase accounting adjustments:			
Keystone Specialty	—	637	40,460
Sator	—	—	5,712
Other acquisitions	6,005	20,550	19,367
Pro forma net income	<u>\$ 429,228</u>	<u>\$ 402,706</u>	<u>\$ 377,162</u>
Earnings per share-basic, as reported	\$ 1.39	\$ 1.26	\$ 1.04
Effect of purchased businesses for the period prior to acquisition:			
Keystone Specialty	—	0.00	0.14
Sator	—	—	0.02
Other acquisitions	0.02	0.07	0.06
Pro forma earnings per share-basic ⁽¹⁾	<u>\$ 1.41</u>	<u>\$ 1.33</u>	<u>\$ 1.26</u>
Earnings per share-diluted, as reported	\$ 1.38	\$ 1.25	\$ 1.02
Effect of purchased businesses for the period prior to acquisition:			
Keystone Specialty	—	0.00	0.13
Sator	—	—	0.02
Other acquisitions	0.02	0.07	0.06
Pro forma earnings per share-diluted ⁽¹⁾	<u>\$ 1.40</u>	<u>\$ 1.31</u>	<u>\$ 1.24</u>

(1) The sum of the individual earnings per share amounts may not equal the total due to rounding.

Unaudited pro forma supplemental information is based upon accounting estimates and judgments that we believe are reasonable. The unaudited pro forma supplemental information includes the effect of purchase accounting adjustments, such as the adjustment of inventory acquired to net realizable value, adjustments to depreciation on acquired property and equipment, adjustments to rent expense for above or below market leases, adjustments to amortization on acquired intangible assets, adjustments to interest expense, and the related tax effects. The 2014 pro forma impact of our other acquisitions includes an adjustment for intercompany sales between Sator and the five Netherlands distributors that would have been reflected as intercompany transactions if the acquisitions had occurred on January 1, 2013. Our cost of sales in the initial months after the acquisitions reflects the increased valuation of acquired inventory, which has the impact of temporarily reducing our gross margin. Moving this negative gross margin impact to the year ended December 31, 2013 for our pro forma disclosure has the effect of increasing our pro forma net income during the year ended December 31, 2014.

The pro forma impact of our acquisitions reflects the elimination of acquisition related expenses totaling \$2.6 million for the year ended December 31, 2015, primarily related to acquisitions of Parts Channel, Coast, and our acquisition of the aftermarket parts distribution businesses in the Netherlands. Additionally, the pro forma impact of our acquisitions reflects the elimination of acquisition related expenses totaling \$3.2 million for the year ended December 31, 2014, primarily related to our

May 2014 acquisitions of five aftermarket parts distribution businesses in the Netherlands. The pro forma impact of our Sator acquisition reflects the elimination of acquisition related expenses totaling \$3.6 million for the year ended December 31, 2013. Additionally, the pro-forma impact of our other acquisitions reflects the elimination of acquisition related expenses totaling \$2.2 million for the year ended December 31, 2013. Refer to Note 9, "Restructuring and Acquisition Related Expenses," for further information regarding our acquisition related expenses. These pro forma results are not necessarily indicative of what would have occurred if the acquisitions had been in effect for the periods presented or of future results.

Note 9. Restructuring and Acquisition Related Expenses

Acquisition Related Expenses

Acquisition related expenses, which include external costs such as legal, accounting and advisory fees, totaled \$6.4 million, \$3.7 million, and \$6.7 million, for the years ended December 31, 2015, 2014 and 2013, respectively. Of our 2015 expenses, \$2.5 million was related to our definitive agreement to acquire the holding company of Rhiag-Inter Auto Parts Italia S.p.A, \$1.6 million was related to our acquisitions of eleven aftermarket parts distribution businesses in the Netherlands, \$0.8 million was related to our acquisition of Coast, and \$1.5 million was related to other completed and potential acquisitions.

Our 2014 expenses included \$1.9 million related to our acquisitions of seven aftermarket parts distribution businesses in the Netherlands; the remainder of our 2014 expenses related to our acquisition of a supplier of replacement parts, supplies and accessories for recreational vehicles in our Specialty segment as well as other completed and potential acquisitions.

Our 2013 expenses included \$3.6 million related to our acquisition of Sator in May 2013, \$1.4 million related to our acquisitions of five U.K.-based paint distribution businesses, and \$0.9 million related to our acquisition of Keystone Specialty in January 2014. Acquisition related costs are expensed as incurred.

Acquisition Integration Plans

During the year ended December 31, 2015, we incurred \$13.1 million of restructuring expenses. Expenses incurred were primarily a result of the integration of our acquisition of Parts Channel into our existing North American wholesale business, and the integration of our Coast acquisition and our October 2014 acquisition of a supplier of parts for recreational vehicles into our Specialty business. These integration activities included the closure of duplicate facilities, termination of employees in connection with the consolidation of overlapping facilities with our existing business, and moving expenses.

During the year ended December 31, 2014, we incurred \$5.8 million of restructuring expenses as a result of the integration of our acquisition of Keystone Specialty into our existing business. These integration activities included the closure of duplicate facilities, termination of employees in connection with the consolidation of overlapping facilities with our existing business, and moving expenses.

Also during 2014, we incurred \$1.9 million, \$1.0 million, and \$0.8 million of other restructuring costs related to our European, North American, and Specialty acquisitions, respectively. These costs are a result of activities to integrate our acquisitions into our existing business, including the closure of duplicate facilities, termination of employees in connection with the consolidation of overlapping facilities with our existing business, moving expenses, and other third party services directly related to our acquisitions.

We expect to incur additional expenses related to the integration of certain of our acquisitions into our existing operations in 2016. These integration activities are expected to include the closure of duplicate facilities, termination of employees in connection with the consolidation of overlapping facilities with our existing business, and moving expenses. Future expenses to complete these integration plans are expected to be less than \$9.0 million.

During the year ended December 31, 2013, we incurred \$2.1 million of restructuring expenses related to the integration of certain of our 2013 European acquisitions and \$1.4 million of restructuring expenses related to the integration of certain of our 2012 North American acquisitions. Our integration activities included the closure of duplicate facilities, termination of employees in connection with the consolidation of overlapping facilities with our existing business, moving expenses, and other third party services directly related to the integration of these acquisitions.

European Restructuring Plan

In the third quarter of 2014, we initiated restructuring activities to eliminate overlapping positions within certain of our European operations. As a result of these restructuring activities, we incurred \$1.6 million of expenses during the year ended December 31, 2014, primarily for severance costs to terminated employees.

Note 10. Earnings Per Share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the incremental shares issuable upon the assumed exercise of stock options and

the assumed vesting of RSUs and restricted stock. Certain of our RSUs and stock options were excluded from the calculation of diluted earnings per share because they were antidilutive, but these equity instruments could be dilutive in the future.

The following chart sets forth the computation of earnings per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2015	2014	2013
Net Income	\$ 423,223	\$ 381,519	\$ 311,623
Denominator for basic earnings per share—Weighted-average shares outstanding	304,722	302,343	299,574
Effect of dilutive securities:			
RSUs	667	791	845
Stock options	2,107	2,905	3,696
Restricted stock	—	6	16
Denominator for diluted earnings per share—Adjusted weighted-average shares outstanding	307,496	306,045	304,131
Earnings per share, basic	\$ 1.39	\$ 1.26	\$ 1.04
Earnings per share, diluted	\$ 1.38	\$ 1.25	\$ 1.02

The following table sets forth the number of employee stock-based compensation awards outstanding but not included in the computation of diluted earnings per share because their effect would have been antidilutive (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Antidilutive securities:			
RSUs	230	289	—
Stock options	96	116	—

Note 11. Income Taxes

The provision for income taxes consists of the following components (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	\$ 138,432	\$ 144,924	\$ 115,150
State	25,952	24,052	20,869
Foreign	32,931	29,046	23,906
	\$ 197,315	\$ 198,022	\$ 159,925
Deferred:			
Federal	\$ 22,233	\$ 9,321	\$ 6,225
State	1,212	(179)	(550)
Foreign	(1,057)	(2,900)	(1,396)
	\$ 22,388	\$ 6,242	\$ 4,279
Provision for income taxes	\$ 219,703	\$ 204,264	\$ 164,204

Income taxes have been based on the following components of income before provision for income taxes (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Domestic	\$ 478,819	\$ 460,637	\$ 361,283
Foreign	170,211	127,251	114,544
	\$ 649,030	\$ 587,888	\$ 475,827

The U.S. federal statutory rate is reconciled to the effective tax rate as follows:

	Year Ended December 31,		
	2015	2014	2013
U.S. federal statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of state credits and federal tax impact	2.9 %	2.8 %	2.9 %
Impact of international operations	(4.1)%	(3.6)%	(3.7)%
Non-deductible expenses	0.8 %	0.5 %	0.9 %
Federal production incentives and credits	(0.2)%	(0.2)%	(0.3)%
Other, net	(0.5)%	0.2 %	(0.3)%
Effective tax rate	33.9 %	34.7 %	34.5 %

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$398 million at December 31, 2015. Those earnings are considered to be indefinitely reinvested, and accordingly no provision for U.S. income taxes has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and potential withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce materially any U.S. liability.

The significant components of our deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2015	2014
Deferred Tax Assets:		
Inventory	\$ 27,184	\$ 33,452
Accrued expenses and reserves	46,837	40,349
Accounts receivable	13,971	12,894
Stock-based compensation	11,096	11,978
Qualified and nonqualified retirement plans	14,130	14,049
Net operating loss carryforwards	8,946	6,744
Tax credit carryforwards	3,189	4,424
Other	5,023	8,275
	130,376	132,165
Less valuation allowance	(3,880)	(5,239)
Total deferred tax assets	\$ 126,496	\$ 126,926
Deferred Tax Liabilities:		
Goodwill and other intangible assets	\$ 141,442	\$ 121,728
Property and equipment	67,065	60,215
Trade name	36,532	43,325
Other	5,342	5,988
Total deferred tax liabilities	\$ 250,381	\$ 231,256
Net deferred tax liability	\$ (123,885)	\$ (104,330)

Deferred tax assets and liabilities are reflected on our Consolidated Balance Sheets as follows (in thousands):

	December 31,	
	2015	2014
Noncurrent deferred tax assets	\$ 3,354	\$ 2,608
Noncurrent deferred tax liabilities	127,239	106,938

Our deferred tax assets and liabilities are presented within Other Assets and Deferred Income Taxes, respectively, on our Consolidated Balance Sheets. Refer to Recent Accounting Pronouncements in Note 2, "Summary of Significant Accounting

Policies " for a summary of the retrospective adjustments made to current deferred tax balances as of December 31, 2014 under ASU 2015-17 to conform to the current year presentation.

We had net operating loss carryforwards for federal and certain of our state tax jurisdictions, the tax benefits of which total approximately \$8.9 million and \$6.7 million at December 31, 2015 and 2014 , respectively. At December 31, 2015 and 2014 , we had foreign, state, and local tax credit carryforwards of \$3.2 million and \$4.4 million , respectively. As of December 31, 2015 and 2014 , valuation allowances of \$3.9 million and \$5.2 million , respectively, were recorded for a portion of the deferred tax assets related to net operating loss and tax credit carryforwards. The \$1.3 million net decrease in valuation allowances was primarily due to a \$2.6 million decrease related to a reduction in foreign tax credit carryovers as a result of the favorable reassessment by the Canada Revenue Agency of certain prior period filings by our Specialty operations in Canada, and a \$0.2 million decrease due to our judgment regarding the realization of other net operating losses. These decreases were partially offset by a \$1.5 million increase attributable to acquired foreign, federal and state tax credits.

The net operating loss carryforwards expire over the period from 2016 through 2035. Foreign tax credit carryforwards expire over the period from 2016 through 2025, while the state and local tax credits primarily have no expiration. Realization of these deferred tax assets is dependent on the generation of sufficient taxable income prior to the expiration dates. Based on historical and projected operating results, we believe that it is more likely than not that earnings will be sufficient to realize the deferred tax assets for which valuation allowances have not been provided. While we expect to realize the deferred tax assets, net of valuation allowances, changes in estimates of future taxable income or in tax laws may alter this expectation.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

	2015	2014	2013
Balance at January 1	\$ 2,630	\$ 1,445	\$ 1,693
Additions for acquired tax positions	80	2,322	—
Additions based on tax positions related to the current year	302	302	302
Reductions for tax positions of prior years	(743)	—	—
Lapse of statutes of limitations	(119)	(134)	(550)
Settlements with taxing authorities	—	(1,182)	—
Currency exchange rate fluctuations	123	(123)	—
Balance at December 31	<u>\$ 2,273</u>	<u>\$ 2,630</u>	<u>\$ 1,445</u>

Included in the balance of unrecognized tax benefits above as of December 31, 2015, 2014 and 2013 are \$1.5 million , \$1.9 million and \$0.9 million , respectively, of tax benefits that, if recognized, would affect the effective tax rate. The balance of unrecognized tax benefits at December 31, 2015, 2014 and 2013 also includes \$0.8 million , \$0.7 million , and \$0.5 million respectively, of tax benefits that, if recognized, would result in adjustments to deferred taxes.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. Attributable to the unrecognized tax benefits noted above, at December 31, 2015 and 2014, the Company had accumulated interest and penalties of \$0.8 million and \$ 0.7 million respectively. During each of the years ended December 31, 2015 , 2014 , and 2013 , \$0.1 million , \$0.1 million and \$0.1 million , respectively, of interest and penalties were recorded through the income tax provision, prior to any reversals for lapses in the statutes of limitations.

During the twelve months beginning January 1, 2016, it is reasonably possible that we will reduce unrecognized tax benefits by up to approximately \$0.1 million , all of which would impact our effective tax rate, primarily as a result of the expiration of certain statutes of limitations.

During 2015, the U.S. Internal Revenue Service completed examinations of the Company's Federal consolidated tax returns for the years 2011 to 2013, without material adjustment. In the U.K., with limited exception, tax years through 2010 are no longer subject to inquiry. Certain Canadian operations are under examination for the years 2010 to 2012. In the Netherlands, tax years through 2012 have been assessed. Tax years from 2011 are subject to income tax examinations by various U.S. state and local jurisdictions. Adjustments from such examinations, if any, are not expected to have a material effect on our consolidated financial statements.

Note 12. Accumulated Other Comprehensive Income (Loss)

The components of Accumulated Other Comprehensive Income (Loss) are as follows (in thousands):

	Foreign Currency Translation	Unrealized (Loss)Gain on Cash Flow Hedges	Unrealized Gain (Loss) on Pension Plan	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2013	\$ 10,850	\$ (10,091)	\$ —	\$ 759
Pretax income (loss)	14,056	(21,250)	935	(6,259)
Income tax effect	—	7,984	(234)	7,750
Reclassification of unrealized loss	—	27,481	—	27,481
Reclassification of deferred income taxes	—	(10,011)	—	(10,011)
Hedge ineffectiveness	—	460	—	460
Income tax effect	—	(169)	—	(169)
Balance at December 31, 2013	\$ 24,906	\$ (5,596)	\$ 701	\$ 20,011
Pretax loss	(51,979)	(1,586)	(13,506)	(67,071)
Income tax effect	—	382	3,179	3,561
Reclassification of unrealized loss (gain)	—	5,200	(166)	5,034
Reclassification of deferred income taxes	—	(1,801)	41	(1,760)
Balance at December 31, 2014	\$ (27,073)	\$ (3,401)	\$ (9,751)	\$ (40,225)
Pretax (loss) income	(69,817)	(1,664)	2,245	(69,236)
Income tax effect	—	538	(561)	(23)
Reclassification of unrealized loss	—	5,366	559	5,925
Reclassification of deferred income taxes	—	(1,771)	(140)	(1,911)
Balance at December 31, 2015	\$ (96,890)	\$ (932)	\$ (7,648)	\$ (105,470)

Unrealized losses on our interest rate swap contracts totaling \$5.4 million , \$6.2 million , and \$6.2 million were reclassified to interest expense in our Consolidated Statements of Income during each of the years ended December 31, 2015 , 2014, and 2013. The remaining reclassification of unrealized gains and losses during these periods related to our foreign currency forward contracts and were recorded to other income in our Consolidated Statements of Income. These gains and losses offset the remeasurement of certain of our intercompany balances as discussed in Note 5, "Derivative Instruments and Hedging Activities ." The deferred income taxes related to our cash flow hedges were reclassified from Accumulated Other Comprehensive Income to income tax expense.

Note 13. Segment and Geographic Information

We have four operating segments: Wholesale – North America; Europe; Specialty; and Self Service. Our Specialty operating segment was formed with our January 3, 2014 acquisition of Keystone Specialty, as discussed in Note 8, "Business Combinations ." Our Wholesale – North America and Self Service operating segments are aggregated into one reportable segment, North America, because they possess similar economic characteristics and have common products and services, customers, and methods of distribution. Our reportable segments are organized based on a combination of geographic areas served and type of product lines offered. The reportable segments are managed separately as each business serves different customers (i.e. geographic in the case of North America and Europe and product type in the case of Specialty) and is affected by different economic conditions. Therefore, we present three reportable segments: North America, Europe and Specialty.

The following tables present our financial performance by reportable segment for the periods indicated (in thousands):

	North America	Europe	Specialty	Eliminations	Consolidated
Year Ended December 31, 2015					
Revenue:					
Third Party	\$ 4,145,998	\$ 1,995,385	\$ 1,051,250	\$ —	\$ 7,192,633
Intersegment	835	70	3,334	(4,239)	—
Total segment revenue	\$ 4,146,833	\$ 1,995,455	\$ 1,054,584	\$ (4,239)	\$ 7,192,633
Segment EBITDA	\$ 547,405	\$ 200,563	\$ 106,561	\$ —	\$ 854,529
Depreciation and amortization ⁽¹⁾	70,369	36,446	21,377	—	128,192
Year Ended December 31, 2014					
Revenue:					
Third Party	\$ 4,088,701	\$ 1,846,155	\$ 805,208	\$ —	\$ 6,740,064
Intersegment	589	—	1,807	(2,396)	—
Total segment revenue	\$ 4,089,290	\$ 1,846,155	\$ 807,015	\$ (2,396)	\$ 6,740,064
Segment EBITDA	\$ 543,943	\$ 167,155	\$ 79,453	\$ —	\$ 790,551
Depreciation and amortization ⁽¹⁾	70,434	34,391	20,612	—	125,437
Year Ended December 31, 2013					
Revenue:					
Third Party	\$ 3,802,929	\$ 1,259,599	\$ —	\$ —	\$ 5,062,528
Intersegment	—	—	—	—	—
Total segment revenue	\$ 3,802,929	\$ 1,259,599	\$ —	\$ —	\$ 5,062,528
Segment EBITDA	\$ 486,831	\$ 141,756	\$ —	\$ —	\$ 628,587
Depreciation and amortization ⁽¹⁾	65,606	20,857	—	—	86,463

⁽¹⁾ Amounts presented include depreciation and amortization expense recorded within cost of goods sold.

The key measure of segment profit or loss reviewed by our chief operating decision maker, who is our Chief Executive Officer, is Segment EBITDA. Segment EBITDA includes revenue and expenses that are controllable by the segment. Corporate and administrative expenses are allocated to the segments based on usage, with shared expenses apportioned based on the segment's percentage of consolidated revenue. Segment EBITDA is calculated as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities and equity in earnings of unconsolidated subsidiaries. EBITDA, which is the basis for Segment EBITDA, is calculated as net income excluding depreciation, amortization, interest (including loss on debt extinguishment) and taxes. Loss on debt extinguishment is considered a component of interest in calculating EBITDA, as the write-off of debt issuance costs is similar to the treatment of debt issuance cost amortization.

The table below provides a reconciliation from Segment EBITDA to Net Income (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Segment EBITDA	\$ 854,529	\$ 790,551	\$ 628,587
Deduct:			
Restructuring and acquisition related expenses ⁽¹⁾	19,511	14,806	10,173
Change in fair value of contingent consideration liabilities ⁽²⁾	454	(1,851)	2,504
Add:			
Equity in earnings of unconsolidated subsidiaries	(6,104)	(2,105)	—
EBITDA	828,460	775,491	615,910
Depreciation and amortization - cost of goods sold	6,072	4,718	5,494
Depreciation and amortization	122,120	120,719	80,969
Interest expense, net	57,342	63,947	50,825
Loss on debt extinguishment	—	324	2,795
Provision for income taxes	219,703	204,264	164,204
Net income	\$ 423,223	\$ 381,519	\$ 311,623

⁽¹⁾ See Note 9, "Restructuring and Acquisition Related Expenses," for further information.

⁽²⁾ See Note 6, "Fair Value Measurements," for further information on our contingent consideration liabilities.

The following table presents capital expenditures by reportable segment (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Capital Expenditures			
North America	\$ 72,048	\$ 86,172	\$ 66,288
Europe	79,072	44,896	23,898
Specialty	19,370	9,882	—
	\$ 170,490	\$ 140,950	\$ 90,186

The following table presents assets by reportable segment (in thousands):

	December 31,		
	2015	2014	2013
Receivables, net			
North America	\$ 314,743	\$ 322,713	\$ 277,395
Europe	215,710	227,987	180,699
Specialty	59,707	50,722	—
Total receivables, net	590,160	601,422	458,094
Inventory			
North America	847,787	826,429	748,167
Europe	427,323	402,488	328,785
Specialty	281,442	204,930	—
Total inventory	1,556,552	1,433,847	1,076,952
Property and Equipment, net			
North America	467,961	456,288	447,528
Europe	175,455	128,309	99,123
Specialty	53,151	45,390	—
Total property and equipment, net	696,567	629,987	546,651
Other unallocated assets ⁽¹⁾	2,804,558	2,810,483	2,356,361
Total assets ⁽¹⁾	\$ 5,647,837	\$ 5,475,739	\$ 4,438,058

⁽¹⁾ Prior year balances have been updated to reflect the adoption of two new accounting pronouncements in the fourth quarter of 2015 as described in Recent Accounting Pronouncements in Note 2, "Summary of Significant Accounting Policies". The adoption of these new accounting pronouncements resulted in a reclassification of \$18.5 million of debt issuance costs from Other Assets to Long-term obligations, and a reclassification of \$62.2 million of deferred tax assets to noncurrent deferred tax liabilities for the year ended December 31, 2013.

We report net receivables, inventories, and net property and equipment by segment as that information is used by the chief operating decision maker in assessing segment performance. These assets provide a measure for the operating capital employed in each segment. Unallocated assets include cash, prepaid and other current and noncurrent assets, goodwill, intangibles and income taxes.

The majority of our operations are conducted in the U.S. Our European operations are located in the U.K., the Netherlands, Belgium, France, Sweden, and Norway. Our operations in other countries include recycled and aftermarket operations in Canada, engine remanufacturing and bumper refurbishing operations in Mexico, an aftermarket parts freight consolidation warehouse in Taiwan, and administrative support functions in India. Our net sales are attributed to geographic area based on the location of the selling operation.

The following table sets forth our revenue by geographic area (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Revenue			
United States	\$ 4,831,875	\$ 4,499,743	\$ 3,544,360
United Kingdom	1,382,432	1,321,786	981,585
Other countries	978,326	918,535	536,583
	\$ 7,192,633	\$ 6,740,064	\$ 5,062,528

The following table sets forth our tangible long-lived assets by geographic area (in thousands):

	December 31,	
	2015	2014
Long-lived Assets		
United States	\$ 493,300	\$ 469,450
United Kingdom	138,546	92,813
Other countries	64,721	67,724
	<u>\$ 696,567</u>	<u>\$ 629,987</u>

The following table sets forth our revenue by product category (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Aftermarket, other new and refurbished products	\$ 5,116,373	\$ 4,613,454	\$ 3,034,599
Recycled, remanufactured and related products and services	1,597,578	1,473,305	1,394,981
Other	478,682	653,305	632,948
	<u>\$ 7,192,633</u>	<u>\$ 6,740,064</u>	<u>\$ 5,062,528</u>

Our North American reportable segment generates revenue from all of our product categories, while our European and Specialty segments generate revenue primarily from the sale of aftermarket products. Revenue from other sources includes scrap sales, bulk sales to mechanical remanufacturers (including cores) and sales of aluminum ingots and sows from our furnace operations.

Note 14. Selected Quarterly Data (unaudited)

The following table presents unaudited selected quarterly financial data for the two years ended December 31, 2015. The operating results for any quarter are not necessarily indicative of the results for any future period.

	Quarter Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
<i>(In thousands, except per share data)</i>				
2014				
Revenue	\$ 1,625,777	\$ 1,709,132	\$ 1,721,024	\$ 1,684,131
Gross margin	651,884	671,059	664,411	664,559
Operating income	173,834	173,596	156,188	146,250
Net income	104,653	104,882	91,515	80,469
Basic earnings per share ⁽¹⁾	\$ 0.35	\$ 0.35	\$ 0.30	\$ 0.27
Diluted earnings per share ⁽¹⁾	\$ 0.34	\$ 0.34	\$ 0.30	\$ 0.26

	Quarter Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
<i>(In thousands, except per share data)</i>				
2015				
Revenue	\$ 1,773,912	\$ 1,838,070	\$ 1,831,732	\$ 1,748,919
Gross margin	699,479	723,944	712,779	697,327
Operating income	185,926	200,285	166,745	151,671
Net income	107,095	119,722	101,346	95,060
Basic earnings per share ⁽¹⁾	\$ 0.35	\$ 0.39	\$ 0.33	\$ 0.31
Diluted earnings per share ⁽¹⁾	\$ 0.35	\$ 0.39	\$ 0.33	\$ 0.31

- (1) The sum of the quarters may not equal the total of the respective year's earnings per share on either a basic or diluted basis due to changes in weighted average shares outstanding throughout the year.

Note 15. Condensed Consolidating Financial Information

LKQ Corporation (the "Parent") issued, and certain of its 100% owned subsidiaries (the "Guarantors") have fully and unconditionally guaranteed, jointly and severally, the Company's Notes due on May 15, 2023. A Guarantor's guarantee will be unconditionally and automatically released and discharged upon the occurrence of any of the following events: (i) a transfer (including as a result of consolidation or merger) by the Guarantor to any person that is not a Guarantor of all or substantially all assets and properties of such Guarantor, provided the Guarantor is also released from its obligations with respect to indebtedness under the Credit Agreement or other indebtedness of ours, which obligation gave rise to the guarantee of the Notes; (ii) a transfer (including as a result of consolidation or merger) to any person that is not a Guarantor of the equity interests of a Guarantor or issuance by a Guarantor of its equity interests such that the Guarantor ceases to be a subsidiary, as defined in the Indenture, provided the Guarantor is also released from its obligations with respect to indebtedness under the Credit Agreement or other indebtedness of ours, which obligation gave rise to the guarantee of the Notes; (iii) the release of the Guarantor from its obligations with respect to indebtedness under the Credit Agreement or other indebtedness of ours, which obligation gave rise to the guarantee of the Notes; and (iv) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as defined in the Indenture.

Presented below are the condensed consolidating financial statements of the Parent, the Guarantors, the non-guarantor subsidiaries (the "Non-Guarantors"), and the elimination entries necessary to present the Company's financial statements on a consolidated basis as required by Rule 3-10 of Regulation S-X of the Securities Exchange Act of 1934 resulting from the guarantees of the Notes. Investments in consolidated subsidiaries have been presented under the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries, intercompany balances, and intercompany revenues and expenses. The condensed consolidating financial statements below have been prepared from the Company's financial information on the same basis of accounting as the consolidated financial statements, and may not necessarily be indicative of the financial position, results of operations or cash flows had the Parent, Guarantors and Non-Guarantors operated as independent entities.

LKQ CORPORATION AND SUBSIDIARIES

**Condensed Consolidating Balance Sheets
(In thousands)**

	December 31, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and equivalents	\$ 17,616	\$ 13,432	\$ 56,349	\$ —	\$ 87,397
Receivables, net	—	214,502	375,658	—	590,160
Intercompany receivables, net	3	—	13,544	(13,547)	—
Inventory	—	1,060,834	495,718	—	1,556,552
Prepaid expenses and other current assets	15,254	44,810	46,539	—	106,603
Total Current Assets	32,873	1,333,578	987,808	(13,547)	2,340,712
Property and Equipment, net	339	494,658	201,570	—	696,567
Intangible Assets:					
Goodwill	—	1,640,745	678,501	—	2,319,246
Other intangibles, net	—	141,537	73,580	—	215,117
Investment in Subsidiaries	3,456,837	285,284	—	(3,742,121)	—
Intercompany Notes Receivable	630,717	61,764	—	(692,481)	—
Other Assets	35,649	28,184	18,218	(5,856)	76,195
Total Assets	\$ 4,156,415	\$ 3,985,750	\$ 1,959,677	\$ (4,454,005)	\$ 5,647,837
Liabilities and Stockholders' Equity					
Current Liabilities:					
Accounts payable	\$ 681	\$ 229,519	\$ 185,388	\$ —	\$ 415,588
Intercompany payables, net	—	13,544	3	(13,547)	—
Accrued expenses:					
Accrued payroll-related liabilities	4,395	48,698	33,434	—	86,527
Self-insurance reserves	—	37,499	260	—	37,759
Other accrued expenses	5,399	43,387	75,680	—	124,466
Other current liabilities	284	15,953	15,359	—	31,596
Current portion of long-term obligations	21,041	1,425	33,568	—	56,034
Total Current Liabilities	31,800	390,025	343,692	(13,547)	751,970
Long-Term Obligations, Excluding Current Portion	976,353	7,487	544,828	—	1,528,668
Intercompany Notes Payable	—	615,488	76,993	(692,481)	—
Deferred Income Taxes	—	113,905	19,190	(5,856)	127,239
Other Noncurrent Liabilities	33,580	70,109	21,589	—	125,278
Stockholders' Equity	3,114,682	2,788,736	953,385	(3,742,121)	3,114,682
Total Liabilities and Stockholders' Equity	\$ 4,156,415	\$ 3,985,750	\$ 1,959,677	\$ (4,454,005)	\$ 5,647,837

LKQ CORPORATION AND SUBSIDIARIES

Condensed Consolidating Balance Sheets
(In thousands)

	December 31, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and equivalents	\$ 14,930	\$ 32,103	\$ 67,572	\$ —	\$ 114,605
Receivables, net	145	217,542	383,735	—	601,422
Intercompany receivables, net	1,360	—	8,048	(9,408)	—
Inventory	—	964,477	469,370	—	1,433,847
Prepaid expenses and other current assets	20,640	36,553	28,606	—	85,799
Total Current Assets	37,075	1,250,675	957,331	(9,408)	2,235,673
Property and Equipment, net	494	470,791	158,702	—	629,987
Intangible Assets:					
Goodwill	—	1,563,796	725,099	—	2,288,895
Other intangibles, net	—	155,819	89,706	—	245,525
Investment in Subsidiaries	3,216,039	279,967	—	(3,496,006)	—
Intercompany Notes Receivable	667,949	23,449	—	(691,398)	—
Other Assets	35,380	24,457	22,960	(7,138)	75,659
Total Assets	\$ 3,956,937	\$ 3,768,954	\$ 1,953,798	\$ (4,203,950)	\$ 5,475,739
Liabilities and Stockholders' Equity					
Current Liabilities:					
Accounts payable	\$ 682	\$ 182,607	\$ 216,913	\$ —	\$ 400,202
Intercompany payables, net	—	8,048	1,360	(9,408)	—
Accrued expenses:					
Accrued payroll-related liabilities	8,075	48,850	29,091	—	86,016
Self-Insurance reserves	—	36,173	196	—	36,369
Other accrued expenses	8,061	47,684	72,034	—	127,779
Other current liabilities	283	16,197	15,720	—	32,200
Current portion of long-term obligations	53,595	4,599	3,744	—	61,938
Total Current Liabilities	70,696	344,158	339,058	(9,408)	744,504
Long-Term Obligations, Excluding Current Portion	1,133,916	6,561	643,733	—	1,784,210
Intercompany Notes Payable	—	649,824	41,574	(691,398)	—
Deferred Income Taxes	—	93,877	20,199	(7,138)	106,938
Other Noncurrent Liabilities	31,668	60,213	27,549	—	119,430
Stockholders' Equity	2,720,657	2,614,321	881,685	(3,496,006)	2,720,657
Total Liabilities and Stockholders' Equity	\$ 3,956,937	\$ 3,768,954	\$ 1,953,798	\$ (4,203,950)	\$ 5,475,739

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Income
(In thousands)

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$ —	\$ 4,965,355	\$ 2,357,655	\$ (130,377)	\$ 7,192,633
Cost of goods sold	—	3,010,820	1,478,661	(130,377)	4,359,104
Gross margin	—	1,954,535	878,994	—	2,833,529
Facility and warehouse expenses	—	408,828	147,213	—	556,041
Distribution expenses	—	408,112	194,785	—	602,897
Selling, general and administrative expenses	32,946	490,530	304,857	—	828,333
Restructuring and acquisition related expenses	—	13,962	5,549	—	19,511
Depreciation and amortization	154	82,058	39,908	—	122,120
Operating (loss) income	(33,100)	551,045	186,682	—	704,627
Other expense (income):					
Interest expense	47,626	669	9,565	—	57,860
Intercompany interest (income) expense, net	(41,904)	28,944	12,960	—	—
Change in fair value of contingent consideration liabilities	—	230	224	—	454
Interest and other expense (income), net	99	(7,644)	4,828	—	(2,717)
Total other expense, net	5,821	22,199	27,577	—	55,597
(Loss) income before (benefit) provision for income taxes	(38,921)	528,846	159,105	—	649,030
(Benefit) provision for income taxes	(16,054)	205,176	30,581	—	219,703
Equity in earnings of unconsolidated subsidiaries	(1,000)	59	(5,163)	—	(6,104)
Equity in earnings of subsidiaries	447,090	24,632	—	(471,722)	—
Net income	\$ 423,223	\$ 348,361	\$ 123,361	\$ (471,722)	\$ 423,223

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Income
(In thousands)

	Year Ended December 31, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$ —	\$ 4,649,391	\$ 2,221,831	\$ (131,158)	\$ 6,740,064
Cost of goods sold	—	2,813,427	1,405,882	(131,158)	4,088,151
Gross margin	—	1,835,964	815,949	—	2,651,913
Facility and warehouse expenses	—	382,937	143,354	—	526,291
Distribution expenses	—	389,430	187,911	—	577,341
Selling, general and administrative expenses	25,770	460,516	276,602	—	762,888
Restructuring and acquisition related expenses	—	8,628	6,178	—	14,806
Depreciation and amortization	218	81,253	39,248	—	120,719
Operating (loss) income	(25,988)	513,200	162,656	—	649,868
Other expense (income):					
Interest expense	50,636	635	13,271	—	64,542
Intercompany interest (income) expense, net	(48,556)	23,865	24,691	—	—
Loss on debt extinguishment	324	—	—	—	324
Change in fair value of contingent consideration liabilities	—	(2,081)	230	—	(1,851)
Interest and other expense (income), net	230	(6,278)	5,013	—	(1,035)
Total other expense, net	2,634	16,141	43,205	—	61,980
(Loss) income before (benefit) provision for income taxes	(28,622)	497,059	119,451	—	587,888
(Benefit) provision for income taxes	(10,536)	190,456	24,344	—	204,264
Equity in earnings of unconsolidated subsidiaries	—	40	(2,145)	—	(2,105)
Equity in earnings of subsidiaries	399,605	28,846	—	(428,451)	—
Net income	\$ 381,519	\$ 335,489	\$ 92,962	\$ (428,451)	\$ 381,519

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Income
(In thousands)

	Year Ended December 31, 2013				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$ —	\$ 3,576,269	\$ 1,598,832	\$ (112,573)	\$ 5,062,528
Cost of goods sold	—	2,100,804	998,895	(112,573)	2,987,126
Gross margin	—	1,475,465	599,937	—	2,075,402
Facility and warehouse expenses	—	323,042	102,039	—	425,081
Distribution expenses	—	297,908	134,039	—	431,947
Selling, general and administrative expenses	26,778	377,481	192,793	—	597,052
Restructuring and acquisition related expenses	—	1,406	8,767	—	10,173
Depreciation and amortization	250	55,802	24,917	—	80,969
Operating (loss) income	(27,028)	419,826	137,382	—	530,180
Other expense (income):					
Interest expense	42,442	640	8,102	—	51,184
Intercompany interest (income) expense, net	(45,459)	21,978	23,481	—	—
Loss on debt extinguishment	2,795	—	—	—	2,795
Change in fair value of contingent consideration liabilities	—	(744)	3,248	—	2,504
Interest and other expense (income), net	252	(2,858)	476	—	(2,130)
Total other expense, net	30	19,016	35,307	—	54,353
(Loss) income before (benefit) provision for income taxes	(27,058)	400,810	102,075	—	475,827
(Benefit) provision for income taxes	(7,193)	151,369	20,028	—	164,204
Equity in earnings of subsidiaries	331,488	22,050	—	(353,538)	—
Net income	\$ 311,623	\$ 271,491	\$ 82,047	\$ (353,538)	\$ 311,623

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	\$ 423,223	\$ 348,361	\$ 123,361	\$ (471,722)	\$ 423,223
Other comprehensive (loss) income:					
Foreign currency translation	(69,817)	(20,359)	(65,878)	86,237	(69,817)
Net change in unrecognized gains/losses on derivative instruments, net of tax	2,469	—	294	(294)	2,469
Net change in unrealized gains/losses on pension plan, net of tax	2,103	—	2,103	(2,103)	2,103
Total other comprehensive loss	(65,245)	(20,359)	(63,481)	83,840	(65,245)
Total comprehensive income	\$ 357,978	\$ 328,002	\$ 59,880	\$ (387,882)	\$ 357,978

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	Year Ended December 31, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	\$ 381,519	\$ 335,489	\$ 92,962	\$ (428,451)	\$ 381,519
Other comprehensive (loss) income:					
Foreign currency translation	(51,979)	(17,710)	(49,559)	67,269	(51,979)
Net change in unrecognized gains/losses on derivative instruments, net of tax	2,195	—	(444)	444	2,195
Net change in unrealized gains/losses on pension plan, net of tax	(10,452)	—	(10,452)	10,452	(10,452)
Total other comprehensive loss	(60,236)	(17,710)	(60,455)	78,165	(60,236)
Total comprehensive income	\$ 321,283	\$ 317,779	\$ 32,507	\$ (350,286)	\$ 321,283

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Comprehensive Income
(In thousands)

	Year Ended December 31, 2013				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	\$ 311,623	\$ 271,491	\$ 82,047	\$ (353,538)	\$ 311,623
Other comprehensive income:					
Foreign currency translation	14,056	7,168	15,495	(22,663)	14,056
Net change in unrecognized gains/losses on derivative instruments, net of tax	4,495	—	1,322	(1,322)	4,495
Net change in unrealized gain on pension plan, net of tax	701	—	701	(701)	701
Total other comprehensive income	19,252	7,168	17,518	(24,686)	19,252
Total comprehensive income	\$ 330,875	\$ 278,659	\$ 99,565	\$ (378,224)	\$ 330,875

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	\$ 248,367	\$ 393,422	\$ 136,361	\$ (248,313)	\$ 529,837
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(1)	(85,868)	(84,621)	—	(170,490)
Investment and intercompany note activity with subsidiaries	(66,712)	—	—	66,712	—
Acquisitions, net of cash acquired	—	(118,963)	(41,554)	—	(160,517)
Other investing activities, net	—	5,446	(4,432)	—	1,014
Net cash used in investing activities	(66,713)	(199,385)	(130,607)	66,712	(329,993)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from exercise of stock options	8,168	—	—	—	8,168
Excess tax benefit from stock-based payments	14,445	—	—	—	14,445
Taxes paid related to net share settlements of stock-based compensation awards	(7,581)	—	—	—	(7,581)
Debt issuance costs	—	—	(97)	—	(97)
Borrowings under revolving credit facilities	212,000	—	101,142	—	313,142
Repayments under revolving credit facilities	(352,000)	—	(93,282)	—	(445,282)
Repayments under term loans	(22,500)	—	—	—	(22,500)
Borrowings under receivables securitization facility	—	—	3,858	—	3,858
Repayments under receivables securitization facility	—	—	(35,758)	—	(35,758)
(Repayments) borrowings of other debt, net	(31,500)	(3,457)	5,261	—	(29,696)
Payments of other obligations	—	(21,896)	(895)	—	(22,791)
Investment and intercompany note activity with parent	—	60,910	5,802	(66,712)	—
Dividends	—	(248,313)	—	248,313	—
Net cash used in financing activities	(178,968)	(212,756)	(13,969)	181,601	(224,092)
Effect of exchange rate changes on cash and equivalents	—	48	(3,008)	—	(2,960)
Net increase (decrease) in cash and equivalents	2,686	(18,671)	(11,223)	—	(27,208)
Cash and equivalents, beginning of period	14,930	32,103	67,572	—	114,605
Cash and equivalents, end of period	\$ 17,616	\$ 13,432	\$ 56,349	\$ —	\$ 87,397

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	\$ 271,221	\$ 427,249	\$ (53,348)	\$ (274,225)	\$ 370,897
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(44)	(85,182)	(55,724)	—	(140,950)
Investment and intercompany note activity with subsidiaries	(477,007)	(608)	—	477,615	—
Acquisitions, net of cash acquired	—	(635,171)	(140,750)	—	(775,921)
Other investing activities, net	—	768	(4,891)	—	(4,123)
Net cash used in investing activities	(477,051)	(720,193)	(201,365)	477,615	(920,994)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from exercise of stock options	9,324	—	—	—	9,324
Excess tax benefit from stock-based payments	17,814	—	—	—	17,814
Taxes paid related to net share settlements of stock-based compensation awards	(443)	—	—	—	(443)
Debt issuance costs	(3,675)	—	(75)	—	(3,750)
Borrowings under revolving credit facilities	867,000	—	720,644	—	1,587,644
Repayments under revolving credit facilities	(727,000)	—	(371,518)	—	(1,098,518)
Borrowings under term loans	11,250	—	—	—	11,250
Repayments under term loans	(16,875)	—	—	—	(16,875)
Borrowings under receivables securitization facility	—	—	95,050	—	95,050
Repayments under receivables securitization facility	—	—	(150)	—	(150)
Repayments of other debt, net	(1,921)	(2,310)	(35,820)	—	(40,051)
Payments of other obligations	—	(464)	(41,528)	—	(41,992)
Other financing activities, net	(12,640)	12,340	—	—	(300)
Investment and intercompany note activity with parent	—	576,384	(98,769)	(477,615)	—
Dividends	—	(274,225)	—	274,225	—
Net cash provided by financing activities	142,834	311,725	267,834	(203,390)	519,003
Effect of exchange rate changes on cash and equivalents	—	(371)	(4,418)	—	(4,789)
Net (decrease) increase in cash and equivalents	(62,996)	18,410	8,703	—	(35,883)
Cash and equivalents, beginning of period	77,926	13,693	58,869	—	150,488
Cash and equivalents, end of period	\$ 14,930	\$ 32,103	\$ 67,572	\$ —	\$ 114,605

LKQ CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2013				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	\$ 160,620	\$ 260,567	\$ 126,681	\$ (119,812)	\$ 428,056
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	—	(57,219)	(32,967)	—	(90,186)
Investment and intercompany note activity with subsidiaries	(434,172)	(84,894)	—	519,066	—
Acquisitions, net of cash acquired	—	(33,436)	(374,948)	—	(408,384)
Other investing activities, net	—	1,191	(8,227)	—	(7,036)
Net cash used in investing activities	(434,172)	(174,358)	(416,142)	519,066	(505,606)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from exercise of stock options	15,392	—	—	—	15,392
Excess tax benefit from stock-based payments	18,348	—	—	—	18,348
Debt issuance costs	(16,858)	—	(82)	—	(16,940)
Proceeds from issuance of senior notes	600,000	—	—	—	600,000
Borrowings under revolving credit facilities	315,000	—	122,023	—	437,023
Repayments under revolving credit facilities	(616,000)	—	(132,086)	—	(748,086)
Borrowings under term loans	35,000	—	—	—	35,000
Repayments under term loans	(16,875)	—	—	—	(16,875)
Borrowings under receivables securitization facility	—	—	41,500	—	41,500
Repayments under receivables securitization facility	—	—	(121,500)	—	(121,500)
Repayments of other debt, net	(925)	(8,930)	(35,207)	—	(45,062)
Payments of other obligations	—	(473)	(32,386)	—	(32,859)
Investment and intercompany note activity with parent	—	38,446	480,620	(519,066)	—
Dividends	—	(119,812)	—	119,812	—
Net cash provided by (used in) financing activities	333,082	(90,769)	322,882	(399,254)	165,941
Effect of exchange rate changes on cash and equivalents	—	—	2,327	—	2,327
Net increase (decrease) in cash and equivalents	59,530	(4,560)	35,748	—	90,718
Cash and equivalents, beginning of period	18,396	18,253	23,121	—	59,770
Cash and equivalents, end of period	\$ 77,926	\$ 13,693	\$ 58,869	\$ —	\$ 150,488

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2015, the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of LKQ Corporation's management, including our Chief Executive Officer and our Chief Financial Officer, of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Report of Management on Internal Control over Financial Reporting dated February 25, 2016

Management of LKQ Corporation and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices, and actions taken to correct deficiencies as identified. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. Management based this assessment on criteria for effective internal control over financial reporting described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the Company's Board of Directors.

Based on this assessment, management determined that, as of December 31, 2015, the Company maintained effective internal control over financial reporting. Deloitte & Touche LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of the Company included in this report, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2015.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of LKQ Corporation:

We have audited the internal control over financial reporting of LKQ Corporation and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting dated February 25, 2016. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015 of the Company and our report dated February 25, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 25, 2016

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The information appearing under the caption "Election of our Board of Directors" in our Proxy Statement for the Annual Meeting of Stockholders to be held May 2, 2016 (the "Proxy Statement") is incorporated herein by reference.

Executive Officers

Our executive officers, their ages at December 31, 2015, and their positions with us are set forth below. Our executive officers are elected by and serve at the discretion of our Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert L. Wagman	51	President, Chief Executive Officer and Director
John S. Quinn	57	Chief Executive Officer and Managing Director, LKQ Europe
Dominick Zarcone	57	Executive Vice President and Chief Financial Officer
Victor M. Casini	53	Senior Vice President, General Counsel and Corporate Secretary
Walter P. Hanley	49	Senior Vice President - Development
Steven Greenspan	54	Senior Vice President - Recycled & Refurbished Products
Justin L. Jude	39	Senior Vice President of Operations - Wholesale Parts Division
Michael S. Clark	41	Vice President - Finance and Controller
Robert A. Alberico	66	Senior Vice President - Human Resources

Robert L. Wagman became our President and Chief Executive Officer in January 2012. He was elected to our Board of Directors in November 2011. Mr. Wagman was our President and Co-Chief Executive Officer from January 1, 2011 to January 1, 2012. Prior thereto, he had been our Senior Vice President of Operations—Wholesale Parts Division, with oversight of our wholesale late model operations, since August 2009. Prior thereto, from October 1998, Mr. Wagman managed our insurance company relationships, and from February 2004, added to his responsibilities the oversight of our aftermarket product operations. He was elected our Vice President of Insurance Services and Aftermarket Operations in August 2005. Before joining us, Mr. Wagman served from April 1995 to October 1998 as the Outside Sales Manager of Triplett Auto Parts, Inc., a recycled auto parts company that we acquired in July 1998. He started in our industry in 1987 as an Account Executive for Copart Auto Auctions, a processor and seller of salvage vehicles through auctions.

John S. Quinn became our Chief Executive Officer and Managing Director, LKQ Europe in February 2015. Prior to that he was our Executive Vice President and Chief Financial Officer from November 2009. Prior to joining our Company, he was the Senior Vice President, Chief Financial Officer and Treasurer of Casella Waste Systems, Inc., a company in the solid waste management services industry, from January 2009. From January 2001 to January 2009 he held various positions of increasing responsibility with Allied Waste Industries, Inc., a company also in the solid waste management services industry, including Senior Vice President of Finance from January 2005 to January 2009, Controller and Chief Accounting Officer from November 2006 to September 2007 and Vice President Financial Analysis and Planning from January 2003 to January 2005. From August 1987 to January 2001, he held various positions with Waste Management Inc.'s foreign subsidiaries, and Waste Management International, plc. in Canada and the United Kingdom. Prior to working for Waste Management, he worked for Ford Glass Ltd., a subsidiary of Ford Motor Company.

Dominick Zarcone became our Executive Vice President and Chief Financial Officer in March 2015. Prior to joining our company, he was the Managing Director and the Chief Financial Officer of Baird Financial Group, a capital markets and wealth management company, and certain of its affiliates from April 2011 to March 2015. He also served from April 2011 to March 2015 as Treasurer of Baird Funds, Inc., a family of fixed income and equity mutual funds managed by Robert W. Baird & Co. Incorporated, a registered broker/dealer. From February 1995 to April 2011, Mr. Zarcone was a Managing Director of the Investment Banking department of Robert W. Baird & Co. Incorporated. From February 1986 to February 1995, he was with the investment banking company Kidder, Peabody & Co., Incorporated, most recently as Senior Vice President of Investment Banking.

Victor M. Casini has been our Vice President, General Counsel and Corporate Secretary from our inception in February 1998. In March 2008, he was elected Senior Vice President. Mr. Casini was a member of our Board of Directors from May 2010 until May 2012. From July 1992 to December 2011, Mr. Casini was the Executive Vice President and General Counsel of Flynn Enterprises, Inc., a venture capital, hedging and consulting firm. Mr. Casini served as Senior Vice President, General Counsel and Corporate Secretary of Discovery Zone, Inc., an operator and franchiser of family entertainment centers, from July 1992

until May 1995. Prior to July 1992, Mr. Casini practiced corporate and securities law with the law firm of Bell, Boyd & Lloyd LLP (now known as K&L Gates LLP) in Chicago, Illinois for more than five years.

Walter P. Hanley joined us in December 2002 as our Vice President of Development, Associate General Counsel and Assistant Secretary. In December 2005, he became our Senior Vice President of Development. Mr. Hanley served as Senior Vice President, General Counsel and Secretary of Emerald Casino, Inc., an owner of a license to operate a riverboat casino in the State of Illinois, from June 1999 until August 2002. Mr. Hanley served as Senior Vice President, General Counsel and Secretary of Blue Chip Casino, Inc., an owner and operator of a riverboat gaming vessel in Michigan City, Indiana, from July 1996 until November 1999. Mr. Hanley served as Vice President and Associate General Counsel of Flynn Enterprises, Inc. from May 1995 until February 1998 and as Associate General Counsel of Discovery Zone, Inc. from March 1993 until May 1995. Prior to March 1993, Mr. Hanley practiced corporate and securities law with the law firm of Bell, Boyd & Lloyd LLP (now known as K&L Gates LLP) in Chicago, Illinois.

Steven Greenspan became our Senior Vice President - Recycled & Refurbished Products in July 2015. Prior to that Mr. Greenspan had been serving as our Senior Vice President of Operations - Wholesale Parts Division from January 2012. Mr. Greenspan has been in the recycled automotive parts industry for approximately 30 years. He served as our Regional Vice President—Mid-Atlantic Region from January 2003 to December 2011. He was the Manager of our Atlanta facility from May 1998 until December 2002. Prior thereto, he was the Manager of a company that we acquired in 1998.

Justin L. Jude became our Senior Vice President of Operations - Wholesale Parts Division in July 2015. Mr. Jude has been with us since February 2004 in various roles, including from March 2008 to February 2011 as Vice President - Supply Chain, from February 2011 to May 2014 as Vice President - Information Systems (North America), and from June 2014 to July 2015 as President of Keystone Automotive Operations, Inc., our specialty automotive business. Mr. Jude has been in the Company's industry for over 18 years.

Michael S. Clark has been our Vice President—Finance and Controllor since February 2011. Prior thereto, he served as our Assistant Controllor since May 2008. Prior to joining our Company, he was the SEC Reporting Manager of FMC Technologies, Inc., a global provider of technology solutions for the energy industry, from December 2004 to May 2008. Before joining FMC Technologies, Mr. Clark, a certified public accountant, worked in public accounting for more than eight years, leaving as a Senior Manager in the audit practice of Deloitte & Touche.

Robert A. Alberico joined us in January 2014 as our Senior Vice President of Human Resources. Mr. Alberico has had over 35 years of experience in the Human Resources field. He was the Vice President of Human Resources at Morton Salt, a producer of salt and other consumer products, from January 2008 to December 2013; the Vice President of Human Resources at Allied Waste Industries, a waste services company, from 2004 to 2007; held positions as both Vice President and Director, Human Resources, for TRW Automotive, a manufacturer of automotive safety products, and certain of its business units from 1988 to 2003; and held various human resources positions from 1975 to 1988 at the Admiral Products Division of Rockwell International, which manufactures consumer electronics, and the Graphic Systems Division at Rockwell International, which manufactures press equipment.

Code of Ethics

A copy of our Code of Ethics for Financial Officers is available free of charge through our website at www.lkqcorp.com.

Section 16 Compliance

Information appearing under the caption "Other Information—Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement is incorporated herein by reference.

Audit Committee

Information appearing under the caption "Corporate Governance—Committees of the Board—Audit Committee" in the Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information appearing under the captions "Director Compensation—Director Compensation Table," "Executive Compensation—Compensation Discussion and Analysis," "Corporate Governance—Compensation Committee Interlocks and Insider Participation" and "Executive Compensation—Compensation Tables" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information appearing under the caption "Other Information—Principal Stockholders" in the Proxy Statement is incorporated herein by reference.

The following table provides information about our common stock that may be issued under our equity compensation plans as of December 31, 2015 .

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders			
Stock options	3,765,952	\$ 8.63	
Restricted stock units	1,981,292	\$ —	
Total equity compensation plans approved by stockholders	5,747,244		12,526,373
Equity compensation plans not approved by stockholders	—	\$ —	—
Total	5,747,244		12,526,373

See Note 3, "Equity Incentive Plans," to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information related to the equity incentive plans listed above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information appearing under the caption "Other Information—Certain Transactions," "Election of our Board of Directors" and "Corporate Governance - Director Independence" in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under the caption "Appointment of Our Independent Registered Public Accounting Firm—Audit Fees and Non-Audit Fees" and "Appointment of Our Independent Registered Public Accounting Firm—Policy on Audit Committee Approval of Audit and Non-Audit Services" in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Reference is made to the information set forth in Part II, Item 8 of this Annual Report on Form 10-K, which information is incorporated herein by reference.

(a)(2) Financial Statement Schedules

Other than as set forth below, all schedules for which provision is made in the applicable accounting regulations of the SEC have been omitted because they are not required under the related instructions, are not applicable, or the information has been provided in the consolidated financial statements or the notes thereto.

Schedule II—Valuation and Qualifying Accounts and Reserves

Descriptions	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Acquisitions and Other	Balance at End of Period
ALLOWANCE FOR DOUBTFUL ACCOUNTS:					
Year ended December 31, 2013	\$ 9,470	\$ 7,148	\$ (5,891)	\$ 3,633	\$ 14,360
Year ended December 31, 2014	14,360	9,814	(9,184)	4,436	19,426
Year ended December 31, 2015	19,426	13,654	(9,486)	989	24,583
ALLOWANCE FOR ESTIMATED RETURNS, DISCOUNTS & ALLOWANCES:					
Year ended December 31, 2013	\$ 24,692	\$ 797,380	\$ (796,261)	\$ 825	\$ 26,636
Year ended December 31, 2014	26,636	955,615	(961,658)	10,695	31,288
Year ended December 31, 2015	31,288	1,049,987	(1,051,439)	2,938	32,774

(a)(3) Exhibits

The exhibits to this Annual Report on Form 10-K are listed in Item 15(b) of this Annual Report on Form 10-K. Included in the exhibits listed therein are the following exhibits which constitute management contracts or compensatory plans or arrangements:

- 10.1 LKQ Corporation 401(k) Plus Plan dated August 1, 1999.
- 10.2 Amendment to LKQ Corporation 401(k) Plus Plan.
- 10.3 Trust for LKQ Corporation 401(k) Plus Plan.
- 10.4 LKQ Corporation 401(k) Plus Plan II, as amended and restated effective as of January 1, 2011.
- 10.5 LKQ Corporation 1998 Equity Incentive Plan, as amended.
- 10.6 Form of LKQ Corporation Award Agreement for options granted under the 1998 Equity Incentive Plan.
- 10.7 Form of LKQ Corporation Restricted Stock Unit Agreement for Non-Employee Directors.
- 10.8 Form of LKQ Corporation Restricted Stock Unit Agreement.
- 10.9 Form of LKQ Corporation Performance-Based Restricted Stock Unit Agreement.
- 10.10 LKQ Corporation Amended and Restated Stock Option and Compensation Plan for Non-Employee Directors, as amended.
- 10.11 Form of Indemnification Agreement between directors and officers of LKQ Corporation and LKQ Corporation.
- 10.12 LKQ Corporation Management Incentive Plan.
- 10.13 Form of LKQ Corporation Executive Officer Management Incentive Plan Award Memorandum.
- 10.14 Amended and Restated LKQ Corporation Long Term Incentive Plan.
- 10.15 Form of LKQ Corporation Executive Officer Long Term Incentive Plan Award Memorandum.
- 10.16 Consulting Agreement, as amended and restated, dated as of May 21, 2009 between LKQ Corporation and Joseph M. Holsten.
- 10.17 Amendment Agreement dated as of January 31, 2011 to the Consulting Agreement between LKQ Corporation and Joseph M. Holsten dated as of May 21, 2009.
- 10.24 Change of Control Agreement between LKQ Corporation and Robert L. Wagman dated as of July 24, 2014.
- 10.25 Change of Control Agreement between LKQ Corporation and John S. Quinn dated as of July 24, 2014.
- 10.26 Change of Control Agreement between LKQ Corporation and Walter P. Hanley dated as of July 24, 2014.
- 10.27 Change of Control Agreement between LKQ Corporation and Victor M. Casini dated as of July 24, 2014.
- 10.28 Change of Control Agreement between LKQ Corporation and Steven Greenspan dated as of July 24, 2014.
- 10.29 Change of Control Agreement between LKQ Corporation and Robert A. Alberico dated as of July 24, 2014.
- 10.30 Change of Control Agreement between LKQ Corporation and Michael S. Clark dated as of July 24, 2014.
- 10.31 Change of Control Agreement between LKQ Corporation and Dominick P. Zarccone dated as of March 30, 2015.
- 10.32 Change of Control Agreement between LKQ Corporation and Justin L. Jude dated as of May 13, 2015.
- 10.33 LKQ Severance Policy for Key Executives.
- 10.39 Service Agreement between Euro Car Parts Limited and Sukhpal Singh Ahluwalia dated as of November 7, 2014.
- 10.40 Deed of Variation dated November 17, 2015 amending the Service Agreement dated November 7, 2014 between Euro Car Parts Limited and Sukhpal Singh Ahluwalia.
- 10.41 Services Agreement dated as of February 26, 2015 between LKQ Corporation and Robert L. Wagman.
- 10.42 Offer Letter to John S. Quinn dated February 12, 2015, as amended.
- 10.43 Services Agreement dated as of February 26, 2015 between LKQ Corporation and John S. Quinn.
- 10.44 Offer Letter to Dominick P. Zarccone dated February 12, 2015.

(b) Exhibits

- 3.1 Restated Certificate of Incorporation of LKQ Corporation (incorporated herein by reference to Exhibit 3.1 to the Company's report on Form 10-Q filed with the SEC on October 31, 2014).
- 3.2 Amended and Restated Bylaws of LKQ Corporation (incorporated herein by reference to Exhibit 3.1 to the Company's report on Form 8-K filed with the SEC on August 8, 2014).
- 4.1 Specimen of common stock certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A, Registration No. 333-107417 filed with the SEC on September 12, 2003).

- 4.2 Amendment and Restatement Agreement dated as of January 29, 2016 by and among LKQ Corporation, LKQ Delaware LLP, and certain additional subsidiaries of LKQ Corporation, as borrowers, certain financial institutions, as lenders, and Wells Fargo Bank, National Association, as administrative agent (incorporated herein by reference to Exhibit 4.1 to the Company's report on Form 8-K filed with the SEC on February 2, 2016).
- 4.3 Indenture dated as of May 9, 2013 among LKQ Corporation, as Issuer, the Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's report on Form 8-K filed with the SEC on May 10, 2013).
- 4.4 Supplemental Indenture dated as of May 8, 2014 among LKQ Corporation, as Issuer, the Guarantors, and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's report on Form 10-Q filed with the SEC on August 1, 2014).
- 10.1 LKQ Corporation 401(k) Plus Plan dated August 1, 1999 (incorporated herein by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1, Registration No. 333-107417 filed with the SEC on July 28, 2003).
- 10.2 Amendment to LKQ Corporation 401(k) Plus Plan (incorporated herein by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-1, Registration No. 333-107417 filed with the SEC on July 28, 2003).
- 10.3 Trust for LKQ Corporation 401(k) Plus Plan (incorporated herein by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1, Registration No. 333-107417 filed with the SEC on July 28, 2003).
- 10.4 LKQ Corporation 401(k) Plus Plan II, as amended and restated effective as of January 1, 2011 (incorporated herein by reference to Exhibit 10.8 to the Company's report on Form 10-K for the year ended December 31, 2010).
- 10.5 LKQ Corporation 1998 Equity Incentive Plan, as amended.
- 10.6 Form of LKQ Corporation Award Agreement for options granted under the 1998 Equity Incentive Plan (incorporated herein by reference to Exhibit 99.1 to the Company's report on Form 8-K filed with the SEC on January 11, 2005).
- 10.7 Form of LKQ Corporation Restricted Stock Unit Agreement for Non-Employee Directors (incorporated herein by reference to Exhibit 10.4 to the Company's report on Form 10-Q filed with the SEC on August 2, 2013).
- 10.8 Form of LKQ Corporation Restricted Stock Unit Agreement.
- 10.9 Form of LKQ Corporation Performance-Based Restricted Stock Unit Agreement.
- 10.10 LKQ Corporation Amended and Restated Stock Option and Compensation Plan for Non-Employee Directors, as amended (incorporated herein by reference to Exhibit 10.5 to the Company's report on Form 10-Q filed with the SEC on November 7, 2008).
- 10.11 Form of Indemnification Agreement between directors and officers of LKQ Corporation and LKQ Corporation (incorporated herein by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-1, Registration No. 333-107417 filed with the SEC on July 28, 2003).
- 10.12 LKQ Corporation Management Incentive Plan (incorporated herein by reference to Exhibit 10.5 to the Company's report on Form 10-K filed with the SEC on March 2, 2015).
- 10.13 Form of LKQ Corporation Executive Officer Management Incentive Plan Award Memorandum (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 10-Q filed with the SEC on May 1, 2015).
- 10.14 Amended and Restated LKQ Corporation Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on November 7, 2014).
- 10.15 Form of LKQ Corporation Executive Officer Long Term Incentive Plan Award Memorandum (incorporated herein by reference to Exhibit 10.2 to the Company's report on Form 10-Q filed with the SEC on May 1, 2015).
- 10.16 Consulting Agreement, as amended and restated, dated as of May 21, 2009 between LKQ Corporation and Joseph M. Holsten (incorporated herein by reference to Exhibit 10.2 to the Company's report on Form 8-K filed with the SEC on May 21, 2009).
- 10.17 Amendment Agreement dated as of January 31, 2011 to the Consulting Agreement between LKQ Corporation and Joseph M. Holsten dated as of May 21, 2009 (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on February 2, 2011).
- 10.18 ISDA 2002 Master Agreement between Bank of America, N.A. and LKQ Corporation, and related Schedule (incorporated by reference to Exhibit 10.23 to the Company's report on Form 10-K filed with the SEC on March 3, 2014).

- 10.19 ISDA 2002 Master Agreement between Citizens Bank of Pennsylvania and LKQ Corporation, and related Schedule (incorporated by reference to Exhibit 10.24 to the Company's report on Form 10-K filed with the SEC on March 3, 2014).
- 10.20 ISDA 2002 Master Agreement between RBS Citizens, N.A. and LKQ Corporation, and related Schedule (incorporated by reference to Exhibit 10.25 to the Company's report on Form 10-K filed with the SEC on March 3, 2014).
- 10.21 ISDA 2002 Master Agreement between Fifth Third Bank and LKQ Corporation, and related Schedule (incorporated by reference to Exhibit 10.26 to the Company's report on Form 10-K filed with the SEC on March 3, 2014).
- 10.22 ISDA Master Agreement between Wells Fargo Bank, National Association and LKQ Corporation, and related Schedule (incorporated by reference to Exhibit 10.3 to the Company's report on Form 10-Q filed with the SEC on August 2, 2013).
- 10.23 ISDA 2002 Master Agreement between HSBC Bank USA, National Association and LKQ Corporation, and related Schedule.
- 10.24 Change of Control Agreement between LKQ Corporation and Robert L. Wagman dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.2 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
- 10.25 Change of Control Agreement between LKQ Corporation and John S. Quinn dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.3 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
- 10.26 Change of Control Agreement between LKQ Corporation and Walter P. Hanley dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.4 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
- 10.27 Change of Control Agreement between LKQ Corporation and Victor M. Casini dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.5 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
- 10.28 Change of Control Agreement between LKQ Corporation and Steven Greenspan dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.6 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
- 10.29 Change of Control Agreement between LKQ Corporation and Robert A. Alberico dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.7 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
- 10.30 Change of Control Agreement between LKQ Corporation and Michael S. Clark dated as of July 24, 2014 (incorporated herein by reference to Exhibit 10.8 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
- 10.31 Change of Control Agreement between LKQ Corporation and Dominick Zarcone dated as of March 30, 2015 (incorporated herein by reference to Exhibit 10.7 to the Company's report on Form 10-Q filed with the SEC on May 1, 2015).
- 10.32 Change of Control Agreement between LKQ Corporation and Justin Jude dated as of May 13, 2015.
- 10.33 LKQ Severance Policy for Key Executives (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on July 28, 2014).
- 10.34 Receivables Sale Agreement dated as of September 28, 2012 among Keystone Automotive Industries, Inc., as an Originator, Greenleaf Auto Recyclers, LLC, as an Originator, and LKQ Receivables Finance Company, LLC, as Buyer (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on October 4, 2012).
- 10.35 Receivables Purchase Agreement dated as of September 28, 2012 among LKQ Receivables Finance Company, LLC, as Seller, LKQ Corporation, as Servicer, Victory Receivables Corporation, as a Conduit and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as a Financial Institution, as Administrative Agent and as a Managing Agent (incorporated herein by reference to Exhibit 10.2 to the Company's report on Form 8-K filed with the SEC on October 4, 2012).
- 10.36 Amendment No. 1 to Receivables Purchase Agreement dated as of September 29, 2014 among LKQ Receivables Finance Company, LLC, as Seller, LKQ Corporation, as Servicer, Victory Receivables Corporation, as a Conduit and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as a Financial Institution, as Administrative Agent and as a Managing Agent (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on October 3, 2014).

10.37	Performance Undertaking, dated as of September 28, 2012 by LKQ Corporation in favor of LKQ Receivables Finance Company, LLC (incorporated herein by reference to Exhibit 10.3 to the Company's report on Form 8-K filed with the SEC on October 4, 2012).
10.38	APX Agreement between Euro Car Parts Limited, LKQ Corporation, Sukhpal Singh Ahluwalia and APX Autopart Express Limited dated as of November 7, 2014 (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on November 13, 2014).
10.39	Service Agreement between Euro Car Parts Limited and Sukhpal Singh Ahluwalia dated as of November 7, 2014 (incorporated herein by reference to Exhibit 10.2 to the Company's report on Form 8-K filed with the SEC on November 13, 2014).
10.40	Deed of Variation dated November 17, 2015 amending the Service Agreement dated November 7, 2014 between Euro Car Parts Limited and Sukhpal Singh Ahluwalia.
10.41	Services Agreement dated as of February 26, 2015 between LKQ Corporation and Robert L. Wagman (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on March 3, 2015).
10.42	Offer Letter to John S. Quinn dated February 12, 2015, as amended.
10.43	Services Agreement dated as of February 26, 2015 between LKQ Corporation and John S. Quinn (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on March 3, 2015).
10.44	Offer Letter to Dominick Zarcone dated February 12, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's report on Form 8-K filed with the SEC on March 3, 2015).
10.45	Sale and Purchase Agreement dated as of December 22, 2015 among the Company, LKQ Italia S.r.l., a company incorporated in Italy and an indirect wholly-owned subsidiary of the Company, and the owners of Rhino HoldCo Limited, a company incorporated in England and Wales.
12.1	Computation of Ratio of Earnings to Fixed Charges.
14.1	LKQ Corporation Code of Ethics (incorporated by reference to Exhibit 14.1 to the Company's report on Form 10-Q filed with the SEC on August 2, 2013).
21.1	List of subsidiaries, jurisdictions and assumed names.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 25, 2016 .

LKO CORPORATION

By: /s/ R OBERT L. W AGMAN
Robert L. Wagman
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 25, 2016 .

<u>Signature</u>	<u>Title</u>
Principal Executive Officer:	
/s/ ROBERT L. WAGMAN	President and Chief Executive Officer
Robert L. Wagman	
Principal Financial Officer:	
/s/ DOMINICK ZARCONI	Executive Vice President and Chief Financial Officer
Dominick Zarcone	
Principal Accounting Officer:	
/s/ MICHAEL S. CLARK	Vice President—Finance and Controller
Michael S. Clark	
A Majority of the Directors:	
/s/ SUKHPAL SINGH AHLUWALIA	Director
Sukhpal Singh Ahluwalia	
/s/ A. CLINTON ALLEN	Director
A. Clinton Allen	
/s/ RONALD G. FOSTER	Director
Ronald G. Foster	
/s/ ROBERT M. HANSER	Director
Robert M. Hanser	
/s/ JOSEPH M. HOLSTEN	Director
Joseph M. Holsten	
/s/ BLYTHE J. MCGARVIE	Director
Blythe J. McGarvie	
/s/ PAUL M. MEISTER	Director
Paul M. Meister	
/s/ JOHN F. O'BRIEN	Director
John F. O'Brien	
/s/ GUHAN SUBRAMANIAN	Director
Guhan Subramanian	
/s/ ROBERT L. WAGMAN	Director
Robert L. Wagman	
/s/ WILLIAM M. WEBSTER, IV	Director
William M. Webster, IV	

LKQ CORPORATION
1998 EQUITY INCENTIVE PLAN
(as amended as of February 17, 2016)

ARTICLE 1
ESTABLISHMENT, OBJECTIVES, AND DURATION

1.1 ESTABLISHMENT OF THE PLAN. LKQ Corporation hereby establishes an incentive compensation plan to be known as the LKQ 1998 Equity Incentive Plan (hereinafter referred to as the “PLAN”) as set forth in this document. The Plan became effective as of February 13, 1998 (the “EFFECTIVE DATE”) and shall remain in effect as provided in Section 1.3 herein.

1.2 PURPOSE OF THE PLAN. The purpose of the Plan is to benefit the Company and its Subsidiaries by enabling the Company to offer to certain present and future executives, key personnel, Non-employee Directors, consultants and other persons providing services to the Company and its Subsidiaries stock-based incentives and other equity interests in the Company, thereby giving them a stake in the growth and prosperity of the Company and encouraging the continuance of their relationship with the Company or its Subsidiaries.

1.3 DURATION OF THE PLAN. The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to Article 15 herein, until all Shares subject to it shall have been purchased or acquired according to the Plan provisions.

ARTICLE 2
DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

“AWARD” means, individually or collectively, a grant under the Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, RSUs, Performance Shares or Performance Units.

“AWARD AGREEMENT” means a writing provided by the Company to each Participant setting forth the terms and provisions applicable to Awards. The Participant’s acceptance of the terms of the Award Agreement shall be evidenced by his or her continued Service without written objection before any exercise or payment of the Award. If the Participant objects in writing, the grant of the Award shall be revoked.

“BENEFICIAL OWNER” or “BENEFICIAL OWNERSHIP” shall have the meaning ascribed to such term in Rule 13d-3 of the Exchange Act.

“BOARD” means the Board of Directors of the Company.

“CAUSE” means, with respect to a Participant’s Separation from Service, the occurrence of any one or more of the following, as determined by the Committee, in the exercise of good faith and reasonable judgment:

(a) In the case where there is no employment, change of control, or similar agreement in effect between the Participant and the Company or a Subsidiary at the time of the grant of the Award, or where there is such an agreement but the agreement does not define “cause” (or similar words) or a “cause” termination would not be permitted under such agreement at that time because other conditions were not satisfied, the Separation from Service is due to the willful and continued failure or refusal by the Participant to substantially perform assigned duties (other than any such failure resulting from the Participant’s Disability), the Participant’s dishonesty or theft, the Participant’s violation of any obligations or duties under any employee agreement, or the Participant’s gross negligence or willful misconduct; or

(b) In the case where there is an employment, change of control, or similar agreement in effect between the Participant and the Company or a Subsidiary at the time of the grant of the Award that defines “cause” (or similar words) and a “cause” termination would be permitted under such agreement at that time, the Separation from Service is or would be deemed to be for “cause” (or similar words) as defined in such agreement.

No act or failure to act on a Participant’s part shall be considered willful unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

“CHANGE OF CONTROL” of the Company means:

(a) the Company is merged or consolidated or reorganized into or with another corporation or other legal person (an “ACQUIROR”) and as a result of such merger, consolidation, or reorganization less than 50% of the outstanding voting securities or other capital interests of the surviving, resulting, or acquiring corporation or other legal person are owned in the aggregate by the Stockholders, directly or indirectly, immediately prior to such merger, consolidation, or reorganization, other than by the Acquiror or any corporation or other legal person controlling, controlled by, or under common control with the Acquiror;

(b) The Company sells all or substantially all of its business and/or assets to an Acquiror, of which less than 50% of the outstanding voting securities or other capital interests are owned in the aggregate by the Stockholders, directly or indirectly, immediately prior to such sale, other than by any corporation or other legal person controlling, controlled by, or under common control with the Acquiror;

(c) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report), each as promulgated pursuant to the Exchange Act, disclosing that any Person has become the Beneficial Owner of 50% or more of the issued and outstanding shares of voting securities of the Company; or

(d) During any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Stockholders, of each new Director was approved by a vote of at least two-thirds of such Directors then still in office who were Directors at the beginning of any such period.

“CHANGE OF CONTROL PRICE” means the price per Share paid in conjunction with any transaction resulting in a Change of Control. If any part of the offered price is payable other than in cash, the value of the non-cash portion of the Change of Control Price shall be determined by the Committee as constituted immediately prior to the Change of Control.

“CODE” means the Internal Revenue Code of 1986.

“COMMITTEE” means the Committee as specified in Article 3 herein appointed by the Board to administer the Plan with respect to grants of Awards.

“COMMON STOCK” means the common stock of the Company.

“COMPANY” means LKQ Corporation, a Delaware corporation, as well as any successor to such entity as provided in Article 17 herein.

“COVERED EMPLOYEE” means a Participant who is one of the group of covered employees under Section 162(m) of the Code.

“DIRECTOR” means any individual who is a member of the Board.

“DISABILITY” shall have the meaning ascribed to such term in the Participant’s governing long-term disability plan. If no long-term disability plan is in place with respect to a Participant, then with respect to that Participant, Disability means: for the first 24 months of disability, that the Participant is unable to perform his or her job; thereafter, that the Participant is unable to perform any and every duty of any gainful occupation for which the Participant is reasonably suited by training, education, or experience. Notwithstanding the foregoing, for any Awards that constitute a nonqualified deferred compensation plan within the meaning of Section 409A of the Code and provide for an accelerated payment in connection with any Disability, Disability shall have the same meaning as set forth in Section 409A of the Code applicable to such plans.

“EFFECTIVE DATE” shall have the meaning ascribed to such term in Section 1.1 herein.

“EMPLOYEE” means any employee of the Company or any Subsidiary.

“EXCHANGE ACT” means the Securities Exchange Act of 1934.

“FAIR MARKET VALUE” means (a) if the Common Stock is not listed or traded on a stock exchange or market, the value of the Common Stock determined in good faith by the Committee; or (b) if the Common Stock is listed or traded on a stock exchange or market, (i) for purposes of setting any Option Price, unless otherwise required by any applicable provision of the Code, or unless the Committee otherwise determines, means as of the date of the Award, the average of the closing sales prices of the Common Stock on the applicable stock exchange or market (as reported in THE WALL STREET JOURNAL, Midwest Edition) on each of the five trading dates immediately preceding such date; and (ii) for purposes of the valuation of any Shares delivered in payment of the Option Price upon the exercise of an Option, for purposes of the valuation of any Shares withheld in payment of the Option Price or to pay taxes due on an Award, for purposes of the provisions of Section 5.3 herein (regarding elections by Non-employee Directors to receive compensation in the form of Shares), or for purposes of the exercise of any SAR or conversion of a Performance

Unit, means the average of the high and low sales prices of the Common Stock on the applicable stock exchange or market (as reported in THE WALL STREET JOURNAL, Midwest Edition) on the applicable day (or if the applicable day is not a trading day, on the trading day next preceding the applicable day).

“FREESTANDING SAR” means a stock appreciation right that is granted independently of any Options, as described in Article 7 herein.

“GOOD REASON” means, with respect to a Participant’s Separation from Service, (a) in the case where there is no employment, change of control, or similar agreement in effect between the Participant and the Company or a Subsidiary at the time of the grant of the Award, or where there is such an agreement but the agreement does not define “good reason” (or similar words) or a “good reason” termination would not be permitted under such agreement at that time because other conditions were not satisfied, any of the following actions if taken without the Participant’s prior consent: (i) a substantial reduction in the Participant’s aggregate level of compensation and benefits received from the Company or a Subsidiary (except for Company-wide changes that do not disproportionately impact the Participant), (ii) a substantial reduction or diminution in the Participant’s titles, responsibilities, or duties (except for Company-wide reorganizations), (iii) a substantial detrimental change in the Participant’s employment reporting relationship (except in connection with a Company-wide reorganization), or (iv) any relocation of the Participant’s principal place of business of 50 miles or more; provided that, in each case, not more than 30 days following the occurrence of such event the Participant provides written notice to the Company containing (A) the Participant’s belief that Good Reason exists and (B) a description of the circumstances believed to constitute Good Reason; and provided, further, that if the circumstances may reasonably be remedied, the Company shall have 30 days to effect such remedy. If such circumstances are not remedied within that 30-day period, the Participant shall be permitted to terminate the Participant’s service for Good Reason during the 30-day period that ends on the earlier of (x) the end of the Company’s 30-day cure period and (y) the delivery of written notice from the Company that it does not intend to cure such circumstances. In the event that the Participant does not terminate the Participant’s service during such period, the Participant shall be deemed to have accepted such circumstances and shall no longer be permitted to terminate for Good Reason due to such circumstances; or (b) in the case where there is an employment, change of control, or similar agreement in effect between the Participant and the Company or a Subsidiary at the time of the grant of the Award that defines “good reason” (or similar words) and a “good reason” termination would be permitted under such agreement at that time, the Separation from Service is or would be deemed to be for “good reason” (or similar words) as defined in such agreement.

“INCENTIVE STOCK OPTION” or “ISO” means an option to purchase Shares granted under Article 6 herein and which is designated as an Incentive Stock Option and which is intended to meet the requirements of Section 422 of the Code.

“INSIDER” means an individual who is, on the relevant date, an officer, director or more than 10% Beneficial Owner of any class of the Company’s equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

“NON-EMPLOYEE DIRECTOR” means a Director who is not an Employee.

“NONQUALIFIED STOCK OPTION” or “NQSO” means an option to purchase Shares granted under Article 6 herein and which is not intended to meet the requirements of Section 422 of the Code.

“OPTION” means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6 herein.

“OPTION PRICE” means the price at which a Share may be purchased by a Participant pursuant to an Option.

“PARTICIPANT” means a Person who or which has outstanding an Award.

“PERFORMANCE-BASED EXCEPTION” means the exception for performance-based compensation from the tax deductibility limitations of Section 162(m) of the Code.

“PERFORMANCE-VESTING AWARD” means an Award that vests, in whole or in part, based upon the achievement of performance measures.

“PERFORMANCE PERIOD” means the time period during which performance goals must be achieved with respect to an Award, as determined by the Committee.

“PERFORMANCE SHARE” means an Award granted to a Participant, as described in Article 9 herein.

“PERFORMANCE UNIT” means an Award granted to a Participant, as described in Article 9 herein.

“PERIOD OF RESTRICTION” means the period during which the transfer of Shares of Restricted Stock or an Award of RSUs is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares of Restricted Stock or the RSUs are subject to a substantial risk of forfeiture, as provided in Articles 8 and 8A herein.

“PERSON” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Section 13(d) and 14(d) thereof, including a group as defined in Section 13(d) thereof.

“PLAN” shall have the meaning ascribed to such term in Section 1.1 herein.

“RESTRICTED STOCK” means an Award granted to a Participant pursuant to Article 8 herein.

“RETIREMENT” means the date a Participant voluntarily terminates his/her employment with the Company: (a) on or after he/she has attained at least 65 years of age; (b) on or after he/she has attained at least 55 years of age and completed at least 10 years of service with the Company or its Subsidiaries; or (c) under circumstances that the Committee determines, in its sole discretion, that qualify as a Retirement termination from the Company.

“RSU” means an Award of restricted stock units granted to a Participant pursuant to Article 8A herein.

“SEPARATION FROM SERVICE” means a termination of Service by a Service Provider, as determined by the Committee; provided if any Award governed by Section 409A of the Code is to be distributed on a Separation from Service, then the definition of Separation from Service for such purposes shall comply with the definition provided in Section 409A of the Code.

“SERVICE” means service as a Service Provider to the Company or a Subsidiary. Unless otherwise stated in the applicable Award Agreement, a Participant’s change in position or duties shall not result in interrupted or terminated Service, so long as such Participant continues to be a Service Provider to the Company or a Subsidiary.

“SERVICE PROVIDER” means an employee, officer, Non-employee Director, consultant, or other advisor of the Company or a Subsidiary (in each case who may be offered securities registrable pursuant to a registration statement on Form S-8 under the Securities Act).

“SHARES” means shares of Common Stock of the Company.

“STOCK APPRECIATION RIGHT” or “SAR” means an Award, granted alone or in connection with a related Option, designated as an SAR, pursuant to the terms of Article 7 herein.

“STOCKHOLDER” means a stockholder of the Company.

“SUBSIDIARY” means any corporation, partnership, joint venture, affiliate, or other entity in which the Company is the direct or indirect beneficial owner of not less than 20% of all issued and outstanding equity interests. Notwithstanding the foregoing, for purposes of granting Options or SARs to Service Providers of a Subsidiary in which the Company is the direct or indirect beneficial owner of less than 50% of all issued and outstanding equity interests, such Service Providers shall not be eligible for an Award of Options or SARs unless the Committee first determines that such Award is “based upon legitimate business criteria” within the meaning of Treas. Reg. §1.409A-1(b)(5)(iii)(E).

“TANDEM SAR” means an SAR that is granted in connection with a related Option pursuant to Article 7 herein, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be forfeited).

ARTICLE 3 ADMINISTRATION

3.1 THE COMMITTEE. The Plan shall be administered by the Committee appointed by the Board. If and to the extent that no Committee exists that has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board.

3.2 AUTHORITY OF THE COMMITTEE. Except as limited by law or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions herein, the Committee shall have full power to select Persons who shall participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend, or waive rules and regulations for the Plan’s administration; and (subject to the provisions of Article 15 herein) amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan.

Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate the authority granted to it herein.

3.3 DECISIONS BINDING. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive, and binding on all Persons, including the Company, its Stockholders, Employees, Participants, and their estates and beneficiaries.

3.4 BOOK ENTRY. Notwithstanding any other provision of the Plan to the contrary, the Company may elect to satisfy any requirement under the Plan for the delivery of stock certificates through the use of book entry.

ARTICLE 4 SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

4.1 SHARES AVAILABLE FOR AWARDS. The aggregate number of Shares which may be issued for or used for reference purposes under the Plan or with respect to which Awards may be granted shall not exceed 69,888,834 Shares (subject to adjustment as provided in Section 4.3 herein), which may be either authorized and unissued Shares or Shares held in or acquired for the treasury of the Company. Upon (a) a payout of a Freestanding SAR, Tandem SAR, or Restricted Stock award in the form of cash; (b) a cancellation, termination, expiration, forfeiture, or lapse for any reason (with the exception of the termination of a Tandem SAR upon exercise of the related Options, or the termination of a related Option upon exercise of the corresponding Tandem SAR) of any Award; or (c) payment of an Option Price and/or payment of any taxes arising upon exercise of an Option or payout of any Award with previously acquired Shares or by withholding Shares which otherwise would be acquired on exercise or issued upon such payout, then the number of Shares underlying any such Award which were not issued as a result of any of the foregoing actions shall again be available for the purposes of Awards.

4.2 INDIVIDUAL PARTICIPANT LIMITATIONS. Unless and until the Committee determines that an Award to a Covered Employee shall not be designed to comply with the Performance-Based Exception, the following rules shall apply to grants of such Awards:

(a) Subject to adjustment as provided in Section 4.3 herein, the maximum number of each type of Award (other than cash-denominated Performance Units) granted to any Participant in any one fiscal year shall not exceed the following: (i) Options and SARs, 600,000 Shares, and (ii) Restricted Stock, RSUs, Performance Shares or Share-denominated Performance Units, 600,000 Shares.

(b) The maximum aggregate cash payout with respect to cash-denominated Performance Units granted in any one fiscal year which may be made to any Participant shall be \$3,000,000.

4.3 ADJUSTMENTS IN AUTHORIZED SHARES. In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code), or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares available for Awards, the number and class of and/or price of Shares subject to outstanding Awards, and the number of Shares set forth in Sections 4.1 and 4.2 herein, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; provided, however, that the number of Shares subject to any Award shall always be a whole number.

ARTICLE 5 ELIGIBILITY AND PARTICIPATION

5.1 ELIGIBILITY. Persons eligible to participate in the Plan include all Service Providers, as determined by the Committee, including Service Providers who reside in countries other than the United States of America. Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of laws in other countries in which the Company or its Subsidiaries operate or have Service Providers, the Committee, in its sole discretion, shall have the power and authority to (a) determine which Service Providers (if any) providing Services outside the United States are eligible to participate in the Plan, (b) modify the terms and conditions of any Awards made to such Service Providers and (c) establish subplans and modified Option exercise and other terms and procedures to the extent such actions may be necessary or advisable.

5.2 ACTUAL PARTICIPATION. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Persons, those to whom Awards shall be granted and shall determine the nature and amount of each Award.

5.3 NON-EMPLOYEE DIRECTOR COMPENSATION. Non-Employee Directors shall have the right to elect to receive the compensation otherwise payable to them in cash in connection with their duties as members of the Board (or any committee thereof) in whole or in part in Shares (rounded up to the nearest whole Share) issued under the Plan. If such Director elects to receive Shares as described in this Section 5.3, the per Share value of the Common Stock shall equal the Fair Market Value on the applicable payment date. Such election must be made prior to the start of the calendar year in which the compensation is to be paid and shall be irrevocable for such calendar year.

ARTICLE 6 STOCK OPTIONS

6.1 GRANT OF OPTIONS. Subject to the terms and provisions of the Plan, Options may be granted to one or more Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. The Committee may grant Nonqualified Stock Options or Incentive Stock Options. The Committee shall have complete discretion in determining the number of Options granted to each Participant (subject to Article 4 herein).

6.2 AWARD AGREEMENT. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Award Agreement with respect to the Option also shall specify whether the Option is intended to be an ISO within the meaning of Section 422 of the Code, or an NQSO whose grant is intended not to fall under the provisions of Section 422 of the Code.

6.3 OPTION PRICE. The Committee shall designate the Option Price for each grant of an Option which Option Price shall be at least equal to 100% of the Fair Market Value of a Share on the date the Option is granted, and which Option Price may not be subsequently changed by the Committee except pursuant to Section 4.3 herein or to the extent provided in the Award Agreement.

6.4 DURATION OF OPTIONS. Each Option granted to an Employee shall expire at such time as the Committee shall determine at the time of grant; provided, however, that unless otherwise designated by the Committee at the time of grant, no Option shall be exercisable later than the 10th anniversary date of its grant.

6.5 EXERCISE OF OPTIONS. Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

6.6 PAYMENT. Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares. The Option Price upon exercise of any Option shall be payable to the Company in full either:

- (a) in cash or its equivalent,
- (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price, or
- (c) by a combination of (a) and (b).

The Committee also may allow cashless exercises as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law. As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

6.7 RESTRICTIONS ON SHARE TRANSFERABILITY. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option as it may deem advisable, including restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.8 SEPARATION FROM SERVICE. Each Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following Separation from Service. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for Separation from Service, including Separation from Service for Cause or Good Reason, or reasons relating to the breach or threatened breach of restrictive covenants. Subject to Article 14 herein, in the event that a Participant's Option Award Agreement does not set forth such Separation from Service provisions, the following Separation from Service provisions shall apply:

(a) In the event of a Participant's Separation from Service for any reason other than death, Disability, or Retirement, all Options held by the Participant shall expire and all rights to purchase Shares thereunder shall terminate immediately; provided, however, that notwithstanding the foregoing, all Options to which the Participant has a vested right immediately prior to such Separation from Service shall be exercisable for the lesser of (i) 30 days following the date of Separation from Service or (ii) the expiration date of the Option, unless the Separation from Service was for Cause.

(b) In the event of a Participant's Separation from Service due to death or Disability, all Options shall immediately become fully vested on the date of the Separation from Service.

(c) Subject to Article 14 herein, in the event of Participant's Separation from Service due to death or Disability, all Options in which the Participant has a vested right upon termination shall be exercisable until the expiration date of the Option.

(d) Subject to Article 14 herein, in the event a Participant's Separation from Service due to Retirement, all Options in which the Participant has a vested right upon Separation from Service shall be exercisable for the lesser of (i) three years following the date of the Separation from Service or (ii) the expiration date of the Option.

6.9 NONTRANSFERABILITY OF OPTIONS.

(a) INCENTIVE STOCK OPTIONS. No ISO may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant shall be exercisable during his or her lifetime only by such Participant.

(b) NONQUALIFIED STOCK OPTIONS. Except as otherwise provided in a Participant's Award Agreement, no NQSO may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all NQSOs shall be exercisable during a Participant's lifetime only by such Participant.

ARTICLE 7 STOCK APPRECIATION RIGHTS

7.1 GRANT OF SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs. The Committee shall have complete discretion in determining the number of SARs granted to each Participant (subject to Article 4 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs. The Committee shall designate, at the time of grant, the grant price of Freestanding SARs, which grant price shall at least equal the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem SARs shall equal the Option Price of the related Option. Grant prices of SARs shall not subsequently be changed by the Committee except pursuant to Section 4.3 herein.

7.2 EXERCISE OF TANDEM SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable. Notwithstanding any other provision of the Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to the Tandem SAR may be for no more than 100% of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (c) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

7.3 EXERCISE OF FREESTANDING SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.4 SAR AGREEMENT. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine.

7.5 TERM OF SARs. The term of an SAR granted shall be determined by the Committee, in its sole discretion; provided, however, that unless otherwise designated by the Committee, such term shall not exceed 10 years.

7.6 PAYMENT OF SAR AMOUNT. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess of the Fair Market Value of a Share on the date of exercise over the grant price; by

(b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

7.7 SEPARATION FROM SERVICE. Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following the Participant's Separation from Service. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for Separation from Service, including Separation from Service for Cause or Good Reason, or reasons relating to the breach or threatened breach of restrictive covenants. Subject to Article 14 herein, in the event that a Participant's SAR Award Agreement does not set forth such Separation from Service provisions, the following Separation from Service provisions shall apply:

(a) In the event of a Participant's Separation from Service for any reason other than death, Disability, or Retirement, all SARs held by the Participant shall expire and all rights thereunder shall terminate immediately; provided, however, that notwithstanding the foregoing, all SARs to which the Participant has a vested right immediately prior to such Separation from Service shall be exercisable for the lesser of (i) 30 days following the date of the Separation from Service or (ii) the expiration date of the SAR, unless the Separation from Service was for Cause.

(b) In the event of a Participant's Separation from Service due to death or Disability, all SARs shall immediately become fully vested on the date of the Separation from Service.

(c) Subject to Article 14 herein, in the event of a Separation from Service due to death or Disability, all SARs in which the Participant has a vested right upon Separation from Service shall be exercisable until the expiration date of the SAR.

(d) Subject to Article 14 herein, in the event of a Participant's Separation from Service due to Retirement, all SARs in which the Participant has a vested right upon Separation from Service shall be exercisable for the lesser of (i) three years following the date of the Separation from Service or (ii) the expiration date of the SAR.

7.8 NONTRANSFERABILITY OF SARs. Except as otherwise provided in a Participant's Award Agreement, no SAR may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant shall be exercisable during his or her lifetime only by such Participant.

ARTICLE 8 RESTRICTED STOCK

8.1 GRANT OF RESTRICTED STOCK. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Participants in such amounts as the Committee shall determine.

8.2 RESTRICTED STOCK AGREEMENT. Each Restricted Stock grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine.

8.3 TRANSFERABILITY. Except as provided in this Article 8, the Shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, voluntarily or involuntarily, until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Restricted Stock Agreement. All rights with respect to the Restricted Stock granted to a Participant shall be available during his or her lifetime only to such Participant.

8.4 OTHER RESTRICTIONS. Subject to Article 10 herein, the Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock, restrictions based upon the achievement of specific performance goals (Company-wide, Subsidiary-wide, divisional, and/or individual), time-based restrictions on vesting which may or may not be following the attainment of the performance goals, and/or restrictions under applicable federal or state securities laws. The Company shall retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied. Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock grant shall become freely transferable by the Participant after the last day of the applicable Period of Restriction.

8.5 VOTING RIGHTS. Unless otherwise designated by the Committee at the time of grant, Participants to whom Shares of Restricted Stock have been granted may exercise full voting rights with respect to those Shares during the Period of Restriction.

8.6 DIVIDENDS AND OTHER DISTRIBUTIONS. Unless otherwise designated by the Committee at the time of grant, Participants holding Shares of Restricted Stock shall be credited with regular cash dividends paid with respect to the underlying Shares while they are so held during the Period of Restriction. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. Without limiting the generality of the preceding sentence, if the grant or vesting of Shares of Restricted Stock granted to a Covered Employee is designed to comply with the requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Shares of Restricted Stock, such that the dividends and/or the Shares of Restricted Stock maintain eligibility for the Performance-Based Exception. In the event that any dividend constitutes a derivative security or an equity security pursuant to Section 16 of the Exchange Act, such dividend shall be subject to a vesting period equal to the remaining vesting period of the Shares of Restricted Stock with respect to which the dividend is paid.

8.7 SEPARATION FROM SERVICE. Each Restricted Stock Award Agreement shall set forth the extent to which the Participant shall have the right to receive unvested Shares of Restricted Stock following Separation from Service. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock issued pursuant to the Plan, and may reflect distinctions based on the reasons for Separation from Service, including Separation from Service for Cause or Good Reason, or reasons relating to the breach or threatened breach of restrictive covenants; provided, however, that, except in the cases of Separation from Service connected with a Change of Control and Separation from Service by reason of death or Disability, the vesting of Shares of Restricted Stock which qualify for the Performance-Based Exception and which are held by Covered Employees shall not occur prior to the time they otherwise would have, but for the Separation from Service. Subject to Article 14 herein, in the event that a Participant's Restricted Stock Award Agreement does not set forth such termination provisions, the following Separation from Service provisions shall apply:

(a) In the event of a Participant's Separation from Service for any reason other than death or Disability, all Shares of Restricted Stock which are unvested at the date of termination shall be forfeited to the Company.

(b) Unless the Award qualifies for the Performance-Based Exception, in the event of a Participant's Separation from Service due to death or Disability, all Shares of Restricted Stock of such participant shall immediately become fully vested on the date of termination and the restrictions shall lapse.

ARTICLE 8A RESTRICTED STOCK UNITS

8A.1 GRANT OF RESTRICTED STOCK UNITS. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock Units ("RSUs") to Participants in such amounts as the Committee shall determine.

8A.2 RESTRICTED STOCK UNIT AGREEMENT. Each RSU grant shall be evidenced by an Award Agreement that shall specify (a) the Participant to whom the Award is made, (b) the number of RSUs that are subject to the Award, (c) the time that the Award is granted, (d) the duration and applicable conditions for any applicable Period of Restriction, and (e) such other provisions as the Committee shall determine. The number of RSUs granted to any Participant under any Award shall be credited, as of the date of such Award, to an account maintained on behalf of the Participant on the books of the Company. For all purposes of the Plan, the account maintained by the Company for each Participant shall constitute conclusive evidence of the Participant's Awards, absent manifest error.

8A.3 TERMS AND CONDITIONS OF AWARD. RSUs shall be subject to the following terms and conditions:

(a) No Award and no right under any such Award may be sold, assigned, transferred, pledged, or otherwise encumbered, except by will or by the laws of descent and distribution, until the lapse of any applicable Period of Restriction and satisfaction of any other conditions specified by the Committee;

(b) Subject to the limitations of the Plan and any other terms and conditions applicable to a particular Award, at the end of any applicable Period of Restriction, each such whole unit (except for any RSU canceled to pay withholding taxes) shall automatically and without further action by the Company be converted into one Share (subject to adjustment as provided in Section 4.3 herein) and the Participant shall thereupon become a record holder of each such Share for all purposes. As promptly as practicable thereafter, the Company shall issue to the Participant (or his or her legal representative, beneficiary, or heir) certificates for the Shares issued upon such conversion. No fractional Shares shall be issued pursuant to the Plan or any Award and instead cash will be paid in lieu of any fractional Shares on such basis as is determined by the Committee; and

(c) At no time prior to the conversion of RSUs into Shares shall a Participant be entitled to any rights as a Stockholder in respect of such RSUs or the Shares into which such RSUs may be converted, including the right to receive dividends in respect of, or to vote, any such Shares. Notwithstanding the foregoing, an award of RSUs may include dividend equivalents, with such terms and conditions as may be approved by the Committee and set forth in the Award Agreement. Dividend equivalents credited to a Participant may be paid currently or may be deemed to be reinvested in additional Shares at a price per unit equal to the Fair Market Value of a Share on the date that such dividend was paid to Stockholders, as determined in the sole discretion of the Committee. Notwithstanding the foregoing, in no event will dividend equivalents on any RSUs that vest on the basis of pre-established performance goals be payable before the RSUs have become earned and payable.

8A.4 SEPARATION FROM SERVICE. Each Award Agreement shall set forth the extent to which the Participant shall have the right to receive unvested RSUs following Separation from Service. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all RSUs issued pursuant to the Plan, and may reflect distinctions based on the reasons for Separation from Service, including Separation from Service for Cause or Good Reason, or reasons relating to the breach or threatened breach of restrictive covenants; provided, however, that, except in the cases of Separation from Service connected with a Change of Control and Separation from Service by reason of death or Disability, the vesting of RSUs which qualify for the Performance-Based Exception and which are held by Covered Employees shall not occur prior to the time they otherwise would have, but for the Separation from Service. Subject to Article 14 herein, in the event that a Participant's Award Agreement does not set forth such Separation from Service provisions, the following termination provisions shall apply:

(a) In the event of a Participant's Separation from Service for any reason other than death or Disability, all RSUs of such Participant that are unvested at the date of Separation from Service shall be forfeited to the Company.

(b) Unless the Award qualifies for the Performance-Based Exception, in the event of a Participant's Separation from Service due to death or Disability, all RSUs of such Participant shall immediately become fully vested on the date of Separation from Service and all restrictions shall lapse.

8A.5 DEFERRAL OF VESTING RSUs. The Committee may permit a Participant to defer the compensation that would otherwise be recognized upon vesting of RSUs by filing (or completing online if such form is electronic) an election to defer (in a form specified by the Company) with the Company that specifies the later fixed date on which the RSUs will be paid and distributed to the Participant. A Participant may make multiple subsequent deferral elections under this paragraph for any given vested RSUs but any time requirements set forth herein must be separately satisfied with respect to each subsequent deferral election. All deferral elections must comply, at all times, with Section 409A of the Code.

ARTICLE 9 PERFORMANCE UNITS AND PERFORMANCE SHARES

9.1 GRANT OF PERFORMANCE UNITS/SHARES. Subject to the terms of the Plan, Performance Units and/or Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

9.2 VALUE OF PERFORMANCE UNITS/SHARES. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units/Shares that will be paid out to the Participant. For purposes of this Article 9, the Performance Period shall be a minimum of one year.

9.3 EARNING OF PERFORMANCE UNITS/SHARES. Subject to the terms of the Plan, after the applicable Performance Period has ended, the holder of Performance Units/Shares shall be entitled to receive payout on the number and value of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function to the extent to which the corresponding performance goals have been achieved, as established by the Committee.

9.4 FORM AND TIMING OF PAYMENT OF PERFORMANCE UNITS/SHARES. (a) Except as provided below, payment of earned Performance Units/Shares shall be made in a single lump sum as soon as reasonably practicable following the close of the applicable Performance Period. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Units/Shares in the form of cash or in Shares which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period (or in a combination thereof). Such Shares may be granted subject to any restrictions deemed appropriate by the Committee.

(b) At the time of grant or shortly thereafter, the Committee, at its discretion and in accordance with the terms designated by the Committee, may provide for a voluntary and/or mandatory deferral of all or any part of an otherwise earned Performance Unit/Share Award. All deferrals, whether mandatory or elective, must comply, at all times, with Section 409A of the Code.

(c) At the discretion of the Committee, Participants may be entitled to receive any dividends declared with respect to Shares which have been earned but not yet distributed to Participants in connection with grants of Performance Units and/or Performance Shares (such dividends shall be subject to the same accrual, forfeiture, and payout restrictions as apply to dividends earned with respect to Shares of Restricted Stock, as set forth in Section 8.6 herein). In addition, Participants may, at the discretion of the Committee, be entitled to exercise their voting rights with respect to such Shares.

9.5 SEPARATION FROM SERVICE. Subject to Article 14 herein, in the event of a Participant's Separation from Service for any reason other than death, Disability, or Retirement, all Performance Units/Shares shall be forfeited by the Participant to the Company. Subject to Article 14 herein, in the event of a Participant's Separation from Service during a Performance Period due to death, Disability, or Retirement, the Participant shall receive a prorated payout of the Performance Units/Shares, unless the Committee determines otherwise. The prorated payout shall be determined by the Committee, shall be based upon the length of time that the Participant held the Performance Units/Shares during the Performance Period, and shall further be adjusted based on the achievement of the pre-established performance goals. Subject to Article 14 herein, unless the Committee determines otherwise in the event of a Separation from Service due to death, Disability, or Retirement, payment of earned Performance Units/Shares shall be made at the same time as payments are made to Participants who did not have a Separation from Service during the applicable Performance Period.

9.6 NONTRANSFERABILITY. Except as otherwise provided in a Participant's Award Agreement, Performance Units/Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by a Participant or the Participant's legal representative.

ARTICLE 10 PERFORMANCE MEASURES

10.1 PERFORMANCE MEASURES. Unless and until the Committee proposes for Stockholder vote and Stockholders approve a change in the general performance measures set forth in this Article 10, the attainment of which may determine the degree of payout and/or vesting with respect to Awards to Covered Employees which are designed to qualify for the Performance-Based Exception, the performance goals to be used for purposes of such grants shall be established by the Committee in writing and stated in terms of the attainment of specified levels of, or percentage changes in, any one or more of the following measurements: revenue, primary or fully-diluted earnings per Share, pretax income, cash flow from operations, total cash flow, return on equity, return on capital, return on assets, net operating profits after taxes, economic value added, total stockholder return or return on sales, or any individual performance objective which is measured solely in terms of quantitative targets related to the Company or the Company's business, or any combination thereof. In addition, such performance goals may be based in whole or in part upon the performance of the Company, a Subsidiary, division, and/or other operational unit, under one or more of such measures.

10.2 COMMITTEE CERTIFICATION AND ADJUSTMENTS. The degree of payout and/or vesting of Awards designed to qualify for the Performance-Based Exception shall be determined based upon the written certification of the Committee as to the extent to which the performance goals and any other material terms and conditions precedent to such payment and/or vesting have been satisfied. The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established performance goals; provided, however, that the performance goals applicable to Awards which are designed to qualify for the Performance-Based Exception, and which are held by Covered Employees, may not be adjusted so as to increase the payment under the Award (the Committee shall retain the discretion to adjust such performance goals upward, or to otherwise reduce the amount of the payment and/or vesting of the Award relative to the pre-established performance goals).

10.3 COMMITTEE DISCRETION. On or before the latest possible date that will not jeopardize the qualification of Awards for the Performance-Based Exception (to the extent applicable), the Committee shall have the discretion to include or exclude unusual, atypical, or non-recurring items in determining the applicable performance goals for a particular Performance Period.

10.4 APPLICABLE LAWS. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining Stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining Stockholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards which shall not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Section 162(m) of the Code and, thus, which use performance measures other than those specified above.

ARTICLE 11
BENEFICIARY DESIGNATION

Each Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Secretary of the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

ARTICLE 12
DEFERRALS

The Committee may permit a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant upon the exercise of any Option or by virtue of the lapse or waiver of restrictions with respect to RSUs (as provided in Section 8A.5 herein) or with respect to Restricted Stock, or the satisfaction of any requirements or goals with respect to Performance Units/Shares. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals. All deferral elections must comply, at all times, with Section 409A of the Code.

ARTICLE 13
RIGHTS OF SERVICE PROVIDERS

13.1 RIGHT TO TERMINATE SERVICES. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's Services at any time, nor confer upon any Participant any right to continue in the Service of the Company or any Subsidiary. For purposes of the Plan, temporary absence from Service because of illness, vacation, approved leaves of absence, and transfers of employment among the Company and its Subsidiaries, shall not be considered a Separation from Service or to interrupt continuous Service. Conversion of a Participant's employment relationship to a consulting or other Service arrangement shall not result in termination of previously granted Awards.

13.2 PARTICIPATION. No Service Provider shall have the right to be selected to receive an Award, or, having been so selected, to be selected to receive a future Award.

ARTICLE 14
CHANGE OF CONTROL

14.1 ALTERNATIVE AWARDS. Unless otherwise expressly provided in an Award Agreement, no cancellation, acceleration, or other payment shall occur in connection with a Change of Control pursuant to Section 14.2 herein with respect to any Award as a result of the Change of Control if the Committee determines, prior to the Change of Control, that such Award shall be honored or assumed, or new rights substituted therefor, following the Change of Control (such honored, assumed, or substituted award, an "ALTERNATIVE AWARD"), provided that any Alternative Award must (a) give the Participant who held the Award rights and entitlements substantially equivalent to or better than the rights and terms applicable under the Award immediately prior to the Change of Control and (b) have terms such that if a Participant's Service is involuntarily (e.g., by the Company or its successor other than for Cause) or constructively (e.g., by the Participant with Good Reason) terminated within two years following a Change of Control at a time when any portion of the Alternative Award is unvested, the unvested portion of such Alternative Award shall immediately vest in full and become non-forfeitable and such Participant shall receive (as determined by the Committee prior to the Change of Control) either (i) a cash payment equal in value to the excess (if any) of the fair market value of the stock subject to the Alternative Award at the date of exercise or settlement over the price (if any) that such Participant would be required to pay to exercise such Alternative Award or (ii) publicly-traded shares or equity interests equal in value (as determined by the Committee) to the value in clause (i). Unless otherwise expressly provided in an Award Agreement, the amount of any Alternative Award issued for a Performance-Vesting Award shall be based on the actual or assumed achievement of the relevant performance goals as of the Change of Control (as determined in the sole discretion of the Committee prior to the Change of Control) and any vesting conditions of any such Alternative Award shall be based solely on continued service.

14.2. ACCELERATED VESTING AND PAYMENT. Except as otherwise provided in this Article 14 or in an Award Agreement or thereafter on terms more favorable to a Participant, upon a Change of Control:

(a) each outstanding vested and unvested Option and SAR shall be canceled in exchange for a payment equal to the excess, if any, of the Change of Control Price over the applicable Option Price or grant price;

(b) the vesting restrictions applicable to all other outstanding unvested Awards (other than Performance-Vesting Awards) shall lapse and all such Awards shall vest in full and become non-forfeitable and shall be canceled in exchange for a payment based on the Change of Control Price;

(c) all outstanding unvested Performance-Vesting Awards shall be deemed to have been earned as of the Change of Control based on the actual or assumed achievement of the relevant performance goals as of the Change of Control (as determined in the sole discretion of the Committee prior to the Change of Control), and such earned Performance-Vesting Awards shall vest and become non-forfeitable and shall be canceled in exchange for a payment based on the Change of Control Price; and

(d) all other Awards that were vested prior to the Change of Control but that have not been settled or converted into Shares prior to the Change of Control shall be canceled in exchange for a payment based on the Change of Control Price.

14.3 PAYMENT TERMS. To the extent any portion of the Change of Control Price is payable other than in cash and/or other than at the time of the Change of Control, Award holders may (to the extent consistent with Section 409A of the Code) receive the same form of payment in the Change of Control in substantially the same proportion and at the same time as the Stockholders (with such proportionality to be determined as relating to Options and SARs by the Committee), or the Committee may cause Award holders to be paid fully in cash or fully in liquid securities at the time of the Change of Control. For avoidance of doubt, upon a Change of Control the Committee may cancel Options and SARs for no consideration if the aggregate Fair Market Value of the Shares subject to the Options and SARs is less than or equal to the Option Price of such Options or the grant price of such SARs.

ARTICLE 15 AMENDMENT, MODIFICATION, AND TERMINATION

15.1 AMENDMENT, MODIFICATION, AND TERMINATION. The Board may at any time and from time to time, alter, amend, suspend, or terminate the Plan in whole or in part, subject to any requirement of Stockholder approval imposed by applicable law, rule, or regulation. The Board may not, without Stockholder approval, (a) materially increase the benefits accruing to Participants, (b) materially increase the number of securities which may be issued upon the Plan, or (c) materially modify the requirements for participation in the Plan.

15.2 AWARDS PREVIOUSLY GRANTED. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted, without the written consent of the Participant holding such Award.

15.3 NO REPRICING OF OPTIONS/SARs. Notwithstanding any provision herein to the contrary, the repricing of Options or SARs is prohibited without prior approval of the Stockholders. For this purpose, a “repricing” means any of the following (or any other action that has the same effect as any of the following): (a) changing the terms of an Option or SAR to lower its Option Price or SAR grant price; (b) any other action that is treated as a “repricing” under generally accepted accounting principles; and (c) repurchasing for cash or canceling an Option or SAR at a time when its Option Price or SAR grant price is greater than the Fair Market Value of the underlying Shares in exchange for another Award, unless the cancellation and exchange occurs in connection with a change in capitalization or similar change under Section 4.3 herein. A cancellation and exchange under clause (c) would be considered a “repricing” regardless of whether it is treated as a “repricing” under generally accepted accounting principles and regardless of whether it is voluntary on the part of the Participant.

ARTICLE 16 WITHHOLDING

16.1 TAX WITHHOLDING. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan.

16.2 SHARE WITHHOLDING. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock or RSUs, or upon any other taxable event arising as a result of Awards, Participants may elect, subject to the approval of the Committee, or the Company may require, that such withholding requirement be satisfied, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which would be imposed on the transaction. All such elections shall be made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

ARTICLE 17
SUCCESSORS

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect merger, consolidation, purchase of all or substantially all of the business and/or assets of the Company, or otherwise.

ARTICLE 18
LEGAL CONSTRUCTION

18.1 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural. In the Plan, unless otherwise stated, the words “include,” “includes,” and “including” (and the like) mean “include, without limitation,” “includes, without limitation,” and “including, without limitation” (and the like), respectively.

18.2 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if as if the illegal or invalid provision had not been included.

18.3 REQUIREMENTS OF LAW. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. In the Plan, unless otherwise stated, references to a statute or law refer to the statute or law and any amendments and any successor statutes or laws, and to all valid and binding governmental regulations, court decisions, and other regulatory and judicial authority issued or rendered thereunder, as amended, or their successors, as in effect at the relevant time.

18.4 SECURITIES LAW COMPLIANCE. With respect to Insiders, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

18.5 GOVERNING LAW. To the extent not pre-empted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

18.6 COMPLIANCE WITH SECTION 409A. The Plan is intended to comply with Section 409A of the Code. Notwithstanding any provision of the Plan to the contrary, the Plan shall be interpreted, operated, and administered consistent with this intent. In that regard, and notwithstanding any provision of the Plan to the contrary, the Company reserves the right to amend the Plan or any Award, by action of the Committee, without the consent of any affected Participant, to the extent deemed necessary or appropriate for purposes of maintaining compliance with Section 409A of the Code. In addition, any payments under the Plan of an amount that is deferred compensation under Section 409A of the Code in connection with a Participant’s termination of employment shall not be made earlier than six months after the date of termination of employment to the extent required by Section 409A of the Code.

18.7 CLAWBACK. All Awards, amounts, and benefits received or outstanding under the Plan shall be subject to potential clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms and conditions of any applicable Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. A Participant’s acceptance of an Award shall be deemed to constitute the Participant’s acknowledgement of and consent to the Company’s application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to the Participant, whether adopted before or after the grant date of the Award, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Participant’s agreement that the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

RESTRICTED STOCK UNIT AGREEMENT

This Restricted Stock Unit Agreement (this “Agreement”) is made and entered into as of the _____ day of _____, _____ (the “Grant Date”) by and between LKQ Corporation, a Delaware corporation (the “Company”), and [[FIRSTNAME]] [[LASTNAME]] (the “Key Person”).

Recitals

The Board of Directors of the Company is of the opinion that the interests of the Company will be advanced by encouraging certain persons affiliated with the Company, upon whose judgment, initiative and efforts the Company is largely dependent for the successful conduct of the Company’s business, to acquire or increase their proprietary interest in the Company, thus providing them with a more direct stake in its welfare and assuring a closer identification of their interests with those of the Company.

The Board of Directors of the Company is of the opinion that the Key Person is such a person.

The Company desires to grant restricted stock units to the Key Person, and the Key Person desires to accept such grant, all on the terms and subject to the conditions set forth in this Agreement and set forth in the Company’s 1998 Equity Incentive Plan (the “Plan”). Any capitalized term used herein that is not defined shall have the meaning of such term set forth in the Plan.

Covenants

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of Restricted Stock Units. The Company hereby grants to the Key Person and the Key Person hereby accepts from the Company [[SHARESGRANTED]] restricted stock units (“RSUs”), on the terms and subject to the conditions set forth herein and in the Plan (the “Award”).
 2. Representation of the Key Person. The Key Person hereby represents and warrants that the Key Person has been provided a copy of the Plan (which is also filed publicly) and a prospectus describing the material terms of the Plan, and is accepting the RSUs with full knowledge of and subject to the restrictions contained in this Agreement and the Plan.
 3. Vesting. The RSUs are subject to time-based vesting restrictions as follows: The Award shall vest with respect to ____ of the number of RSUs subject to the Award (rounded to the nearest whole share) on _____ and on each six-month anniversary of _____ (unless such date shall be a day on which the U.S. stock exchanges are closed, in which case the vesting date shall be extended to the next shall be converted into one share of common stock of the Company).
 4. Termination of Relationship. In the event a Key Person’s employment, consulting arrangement or other affiliation with the Company and/or its Subsidiaries is terminated for any reason other than death or Disability, all RSUs of such Key Person that are unvested at the date of termination shall be forfeited to the Company. In the event the Key Person’s employment, consulting arrangement or other affiliation with the Company and/or its Subsidiaries is terminated due to death or Disability, all RSUs of such Key Person shall immediately become fully vested on the date of termination and all restrictions shall lapse.
 5. Change of Control. In the event of a Change of Control occurring after the Grant Date, the Change of Control provisions of Article 14 of the Plan shall apply to the RSUs.
 6. Non-Transferability of RSUs. Except as expressly provided in the Plan or this Agreement, prior to the expiration of the Vesting Period described in Section 3 with respect to an RSU, such RSU may not be sold, assigned, transferred, pledged or otherwise disposed of, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process, except by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge or other disposition of any RSU prior to vesting shall be null and void and without effect.
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7. Taxes. The Key Person shall be responsible for taxes due upon the vesting of any RSU granted hereunder and upon any later transfer by the Key Person of any share of common stock of the Company received upon the vesting of an RSU.
8. Payroll Authorization. In the event that the Key Person does not make an arrangement acceptable to the Company to pay to the Company the tax withholding obligation due upon vesting of an RSU or in the event that the Key Person does not pay the entire tax withholding obligation due upon vesting of an RSU, the Key Person authorizes the Company to collect the amount due through a payroll withholding or to direct a broker to sell a sufficient number of the Key Person's shares of common stock of the Company to satisfy such obligation (and any related brokerage fees) and to remit to the Company from the proceeds of sale the amount due. In the event that the Key Person pays more than the tax withholding obligation due upon vesting of an RSU, the Key Person authorizes the Company to return the excess payment through the Key Person's payroll.
9. No Rights as a Stockholder. Prior to the vesting of any RSU, the Key Person has no rights with respect to the share of common stock issuable to him upon such vesting, shall not be treated as a stockholder, and shall not have any voting rights or the right to receive any dividends with respect to the RSU or such share of common stock.
10. Notices. Any notices required or permitted hereunder shall be sent using any means (including personal delivery, courier, messenger service, facsimile transmission or electronic transmission), if to the Key Person, at the address set forth below or such other address as the Key Person may designate in writing to the Company or to the Key Person's home address if no other address has been provided to the Company, and, if to the Company, at the address of its headquarters in Chicago, Attention: General Counsel, or such other address as the Company may designate in writing to the Key Person. Such notice shall be deemed duly given when it is actually received by the party for whom it was intended.
11. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.
12. Amendment or Termination. This Agreement may not be amended or terminated unless such amendment or termination is in writing and duly executed by each of the parties hereto.
13. Benefit and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Key Person and the Key Person's executors, administrators, personal representatives and heirs. In the event that any part of this Agreement shall be held to be invalid or unenforceable, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.
14. Entire Agreement. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, discussions and understandings relating to such subject matter; provided, however, the parties acknowledge that the Confidentiality, Non-Competition and Non-Solicitation Agreement entered into between the parties hereto on the date hereof is not superseded by this Agreement and is an obligation of the parties hereto in addition to Section 17 hereof.
15. Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to principles and provisions thereof relating to conflict or choice of laws. Any and all actions concerning any dispute arising hereunder shall be filed and maintained only in a state or federal court sitting in the County of Cook, State of Illinois. The parties specifically consent and submit to the jurisdiction of such court.
16. Incorporation of Terms of Plan. The terms of the Plan are incorporated herein by reference and the Key Person's rights hereunder are subject to the terms of the Plan to the extent they are inconsistent with or in addition to the terms set forth herein. The Key Person hereby agrees to comply with all requirements of the Plan.
17. Non-Competition and Confidentiality. (a) Notwithstanding any provision to the contrary set forth elsewhere herein, the RSUs, the shares of common stock of the Company underlying the RSUs, or any proceeds received by the Key Person upon the sale of shares of common stock of the Company underlying the RSUs shall be forfeited by the Key Person to the Company without any consideration therefore, if the Key Person is not in compliance, at any time during the period commencing on the Grant Date and ending nine months following the termination of the Key Person's
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affiliation with the Company and/or its Subsidiaries, with all applicable provisions of the Plan and with the following conditions:

(i) the Key Person shall not directly or indirectly (1) be employed by, engage or have any interest in any business which is or becomes competitive with the Company or its Subsidiaries or is or becomes otherwise prejudicial to or in conflict with the interests of the Company or its Subsidiaries, (2) induce any customer of the Company or its Subsidiaries to patronize such competitive business or otherwise request or advise any such customer to withdraw, curtail or cancel any of its business with the Company or its Subsidiaries, or (3) hire or solicit for employment any person employed by the Company or its Subsidiaries; provided, however, that this restriction shall not prevent the Key Person from acquiring and holding up to two percent of the outstanding shares of capital stock of any corporation which is or becomes competitive with the Company or is or becomes otherwise prejudicial to or in conflict with the interests of the Company if such shares are available to the general public on a national securities exchange or in the over-the-counter market; and

(ii) the Key Person shall not use or disclose, except for the sole benefit of or with the written consent of the Company, any confidential information relating to the business, processes or products of the Company. Nothing in this Agreement, however, prohibits Employee from reporting violations of law or regulation to any government agency, or cooperating with the EEOC, the Securities and Exchange Commission, the Department of Justice, or any other government agency.

(b) The Company shall notify in writing the Key Person of any violation by the Key Person of this Section 17. The forfeiture shall be effective as of the date of the occurrence of any of the activities set forth in (a) above. If the shares of common stock of the Company underlying the RSUs have been sold, the Key Person shall promptly pay to the Company the amount of the proceeds from such sale. The Key Person hereby consents to a deduction from any amounts owed by the Company to the Key Person from time to time (including amounts owed as wages or other compensation, fringe benefits or vacation pay) to the extent of the amounts owed by the Key Person to the Company under this Section 17. Whether or not the Company elects to make any set-off in whole or in part, the Key Person agrees to timely pay any amounts due under this Section 17. In addition, the Company shall be entitled to injunctive relief for any violation by the Key Person of subsection (a)(i) or (ii) of this Section 17.

18. Hedging Positions. The Key Person agrees that, at any time during the Vesting Period, the Key Person shall not (i) directly or indirectly sell any equity security of the Company if the Key Person does not own the security sold, or if owning the security, does not deliver it against such sale within 20 days thereafter; or (ii) establish a derivative security position with respect to any equity security of the Company that increases in value as the value of the underlying equity decreases (including but not limited to a long put option and a short call option position) with securities underlying the position exceeding the underlying securities otherwise owned by the Key Person. In the event the Key Person violates this provision, the Company shall have the right to cancel the Award.

19. Code Section 409A. The RSUs are intended to be exempt from (or in the alternative to comply with) Code Section 409A. This Agreement will be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A, consistent with Section 18.6 of the Plan.

20. Clawback. The Award and all amounts and benefits received or outstanding under the Plan shall be subject to potential clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms and conditions of any applicable Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. The Key Person's acceptance of the Award constitutes the Key Person's acknowledgement of and consent to the Company's application, implementation and enforcement of any applicable Company clawback or similar policy that may apply to the Key Person, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Key Person's agreement that the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Grant Date.

LKQ CORPORATION

By:
Name:
Title:

KEY PERSON

By: _____
Name: _____
Address: _____

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

This Performance-Based Restricted Stock Unit Agreement (this “Agreement”) is made and entered into as of the _____ day of _____, (the “Grant Date”) by and between LKQ Corporation, a Delaware corporation (the “Company”), and _____ (the “Key Person”).

Recitals

The Board of Directors of the Company is of the opinion that the interests of the Company will be advanced by encouraging certain persons affiliated with the Company, upon whose judgment, initiative and efforts the Company is largely dependent for the successful conduct of the Company’s business, to acquire or increase their proprietary interest in the Company, thus providing them with a more direct stake in its welfare and assuring a closer identification of their interests with those of the Company.

The Board of Directors of the Company is of the opinion that the Key Person is such a person.

The Company desires to grant performance-based restricted stock units to the Key Person, and the Key Person desires to accept such grant, all on the terms and subject to the conditions set forth in this Agreement and set forth in the Company’s 1998 Equity Incentive Plan (the “Plan”). Any capitalized term used herein that is not defined shall have the meaning of such term set forth in the Plan.

Covenants

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of Performance Units. The Company hereby grants to the Key Person and the Key Person hereby accepts from the Company _____ performance-based restricted stock units (“Performance Units”), on the terms and subject to the conditions set forth herein and in the Plan (the “Award”).

2. Representation of the Key Person. The Key Person hereby represents and warrants that the Key Person has been provided a copy of the Plan (which is also filed publicly) and a prospectus describing the material terms of the Plan, and is accepting the Performance Units with full knowledge of and subject to the restrictions contained in this Agreement and the Plan.

3. Vesting. The Award shall be subject to two vesting conditions, each of which must be satisfied: (a) time-based vesting equal to _____ of the number of Performance Units subject to the award (rounded to the nearest whole share) on _____ and on each six-month anniversary of _____ (unless such date shall be a day on which the U.S. stock exchanges are closed, in which case the vesting date shall be extended to the next succeeding business day); and (b) a performance-based condition of written certification by the Compensation Committee of the Board of Directors of the Company of positive fully-diluted earnings per share of the Company (subject to adjustment for certain extraordinary items) for any of the first five fiscal years ending after the grant date. If and when the performance-based condition is met, all Performance Units that had previously met the time-based vesting condition will vest immediately and the remaining Performance Units will vest according to the remaining schedule of the time-based condition. If the performance-based condition is not met, all Performance Units will be forfeited. Within 30 days of vesting, each Performance Unit shall automatically be converted into one share of common stock of the Company. For purposes of determining the EPS of the Company in any particular fiscal year, the EPS shall be increased to the extent that EPS was reduced in accordance with generally accepted accounting principles (“GAAP”) by objectively determinable amounts due to:

1. A change in accounting policy or GAAP;
2. Dispositions of assets or businesses;
3. Asset impairments;
4. Amounts incurred in connection with any financing;
5. Losses on interest rate swaps resulting from mark to market adjustments or discontinuing hedges;
6. Board approved restructuring or similar charges including but not limited to charges in conjunction with or in anticipation of an acquisition;
7. Losses related to environmental, legal, product liability or other

contingencies;
8. Changes in tax laws;
9. Changes in contingent purchase price liabilities;
10. Losses from discontinued operations; and
11. Other extraordinary, unusual or infrequently occurring items as disclosed in the Company's financial statements or filings under the Securities Exchange Act of 1934.

4. Termination of Relationship. In the event a Key Person's employment, consulting arrangement or other affiliation with the Company and/or its Subsidiaries is terminated for any reason other than death or Disability, all Performance Units of such Key Person that are unvested at the date of termination shall be forfeited to the Company. In the event the Key Person's employment, consulting arrangement or other affiliation with the Company and/or its Subsidiaries is terminated due to death or Disability, all Performance Units of such Key Person shall immediately become fully vested on the date of termination and all restrictions shall lapse.

5. Change of Control. In the event of a Change of Control occurring after the Grant Date, the Change of Control provisions of Article 14 of the Plan shall apply to the RSUs.

6. Non-Transferability of Performance Units. Except as expressly provided in the Plan or this Agreement, Performance Units may not be sold, assigned, transferred, pledged or otherwise disposed of, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process, except by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge or other disposition of any Performance Unit prior to vesting shall be null and void and without effect.

7. Taxes. The Key Person shall be responsible for taxes due upon the vesting of any Performance Unit granted hereunder and upon any later transfer by the Key Person of any share of common stock of the Company received upon the vesting of a Performance Unit.

8. Payroll Authorization. In the event that the Key Person does not make an arrangement acceptable to the Company to pay to the Company the tax withholding obligation due upon vesting of a Performance Unit or in the event that the Key Person does not pay the entire tax withholding obligation due upon vesting of a Performance Unit, the Key Person authorizes the Company to collect the amount due through a payroll withholding or to direct a broker to sell a sufficient number of the Key Person's shares of common stock of the Company to satisfy such obligation (and any related brokerage fees) and to remit to the Company from the proceeds of sale the amount due. In the event that the Key Person pays more than the tax withholding obligation due upon vesting of a Performance Unit, the Key Person authorizes the Company to return the excess payment through the Key Person's payroll.

9. No Rights as a Stockholder. Prior to the vesting of any Performance Unit, the Key Person has no rights with respect to the shares of common stock issuable to the Key Person upon such vesting, shall not be treated as a stockholder, and shall not have any voting rights or the right to receive any dividends with respect to the Performance Unit or the underlying share of common stock.

10. Notices. Any notices required or permitted hereunder shall be sent using any means (including personal delivery, courier, messenger service, facsimile transmission or electronic transmission), if to the Key Person, at the address set forth below or such other address as the Key Person may designate in writing to the Company, or to the Key Person's home address if no other address has been provided to the Company and, if to the Company, at the address of its headquarters in Chicago, Attention: General Counsel, or such other address as the Company may designate in writing to the Key Person. Such notice shall be deemed duly given when it is actually received by the party for whom it was intended.

11. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

12. Amendment or Termination. This Agreement may not be amended or terminated unless such amendment or termination is in writing and duly executed by each of the parties hereto.

13. Benefit and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the

Company, its successors and assigns, and the Key Person and the Key Person's executors, administrators, personal representatives and heirs. In the event that any part of this Agreement shall be held to be invalid or unenforceable, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

14. Entire Agreement. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, discussions and understandings relating to such subject matter; provided, however, the parties acknowledge that the Confidentiality, Non-Competition and Non-Solicitation Agreement entered into between the parties hereto on the date hereof is not superseded by this Agreement and is an obligation of the parties hereto in addition to Section 17 hereof.

15. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to principles and provisions thereof relating to conflict or choice of laws. Any and all actions concerning any dispute arising hereunder shall be filed and maintained only in a state or federal court sitting in the County of Cook, State of Illinois. The parties specifically consent and submit to the jurisdiction of such court.

16. Incorporation of Terms of Plan. The terms of the Plan are incorporated herein by reference and the Key Person's rights hereunder are subject to the terms of the Plan to the extent they are inconsistent with or in addition to the terms set forth herein. The Key Person hereby agrees to comply with all requirements of the Plan.

17. Non-Competition and Confidentiality. (a) Notwithstanding any provision to the contrary set forth elsewhere herein, the Performance Units, the shares of common stock of the Company underlying the Performance Units, or any proceeds received by the Key Person upon the sale of shares of common stock of the Company underlying the Performance Units shall be forfeited by the Key Person to the Company without any consideration therefore, if the Key Person is not in compliance, at any time during the period commencing on the Grant Date and ending nine months following the termination of the Key Person's affiliation with the Company and/or its Subsidiaries, with all applicable provisions of the Plan and with the following conditions:

(i) the Key Person shall not directly or indirectly (1) be employed by, engage or have any interest in any business which is or becomes competitive with the Company or its Subsidiaries or is or becomes otherwise prejudicial to or in conflict with the interests of the Company or its Subsidiaries, (2) induce any customer of the Company or its Subsidiaries to patronize such competitive business or otherwise request or advise any such customer to withdraw, curtail or cancel any of its business with the Company or its Subsidiaries, or (3) solicit for employment any person employed by the Company or its Subsidiaries or hire any person who was employed by the Company or its subsidiaries at any time within nine months of such hire; provided, however, that this restriction shall not prevent the Key Person from acquiring and holding up to two percent of the outstanding shares of capital stock of any corporation which is or becomes competitive with the Company or is or becomes otherwise prejudicial to or in conflict with the interests of the Company if such shares are available to the general public on a national securities exchange or in the over-the-counter market; and

(ii) the Key Person shall not use or disclose, except for the sole benefit of or with the written consent of the Company, any confidential information relating to the business, processes or products of the Company. Nothing in this Agreement, however, prohibits Employee from reporting violations of law or regulation to any government agency, or cooperating with the EEOC, the Securities and Exchange Commission, the Department of Justice, or any other government agency.

(b) The Company shall notify in writing the Key Person of any violation by the Key Person of this Section 16. The forfeiture shall be effective as of the date of the occurrence of any of the activities set forth in (a) above. If the shares of common stock of the Company underlying the Performance Units have been sold, the Key Person shall promptly pay to the Company the amount of the proceeds from such sale. The Key Person hereby consents to a deduction from any amounts owed by the Company to the Key Person from time to time (including amounts owed as wages or other compensation, fringe benefits or vacation pay) to the extent of the amounts owed by the Key Person to the Company under this Section 16. Whether or not the Company elects to make any set-off in whole or in part, the Key Person agrees to timely pay any amounts due under this Section 16. In addition, the Company shall be entitled to injunctive relief for any violation by the Key Person of this Section 16.

18. Hedging Positions. The Key Person agrees that, at any time during the period commencing on the date

of this Agreement and ending when the Award is fully vested or the Performance Unites are forfeited, the Key Person shall not (i) directly or indirectly sell any equity security of the Company if the Key Person does not own the security sold, or if owning the security, does not deliver it against such sale within 20 days thereafter; or (ii) establish a derivative security position with respect to any equity security of the Company that increases in value as the value of the underlying equity decreases (including but not limited to a long put option and a short call option position) with securities underlying the position exceeding the underlying securities otherwise owned by the Key Person. In the event the Key Person violates this provision, the Company shall have the right to cancel the Award.

19. Code Section 409A. Code Section 409A. The RSUs are intended to be exempt from (or in the alternative to comply with) Code Section 409A. This Agreement will be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A, consistent with Section 18.6 of the Plan.

20. Clawback. The Award and all amounts and benefits received or outstanding under the Plan shall be subject to potential clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms and conditions of any applicable Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. The Key Person's acceptance of the Award constitutes the Key Person's acknowledgement of and consent to the Company's application, implementation and enforcement of any applicable Company clawback or similar policy that may apply to the Key Person, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Key Person's agreement that the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Grant Date.

LKQ CORPORATION

KEY PERSON

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Address: _____



International Swaps and Derivatives Association, Inc.

2002 MASTER AGREEMENT

dated as of JANUARY 21, 2014

HSBC BANK USA, NATIONAL ASSOCIATION and LKQ CORPORATION

have entered and/or anticipate entering into one or more transactions (each a “Transaction”) that are or will be governed by this 2002 Master Agreement, which includes the schedule (the “Schedule”), and the documents and other confirming evidence (each a “Confirmation”) exchanged between the parties or otherwise effective for the purpose of confirming or evidencing those Transactions. This 2002 Master Agreement and the Schedule are together referred to as this “Master Agreement”.

Accordingly, the parties agree as follows:

1. Interpretation

- (a) **Definitions.** The terms defined in Section 14 and elsewhere in this Master Agreement will have the meanings therein specified for the purpose of this Master Agreement.
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement, such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this “Agreement”), and the parties would not otherwise enter into any Transactions.

2. Obligations

- (a) **General Conditions.**
 - (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
 - (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

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- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated
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and (3) each other condition specified in this Agreement to be a condition precedent for the purpose of this Section 2(a)(iii).

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the Scheduled Settlement Date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting of Payments.** If on any date amounts would otherwise be payable:

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by which the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount and payment obligation will be determined in respect of all amounts payable on the same date in the same currency in respect of those Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or any Confirmation by specifying that "Multiple Transaction Payment Netting" applies to the Transactions identified as being subject to the election (in which case clause (ii) above will not apply to such Transactions). If Multiple Transaction Payment Netting is applicable to Transactions, it will apply to those Transactions with effect from the starting date specified in the Schedule or such Confirmation, or, if a starting date is not specified in the Schedule or such Confirmation, the starting date otherwise agreed by the parties in writing. This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) **Deduction or Withholding for Tax.**

(i) **Gross-Up.** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:

- (1) promptly notify the other party ("Y") of such requirement;
 - (2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
 - (3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and
 - (4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:
 - (A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or
 - (B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought
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in a court of competent jurisdiction, after a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) **Liability.** If:

- (1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);
- (2) X does not so deduct or withhold; and
- (3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

3. Representations

Each party makes the representations contained in Sections 3(a), 3(b), 3(c), 3(d), 3(e) and 3(f) and, if specified in the Schedule as applying, 3(g) to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement). If any “Additional Representation” is specified in the Schedule or any Confirmation as applying, the party or parties specified for such Additional Representation will make and, if applicable, be deemed to repeat such Additional Representation at the time or times specified for such Additional Representation.

(a) **Basic Representations.**

- (i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;
- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
- (iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
- (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors’ rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

- (b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.
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- (c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it, any of its Credit Support Providers or any of its applicable Specified Entities any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.
- (d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.
- (e) **Payer Tax Representation.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.
- (f) **Payee Tax Representations.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.
- (g) **No Agency.** It is entering into this Agreement, including each Transaction, as principal and not as agent of any person or entity.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:

- (a) **Furnish Specified Information.** It will deliver to the other party or, in certain cases under clause (iii) below, to such government or taxing authority as the other party reasonably directs:
 - (i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;
 - (ii) any other documents specified in the Schedule or any Confirmation; and
 - (iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification, in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.
 - (b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.
 - (c) **Comply With Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.
 - (d) **Tax Agreement.** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.
 - (e) **Payment of Stamp Tax.** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organised, managed and controlled or considered to have its seat, or where an Office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction"), and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.
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5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes (subject to Sections 5(c) and 6(e)(iv)) an event of default (an “Event of Default”) with respect to such party:

(i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 9(h)(i)(2) or (4) required to be made by it if such failure is not remedied on or before the first Local Business Day in the case of any such payment or the first Local Delivery Day in the case of any such delivery after, in each case, notice of such failure is given to the party;

(ii) **Breach of Agreement; Repudiation of Agreement.**

(1) Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 9(h)(i)(2) or (4) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied within 30 days after notice of such failure is given to the party; or

(2) the party disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, this Master Agreement, any Confirmation executed and delivered by that party or any Transaction evidenced by such a Confirmation (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(iii) **Credit Support Default.**

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document, or any security interest granted by such party or such Credit Support Provider to the other party pursuant to any such Credit Support Document, to be in full force and effect for the purpose of this Agreement (in each case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(iv) **Misrepresentation.** A representation (other than a representation under Section 3(e) or 3(f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) **Default Under Specified Transaction.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:

(1) defaults (other than by failing to make a delivery) under a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, such default results in a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction;

(2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment due on the last payment or exchange date of, or any payment on early termination of, a Specified Transaction

(or, if there is no applicable notice requirement or grace period, such default continues for at least one Local Business Day);

(3) defaults in making any delivery due under (including any delivery due on the last delivery or exchange date of) a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, such default results in a liquidation of, an acceleration of obligations under, or an early termination of, all transactions outstanding under the documentation applicable to that Specified Transaction; or

(4) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, a Specified Transaction or any credit support arrangement relating to a Specified Transaction that is, in either case, confirmed or evidenced by a document or other confirming evidence executed and delivered by that party, Credit Support Provider or Specified Entity (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) **Cross-Default.** If “Cross-Default” is specified in the Schedule as applying to the party, the occurrence or existence of:

(1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) where the aggregate principal amount of such agreements or instruments, either alone or together with the amount, if any, referred to in clause (2) below, is not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments before it would otherwise have been due and payable; or

(2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments under such agreements or instruments on the due date for payment (after giving effect to any applicable notice requirement or grace period) in an aggregate amount, either alone or together with the amount, if any, referred to in clause (1) above, of not less than the applicable Threshold Amount;

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4)(A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (I) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (II) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its

assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganises, reincorporates or reconstitutes into or as, another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganisation, reincorporation or reconstitution:

- (1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party; or
- (2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes (subject to Section 5(c)) an Illegality if the event is specified in clause (i) below, a Force Majeure Event if the event is specified in clause (ii) below, a Tax Event if the event is specified in clause (iii) below, a Tax Event Upon Merger if the event is specified in clause (iv) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to clause (v) below or an Additional Termination Event if the event is specified pursuant to clause (vi) below:

(i) **Illegality.** After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Confirmation or elsewhere in this Agreement, due to an event or circumstance (other than any action taken by a party or, if applicable, any Credit Support Provider of such party) occurring after a Transaction is entered into, it becomes unlawful under any applicable law (including without limitation the laws of any country in which payment, delivery or compliance is required by either party or any Credit Support Provider, as the case may be), on any day, or it would be unlawful if the relevant payment, delivery or compliance were required on that day (in each case, other than as a result of a breach by the party of Section 4(b)):

- (1) for the Office through which such party (which will be the Affected Party) makes and receives payments or deliveries with respect to such Transaction to perform any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or
- (2) for such party or any Credit Support Provider of such party (which will be the Affected Party) to perform any absolute or contingent obligation to make a payment or delivery which such party or Credit Support Provider has under any Credit Support Document relating to such Transaction, to receive a payment or delivery under such Credit Support Document or to comply with any other material provision of such Credit Support Document;

(ii) **Force Majeure Event.** After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Confirmation or elsewhere in this Agreement, by reason of force majeure or act of state occurring after a Transaction is entered into, on any day:

- (1) the Office through which such party (which will be the Affected Party) makes and receives payments or deliveries with respect to such Transaction is prevented from performing any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, from receiving a payment or delivery in respect of such Transaction or from complying with any other
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material provision of this Agreement relating to such Transaction (or would be so prevented if such payment, delivery or compliance were required on that day), or it becomes impossible or impracticable for such Office so to perform, receive or comply (or it would be impossible or impracticable for such Office so to perform, receive or comply if such payment, delivery or compliance were required on that day); or

(2) such party or any Credit Support Provider of such party (which will be the Affected Party) is prevented from performing any absolute or contingent obligation to make a payment or delivery which such party or Credit Support Provider has under any Credit Support Document relating to such Transaction, from receiving a payment or delivery under such Credit Support Document or from complying with any other material provision of such Credit Support Document (or would be so prevented if such payment, delivery or compliance were required on that day), or it becomes impossible or impracticable for such party or Credit Support Provider so to perform, receive or comply (or it would be impossible or impracticable for such party or Credit Support Provider so to perform, receive or comply if such payment, delivery or compliance were required on that day),

so long as the force majeure or act of state is beyond the control of such Office, such party or such Credit Support Provider, as appropriate, and such Office, party or Credit Support Provider could not, after using all reasonable efforts (which will not require such party or Credit Support Provider to incur a loss, other than immaterial, incidental expenses), overcome such prevention, impossibility or impracticability;

(iii) **Tax Event.** Due to (1) any action taken by a taxing authority, or brought in a court of competent jurisdiction, after a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (2) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Settlement Date (A) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 9(h)) or (B) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 9(h)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iv) **Tax Event Upon Merger.** The party (the “Burdened Party”) on the next succeeding Scheduled Settlement Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 9(h)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets (or any substantial part of the assets comprising the business conducted by it as of the date of this Master Agreement) to, or reorganising, reincorporating or reconstituting into or as, another entity (which will be the Affected Party) where such action does not constitute a Merger Without Assumption;

(v) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, a Designated Event (as defined below) occurs with respect to such party, any Credit Support Provider of such party or any applicable Specified Entity of such party (in each case, “X”) and such Designated Event does not constitute a Merger Without Assumption, and the creditworthiness of X or, if applicable, the successor, surviving or transferee entity of X, after taking into account any applicable Credit Support Document, is materially weaker immediately after the occurrence of such Designated Event than that of X immediately prior to the occurrence of such Designated Event (and, in any such event, such party or its successor, surviving or transferee entity, as appropriate, will be the Affected Party). A “Designated Event” with respect to X means that:

- (1) X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or any substantial part of the assets comprising the business conducted by X as of the date of this Master Agreement) to, or reorganises, reincorporates or reconstitutes into or as, another entity;
 - (2) any person, related group of persons or entity acquires directly or indirectly the beneficial ownership of (A) equity securities having the power to elect a majority of the board of directors (or
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its equivalent) of X or (B) any other ownership interest enabling it to exercise control of X; or

(3) X effects any substantial change in its capital structure by means of the issuance, incurrence or guarantee of debt or the issuance of (A) preferred stock or other securities convertible into or exchangeable for debt or preferred stock or (B) in the case of entities other than corporations, any other form of ownership interest; or

(vi) **Additional Termination Event.** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties will be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Hierarchy of Events.**

(i) An event or circumstance that constitutes or gives rise to an Illegality or a Force Majeure Event will not, for so long as that is the case, also constitute or give rise to an Event of Default under Section 5(a)(i), 5(a)(ii)(1) or 5(a)(iii)(1) insofar as such event or circumstance relates to the failure to make any payment or delivery or a failure to comply with any other material provision of this Agreement or a Credit Support Document, as the case may be.

(ii) Except in circumstances contemplated by clause (i) above, if an event or circumstance which would otherwise constitute or give rise to an Illegality or a Force Majeure Event also constitutes an Event of Default or any other Termination Event, it will be treated as an Event of Default or such other Termination Event, as the case may be, and will not constitute or give rise to an Illegality or a Force Majeure Event.

(iii) If an event or circumstance which would otherwise constitute or give rise to a Force Majeure Event also constitutes an Illegality, it will be treated as an Illegality, except as described in clause (ii) above, and not a Force Majeure Event.

(d) **Deferral of Payments and Deliveries During Waiting Period.** If an Illegality or a Force Majeure Event has occurred and is continuing with respect to a Transaction, each payment or delivery which would otherwise be required to be made under that Transaction will be deferred to, and will not be due until:

(i) the first Local Business Day or, in the case of a delivery, the first Local Delivery Day (or the first day that would have been a Local Business Day or Local Delivery Day, as appropriate, but for the occurrence of the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event) following the end of any applicable Waiting Period in respect of that Illegality or Force Majeure Event, as the case may be; or

(ii) if earlier, the date on which the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event ceases to exist or, if such date is not a Local Business Day or, in the case of a delivery, a Local Delivery Day, the first following day that is a Local Business Day or Local Delivery Day, as appropriate.

(e) **Inability of Head or Home Office to Perform Obligations of Branch.** If (i) an Illegality or a Force Majeure Event occurs under Section 5(b)(i)(1) or 5(b)(ii)(1) and the relevant Office is not the Affected Party’s head or home office, (ii) Section 10(a) applies, (iii) the other party seeks performance of the relevant obligation or

compliance with the relevant provision by the Affected Party’s head or home office and (iv) the Affected Party’s head or home office fails so to perform or comply due to the occurrence of an event or circumstance which would, if that head or home office were the Office through which the Affected Party makes and receives payments and deliveries with respect to the relevant Transaction, constitute or give rise to an Illegality or a Force Majeure Event, and such failure would otherwise constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1) with respect to such party, then, for so long as the relevant event or circumstance continues to exist with respect to both the Office referred to in Section 5(b)(i)(1) or 5(b)(ii)(1), as the case may be, and the Affected Party’s head or home office, such failure will not constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1).

6. Early Termination; Close-Out Netting

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event other than a Force Majeure Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction, and will also give the other party such other information about that Termination Event as the other party may reasonably require. If a Force Majeure Event occurs, each party will, promptly upon becoming aware of it, use all reasonable efforts to notify the other party, specifying the nature of that Force Majeure Event, and will also give the other party such other information about that Force Majeure Event as the other party may reasonably require.

(ii) **Transfer to Avoid Termination Event.** If a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, other than immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party’s policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) **Two Affected Parties.** If a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice of such occurrence is given under Section 6(b)(i) to avoid that Termination Event.

(iv) **Right to Terminate.**

(1) If:

(A) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(B) a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there are two Affected Parties, or the Nonaffected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, if the relevant Termination Event is then continuing, by not more than 20 days notice to the other party, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(2) If at any time an Illegality or a Force Majeure Event has occurred and is then continuing and any applicable Waiting Period has expired:

(A) Subject to clause (B) below, either party may, by not more than 20 days notice to the other party, designate (I) a day not earlier than the day on which such notice becomes effective as an Early Termination Date in respect of all Affected Transactions or (II) by specifying in that notice the Affected Transactions in respect of which it is designating the relevant day as an Early Termination Date, a day not earlier than two Local Business Days following the day on which such notice becomes effective as an Early Termination Date in respect of less than all Affected Transactions. Upon receipt of a notice designating an Early Termination Date in respect of less than all Affected Transactions, the other party may, by notice to the designating party, if such notice is effective on or before the day so designated, designate that same day as an Early Termination Date in respect of any or all other Affected Transactions.

(B) An Affected Party (if the Illegality or Force Majeure Event relates to performance by such party or any Credit Support Provider of such party of an obligation to make any payment or delivery under, or to compliance with any other material provision of, the relevant Credit Support Document) will only have the right to designate an Early Termination Date under Section 6(b)(iv)(2)(A) as a result of an Illegality under Section 5(b)(i)(2) or a Force Majeure Event under Section 5(b)(ii)(2) following the prior designation by the other party of an Early Termination Date, pursuant to Section 6(b)(iv)(2)(A), in respect of less than all Affected Transactions.

(c) ***Effect of Designation.***

(i) If notice designating an Early Termination Date is given under Section 6(a) or 6(b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 9(h)(i) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date will be determined pursuant to Sections 6(e) and 9(h)(ii).

(d) ***Calculations; Payment Date.***

(i) ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including any quotations, market data or information from internal sources used in making such calculations),

(2) specifying (except where there are two Affected Parties) any Early Termination Amount payable and

(3) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation or market data obtained in determining a Close-out Amount, the records of the party obtaining such quotation or market data will be conclusive evidence of the existence and accuracy of such quotation or market data.

(ii) ***Payment Date.*** An Early Termination Amount due in respect of any Early Termination Date will, together with any amount of interest payable pursuant to Section 9(h)(ii)(2), be payable (1) on the day on which notice of the amount payable is effective in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default and (2) on the day which is two Local Business Days after the day on which notice of the amount payable is effective (or, if there are two Affected Parties, after the day on which the statement provided pursuant to clause (i) above by the second party to provide such a statement is effective) in the case of an Early Termination Date which is designated as a result of a Termination Event.

(e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the amount, if any, payable in respect of that Early Termination Date (the “Early Termination Amount”) will be determined pursuant to this Section 6(e) and will be subject

to Section 6(f).

(i) **Events of Default.** If the Early Termination Date results from an Event of Default, the Early Termination Amount will be an amount equal to (1) the sum of (A) the Termination Currency Equivalent of the Close-out Amount or Close-out Amounts (whether positive or negative) determined by the Non-defaulting Party for each Terminated Transaction or group of Terminated Transactions, as the case may be, and (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (2) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If the Early Termination Amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of the Early Termination Amount to the Defaulting Party.

(ii) **Termination Events.** If the Early Termination Date results from a Termination Event:

(1) **One Affected Party.** Subject to clause (3) below, if there is one Affected Party, the Early Termination Amount will be determined in accordance with Section 6(e)(i), except that references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and to the Non-affected Party, respectively.

(2) **Two Affected Parties.** Subject to clause (3) below, if there are two Affected Parties, each party will determine an amount equal to the Termination Currency Equivalent of the sum of the Close-out Amount or Close-out Amounts (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions, as the case may be, and the Early Termination Amount will be an amount equal to (A) the sum of (I) one-half of the difference between the higher amount so determined (by party “X”) and the lower amount so determined (by party “Y”) and (II) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to Y. If the Early Termination Amount is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of the Early Termination Amount to Y.

(3) **Mid-Market Events.** If that Termination Event is an Illegality or a Force Majeure Event, then the Early Termination Amount will be determined in accordance with clause (1) or (2) above, as appropriate, except that, for the purpose of determining a Close-out Amount or Close-out Amounts, the Determining Party will:

(A) if obtaining quotations from one or more third parties (or from any of the Determining Party’s Affiliates), ask each third party or Affiliate (I) not to take account of the current creditworthiness of the Determining Party or any existing Credit Support Document and (II) to provide mid-market quotations; and

(B) in any other case, use mid-market values without regard to the creditworthiness of the Determining Party.

(iii) **Adjustment for Bankruptcy.** In circumstances where an Early Termination Date occurs because Automatic Early Termination applies in respect of a party, the Early Termination Amount will be subject to such adjustments as are appropriate and permitted by applicable law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Adjustment for Illegality or Force Majeure Event.** The failure by a party or any Credit Support Provider of such party to pay, when due, any Early Termination Amount will not constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1) if such failure is due to the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event. Such amount will (1) accrue interest and otherwise be treated as an Unpaid Amount owing to the other party if subsequently an Early Termination Date results from an Event of Default, a Credit Event Upon Merger or an Additional Termination Event in respect of which all outstanding Transactions are Affected Transactions and (2) otherwise accrue interest in accordance with Section 9(h)(ii)(2).

(v) **Pre-Estimate.** The parties agree that an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks, and, except as otherwise provided in this Agreement, neither party will be entitled to recover any additional damages as a consequence of the termination of the Terminated Transactions.

(f) **Set-Off.** Any Early Termination Amount payable to one party (the “Payee”) by the other party (the “Payer”), in circumstances where there is a Defaulting Party or where there is one Affected Party in the case where either a Credit Event Upon Merger has occurred or any other Termination Event in respect of which all outstanding Transactions are Affected Transactions has occurred, will, at the option of the Non-defaulting Party or the Non-affected Party, as the case may be (“X”) (and without prior notice to the Defaulting Party or the Affected Party, as the case may be), be reduced by its set-off against any other amounts (“Other Amounts”) payable by the Payee to the Payer (whether or not arising under this Agreement, matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation). To the extent that any Other Amounts are so set off, those Other Amounts will be discharged promptly and in all respects. X will give notice to the other party of any set-off effected under this Section 6(f).

For this purpose, either the Early Termination Amount or the Other Amounts (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, in good faith and using commercially reasonable procedures, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) will be effective to create a charge or other security interest. This Section 6(f) will be without prejudice and in addition to any right of set-off, offset, combination of accounts, lien, right of retention or withholding or similar right or requirement to which any party is at any time otherwise entitled or subject (whether by operation of law, contract or otherwise).

7. Transfer

Subject to Section 6(b)(ii) and to the extent permitted by applicable law, neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:

- (a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and
- (b) a party may make such a transfer of all or any part of its interest in any Early Termination Amount payable to it by a Defaulting Party, together with any amounts payable on or with respect to that interest and any other rights associated with that interest pursuant to Sections 8, 9(h) and 11.

Any purported transfer that is not in compliance with this Section 7 will be void.

8. Contractual Currency

(a) **Payment in the Contractual Currency.** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the “Contractual Currency”). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in good faith and using commercially reasonable procedures in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual

Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) **Judgments.** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in clause (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purpose of such judgment or order and the rate of exchange at which such party is able, acting in good faith and using commercially reasonable procedures in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party.

(c) **Separate Indemnities.** To the extent permitted by applicable law, the indemnities in this Section 8 constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) **Evidence of Loss.** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. Miscellaneous

(a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter. Each of the parties acknowledges that in entering into this Agreement it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to in this Agreement) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Agreement will limit or exclude any liability of a party for fraud.

(b) **Amendments.** An amendment, modification or waiver in respect of this Agreement will only be effective if in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system.

(c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) **Counterparts and Confirmations.**

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission and by electronic messaging system), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation will be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes, by an exchange of electronic messages on an electronic messaging system or by an exchange of e-mails, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex, electronic message or e-mail constitutes a Confirmation.

(f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

(h) **Interest and Compensation.**

(i) **Prior to Early Termination.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction:

(1) **Interest on Defaulted Payments.** If a party defaults in the performance of any payment obligation, it will, to the extent permitted by applicable law and subject to Section 6(c), pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment (and excluding any period in respect of which interest or compensation in respect of the overdue amount is due pursuant to clause (3)(B) or (C) below), at the Default Rate.

(2) **Compensation for Defaulted Deliveries.** If a party defaults in the performance of any obligation required to be settled by delivery, it will on demand (A) compensate the other party to the extent provided for in the relevant Confirmation or elsewhere in this Agreement and (B) unless otherwise provided in the relevant Confirmation or elsewhere in this Agreement, to the extent permitted by applicable law and subject to Section 6(c), pay to the other party interest (before as well as after judgment) on an amount equal to the fair market value of that which was required to be delivered in the same currency as that amount, for the period from (and including) the originally scheduled date for delivery to (but excluding) the date of actual delivery (and excluding any period in respect of which interest or compensation in respect of that amount is due pursuant to clause (4) below), at the Default Rate. The fair market value of any obligation referred to above will be determined as of the originally scheduled date for delivery, in good faith and using commercially reasonable procedures, by the party that was entitled to take delivery.

(3) **Interest on Deferred Payments.** If:

(A) a party does not pay any amount that, but for Section 2(a)(iii), would have been payable, it will, to the extent permitted by applicable law and subject to Section 6(c) and clauses (B) and (C) below, pay interest (before as well as after judgment) on that amount to the other party on demand (after such amount becomes payable) in the same currency as that amount, for the period from (and including) the date the amount would, but for Section 2(a)(iii), have been payable to (but excluding) the date the amount actually becomes payable, at the Applicable Deferral Rate;

(B) a payment is deferred pursuant to Section 5(d), the party which would otherwise have been required to make that payment will, to the extent permitted by applicable law, subject to Section 6(c) and for so long as no Event of Default or Potential Event of Default with respect to that party has occurred and is continuing, pay interest (before as well as after judgment) on the amount of the deferred payment to the other party on demand (after such amount becomes payable) in the same currency as the deferred payment, for the period from (and including) the date the amount would, but for Section 5(d), have been payable to (but excluding) the earlier of the date the payment is no longer deferred pursuant to Section 5(d) and the date during the deferral period upon which an Event of Default or Potential Event of Default with respect to that party occurs, at the Applicable Deferral Rate; or

(C) a party fails to make any payment due to the occurrence of an Illegality or a Force Majeure Event (after giving effect to any deferral period contemplated by clause (B)

above), it will, to the extent permitted by applicable law, subject to Section 6(c) and for so long as the event or circumstance giving rise to that Illegality or Force Majeure Event continues and no Event of Default or Potential Event of Default with respect to that party has occurred and is continuing, pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the date the party fails to make the payment due to the occurrence of the relevant Illegality or Force Majeure Event (or, if later, the date the payment is no longer deferred pursuant to Section 5(d)) to (but excluding) the earlier of the date the event or circumstance giving rise to that Illegality or Force Majeure Event ceases to exist and the date during the period upon which an Event of Default or Potential Event of Default with respect to that party occurs (and excluding any period in respect of which interest or compensation in respect of the overdue amount is due pursuant to clause (B) above), at the Applicable Deferral Rate.

(4) **Compensation for Deferred Deliveries.** If:

(A) a party does not perform any obligation that, but for Section 2(a)(iii), would have been required to be settled by delivery;

(B) a delivery is deferred pursuant to Section 5(d); or

(C) a party fails to make a delivery due to the occurrence of an Illegality or a Force Majeure Event at a time when any applicable Waiting Period has expired, the party required (or that would otherwise have been required) to make the delivery will, to the extent permitted by applicable law and subject to Section 6(c), compensate and pay interest to the other party on demand (after, in the case of clauses (A) and (B) above, such delivery is required) if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

(ii) **Early Termination.** Upon the occurrence or effective designation of an Early Termination Date in respect of a Transaction:

(1) **Unpaid Amounts.** For the purpose of determining an Unpaid Amount in respect of the relevant Transaction, and to the extent permitted by applicable law, interest will accrue on the amount of any payment obligation or the amount equal to the fair market value of any obligation required to be settled by delivery included in such determination in the same currency as that amount, for the period from (and including) the date the relevant obligation was (or would have been but for Section 2(a)(iii) or 5(d)) required to have been performed to (but excluding) the relevant Early Termination Date, at the Applicable Close-out Rate.

(2) **Interest on Early Termination Amounts.** If an Early Termination Amount is due in respect of such Early Termination Date, that amount will, to the extent permitted by applicable law, be paid together with interest (before as well as after judgment) on that amount in the Termination Currency, for the period from (and including) such Early Termination Date to (but excluding) the date the amount is paid, at the Applicable Close-out Rate.

(iii) **Interest Calculation.** Any interest pursuant to this Section 9(h) will be calculated on the basis of daily compounding and the actual number of days elapsed.

10. **Offices; Multibranch Parties**

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to and agrees with the other party that, notwithstanding the place of booking or its jurisdiction of incorporation or organisation, its obligations are the same in terms of recourse against it as if it had entered into the Transaction through its head or home office, except that a party will not have recourse to the head or home office of the other party in respect of any payment or delivery deferred pursuant to Section 5(d) for so long as the payment or delivery is so deferred. This representation and agreement will be deemed to be repeated by each party on each date on which the parties enter into a Transaction.

(b) If a party is specified as a Multibranch Party in the Schedule, such party may, subject to clause (c) below, enter into a Transaction through, book a Transaction in and make and receive payments and deliveries with respect to a Transaction through any Office listed in respect of that party in the Schedule (but not any other Office unless otherwise agreed by the parties in writing).

(c) The Office through which a party enters into a Transaction will be the Office specified for that party in the relevant Confirmation or as otherwise agreed by the parties in writing, and, if an Office for that party is not specified in the Confirmation or otherwise agreed by the parties in writing, its head or home office. Unless the parties otherwise agree in writing, the Office through which a party enters into a Transaction will also be the Office in which it books the Transaction and the Office through which it makes and receives payments and deliveries with respect to the Transaction. Subject to Section 6(b)(ii), neither party may change the Office in which it books the Transaction or the Office through which it makes and receives payments or deliveries with respect to a Transaction without the prior written consent of the other party.

11. Expenses

A Defaulting Party will on demand indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, execution fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. Notices

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner described below (except that a notice or other communication under Section 5 or 6 may not be given by electronic messaging system or e-mail) to the address or number or in accordance with the electronic messaging system or e-mail details provided (see the Schedule) and will be deemed effective as indicated:

- (i) if in writing and delivered in person or by courier, on the date it is delivered;
- (ii) if sent by telex, on the date the recipient's answerback is received;
- (iii) if sent by facsimile transmission, on the date it is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);
- (iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date it is delivered or its delivery is attempted;
- (v) if sent by electronic messaging system, on the date it is received; or
- (vi) if sent by e-mail, on the date it is delivered,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication will be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Details.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system or e-mail details at which notices or other communications are to be given to it.

13. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with this Agreement ("Proceedings"), each party irrevocably:

- (i) submits:
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(1) if this Agreement is expressed to be governed by English law, to (A) the non-exclusive jurisdiction of the English courts if the Proceedings do not involve a Convention Court and (B) the exclusive jurisdiction of the English courts if the Proceedings do involve a Convention Court; or

(2) if this Agreement is expressed to be governed by the laws of the State of New York, to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City;

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party; and

(iii) agrees, to the extent permitted by applicable law, that the bringing of Proceedings in any one or more jurisdictions will not preclude the bringing of Proceedings in any other jurisdiction.

(c) **Service of Process.** Each party irrevocably appoints the Process Agent, if any, specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12(a)(i), 12(a)(iii) or 12(a)(iv). Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by applicable law.

(d) **Waiver of Immunities.** Each party irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction or order for specific performance or recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. Definitions

As used in this Agreement:

"Additional Representation" has the meaning specified in Section 3.

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Force Majeure Event, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event (which, in the case of an Illegality under Section 5(b)(i)(2) or a Force Majeure Event under Section 5(b)(ii)(2), means all Transactions unless the relevant Credit Support Document references only certain Transactions, in which case those Transactions and, if the relevant Credit Support Document constitutes a Confirmation for a Transaction, that Transaction) and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Agreement" has the meaning specified in Section 1(c).

"Applicable Close-out Rate" means:

(a) in respect of the determination of an Unpaid Amount:

(i) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

- (ii) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate;
 - (iii) in respect of obligations deferred pursuant to Section 5(d), if there is no Defaulting Party and for so long as the deferral period continues, the Applicable Deferral Rate; and
 - (iv) in all other cases following the occurrence of a Termination Event (except where interest accrues pursuant to clause (iii) above), the Applicable Deferral Rate; and
- (b) in respect of an Early Termination Amount:
- (i) for the period from (and including) the relevant Early Termination Date to (but excluding) the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable:
 - (1) if the Early Termination Amount is payable by a Defaulting Party, the Default Rate;
 - (2) if the Early Termination Amount is payable by a Non-defaulting Party, the Non-default Rate; and
 - (3) in all other cases, the Applicable Deferral Rate; and
 - (ii) for the period from (and including) the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable to (but excluding) the date of actual payment:
 - (1) if a party fails to pay the Early Termination Amount due to the occurrence of an event or circumstance which would, if it occurred with respect to a payment or delivery under a Transaction, constitute or give rise to an Illegality or a Force Majeure Event, and for so long as the Early Termination Amount remains unpaid due to the continuing existence of such event or circumstance, the Applicable Deferral Rate;
 - (2) if the Early Termination Amount is payable by a Defaulting Party (but excluding any period in respect of which clause (1) above applies), the Default Rate;
 - (3) if the Early Termination Amount is payable by a Non-defaulting Party (but excluding any period in respect of which clause (1) above applies), the Non-default Rate; and
 - (4) in all other cases, the Termination Rate.

“Applicable Deferral Rate” means:

- (a) for the purpose of Section 9(h)(i)(3)(A), the rate certified by the relevant payer to be a rate offered to the payer by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market;
- (b) for purposes of Section 9(h)(i)(3)(B) and clause (a)(iii) of the definition of Applicable Close-out Rate, the rate certified by the relevant payer to be a rate offered to prime banks by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer after consultation with the other party, if practicable, for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market; and
- (c) for purposes of Section 9(h)(i)(3)(C) and clauses (a)(iv), (b)(i)(3) and (b)(ii)(1) of the definition of Applicable Close-out Rate, a rate equal to the arithmetic mean of the rate determined pursuant to clause (a) above and a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount.

“Automatic Early Termination” has the meaning specified in Section 6(a).

“Burdened Party” has the meaning specified in Section 5(b)(iv).

“Change in Tax Law” means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs after the parties enter into the relevant Transaction.

“Close-out Amount” means, with respect to each Terminated Transaction or each group of Terminated Transactions and a Determining Party, the amount of the losses or costs of the Determining Party that are or would be incurred under then prevailing circumstances (expressed as a positive number) or gains of the Determining Party that are or would be realised under then prevailing circumstances (expressed as a negative number) in replacing, or in providing for the Determining Party the economic equivalent of, (a) the material terms of that Terminated Transaction or group of Terminated Transactions, including the payments and deliveries by the parties under Section 2(a)(i) in respect of that Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of the conditions precedent in Section 2(a)(iii)) and (b) the option rights of the parties in respect of that Terminated Transaction or group of Terminated Transactions.

Any Close-out Amount will be determined by the Determining Party (or its agent), which will act in good faith and use commercially reasonable procedures in order to produce a commercially reasonable result. The Determining Party may determine a Close-out Amount for any group of Terminated Transactions or any individual Terminated Transaction but, in the aggregate, for not less than all Terminated Transactions. Each Close-out Amount will be determined as of the Early Termination Date or, if that would not be commercially reasonable, as of the date or dates following the Early Termination Date as would be commercially reasonable.

Unpaid Amounts in respect of a Terminated Transaction or group of Terminated Transactions and legal fees and out-of-pocket expenses referred to in Section 11 are to be excluded in all determinations of Close-out Amounts.

In determining a Close-out Amount, the Determining Party may consider any relevant information, including, without limitation, one or more of the following types of information:

- (i) quotations (either firm or indicative) for replacement transactions supplied by one or more third parties that may take into account the creditworthiness of the Determining Party at the time the quotation is provided and the terms of any relevant documentation, including credit support documentation, between the Determining Party and the third party providing the quotation;
- (ii) information consisting of relevant market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other relevant market data in the relevant market; or
- (iii) information of the types described in clause (i) or (ii) above from internal sources (including any of the Determining Party’s Affiliates) if that information is of the same type used by the Determining Party in the regular course of its business for the valuation of similar transactions.

The Determining Party will consider, taking into account the standards and procedures described in this definition, quotations pursuant to clause (i) above or relevant market data pursuant to clause (ii) above unless the Determining Party reasonably believes in good faith that such quotations or relevant market data are not readily available or would produce a result that would not satisfy those standards. When considering information described in clause (i), (ii) or (iii) above, the Determining Party may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilised. Third parties supplying quotations pursuant to clause (i) above or market data pursuant to clause (ii) above may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

Without duplication of amounts calculated based on information described in clause (i), (ii) or (iii) above, or other relevant information, and when it is commercially reasonable to do so, the Determining Party may in addition consider in calculating a Close-out Amount any loss or cost incurred in connection with its terminating, liquidating or re-establishing any hedge related to a Terminated Transaction or group of Terminated Transactions (or any gain resulting from any of them).

Commercially reasonable procedures used in determining a Close-out Amount may include the following:

- (1) application to relevant market data from third parties pursuant to clause (ii) above or information from internal sources
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pursuant to clause (iii) above of pricing or other valuation models that are, at the time of the determination of the Close-out Amount, used by the Determining Party in the regular course of its business in pricing or valuing transactions between the Determining Party and unrelated third parties that are similar to the Terminated Transaction or group of Terminated Transactions; and

(2) application of different valuation methods to Terminated Transactions or groups of Terminated Transactions depending on the type, complexity, size or number of the Terminated Transactions or group of Terminated Transactions.

“Confirmation” has the meaning specified in the preamble.

“consent” includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

“Contractual Currency” has the meaning specified in Section 8(a).

“Convention Court” means any court which is bound to apply to the Proceedings either Article 17 of the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters or Article 17 of the 1988 Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters.

“Credit Event Upon Merger” has the meaning specified in Section 5(b).

“Credit Support Document” means any agreement or instrument that is specified as such in this Agreement.

“Credit Support Provider” has the meaning specified in the Schedule.

“Cross-Default” means the event specified in Section 5(a)(vi).

“Default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

“Defaulting Party” has the meaning specified in Section 6(a).

“Designated Event” has the meaning specified in Section 5(b)(v).

“Determining Party” means the party determining a Close-out Amount.

“Early Termination Amount” has the meaning specified in Section 6(e).

“Early Termination Date” means the date determined in accordance with Section 6(a) or 6(b)(iv).

“electronic messages” does not include e-mails but does include documents expressed in markup languages, and **“electronic messaging system”** will be construed accordingly.

“English law” means the law of England and Wales, and **“English”** will be construed accordingly.

“Event of Default” has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

“Force Majeure Event” has the meaning specified in Section 5(b).

“General Business Day” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits).

“Illegality” has the meaning specified in Section 5(b).

“Indemnifiable Tax” means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

“law” includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority), and **“unlawful”** will be construed accordingly.

“Local Business Day” means (a) in relation to any obligation under Section 2(a)(i), a General Business Day in the place or places specified in the relevant Confirmation and a day on which a relevant settlement system is open or operating as specified in the relevant Confirmation or, if a place or a settlement system is not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) for the purpose of determining when a Waiting Period expires, a General Business Day in the place where the event or circumstance that constitutes or gives rise to the Illegality or Force Majeure Event, as the case may be, occurs, (c) in relation to any other payment, a General Business Day in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment and, if that currency does not have a single recognised principal financial centre, a day on which the settlement system necessary to accomplish such payment is open, (d) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), a General Business Day (or a day that would have been a General Business Day but for the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event) in the place specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (e) in relation to Section 5(a)(v)(2), a General Business Day in the relevant locations for performance with respect to such Specified Transaction.

“Local Delivery Day” means, for purposes of Sections 5(a)(i) and 5(d), a day on which settlement systems necessary to accomplish the relevant delivery are generally open for business so that the delivery is capable of being accomplished in accordance with customary market practice, in the place specified in the relevant Confirmation or, if not so specified, in a location as determined in accordance with customary market practice for the relevant delivery.

“Master Agreement” has the meaning specified in the preamble.

“Merger Without Assumption” means the event specified in Section 5(a)(viii).

“Multiple Transaction Payment Netting” has the meaning specified in Section 2(c).

“Non-affected Party” means, so long as there is only one Affected Party, the other party.

“Non-default Rate” means the rate certified by the Non-defaulting Party to be a rate offered to the Non-defaulting Party by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the Non-defaulting Party for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market.

“Non-defaulting Party” has the meaning specified in Section 6(a).

“Office” means a branch or office of a party, which may be such party’s head or home office.

“Other Amounts” has the meaning specified in Section 6(f).

“Payee” has the meaning specified in Section 6(f).

“Payer” has the meaning specified in Section 6(f).

“Potential Event of Default” means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Proceedings” has the meaning specified in Section 13(b).

“Process Agent” has the meaning specified in the Schedule.

“rate of exchange” includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

“Relevant Jurisdiction” means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

“Schedule” has the meaning specified in the preamble.

“Scheduled Settlement Date” means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

“Specified Entity” has the meaning specified in the Schedule.

“Specified Indebtedness” means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

“Specified Transaction” means, subject to the Schedule, (a) any transaction (including an agreement with respect to any such transaction) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is not a Transaction under this Agreement but (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, weather index transaction or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in clause (i) above that is currently, or in the future becomes, recurrently entered into in the financial markets (including terms and conditions incorporated by reference in such agreement) and which is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, economic indices or measures of economic risk or value, or other benchmarks against which payments or deliveries are to be made, (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

“Stamp Tax” means any stamp, registration, documentation or similar tax.

“Stamp Tax Jurisdiction” has the meaning specified in Section 4(e).

“Tax” means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

“Tax Event” has the meaning specified in Section 5(b).

“Tax Event Upon Merger” has the meaning specified in Section 5(b).

“Terminated Transactions” means, with respect to any Early Termination Date, (a) if resulting from an Illegality or a Force Majeure Event, all Affected Transactions specified in the notice given pursuant to Section 6(b)(iv), (b) if resulting from any other Termination Event, all Affected Transactions and (c) if resulting from an Event of Default, all Transactions in effect either immediately before the effectiveness of the notice designating that Early Termination Date or, if Automatic Early Termination applies, immediately before that Early Termination Date.

“Termination Currency” means (a) if a Termination Currency is specified in the Schedule and that currency is freely available, that currency, and (b) otherwise, euro if this Agreement is expressed to be governed by English law or United States Dollars if this Agreement is expressed to be governed by the laws of the State of New York.

“Termination Currency Equivalent” means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the “Other Currency”), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Close-out Amount is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

“Termination Event” means an Illegality, a Force Majeure Event, a Tax Event, a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

“Termination Rate” means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

“Threshold Amount” means the amount, if any, specified as such in the Schedule.

“Transaction” has the meaning specified in the preamble.

“Unpaid Amounts” owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii) or due but for Section 5(d)) to such party under Section 2(a)(i) or 2(d)(i)(4) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date, (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii) or 5(d)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered and (c) if the Early Termination Date results from an Event of Default, a Credit Event Upon Merger or an Additional Termination Event in respect of which all outstanding Transactions are Affected Transactions, any Early Termination Amount due prior to such Early Termination Date and which remains unpaid as of such Early Termination Date, in each case together with any amount of interest accrued or other compensation in respect of that obligation or deferred obligation, as the case may be, pursuant to Section 9(h)(ii)(1) or (2), as appropriate. The fair market value of any obligation referred to in clause (b) above will be determined as of the originally scheduled date for delivery, in good faith and using commercially reasonable procedures, by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it will be the average of the Termination Currency Equivalents of the fair market values so determined by both parties.

“Waiting Period” means:

(a) in respect of an event or circumstance under Section 5(b)(i), other than in the case of Section 5(b)(i)(2) where the relevant payment, delivery or compliance is actually required on the relevant day (in which case no Waiting Period will apply), a period of three Local Business Days (or days that would have been Local Business Days but for the occurrence of that event or circumstance) following the occurrence of that event or circumstance; and

(b) in respect of an event or circumstance under Section 5(b)(ii), other than in the case of Section 5(b)(ii)(2) where the relevant payment, delivery or compliance is actually required on the relevant day (in which case no Waiting Period will apply), a period of eight Local Business Days (or days that would have been Local Business Days but for the occurrence of that event or circumstance) following the occurrence of that event or circumstance.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

HSBC BANK USA, NATIONAL ASSOCIATION

(Name of Party)

By: /s/ SUMMER FARRIS

Name: Summer Farris

Title: Authorized Signatory

Date: 2/3/14

LKQ CORPORATION

(Name of Party)

By: /s/ JOHN QUINN

Name: John Quinn

Title: CFO

Date: 2/3/14

ISDA

International Swaps and Derivatives Association, Inc.

SCHEDULE to the

2002 Master Agreement

dated as of JANUARY 21, 2014

between

HSBC BANK USA, NATIONAL ASSOCIATION,

a National Association organized under the laws of the United States of America,

(“Party A”)

and

LKQ CORPORATION,

a corporation organized and existing under the laws of Delaware,

(“Party B”)

Part 1

Termination Provisions

- (a) “**Specified Entity**” means in relation to Party A for the purpose of Sections 5(a)(v), 5(a)(vi), 5(a)(vii) and 5(b)(v): none;

“**Specified Entity**” means in relation to Party B for the purpose of Sections 5(a)(v), 5(a)(vi), 5(a)(vii) and 5(b)(v): none.

- (b) “**Specified Transaction**” will have the meaning specified in Section 14.

- (c) The “**Cross-Default**” provisions of Section 5(a)(vi):
will apply to Party A
and will apply to Party B.

In connection therewith, “**Specified Indebtedness**” will not have the meaning specified in Section 14, and such definition shall be replaced by the following: “any obligation in respect of the payment or repayment of moneys (whether present or future, contingent or otherwise, as principal or surety or otherwise), including, but without limitation, any obligation in respect of borrowed money except that such term shall not include obligations in respect of deposits received in the ordinary course of a party’s banking business.”

“**Threshold Amount**” means with respect to Party A an amount equal to three percent (3%) of the Shareholders’ Equity of Party A and with respect to Party B, \$75,000,000 (United States Dollars SEVENTY FIVE MILLION), or its equivalent in any currency.

“**Credit Agreement**” means the Second Amended and Restated Credit Agreement dated as of March 25, 2011, as amended and restated as of September 30, 2011, as further amended and restated as of May 3, 2013, among LKQ Corporation and LKQ Delaware LLP, the Subsidiary Borrowers from time to time party thereto, the Lenders party thereto from time to time, Wells Fargo Bank, National Association, as Administrative Agent, Bank of America, N.A., as Syndication Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and RBS Citizens, N.A. as Co-Documentation Agents, as amended, extended, supplemented, restated or otherwise modified in writing from time to time.

“**Shareholders’ Equity**” means with respect to an entity, at any time, the sum (as shown in the most recent annual audited financial statements of such entity) of (i) its capital stock (including preferred stock) outstanding, taken at par value, (ii) its capital surplus and (iii) its retained earnings, minus (iv) treasury stock, each to be determined in accordance with generally accepted accounting principles.

(d) The “**Credit Event Upon Merger**” provisions of Section 5(b)(v):
will apply to Party A
will apply to Party B

(e) The “**Automatic Early Termination**” provision of Section 6(a):
will not apply to Party A
will not apply to Party B.

(f) “**Termination Currency**” means United States Dollars.

(g) **Additional Termination Event** will apply.

It shall be an Additional Termination Event hereunder, with respect to which Party B shall be the sole Affected Party, if (1) an Event of Default (as defined in the Credit Agreement) occurs under the Credit Agreement, or if (2) the Credit Agreement shall be paid or prepaid in full, expire, terminate, or otherwise cease to be in full effect.

Part 2

Tax Representations

(a) **Payer Tax Representations** . For the purpose of Section 3(e) of this Agreement, Party A and Party B will make the following representation:-
It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9(h) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, except that it will not be a breach of this representation where reliance is placed on clause (ii) above and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) **Payee Tax Representations** . For the purpose of Section 3(f) of this Agreement, Party A and Party B will make the following representations specified below, if any:-

(i) The following representations will apply to Party A:
It is a National Association organized under the laws of the United States of America.

(ii) The following representations will apply to Party B:

Party B is a corporation created or organized under the laws of the State of Delaware and the federal taxpayer identification number is 36-4215970.

Part 3

Agreement to Deliver Documents

For the purpose of Section 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents:

(a) Tax forms, documents or certificates to be delivered are:

Party required to deliver document	Document	Date by which to be delivered
Party B	Internal Revenue Service Form W-9	Upon execution and delivery of this Agreement

(b) Other documents to be delivered are:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party B	Certified copies of all corporate, partnership or membership authorizations, as the case may be, and any other documents with respect to the execution, delivery and performance of this Agreement and any Credit Support Document	Upon execution and delivery of this Agreement	Yes
Party A and B	Certificate of authority and specimen signatures of individuals executing this Agreement and any Credit Support Document	Upon execution and delivery of this Agreement and thereafter upon request of the other party	Yes
Party A	Annual Report of PARTY A containing audited consolidated financial statements certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized	Promptly upon request by Party B, provided that if such financial statements are available on the party's internet home page, the party shall not be independently required to deliver such financial statements to the other party hereunder.	Yes
Party A	Quarterly Financial Statements of PARTY A containing unaudited, consolidated financial statements of such party's fiscal quarter prepared in accordance with generally accepted accounting principles in the country in which such party is organized	Promptly upon request by Party B, provided that if such financial statements are available on the party's internet home page, the party shall not be independently required to deliver such financial statements to the other party hereunder.	
Party B	Annual Report of Party B and of any Credit Support Provider thereof containing audited, consolidated financial statements certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized	To be made available on www.lkqcorp.com as soon as available and in any event within 90 days after the end of each fiscal year of Party B and of the Credit Support Provider	Yes
Party B	Quarterly Financial Statements of Party B and of any Credit Support Provider thereof containing audited, consolidated financial statements of such party's fiscal quarter prepared in accordance with generally accepted accounting principles in the country in which such party and such Credit Support Provider is organized	To be made available on www.lkqcorp.com as soon as available and in any event within 45 days after the end of each fiscal quarter of Party B and of the Credit Support Provider	Yes

Part 4
Miscellaneous

- (a) **Address for Notices.** For the purpose of Section 12(a) of this Agreement:-

Address for notice or communications to Party A:

All notices or communications to Party A shall, with respect to a particular Transaction, be sent to the address, telex number, or facsimile number reflected in the Confirmation of that Transaction, and any notice for purposes of Section 5 and 6 of the Agreement shall be sent to:

452 Fifth Avenue, New York, NY 10018
Attention: Legal Department
Email: HBUS.ISDA.NOTICES@us.hsbc.com

Address for notice or communications to Party B:

Address: LKQ Corporation
500 West Madison Street, Suite 2800 Chicago, IL 60611
Attention: Jack B. Brooks

Telephone No.: 312/621-2774
Facsimile No.: 866/669-2811
Email Address: jbbrooks@lkqcorp.com

with a copy to:

Address: LKQ Corporation
500 West Madison Street, Suite 2800 Chicago, IL 60611
Attention: Victor Casini

Telephone No.: 312/621-2754
Facsimile No.: 312/280-3730
Email Address: victorcasini@lkqcorp.com

The parties expressly agree that, if either party has specified any additional addresses for notices herein to which copies of any notices are to be sent and the other party fails to send copies of such notices to any such additional addresses, then such failure to send copies of such notices to any additional addresses for notices shall not render any notice delivered to the principal address for notices ineffective and any delay in such delivery shall not affect the time at which such notice to the principal address shall be effective under Section 12.

- (b) **Process Agent.** For the purpose of Section 13(c):

Party A appoints as its Process Agent: Not applicable.
Party B appoints as its Process Agent: Not applicable.

- (c) **Offices.** The provisions of Section 10(a) will apply to this Agreement.

- (d) **Multibranch Party.** For the purpose of Section 10(b) of this Agreement:-

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

- (e) **Calculation Agent.** The Calculation Agent is Party A.

- (f) **Credit Support Document.** Details of any Credit Support Document:-
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Each of the following, as amended, extended, supplemented or otherwise modified in writing from time to time, is a “Credit Support Document”:

In relation to Party A, NONE.

In relation to Party B, the Credit Agreement, and the Security Documents, or the Collateral Documents, as the case may be, as defined in the Credit Agreement.

Party B agrees that the security interests in collateral granted to Party A under the foregoing Credit Support Documents shall secure the obligations of Party B to Party A under this Agreement.

(g) **Credit Support Provider.**

Credit Support Provider means in relation to party A: Not applicable.

Credit Support Provider means in relation to Party B: Subsidiary Borrowers and Subsidiary Guarantors, each as defined in the Credit Agreement, excluding, however, any Subsidiary, as defined in the Credit Agreement, that would become an Affected Foreign Subsidiary, as defined in the Credit Agreement, if it guaranteed or became liable for, or granted any security interests to secure, the obligations under this Agreement or any Transaction.

(h) **Governing Law.** This Agreement and any and all controversies arising out of or in relation to this Agreement shall be governed by and construed in accordance with the laws of the State of New York (without reference to its conflict of laws doctrine).

(i) **Netting of Payments.** “Multiple Transaction Payment Netting” will not apply for the purpose of Section 2(c) of this Agreement save in respect of FX Transactions and Currency Option Transactions which have been exercised, in each case entered into between Party A and Party B.

(j) **“Affiliate”** will have the meaning specified in Section 14 of this Agreement.

(k) **Absence of Litigation.** For the purpose of Section 3(c):-

“Specified Entity” means in relation to Party A, none;

“Specified Entity” means in relation to Party B, none.

(l) **No Agency.** The provisions of Section 3(g) will apply to this Agreement.

(m) **Additional Representation** will apply. For the purpose of Section 3 of this Agreement, each of the following will constitute an Additional Representation:-

(i) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):-

- (1) **Non-Reliance.** It is acting for its own account, and, it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction, it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party will be deemed to be an assurance or guarantee as to the expected results of that Transaction.
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- (2) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.
- (3) **Status of Parties.** The other party is not acting as a fiduciary for or an advisor to it in respect of that Transaction.
- (ii) Each party makes the representations below (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into):
- (1) **Eligible Contract Participant.** It is an "eligible contract participant" as defined in the U.S. Commodity Exchange Act, as amended from time to time.
- (2) **ERISA .** Each Party represents and warrants that it is neither (i) an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 which is subject to Part 4 of Subtitle B of Title I of such Act; (ii) a "plan" as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986; nor (iii) an entity the assets of which are deemed to be assets of any such "employee benefit plan" or "plan" by reason of the U.S. Department of Labor's plan asset regulation, 29 C.F.R. Section 2510.3 101.
- (n) **Recording of Conversations.** Each party to this Agreement (i) acknowledges and agrees to the recording of conversations between trading and marketing personnel of the parties to this Agreement whether by one or other or both of the parties or their agents, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (iii) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any Proceedings.

Part 5

Other Provisions

- (a) **Financial Statements.** Section 3(d) is hereby amended by adding in the third line thereof after the word "respect" and before the period:
- "or, in the case of financial statements, a fair presentation of the financial condition of the relevant party."
- (b) **2002 Master Agreement Protocol .** Annexes 1 to 18 and Section 6 of the ISDA 2002 Master Agreement Protocol as published by the International Swaps and Derivatives Association, Inc. on July 15, 2003 are incorporated into and apply to this Agreement. References in those definitions and provisions to any ISDA Master Agreement will be deemed to be references to this Master Agreement.
- (c) **WAIVER OF RIGHT TO TRIAL BY JURY.** EACH PARTY HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY CREDIT SUPPORT DOCUMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.
- (d) **Method of Notice.** Section 12(a)(ii) of the Master Agreement is deleted in its entirety.
- (e) **Hedge Agreement.** Party B represents to Party A (which representation will be deemed to be repeated by Party B on each date on which a Transaction is entered into) that this Agreement is a Hedge Agreement as defined in the Credit Agreement.
- (f) **Withholding Tax Imposed on Payments to Non-U.S. Counterparties under the United States Foreign Account Tax Compliance Act.** (a) For purposes of any Payer Tax Representation, the words "any Tax from any payment" shall not include any tax
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imposed under Sections 1471 and 1472 of the Internal Revenue Code of 1986, as amended (or the United States Treasury regulations or other guidance issued or any agreements entered into thereunder) ("FATCA Withholding Tax"); (b) for the avoidance of doubt the parties agree that for purposes of Section 2(d) of this Agreement the deduction or withholding of FATCA Withholding Tax is required by applicable law; and (c) the definition of "Indemnifiable Tax" shall not include any FATCA Withholding Tax.

- (g) **Only ECPs Can Be Guarantors.** Notwithstanding anything to the contrary in this Agreement or in any credit agreement or guaranty, no person providing a guaranty of any obligation of Party B under this Agreement (each such person, a "Guarantor") shall be deemed to be a guarantor of, or to have granted a security interest to secure any guaranty by Guarantor of, any Swap Obligation (as defined below) if such Guarantor is not an "Eligible Contract Participant" as defined in the Commodity Exchange Act and the applicable rules and regulations issued by the Commodity Futures Trading Commission and/or the Securities and Exchange Commission (collectively, and as now or hereafter in effect, "the ECP Rules") at the time Party B entered into any applicable Transaction (each such Swap Obligation, an "Excluded Swap Obligation"), but solely to the extent that the providing of such guaranty by such Guarantor, or grant of a security interest to secure any guaranty by Guarantor, of any Swap Obligation by such Guarantor would violate the ECP Rules or other applicable law or regulation. Except as expressly set forth in the preceding sentence, nothing in this Agreement shall be deemed to restrict, reduce or waive any obligation of any such Guarantor under any guaranty or other Credit Support Document, and such guaranty or other Credit Support Document shall continue to guarantee, or grant a security interest to secure, as applicable, in accordance with its terms, each Swap Obligation that is not an Excluded Swap Obligation. The term "**Swap Obligation**" means any obligation of any person to pay or perform under any Transaction that constitutes a "swap" as defined in the Commodity Exchange Act.

- (h) **USA PATRIOT Act Notice.** Party A hereby notifies Party B that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies Party B, which information includes the name and address of Party B and other information that will allow Party A to identify Party B in accordance with the Act.

- (i) **Scope of the Agreement .** Notwithstanding anything in this Agreement to the contrary, any transaction (other than a repurchase transaction, reverse repurchase transaction, buy/sell back transaction or securities lending transaction) which may otherwise constitute a "Specified Transaction" (without regard to the phrase "which is not a Transaction under this Agreement but" in the definition of "Specified Transaction") for purposes of this Agreement which has been or will be entered into between the parties, shall constitute a "Transaction" which is subject to, governed by, and construed in accordance with the terms of this Agreement, unless any Confirmation with respect to a Transaction entered into after the execution of this Agreement expressly provides otherwise.

- (j) **Regulatory Requirements .** In order to satisfy applicable regulatory requirements, the parties agree as follows:

- (a) if the parties have mutually adhered to and exchanged questionnaires under the ISDA August 2012 DF Protocol (the "August Protocol") or entered into a materially similar bilateral version of the August Protocol (an "August Bilateral"), this Agreement shall be deemed to be an agreement covered thereby and (i) a "Matched PCA" for purposes of the August Protocol or (ii) an "Agreement" for purposes of such August Bilateral, as applicable; and
- (b) if the parties have mutually adhered to and exchanged questionnaires under the ISDA March 2013 DF Protocol (the "March Protocol") or entered into a materially similar bilateral version of the March Protocol (a "March Bilateral"), this Agreement shall be deemed to be an agreement covered thereby and (i) a "Matched PCA" for purposes of the March Protocol or (ii) an "Agreement" for purposes of
-

such March Bilateral, as applicable.

- (k) ***Incorporation of ISDA FX Definitions*** . This Agreement incorporates, and is subject to and governed by (unless otherwise amended herein), the 1998 FX and Currency Option Definitions (the "FX and Currency Option Definitions"), as published by the International Swap and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.), the Emerging Markets Traders Association and The Foreign Exchange Committee.

[Signature Page follows]

IN WITNESS WHEREOF , the parties have executed this Schedule by their duly authorized officers as of the date hereof:

HSBC BANK USA, NATIONAL ASSOCIATION

(Name of Party)

By: /s/ SUMMER FARRIS

Name: Summer Farris

Title: Authorized Signatory

Date: 2/3/14

LKQ CORPORATION

(Name of Party)

By: /s/ JOHN QUINN

Name: John Quinn

Title: CFO

Date: 2/3/14

Change of Control Agreement

May 13, 2015

Justin Jude
500 W. Madison Street, Suite 2800
Chicago, IL 60661

Dear Mr. Jude:

LKQ Corporation, a Delaware corporation (the “Company”), considers it essential to the best interests of its stockholders to take reasonable steps to retain key management personnel. Further, the Board of Directors of the Company (the “Board”) recognizes that the uncertainty and questions that might arise among management in the context of any possible Change of Control (as defined below) of the Company could result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

In order to reinforce and encourage your continued attention and dedication to your assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible Change of Control, the Company has determined to enter into this letter agreement (the “Agreement”), which addresses the terms and conditions of your separation from the Company in connection with a Change of Control or within two (2) years following the Change of Control Date (the “Change of Control Period”). Capitalized words that are not otherwise defined herein shall have the meanings assigned to those words in Section 11 hereof.

The Agreement provides severance benefits to you under certain circumstances since you are in a select group of management or highly compensated employees of the Company. This Agreement is designed to be an “employee welfare benefit plan,” as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Exhibit A is a part of this Agreement and provides important information regarding this Agreement.

1. Operation of Agreement. The provisions of this Agreement pertaining to the terms and conditions of your separation from the Company in connection with a Change of Control (collectively, the “Severance Provisions”) shall apply only if a Change of Control occurs during the Effective Period. If a Change of Control occurs during the Effective Period, the Severance Provisions become effective on the date of the Change of Control (the “Change of Control Date”). Notwithstanding the foregoing, if (a) a Change of Control occurs during the Effective Period; and (b) your employment with the Company is terminated (other than your voluntary resignation without Good Reason or due to your death or Disability) during the Effective Period, but within twelve (12) months prior to the date on which the Change of Control occurs; and (c) it is reasonably demonstrated by you that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control, then the “Change of Control Date” shall instead mean the date immediately prior to the date of such termination of employment. In connection with the foregoing, your unvested equity-based compensation awards that are outstanding as of your termination shall remain outstanding to the extent necessary (but subject in all cases to their maximum term) to enable their potential future vesting and exercisability should a Change of Control occur within twelve months after your termination without Cause by the Company. This Agreement will remain in effect until the later of (x) the last day of the Effective Period; or (y) if a Change of Control occurs during the Effective Period, the date on which all benefits due to you under this Agreement, if any, have been paid. However, this Agreement will expire earlier (i) upon the date that your employment is terminated by the Company for Cause or by you without Good Reason or (ii) upon the first anniversary of the termination of your employment by the Company without Cause if no Change of Control has occurred before such first anniversary.
2. Termination of Employment by Reason of Death or Disability. Your employment shall terminate automatically if you die during the Change of Control Period. If the Company determines in good faith that you incurred a Disability during the Change of Control Period, it may give you written notice, in accordance with Section 5 hereof, of its intention to terminate your employment. In such event, your employment with the Company shall terminate effective on the thirtieth (30) calendar day after your receipt of such notice if you have not returned to full-time duties within thirty (30) calendar days after such receipt. If your employment is terminated for death or Disability during the

Change of Control Period, this Agreement shall terminate without further obligations on the part of the Company other than the obligation to pay to you or your representative, as applicable, the following amounts:

- a. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination;
 - b. the Pro Rata Bonus, which shall be paid to you in a single lump sum cash payment no later than the later of (i) fifteen (15) calendar days following the Date of Termination or (ii) the effective date of the Waiver and Release; and
 - c. the Other Benefits, which shall be paid in accordance with the terms and conditions of such plans, programs, policies, arrangements or agreements.
3. Termination for Cause; Resignation Other Than for Good Reason. If your employment is terminated for Cause or you resign for other than Good Reason during the Change of Control Period, your employment will terminate on the Date of Termination in accordance with Section 5 hereof and this Agreement shall terminate without further obligations on the part of the Company other than the obligation to pay to you the following:
- a. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination; and
 - b. the Other Benefits, which shall be paid in accordance with the terms and conditions of such plans, programs or policies.
4. Termination as a Result of an Involuntary Termination. In the event that your employment with the Company should terminate during the Change of Control Period as a result of an Involuntary Termination, the Company will be obligated, except as provided in Section 8 or Section 9 hereof, to provide you the following benefits:
- a. Severance Payment. The Company shall pay to you the following amounts:
 - i. the Accrued Obligations, which shall be paid to you in a single lump sum cash payment within fifteen (15) calendar days of the Date of Termination;
 - ii. the Pro Rata Bonus, which shall be paid to you in a single lump sum cash payment no later than the later of (A) fifteen (15) calendar days following the Date of Termination or (B) the effective date of the Waiver and Release;
 - iii. an amount equal to the product of (A) 2.0 times (B) the sum of (1) your Adjusted Base Salary plus (2) the greater of (x) your Target Bonus or (y) the average of the annual bonuses paid or to be paid to you with respect to the immediately preceding three (3) fiscal years, which amount shall be paid to you in a single lump sum cash payment no later than the later of (i) fifteen (15) calendar days following the Date of Termination or (ii) the effective date of the Waiver and Release;
 - iv. if you had previously consented to the Company's request to relocate your principal place of employment more than forty (40) miles from its location immediately prior to the Change of Control, all unreimbursed relocation expenses incurred by you in accordance with the Company's relocation policies, which expenses shall be paid to you in a single lump sum cash payment no later than the later of (A) fifteen (15) calendar days following the Date of Termination or (B) the effective date of the Waiver and Release; and
 - v. the Other Benefits, which shall be paid in accordance with the then-existing terms and conditions of such plans, programs or policies.
 - b. Benefit Continuation. You and your then eligible dependents shall continue to be covered by and participate in the group health and dental care plans (collectively, "Health Plans") of the Company (at the Company's cost) in which you participated, or were eligible to participate, immediately prior to the Date of Termination through the end of the Benefit Continuation Period; *provided, however*, that any medical or dental welfare benefit otherwise receivable by you hereunder shall be reduced to the extent that you become covered under a group health or dental care plan providing comparable medical and health benefits. You shall be eligible to participate in such Health Plans on terms that are at least as favorable as those in effect immediately prior to the Date of Termination. However, in the event that the terms of the Company's Health Plans do not permit you to participate in those plans (other than pursuant to an election under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA")), in lieu of your and your eligible dependent's coverage and participation under the Company's Health Plans, the Company shall pay to you within fifteen (15) calendar days after the effective date of the Waiver and Release a lump sum equal to two (2) times your monthly COBRA premium amount for the number of months remaining in the Benefit Continuation Period. In addition, for the purposes of coverage under COBRA, your COBRA event date will be the date of loss of coverage described in this paragraph above.
 - c. Outplacement Services. The Company shall, at its sole expense as incurred, provide you with outplacement services on such terms and conditions as may be reasonably determined by the Company prior to the Change of Control.
 - d. Acceleration of Stock Awards. All your outstanding awards of restricted stock, stock options, and other equity-based compensation shall become fully vested and exercisable in full immediately upon the effective
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date of the Waiver and Release; provided, however, that any such awards that would be out of the money as of the Date of Termination may be terminated pursuant to Section 9(b) hereof. In addition, all of your outstanding awards of restricted stock, stock options, and other equity-based compensation that are not assumed or substituted with awards of equivalent value in connection with a Change of Control shall become fully vested and exercisable in full immediately upon the Change of Control.

5. **Date and Notice of Termination.** Any termination of your employment by the Company or by you during the Change of Control Period shall be communicated by a notice of termination to the other party hereto (the "Notice of Termination"). The Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. The date of your termination of employment with the Company (the "Date of Termination") shall be determined as follows: (i) if your employment is terminated for Disability, thirty (30) calendar days after a Notice of Termination is received by you (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) calendar day period), (ii) if your employment is terminated by the Company in an Involuntary Termination, the later of the date specified in the Notice of Termination or five (5) calendar days after the date the Notice of Termination is received by you, (iii) if you terminate your employment for Good Reason, five (5) calendar days after the date the Notice of Termination is received by the Company, and (iv) if your employment is terminated by the Company for Cause, the later of the date specified in the Notice of Termination or five (5) calendar days following the date such notice is received by you. The Date of Termination for a resignation of employment other than for Good Reason shall be the date set forth in the applicable notice.
 6. **No Mitigation or Offset; D&O Insurance.**
 - a. **No Mitigation or Offset.** You shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by you as the result of employment by another employer.
 - b. **D&O Insurance and Indemnification.** Through at least the sixth anniversary of the Date of Termination, the Company shall maintain coverage for you as a named insured on all directors' and officers' insurance maintained by the Company for the benefit of its directors and officers on at least the same basis as all other covered individuals and provide you with at least the same corporate indemnification as it provides to other senior executives.
 7. **Confidentiality.** You agree to treat all Confidential Information as confidential information entrusted to you solely for use as an employee of the Company, and shall not divulge, reveal or transmit any Confidential Information in any way to persons not employed by the Company at any time from the date hereof until the end of time, whether or not you continue to be an employee of the Company, unless authorized in writing by the Company.
 8. **Code Section 409A.** The Agreement is not intended to constitute a "nonqualified deferred compensation plan" within the meaning of Code Section 409A. Notwithstanding the foregoing, in the event this Agreement or any benefit paid under this Agreement to you is deemed to be subject to Code Section 409A, you consent to the Company's adoption of such conforming amendments as the Company deems advisable or necessary, in its sole discretion (but without an obligation to do so), to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A. This Agreement will be interpreted and construed to not violate Code Section 409A, although nothing herein will be construed as an entitlement to or guarantee of any particular tax treatment to you.

For purposes of this Agreement, a termination of employment means a "separation from service" as defined in Code Section 409A. Each payment made pursuant to any provision of this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Agreement to you will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Agreement are exempt from or compliant with Code Section 409A. The Company will have no liability to you or any other person or entity if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. You further understand and agree that you will be entirely responsible for any and all taxes on any benefits payable to you as a result of this Agreement. As a condition of participation in the Agreement, you understand and agree that you will never assert any claims against the Company for reimbursement or payment of any Code Section 409A additional taxes, penalties and/or interest.

If upon your "separation from service" within the meaning of Code Section 409A, you are then a "specified employee" (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such "separation from service" under this Agreement until the earlier of (i) the first business day of the seventh month following your "separation from service," or (ii) ten (10) days after the Company receives written confirmation of your death. Any such delayed payments shall be made without interest. For avoidance of doubt, any payment whose
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amount is derived from the value of a Company common share shall be calculated using the value of a common share as of the closing on the expiration date of the foregoing Code Section 409A delay period.

To the extent any nonqualified deferred compensation payment to you could be paid in one or more of your taxable years depending upon you completing certain employment-related actions, then any such payments will commence or occur in the later taxable year to the extent required by Code Section 409A.

No reimbursement payable to you pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Company shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that it does not violate Code Section 409A.

Any reimbursement payable to you under this Agreement or pursuant to any plan or arrangement of the Company shall be paid in accordance with the Company's established procedures provided, however, that to the extent necessary to comply with Code Section 409A, the following requirements will be adhered to: (1) such reimbursement arrangements will provide an objectively determinable nondiscretionary definition of the expenses eligible for reimbursement or of the in-kind benefits to be provided, (2) such reimbursement arrangements will provide for the reimbursement of expenses incurred or for the provision of the in-kind benefits during an objectively and specifically prescribed period (including the lifetime of the service provider), (3) such reimbursement arrangements will provide that the amount of expenses eligible for reimbursement, or in-kind benefits provided, during your taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, (4) the reimbursement of an eligible expense will be made on or before the last day of your taxable year following the taxable year in which the expense was incurred, and (5) the right to reimbursement or in-kind benefits will not be subject to liquidation or exchange for another benefit. Additionally, to the extent required by Code Section 409A, an eligible reimbursement expense must be incurred by you no later than the end of the second year following the year in which your Date of Termination occurs and any reimbursement payments to you must be made not later than the end of the third year following your Date of Termination (or, in the case of in-kind benefits, by the end of the second year following your Date of Termination).

9. Certain Reduction of Payments by the Company.

- a. Best Net. Anything in this Agreement to the contrary notwithstanding, in the event that the independent auditors of the Company (the “Accounting Firm”) determine that receipt of all payments or distributions in the nature of compensation to or for your benefit, whether paid or payable pursuant to this Agreement or otherwise (“Payments”), would subject you to tax under Section 4999 of the Code, the Payments paid or payable pursuant to this Agreement (the “COC Payments”), including payments made with respect to equity-based compensation accelerated pursuant to Section 4(d) hereof, but excluding payments made with respect to Sections 4(a)(i) and 4(a)(ii) hereof (except as provided below), may be reduced (but not below zero) to the Reduced Amount, but only if the Accounting Firm determines that the Net After-Tax Receipt of unreduced aggregate Payments would be equal to or less than the Net After-Tax Receipt of the aggregate Payments as if the Payments were reduced to the Reduced Amount. If such a determination is not made by the Accounting Firm, you shall receive all COC Payments to which you are entitled under this Agreement.
- b. Reduced Amount. If the Accounting Firm determines that Payments should be reduced to the Reduced Amount, the Company shall promptly give you notice to that effect and a copy of the detailed calculation thereof. Absent manifest error, all determinations made by the Accounting Firm under this Section 9 shall be binding upon you and the Company and shall be made as soon as reasonably practicable and in no event later than twenty (20) business days following the Change of Control Date, or such later date on which there has been a Payment. The reduction of the Payments, if applicable, shall be made by reducing the payments and benefits hereunder in the following order, and only to the extent necessary to achieve the Reduced Amount:
The Company shall reduce or eliminate the Payments, by first reducing or eliminating the portion of the Payments which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the determination.

All fees and expenses of the Accounting Firm in implementing the provisions of this Section 9 shall be borne by the Company. To the extent requested by you, the Company shall cooperate with you in good faith in valuing services provided or to be provided by you (including without limitation, your agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant) before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of the Treasury

Regulations adopted under Section 280G of the Code (the “Regulations”), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of the Regulations and/or exempt from the definition of the term “parachute payment” within the meaning of Q&A-2(a) of the Regulations in accordance with Q&A-5(a) of the Regulations.

- c. Subsequent Adjustment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to you or for your benefit pursuant to this Agreement which should not have been so paid or distributed (“Overpayment”) or that additional amounts which will have not been paid or distributed by the Company to you or for your benefit pursuant to this Agreement could have been so paid or distributed (“Underpayment”), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or you that the Accounting Firm believes has a high probability of success, determines that an Overpayment has been made, you shall pay any such Overpayment to the Company; provided, however, that no amount shall be payable by you to the Company if and to the extent such payment would not either reduce the amount of taxes to which you are subject under Sections 1 and 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than sixty (60) days following the date on which the Underpayment is determined) by the Company to you or for your benefit.
10. Successors; Binding Agreement.
- a. Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform its obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform such obligations if no such succession had taken place; provided, however, that no such assumption shall relieve the Company of its obligations hereunder. As used herein, the “Company” shall mean the Company as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees to perform its obligations by operation of law or otherwise.
 - b. Enforceability; Beneficiaries. This Agreement shall be binding upon and inure to the benefit of you (and your personal representatives and heirs) and the Company and any organization which succeeds to substantially all of the business or assets of the Company, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Company or otherwise, including, without limitation, as a result of a Change of Control or by operation of law. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.
11. Definitions. For purposes of this Agreement, the following capitalized terms have the meanings set forth below:
- a. “Accounting Firm” has the meaning assigned thereto in Section 9 hereof.
 - b. “Accrued Obligations” shall mean all compensation earned or accrued through the Date of Termination but not paid as of the Date of Termination, including base salary, bonus for the prior performance year, accrued but unused vacation, and reimbursement of business expenses accrued in accordance with the Company’s business expense reimbursement policies.
 - c. “Adjusted Base Salary” means the greater of your base salary in effect immediately prior to (i) the Change of Control Date or (ii) the Date of Termination.
 - d. “Agreement” has the meaning assigned thereto in the second introductory paragraph hereof.
 - e. “Benefit Continuation Period” means the period beginning on the Date of Termination and ending on the last day of the month in which occurs the earlier of (i) the 24-month anniversary of the Date of Termination and (ii) the date on which you elect coverage for you and your covered dependents under substantially comparable benefit plans of a subsequent employer.
 - f. “Board” has the meaning assigned thereto in the first introductory paragraph hereof.
 - g. “Bonus Opportunity” for any performance year means your maximum cash bonus opportunity for that year, on the assumption that the Company achieves all applicable performance targets and that you achieve all applicable individual performance criteria.
 - h. “Cause” shall mean (i) your engaging in willful and continued failure to substantially perform your material duties with the Company (other than due to becoming Disabled); provided, however, that the Company shall have provided you with written notice of such failure and such failure is not cured by you within twenty (20) calendar days of such notice; (ii) your engaging in misconduct that is materially and demonstrably injurious
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to the Company; (iii) your conviction of, or plea of no contest to, a felony, other crime of moral turpitude; or (iv) a final non-appealable adjudication in a criminal or civil proceeding that you have committed fraud. For purposes of the previous sentence, no act or failure to act on your part shall be deemed “willful” if it is done, or omitted to be done, by you in good faith and with a reasonable belief that it was in the best interest of the Company.

i. “Change of Control” shall mean:

- i. any “person” (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section, the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company, or (iv) any acquisition pursuant to a transaction that complies with Sections 11(i)(iii)(A), (B), and (C);
- ii. during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least three-fourths of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or
- iii. there is a consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination.

j. “Change of Control Date” has the meaning assigned thereto in Section 1 hereof.

k. “Change of Control Period” has the meaning assigned thereto in the second introductory paragraph hereof.

l. “COC Payments” has the meaning assigned thereto in Section 9 hereof.

m. “Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

n. “Company” has the meaning assigned thereto in the first introductory paragraph hereof.

o. “Confidential Information” shall mean all financial information, trade secrets, personnel records, training and operational manuals, records, contracts, lists, business procedures, business methods, accounts, brochures, and handbooks that was learned or obtained by you in the course of your employment by the Company, and all other documents relating to the Company or persons doing business with the Company that are proprietary to the Company.

- p. “Date of Termination” has the meaning assigned thereto in Section 5 hereof.
- q. “Disability” shall mean your incapacity due to physical or mental illness as defined in the long-term disability plan sponsored by the Company or an affiliate of the Company for your benefit and which causes you to be absent from the full-time performance of your duties.
- r. “Effective Period” shall mean the period commencing on the date hereof (the “Effective Date”) and ending on the third anniversary of the date of this Agreement; **provided, however**, that beginning on the third anniversary of the date of this Agreement and on each one-year anniversary thereafter (each such date a “Renewal Date”), the Effective Period shall be automatically extended for a period of two years beginning on such Renewal Date, unless at least sixty (60) calendar days prior to such Renewal Date, the Company shall give notice that the Effective Period shall not be so extended.
- s. “Good Reason” shall mean the occurrence of any of the following events or circumstances:
 - i. a substantial adverse change in your title, position, offices, or the nature of your duties or responsibilities from those in effect immediately prior to the Change of Control, or in the position, level, or status of the person to whom you report.
 - ii. a reduction by the Company in your annual base salary, Target Bonus, or benefits as in effect immediately prior to the Change of Control or as the same may be increased from time to time thereafter, other than a general reduction in benefits applicable across similarly situated executives within the Company;
 - iii. a failure by the Company to pay you material compensation or benefits when due including, without limitation, failure by the Company to pay any accrued relocation expenses or Other Benefits;
 - iv. the relocation of the office of the Company where you are principally employed immediately prior to the Change of Control to a location which is more than forty (40) miles from such office of the Company (except for required travel on the Company’s business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change of Control); or any failure by a successor to the Company to assume and agree to perform this Agreement, as contemplated by Section 10(a) hereof, or any agreement with respect to your outstanding equity awards.

provided, however, that no event or condition set forth in subparagraphs (i) through (v) above shall constitute Good Reason unless (x) you give the Company written notice of objection to such event or condition within sixty (60) calendar days of the initial occurrence of such event or condition and (y) such event or condition is not corrected or remedied, in all material respects, by the Company within thirty (30) calendar days of its receipt of such notice; and **provided, further, however**, that your mental or physical incapacity following the occurrence of an event described above in subparagraphs (i) through (v) above shall not affect your ability to terminate employment for Good Reason and that your death following delivery of a Notice of Termination shall not affect your estate’s entitlement to the payments and benefits provided hereunder upon an Involuntary Termination. In order to qualify as a termination of employment due to Good Reason, you must resign your employment for Good Reason within forty (40) calendar days after you have provided the Company with the foregoing notice that a Good Reason event has occurred.

- t. “Involuntary Termination” shall mean, during the Change of Control Period, (i) your termination of employment by the Company without Cause or (ii) your resignation of employment with the Company for Good Reason.
 - u. “Net After-Tax Receipt” shall mean the present value (as determined in accordance with Section 280G(d)(4) of the Code) of a Payment net of all taxes imposed on you with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to your taxable income for the immediately preceding taxable year, or such other rate(s) as you certify as likely to apply to you in the relevant tax year(s).
 - v. “Notice of Termination” has the meaning assigned thereto in Section 5 hereof.
 - w. “Other Benefits” means, to the extent not theretofore paid or provided, any other amounts or benefits required to be paid or provided to you or that you are eligible to receive under any plan, program, policy, practice, contract or agreement of the Company in accordance with such applicable terms at the time of the Date of Termination. Nothing herein shall prohibit the Company from changing, modifying, amending, or eliminating any benefit plans in accordance with the terms of such plans prior to the Date of Termination, with or without prior notice.
 - x. “Overpayment” has the meaning assigned thereto in Section 9 hereof.
 - y. “Pro Rata Bonus” means a pro rata portion of your Bonus Opportunity for the performance year in which the Date of Termination occurs, calculated based on the number of days that you are employed in the performance year up through and including the Date of Termination.
 - z. “Payment” has the meaning assigned thereto in Section 9 hereof.
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- aa. “Reduced Amount” shall mean \$1,000.00 less than the greatest amount of Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code.
 - ab. “Severance Policy” means the Company’s Severance Policy for Key Executives as adopted on July 21, 2014 and as may be amended from time to time.
 - ac. “Target Bonus” for any year means your total cash target, but not maximum, bonus for that year, on the assumption that the Company has achieved, but not exceeded, all applicable performance targets and that you have achieved, but not exceeded, all applicable individual performance criteria.
 - ad. “Underpayment” has the meaning assigned thereto in Section 9 hereof.
 - ae. “Tax Authority” has the meaning assigned thereto in Section 9 hereof.
12. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the Board of Directors, LKQ Corporation, 500 West Madison Street, Suite 2800, Chicago, IL 60661, with a copy to the General Counsel of the Company, or to you at the address set forth on the first page of this Agreement or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.
13. Release. As a condition to receiving any payments or benefits pursuant to this Agreement by reason of your death, Disability or Involuntary Termination, you (or in the case of your death, the executor of your estate) must execute a waiver and release of claims, including confidentiality and non-disparagement covenants, substantially in the form approved by the Company prior to the Change of Control Date (as set forth on Exhibit B attached hereto) (a “Waiver and Release”), and such executed Waiver and Release must be delivered to the Company (and not revoked by you) and become effective by its own terms no later than 55 days after the later of (i) the Change of Control or (ii) the termination of your employment with the Company.
14. Arbitration. Any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in Chicago, Illinois under the employment arbitration rules of the American Arbitration Association before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by the Company and you, or, if the Company and you cannot agree on the selection of the arbitrator, such arbitrator shall be selected by the American Arbitration Association. Judgment may be entered on the arbitrator’s award in any court having jurisdiction. The parties hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. The Company agrees to pay as incurred, to the fullest extent permitted by law, the costs and fees of the arbitration, including all legal fees and expenses which you may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, you or others of the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by you about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2) (A) of the Code.
15. Miscellaneous.
- a. Amendments, Waivers, Etc. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof. Notwithstanding the foregoing and for avoidance of doubt, this Agreement does not supersede or replace the Severance Policy. However, any payments or benefits provided (or to be provided) under this Agreement shall be reduced and offset by payments or benefits of the same type that are received by you from the Company under the Severance Policy or any other severance arrangement.
 - b. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.
 - c. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.
 - d. No Contract of Employment. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of the Company or shall affect the terms and conditions of your employment with the Company prior to the commencement of the Change of Control Period.
 - e. Withholding. Amounts paid to you hereunder shall be subject to all applicable federal, state and local withholding taxes.
 - f. Source of Payments. All payments provided under this Agreement shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. You will have no right, title or interest whatsoever in or to any investments which
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the Company may make to aid it in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

- g. Headings. The headings contained in this Agreement are intended solely for convenience of reference and shall not affect the rights of the parties to this Agreement.
- h. Governing Law. This Agreement is governed by ERISA and, to the extent applicable, the laws of the State of Delaware without regard to conflicts of law.
- i. Effect on Benefit Plans. In the event of any inconsistency between the provisions of this agreement and the provisions of any benefit plan of the Company, the provisions that are more favorable to you shall control.

* * * * *

By signing below, you acknowledge that this Agreement sets forth our agreement on the subject matter hereof. Kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

LKQ CORPORATION

/s/ Victor M. Casini

By: _____

Name: Victor M. Casini

Title: Senior Vice President and General Counsel

Agreed to as of this 13th day of May, 2015

By: /s/ Justin Jude _____

Name: Justin Jude

Title: President of KAO Division

EXHIBIT A

The Agreement, including its Exhibits, constitutes both the official plan document and the required summary plan description under ERISA.

ELIGIBILITY

The Agreement is effective for the individual named in the Agreement (“**you**”).

BENEFITS

You shall be eligible for severance benefits at such times and in such amounts as may be specified in your Agreement.

OTHER IMPORTANT INFORMATION

A. Agreement Administration . As the Agreement Administrator, the Company has the full and sole discretionary authority to administer and interpret the Agreement, including discretionary authority to determine eligibility for participation in and for benefits under the Agreement, to determine the amount of benefits (if any) payable per participant, and to interpret any terms of this document. All determinations by the Agreement Administrator will be final and conclusive upon all persons and be given the maximum possible deference allowed by law. The Agreement Administrator is the “named fiduciary” of the Agreement for purposes of ERISA and will be subject to the applicable fiduciary standards of ERISA when acting in such capacity. The Company may delegate in writing to any other person all or a portion of its authority or responsibility with respect to the Agreement.

B. Source of Benefits . The Agreement is unfunded, and all severance benefits will be paid from the general assets of the Company or its successor. No contributions are required under the Agreement.

C. Claims Procedure . If you believe you have been incorrectly denied a benefit or are entitled to a greater benefit than the benefit you received under the Agreement, you may submit a signed, written application to the Company’s Senior Vice President of Human Resources (“**Claims Administrator**”). You will be notified in writing of the approval or denial of this claim within ninety (90) days of the date that the Claims Administrator receives the claim, unless special circumstances require an extension of time for processing the claim. In the event an extension is necessary, you will be provided written notice prior to the end of the initial ninety (90) day period indicating the special circumstances requiring the extension and the date by which the Claims Administrator expects to notify you of approval or denial of the claim. In no event will an extension extend beyond ninety (90) days after the end of the initial ninety (90) day period. If your claim is denied, the written notification will state specific reasons for the denial, make specific reference to the Agreement provision(s) on which the denial is based, and provide a description of any material or information necessary for you to perfect the claim and why such material or information is necessary. The written notification will also provide a description of the Agreement’s review procedures and the applicable time limits, including a statement of your right to bring a civil suit under section 502(a) of ERISA following denial of your claim on review.

You will have sixty (60) days from receipt of the written notification of the denial of your claim to file a signed, written request for a full and fair review of the denial by a review panel which will be a named fiduciary of the Agreement for purposes of such review. This request should include the reasons you are requesting a review and may include facts supporting your request and any other relevant comments, documents, records and other information relating to your claim. Upon request and free of charge, you will be provided with reasonable access to, and copies of, all documents, records and other information relevant to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. A final, written determination of your eligibility for benefits shall be made within sixty (60) days of receipt of your request for review, unless special circumstances require an extension of time for processing the claim, in which case you will be provided written notice of the reasons for the delay within the initial sixty (60) day period and the date by which you should expect notification of approval or denial of your claim. This review will take into account all comments, documents, records and other information submitted by you relating to your claim, whether or not submitted or considered in the initial review of your claim. In no event will an extension extend beyond sixty (60) days after the end of the initial sixty (60) day period. If an extension is required because you fail to submit information that is necessary to decide your claim, the period for making the benefit determination on review will be tolled from the date the notice of extension is sent to you until the date on which you respond to the request for additional information. If your claim is denied on review, the written notification will state specific reasons for the denial, make specific reference to the Agreement provision(s) on which the denial is based and state that you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. The written notification will also include a statement of your right to bring an action under section 502(a) of ERISA.

If your claim is initially denied or is denied upon review, you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, any document, record or other information that demonstrates that (1) your claim was denied in accordance with the terms of the Agreement, and (2) the provisions of the Agreement have been consistently applied to similarly situated participants, if any. In pursuing any of your rights set forth in this section, your authorized representative may act on your behalf.

If you do not receive notice within the time periods described above, whether on initial determination or review, you may initiate a lawsuit under Section 502(a) of ERISA.

D. Indemnification. The Company agrees to indemnify its officers and employees and the members of the Board of Directors of the Company from all liabilities from their acts or omissions in connection with the administration, amendment or termination of the Agreement, to the maximum extent permitted by applicable law.

E. Severability. If any provision of the Agreement is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Agreement, and the Agreement will be construed and enforced as if such provision had not been included.

F. Headings. Headings in the Agreement are for purposes of reference only and will not limit or otherwise affect the meaning hereof.

STATEMENT OF ERISA RIGHTS

As a participant in the Agreement you are entitled to certain rights and protections under ERISA. ERISA provides that all Agreement participants shall be entitled to:

A. Receive Information About Your Agreement and Benefits

Examine, without charge, at the Agreement Administrator's office and at other specified locations, such as work sites, all documents governing the Agreement.

Obtain, upon written request to the Agreement Administrator, copies of documents governing the operation of the Agreement. The Agreement Administrator may impose a reasonable charge for the copies.

B. Prudent Actions by Agreement Fiduciaries

In addition to creating rights for Agreement participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Agreement, called "fiduciaries" of the Agreement, have a duty to do so prudently and in the interest of you and other Agreement participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

C. Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Agreement documents and do not receive it within 30 days, you may file suit in a federal court. In such a case, the court may require the Agreement Administrator to provide the materials and pay you up to \$110.00 per day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Agreement Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court after you have completed the Agreement's administrative appeals process. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

D. Assistance With Your Questions

If you have any questions about the Agreement, you should contact the Agreement Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Agreement Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ADDITIONAL AGREEMENT INFORMATION

Name of Agreement:	Change of Control Agreement
Employer Sponsoring Agreement:	LKQ Corporation. 500 West Madison Street, Suite 2800, Chicago, IL 60661
Employer Identification Number:	36-4215970
Agreement Number:	510
Agreement Year:	Calendar Year
Agreement Administrator:	LKQ Corporation c/o Senior Vice President of Human Resources 500 West Madison Street, Suite 2800, Chicago, IL 60661 Telephone No. (312) 621-1950
Agent for Service of Legal Process:	Agreement Administrator, at the above address
Type of Agreement:	Employee Welfare Benefit Plan providing for severance benefits
Agreement Costs:	The cost of the Agreement is paid by LKQ Corporation
Type of Administration:	Self-administered by the Agreement Administrator

EXHIBIT B

WAIVER AND GENERAL RELEASE AGREEMENT

This Waiver and Release Agreement (this “Release”) is entered into as of the date indicated on the signature page of this Release by and between LKQ Corporation, a Delaware corporation (the “Company”) and (“Employee”). Employee has been employed by the Company, and the parties are entering into this Release because the employment relationship is ending, without fault or wrongdoing on the part of either the Company or Employee, who agree as follows:

16. Release.

- a. In exchange for the valuable consideration set forth in the Change of Control Agreement dated as of _____, 20__ (the “Letter Agreement”), between Employee and the Company, the receipt and adequacy of which are herein acknowledged, Employee hereby agrees to release and forever discharge the Company and its present, former and future partners, shareholders, affiliates, direct and indirect parents, subsidiaries, successors, directors, officers, employees, agents, attorneys, heirs and assigns (the “Released Parties”), from any and all claims, actions and causes of action (the “Claims”) arising out of (i) his employment relationship with and service as an employee of the Company and its affiliates, and the termination of such relationship or service, or (ii) any event, condition, circumstance or obligation that

occurred, existed or arose on or prior to the date hereof, including, but not limited to any Claims under Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans With Disabilities Act of 1990, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974 (ERISA), the Family and Medical Leave Act of 1993, the California Fair Employment and Housing Act; the California Workers' Compensation Act; the California Unruh and Ralph Civil Rights Laws; the California Alcohol and Drug Rehabilitation Law and any other federal, state or local law, statute, regulation or ordinance, or law of any foreign jurisdiction, whether such Claim arises under statute or common law and whether or not Employee is presently aware of the existence of such Claim. Employee also forever releases, discharges and waives any right he may have to recover in any proceeding brought by any federal, state or local agency against the Released Parties to enforce any laws. To ensure that this Release is fully enforceable in accordance with its terms, Employee agrees to waive any and all rights to any Claims, whether or not he knows or suspects them to exist in his favor, which if known to him would have materially affected his execution of this Release. Notwithstanding the foregoing, this Release does not apply to Employee's rights, claims, or benefits under the Letter Agreement or to Employee's rights, if any, to payment of benefits pursuant to any employee benefit plan. This Release also does not apply to Employee's rights, claims, or benefits claims for unemployment compensation benefits, workers compensation benefits, claims under the Fair Labor Standards Act, health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA), or claims with regard to vested benefits under a retirement plan governed by ERISA.

- b. **To ensure that this Release is fully enforceable in accordance with its terms, Employee hereby agrees to waive any and all rights under Section 1542 of the California Civil Code (to the extent applicable) as it exists from time to time, which provides:**

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

In addition, to ensure that this Release is fully enforceable in accordance with its terms, Employee hereby agrees to waive any protection that may exist under any comparable or similar statute and under any principle of common law of the United States or any and all States.

EMPLOYEE UNDERSTANDS THAT, BY SIGNING THIS RELEASE, EMPLOYEE WILL HAVE WAIVED ANY RIGHT THAT HE MAY HAVE TO BRING A LAWSUIT OR MAKE ANY CLAIM AGAINST THE COMPANY AND THE RELEASED PARTIES BASED ON ANY ACT OR OMISSIONS BY THEM UP TO THE DATE OF SIGNING THIS AGREEMENT.

- c. In further consideration of the payments and benefits provided to Employee under the Letter Agreement, Employee hereby releases and forever discharges the Released Parties from any and all Claims that he may have as of the date he signs this Release arising under the federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). By signing this Release, Employee hereby acknowledges and confirms the following: (i) he was advised by the Company in connection with his termination to consult with an attorney of his choice prior to signing this Release and to have such attorney explain to him the terms of this Release, including, without limitation, the terms relating to his release of claims arising under the ADEA; (ii) if Employee is 40 years of age or older as of the date of execution of this Release, he was given a period of not fewer than 21 calendar days to consider the terms of this Release and to consult with an attorney of his choosing with respect thereto; (iii) he is providing the release and discharge set forth in this Paragraph 1(c) only in exchange for consideration in addition to anything of value to which he is already entitled and (iv) he can revoke this Release without it becoming effective as described below.

17. No Legal Claim. Employee has not commenced any legal action, which term includes, without limitation, any demand for arbitration proceedings and any charge, complaint, filing or submission with any federal, state or local agency, court or other tribunal, to assert any Claim against a Released Party, and covenants and agrees not to do so in the future with respect to the matters released herein. If Employee commences or joins any legal action against a Released Party, Employee agrees that such an action is prohibited by this Release, and further agrees to promptly indemnify such Released Party for its reasonable costs and attorneys fees incurred in defending such action as well as forfeit or return any monetary judgment obtained by Employee against any Released Party in such action. Nothing in this Paragraph 2 is intended to reflect any party's belief that Employee's waiver of claims under the ADEA is invalid or unenforceable under this Release, it being the intent of the parties that such claims are waived.
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18. Nondisparagement. Employee agrees to refrain, except as required by law or in connection with a judicial proceeding, from making directly or indirectly, now or at any time in the future, any written or oral statements, representations or other communications that disparage or are otherwise damaging to the business or reputation of the Released Parties.
19. Continuing Obligations. This Release shall not supersede any continuing obligations Employee may have under the terms of the Letter Agreement or any other agreement between Employee and the Company.
20. Disclaimer. Employee hereby certifies that Employee has read the terms of this Release, that Employee has been advised by the Company to consult with an attorney of Employee's own choice prior to executing this Release, that Employee has had an opportunity to do so, and that Employee understands the provisions and consequences of this Release. Employee further certifies that the Company has not made any representation to Employee concerning this Release other than those contained herein.
21. Governing Law. This Release is governed by ERISA and, to the extent applicable, the laws of the State of Delaware without regard to conflicts of law.
22. Separability of Clauses. If any provisions of this Release shall be finally determined to be invalid or unenforceable under applicable law by a court of competent jurisdiction, that part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining provisions of this Release.
23. Counterparts. This Release may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.
24. Effectiveness. This Release shall be effective only when it has been executed by Employee and the executed original has been returned to the Company, and any applicable revocation period has expired.
- IN WITNESS WHEREOF, the Company has caused this Release to be signed by its duly authorized officer, and Employee has executed this Release as of the day and year indicated below Employee's signature.

LKQ CORPORATION

By:

Name:

Title:

If Employee is 40 years of age or older as of the date of execution of this Release, Employee shall have the right to revoke this Release during the seven-day period (the "Revocation Period") commencing immediately following the date he signs and delivers this Release to the Company. The Revocation Period shall expire at 5:00 p.m. [INSERT TIME ZONE] Time on the last day of the Revocation Period; provided, however, that if such seventh day is not a business day, the Revocation Period shall extend to 5:00 p.m. on the next succeeding business day. In the event Employee revokes this Release, all obligations of the Company under this Release and under any agreement which are conditional upon this Release shall terminate and be of no further force and effect as of the date of such revocation. No such revocation by Employee shall be effective unless it is in writing and signed by him and received by the Company prior to the expiration of the Revocation Period at the following address:

**LKQ Corporation
ATTN: General Counsel
500 W. Madison Street, Suite 2800
Chicago, IL 60661**

I HAVE READ AND AGREE
TO THIS RELEASE:

Name:

Date:

THIS **DEED OF VARIATION** is made the 17 day of November 2015

BETWEEN:

- (1) **EURO CAR PARTS LIMITED** (company registration no. 02680212) whose registered office is at Euro House, Fulton Road, Wembley Industrial Estate, Wembley, Middlesex HA9 0TF (the "**Company**");
- (2) **SUKHPAL SINGH AHLUWALIA** of the Garth, London Road, Rickmansworth, Hertfordshire WD3 1JR (the "**Executive**");

NOW THIS DEED WITNESSES as follows:

1 Definitions

In this deed, unless the context otherwise requires:

1.1 'the Agreement' means the agreement dated 7 November 2014 made between the (1) Company and (2) Executive for the provision of services by the Executive.

2 Variation

2.1 The parties have agreed that clause 7.1 of the Agreement can be varied whereby the salary due under the Agreement is amended to £330,000 per annum effective from 1 December 2015.

2.2 The parties have agreed that the following will be inserted in clause 7.1 of the Agreement :

The Executive will receive remuneration of £20,000 per annum in Rupees equivalent paid by Keystone Automotive Operations (India) Private Limited ("Keystone India") subject to the deduction of any applicable employment taxes or those deductions required by law by Keystone India to be made, for services provided below by the Executive as Chairman of Keystone Automotive Operations (India) Private Limited effective from 1 December 2015.

The Executive agrees to make frequent and extended visits to India in order to:

- a) Assess the size and nature of opportunities within the Indian automotive parts aftermarket and related market sectors, their geographical distribution and development possibilities,
- b) Recommend how, when and where LKQ Corporation can successfully enter this market, either alone or in partnership with existing operators,
- c) Identify appropriate recruitment candidates who are assessed to have appropriate skills and connections to form part of LKQ Corporation's management team in India.

The output from these investigations is to be given directly to the Chief Executive Officer of LKQ Corporation.

In addition, the Executive agrees to make sufficient visits to Keystone Automotive Operations (India) Private Limited , Bangalore, in order to:

- a) Assess the management team and existing facilities,
- b) Assess the opportunities for expansion and diversification, noting any likely limitations especially relating to personnel and real estate,
- d) Recommend the range of business administration activities currently conducted by LKQ

- companies in the United Kingdom and The Netherlands that might profitably be transferred to LKQ India,
- e) Assist with the initiation, development and execution of a project plan to successfully achieve such transfers.

The output from these activities and investigations is to be given directly to the Chief Executive Officer of LKQ Corporation and shared with the Chief Executive Officer of LKQ Europe Ltd

2.3 The Company has noted that the address of the Executive has changed to : 89 Winnington Road London N2 0TT

3 Agreement to continue otherwise

- 3.1 The parties expressly agree and declare that except for these present variations the Agreement shall continue in full force and effect in all other respects to the parties.

This document has been executed as a DEED and is delivered and takes effect on the date stated at the beginning of it.

Executed as a **Deed** by Euro Car Parts Limited acting by /s/ TODD CUNNINGHAM
Todd Cunningham, a director

Todd Cunningham

/s/ SAMAR NAEEM
SIGNATURE OF WITNESS

WITNESS NAME

SAMAR NAEEM

WITNESS ADDRESS

EURO CAR PARTS LTD
WEMBLEY
HA90TF

WITNESS OCCUPATION

SOLICITOR - HEAD OF LEGAL

Executed as a **Deed** by Sukhpal Singh Ahluwalia in the presence of: /s/ SUKHPAL S. AHLUWALIA
Sukhpal Singh Ahluwalia

/s/ A. MANGROLA
SIGNATURE OF WITNESS

WITNESS NAME

ARPANA MANGROLA

WITNESS ADDRESS

5TH FLOOR
88 BAKER STREET
LONDON W106TQ

WITNESS OCCUPATION

DIRECTOR ADMINISTRATION

February 12, 2015

John S. Quinn
[Home address redacted]

Dear John:

This letter confirms our offer for you to continue your employment with LKQ Corporation while serving in the position of Chief Executive Officer and Managing Director, LKQ Europe. Please note that this offer is confidential and is subject to the approval of the LKQ Board of Directors. The terms and conditions of this offer are as follows:

1. **Compensation** - You will be paid a bi-weekly salary of US\$21,730.77 on regular company payroll dates. Your annual bonus opportunity under the Management Incentive Plan will be the same as your current position with a threshold, target and maximum of 35%, 100% and 110%, respectively. You will continue to participate in the LKQ Corporation Long Term Incentive Plan with a threshold, target and maximum award opportunity of 36%, 71% and 142%, respectively. You will continue to participate in the LKQ Corporation 1998 Equity Incentive Plan and be eligible for grants under this program consistent with your position level and performance. Your participation in such plans is subject to the terms and conditions of the plans, and in the event of any inconsistency between this letter and the plans, the plans will govern. Notwithstanding the foregoing, the terms and conditions of your employment will be, for the duration of your assignment as CEO & Managing Director, LKQ Europe, no less (as a whole) than those in effect for your successor(s) in the position of Chief Financial Officer, LKQ Corporation (except for any sign-on grants of equity or cash payments, if any, paid to your successor(s) in the position of Chief Financial Officer, LKQ Corporation).
 2. **Tax Equalization** - Tax equalization will be provided to you on your total worldwide income on the basis of no state residency in the United States. You will need to meet with a representative from a tax advisor selected by LKQ Corporation (currently Grant Thornton) to review the tax implications of this assignment to you. Allowances and other items provided to you as part of this assignment will be grossed up and then will be tax equalized. During the term of this assignment, the Company will provide annual tax preparation services to you at the Company's expense, and upon completion of the assignment will continue to provide tax services at the Company's expense until such time as foreign tax equalization or return preparation is no longer required.
 3. **Relocation** - During the course of this assignment, you will be required to relocate to the United Kingdom. If you elect to sell your current residence in Clarendon Hills, Illinois, the Company will reimburse your expenses in connection with the sale of this home, including real estate commissions up to a maximum of six percent of the sale price. In addition, this reimbursement will include reasonable and customary fees you incur associated with such sale, including but not limited to title search, tax stamps, survey, etc. Reasonable and customary legal fees incurred as part of this sale will also be reimbursed by the Company. You will be provided a household goods moving allowance of twenty-five thousand dollars (US\$25,000) for the shipment of household goods to your principle residence in the United Kingdom (assignment city) or, if you elect, to your current home in Phoenix, Arizona. You will need to provide receipts for reimbursement of any of these costs and fees, in accordance with the Company's reimbursement policies and requirements.
 4. **Personal Vehicles** - The Company will reimburse you for any loss you incur on sale of up to two vehicles retained at your principal place of residence. Such loss will be limited to the difference between the sale price and Kelly Blue Book retail value. Prior to selling the vehicle(s) at a loss, you must review the sale price with the Senior Vice President, Human Resources, LKQ Corporation.
 5. **Miscellaneous Relocation Allowance** - You will be paid a one-time relocation allowance of one month's base salary to cover the cost of household goods at the assigned location, provided you select an
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unfurnished property as your principal place of residence. Should you select a furnished property as your principal place of residence, this allowance will be limited to twenty-five thousand dollars (US\$25,000).

6. **Employee Benefits** - You and your eligible dependents will participate in the International Blue Cross health and welfare program for medical treatment in the assignment country location. When in the United States for medical treatment, you and your eligible dependents will be covered under the Blue Cross health care program you elected as a U.S.-based employee. Your dependent daughter will continue coverage on the U.S.-based Blue Cross plan per your election for 2015 and subsequent years based on your benefit election. You will continue to participate in the LKQ Corporation 401(k) and 401(k) Plus Plan.
 7. **Allowances** - During the course of your assignment, you will receive a Goods & Services allowance, including a monthly housing allowance for a residence with three bedrooms and two bathrooms in an “executive area” of London. This calculation will be based on an Efficient Purchaser Index for the area selected. Your allowances will have an offset for an assumed housing cost in the U.S. The Company will confirm the amount of this allowance separately.
 8. **Company Vehicle** - You will be provided a Company vehicle for your use during the course of this assignment. The Company will pay the monthly lease cost, initial down payment (up to three months), insurance, parking and fuel for business. For this assignment you will be leased a luxury vehicle such as a Mercedes Benz or BMW, which you may select. You are permitted to use the vehicle for personal use and will be taxed as appropriate for any non-business use mileage. Your spouse will be authorized to drive this vehicle.
 9. **Home Finding Assistance** - You will receive an allowance not to exceed five thousand dollars (\$5,000) for your expenses associated with locating a principle residence in the United Kingdom. In the event you are required to pay a fee to an agent for the rental of your primary residence in the United Kingdom, such fee will be reimbursed as well.
 10. **Home Leave** - You and your spouse will be eligible for an annual home leave allowance. The Company will reimburse you for round trip business class travel between the assigned location and Chicago, Illinois or Phoenix, Arizona. In the event you elect not to return to either of these locations for home leave, the Company will pay you the equivalent amount in cash for your use as you elect. In addition to the annual home leave above, your spouse may travel up to two additional times per year on a similar basis.
 11. **Dependent Child Travel** - As your daughter will not accompany you on this assignment, the Company will reimburse you for up to a maximum of four trips in a twelve month period for her travel between the U.S. and the assigned expatriate location. This travel will be reimbursed at an economy/coach fare and will be based on the fare level between Chicago, Illinois and London, England.
 12. **Immigration** - You and your eligible dependents will be reimbursed for immigration fees associated with obtaining any necessary visas, work permits, residency permits, etc. and any cost to maintain U.S. green card status for you and your dependents. All immigration paperwork must be completed and approved by the immigration authorities at the assigned expatriate location prior to the start of the assignment.
 13. **Physical Examination** - You and your eligible dependents are recommended to complete physical examinations prior to the start of the assignment. Results of the exam will not be shared with the Company. The Company will reimburse you for reasonable and customary fees associated with such exams. Prior to commencing the exams, you are required to obtain the approval of the Senior Vice President, Human Resources, LKQ Corporation regarding the costs of such exams.
 14. **Vacation and Holiday Allowance** - You will continue to earn PTO under the LKQ Corporation policy with an additional two weeks allowance annually and will follow the holiday schedule in the assigned country.
-

15. **Compassionate Leave** - In the event of a seriousness illness or death of an immediate family member (spouse, child, parent, brother, sister, parent in-law, brother or sister in-law, or grandparent), the Company will reimburse you and your eligible dependents for round trip business class air fare between the assigned city location and the city of your family member. In the event of the death of one your eligible dependents (spouse or daughter), the Company will reimburse you and your surviving dependents round trip business class air fare between the assigned expatriate location and your destination city.
16. **Repatriation** - Upon completion of the assignment, the Company will reimburse you and your eligible dependents for business class air fare between the assigned expatriate location and Chicago, Illinois or Phoenix, Arizona. The Company will also provide you with a household goods moving allowance of up to US\$25,000 for the shipment of household goods from your UK residence to your US residence. In the event that you elect to relocate to a city other than Phoenix, Arizona, the Company will provide you with an allowance not to exceed US\$5,000 for your expenses associated with finding housing in the US following the completion of your assignment.
17. **Employment Agreement** - Upon the completion of your expatriate assignment you will be provided an agreement under which you will provide services regarding financial matters involving the Company, including but not limited to the Company's annual and quarterly financial statements and the Company's capital structure. The agreement will be for a three-year term commencing on your repatriation (or a later date if mutually agreed) to include provisions for continued participation in LKQ Corporation health and welfare plans, continued opportunity to exercise vested options in accordance with their original terms and continued vesting of equity. If necessary, you will be deemed "retired" for purposes of the LKQ Corporation Long Term Incentive Plan upon completion of your assignment as Chief Executive Officer and Managing Director, LKQ Europe, provided that you comply with the restrictive covenants in such agreement.
18. **Transition** - This appointment is to be effective on or about March 30, 2015 subject to approval by the Board of Directors of the Company; provided, however, that you will continue your current responsibilities until a replacement Chief Financial Officer for LKQ Corporation is hired. You may commute between your residence in Chicago, Illinois or Phoenix, Arizona until you relocate to the assigned country, and commuting costs (air fare, hotels, car rentals, etc.) will be reimbursed under the LKQ Business Travel Policy.
19. **Governing Law and Choice of Forum** - This agreement, the terms of your assignment, and your ongoing relationship with LKQ Corporation during your assignment will be governed by Illinois law. Any action, suit, dispute or other proceeding arising out of or relating to this agreement or your services provided pursuant to this agreement is subject to the exclusive jurisdiction of the State or federal courts located in the City of Chicago, County of Cook, State of Illinois.

I look forward to your positive response to this offer. Upon acceptance of this offer, we will submit the proposal to the LKQ Board of Directors.

Sincerely,

/s/ Robert L. Wagman

Robert L. Wagman
President and Chief Executive Officer

RHINO EQUITY CO. LIMITED

and

THE SENIOR MANAGEMENT SELLERS

and

LKQ ITALIA S.R.L.

and

LKQ CORPORATION

Agreement for the Sale and Purchase of the Rhiag Group made by way of Deed

___ December 2015

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Agreed Form Documents

- Business Warranties Disclosure Exhibit
- Company Data Book
- Data Room Index
- Individual Entitlement Certificate
- Master Allocation Schedule
- Locked Box Accounts
- Tax Deed

Other Documents

- Approved Company Adviser Fee Schedule (Estimated)
- Approved Shareholder Adviser Fee Schedule (Estimated)
- Buyer Registration Deed

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This agreement (the “ Agreement ”) is made by way of deed on ____ December 2015 between Rhino Equity Co. Limited, a private limited company incorporated in England and Wales with registered number 8740104 and having its registered office at 33 Jermyn Street, London, SW1Y 6DN (the “ Institutional Seller ”); the persons whose names and addresses are set out in Schedule 1 (each a “ Senior Management Seller ” and together the “ Senior Management Sellers ” and together with the Institutional Seller, the “ Sellers ” and each one a “ Seller ”); and LKQ Italia S.r.l., a company incorporated in Italy by deed of incorporation dated 21 December 2015 acting by Robert Wagman, its director (the “ Buyer ”); and LKQ Corporation (the “Guarantor”), a company incorporated in the State of Delaware and having its principal office at 500 West Madison Street, Suite 2800, Chicago IL 60661, USA.

RECITALS

The Sellers together own the entire issued share capital of Rhino HoldCo Limited (the “ Company ”). Details of the Company are contained in the Company Data Book (as defined below). The Sellers wish to sell and the Buyer, acting by its director, Robert Wagman (the “ Buyer Incorporation Director ”), wishes to purchase all of the issued share capital of the Company free from Encumbrances on the terms, and subject to the conditions, set out in this Agreement. The Buyer has been incorporated as an indirect subsidiary of the Guarantor pursuant to a deed of incorporation (the “ Deed of Incorporation ”) entered into in the presence of a notary, however the completion of its incorporation remains subject to the registration of the Buyer in the Italian Companies’ Register.

THE PARTIES AGREE as follows:

1. Interpretation

1.1 In this Agreement:

“2013 SPA” means the share purchase agreement entered into between Rhino Midco 2 Limited and Lanchester S.A., to which Rhino Bidco S.p.A. acceded as nominated purchaser, and dated 9 October 2013 (as amended on 16 December 2013);

“Act” means the Companies Act 2006;

“Advisers” means the advisers shown in the Approved Company Adviser Fee Schedule and/or the Approved Shareholder Adviser Fee Schedule and “Adviser” means any one of them;

“Affiliate” means, in relation to a person:

(a) the general partner, trustee, nominee, manager or investment adviser of such person;

(b) any other person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person, and the term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through ownership of a majority of voting securities, by contract or otherwise (save that, unless expressly stated otherwise, portfolio companies of funds advised by Apax Partners LLP (including subsidiaries of such portfolio companies) shall not be considered Affiliates);

(c) any other Fund which is advised by, or the assets of which are managed (whether solely or jointly with others) by, that person or a group undertaking of that person;

(d) any other Fund of which that person, or that person’s (or group undertaking of that person’s) general partner, trustee, nominee, manager or adviser, is a general partner, trustee, nominee, manager or adviser;

(e) any other Fund which is advised by, or the assets of which are managed (whether solely or jointly with others) by, that person’s (or a group undertaking of that person’s) general partner, trustee, nominee, manager or adviser; or

(f) in the case of a person that is an individual, any spouse, co-habitee and/or lineal descendant by blood or adoption, step-child, or any person or persons acting in its or their capacity as trustee or trustees of a trust of which such individual is the settler;

provided, however, that (i) a Group Company shall not be an Affiliate of a Seller and (ii) the term “adviser” when used above shall mean an entity which provides a Fund with advice in relation to the management of investments of that Fund which (other than in relation to actually making decisions to implement such advice) is substantially the same as the services which would be provided by a manager of the Fund and such adviser effectively forms part of the structure of the Fund;

“Agreed Rate” means:

(a) if the Completion Date falls on or before 1 April 2016, 6.5 per cent per annum calculated on the basis of a 365-day year; or

(b) if the Completion Date falls on or after 2 April 2016 and on or before 31 July 2016, 8.25 per cent per annum calculated on the basis of a 365-day year, provided that this part (b) shall not apply in the event that the conditions in Clause 5.1 have been satisfied, but one or more of the Sellers has failed to fulfil their obligations

in relation to Completion pursuant to Clause 8 causing Completion to be delayed beyond 1 April 2016, in which case the interest rate in part (a) shall apply; or

(c) if the Completion Date falls on or after 1 August 2016, 10 per cent. per annum calculated on the basis of a 365-day year, provided that this part (c) shall not apply in the event that the conditions in Clause 5.1 have been satisfied, but one or more of the Sellers has failed to fulfil their obligations in relation to Completion pursuant to Clause 8 causing Completion to be delayed beyond 31 July 2016, in which case the interest rate in part (b) shall apply, unless Completion would have taken place, but for the failure of one or more Sellers to fulfil their obligations in relation to Completion pursuant to Clause 8, on or before 1 April 2016 in which case the interest rate in part (a) will apply,

in each case, with the relevant rate to apply from (but excluding) the Locked Box Date to (and including) the Completion Date;

“Applicable Antitrust Laws” means the EC Merger Regulation (Council Regulation 139/2004/EC) and the Law of Ukraine on Protection of Economic Competition of 2001;

“Approved Company Adviser Fee Schedule” means the schedule setting out fees paid or payable by a Group Company in connection with the Transaction and the proposed initial public offering and admission to listing of a Group Company or related matters approved by the Institutional Seller and delivered to the Buyer and the Senior Management Sellers’ Representative in accordance with Clause 7.5;

“Approved Company Adviser Fees” means the fees (together with VAT payable and disbursements and expenses) set out in, and to be apportioned in accordance with, the Approved Company Adviser Fee Schedule;

“Approved Shareholder Adviser Fee Schedule” means the schedule setting out fees payable by one or more Sellers, approved by the Institutional Seller and delivered to the Buyer and the Senior Management Sellers’ Representative in accordance with Clause 7.6;

“Approved Shareholder Adviser Fees” means the fees (together with VAT payable and disbursements and expenses) set out in, and to be apportioned in accordance with, the Approved Shareholder Adviser Fee Schedule;

“Available Tax Saving” has the meaning given to it in Clause 4.4;

“Business Day” means a day other than a Saturday or Sunday or public holiday on which banks are open for business in London, Milan and New York;

“Business Warranties Disclosure Exhibit” means the document containing the relevant disclosures in respect of the Warranties and delivered to the Buyer immediately prior to this Agreement being signed;

“Buyer Director” means any person nominated by the Buyer to be appointed as a director of any Group Company with effect from Completion provided that person is not disqualified from being a director and has agreed in writing to act;

“Buyer Incorporation Director” shall have the meaning set out in the Recitals;

“Buyer Registration Deed” shall have the meaning set out in Clause 10.5.6;

“Buyer Registration Effective Date” means the date on which the incorporation of the Buyer takes full effect vis-à-vis third parties, following the registration of the Deed of Incorporation at the Italian Companies Register, pursuant to Clause 10.6.1;

“Buyer’s Financing Agreements” means the credit agreement dated 25 March 2011 made between, among others, the Guarantor (and certain of its Affiliates), the lenders party thereto and Wells Fargo Bank, National Association

(as Administrative Agent), as the same was amended and restated as of 30 September 2011, 3 May 2013 and 27 March 2014 and as further amended, supplemented and/or restated from time to time in accordance with this Agreement;

“Buyer's Group” means the Buyer, its ultimate parent undertaking and their respective subsidiary undertakings from time to time and includes, for the avoidance of doubt, each Group Company after Completion;

“Company” has the meaning given to it in the Recitals;

“Company Data Book” means the document in the agreed form containing brief particulars of the Company and the Subsidiaries;

“Competent Antitrust Authorities” means the European Commission and the Antimonopoly Committee of Ukraine;

“Completion” means the completion of the sale and purchase of the Securities in accordance with Clause 8;

“Completion Date” means the date upon which Completion actually occurs in accordance with Clause 8, being the later of (i) the date falling seven Business Days immediately following satisfaction or waiver of the condition in Clause 5.1.1; and (ii) the date falling five Business Days following delivery by the Institutional Seller of the Master Allocation Schedule to the Buyer, pursuant to Clause 3.3 (or such earlier date as the Buyer and the Institutional Seller shall agree);

“Connected Persons” means, in relation to a Seller, its Affiliates and “Connected Person” shall mean any of them;

“Data Room” means the virtual data room established by the Company containing information relating to the Group and managed by RR Donnelley, made available to the Buyer as evidenced by the Data Room Index and the CD of the data room provided to the Buyer;

“Data Room Index” means the data room index in the agreed form;

“Deed of Incorporation” shall have the meaning set out in the Recitals;

“Default Rate” means 5 per cent per annum calculated on the basis of a 365-day year;

“Electronic Communication” means an electronic communication as defined in the Electronic Communications Act 2000;

“Employee” means an individual who has entered into or works under a contract of employment with any Group Company and also includes any director or other officer of any Group Company whether or not he has entered into or works or worked under a contract of employment with any Group Company;

“Encumbrance” means any lien, charge (whether fixed, floating or equitable), mortgage, pledge, option, assignment in security, hypothecation, security interest, title retention or any other agreement or arrangement the effect of which is the creation of security, or any other interest, equity or other right of any person (including any right to acquire, option, right of first refusal or right of pre-emption), or any agreement or arrangement to create any of the same;

“Escrow Account” means the designated interest bearing account held with the Escrow Agent in the joint names of the Institutional Seller, the Senior Management Sellers' Representative and the Buyer;

“Escrow Agent” means a reputable escrow agent to be appointed as escrow agent pursuant to paragraph 11 of Schedule 7;

“Escrow Amount” means €5,000,000 to be managed in accordance with the provisions of Schedule 7;

“External Financing” means the financing provided to members of the Group under the External Financing Documents;

“External Financing Documents” means (a) the Revolving Credit Facility Agreement and (b) the Senior Notes Indenture;

“Facility Agent” has the meaning attributed to such term in the Revolving Credit Facility Agreement;

“Fund” means any unit trust, investment trust, investment company, limited partnership, general partnership or other collective investment scheme or any body corporate or other entity, in each case the assets of which are managed professionally for investment purposes;

“Governmental Entity” means, anywhere in the world, any supra-national, national, state, federal, provincial, municipal or local government, any subdivision, court, administrative agency or commission or other authority thereof, or any quasi-governmental or private body or similar body exercising any regulatory, Tax, competition, importing or other governmental or quasi-governmental authority or functions, including the European Union and European Commission;

“Group” means the Company and each Subsidiary;

“Group Company” means the Company or a Subsidiary and “Group Companies” means all of them;

“Individual Entitlement Certificate” shall have the meaning set out in Clause 3.5;

“Insurance Policy” means a warranty and indemnity insurance policy taken out by the Buyer in respect of the Transaction;

“Investor Director” means any director, officer and/or employee of the Institutional Seller or any of its Affiliates who is a director of any Group Company;

“Italian Companies Register” means the Italian Companies' Register (*Registro delle Imprese*);

“Law” means any statute, law, subordinate legislation, constitutional provision, code, regulation, ordinance, instrument, by-law, rule, decision, order, writ, injunction, decree, permit, concession, grant, directive, binding guideline or policy, requirement of, or other governmental restriction of or determination by, any Governmental Entity or any official interpretation of any of the foregoing by any Governmental Entity;

“Locked Box Accounts” means the aggregate of the unaudited individual entity trial balances of each of the Company and Rhino Topco 2 Limited and the unaudited, condensed, consolidated, interim income statement of Rhino Midco 2 Limited and Rhiag Group S.p.A., each for the nine month period ended on the Locked Box Date and the audited consolidated accounts of Rhino Bondco S.p.A. for the nine month period ended on the Locked Box Date in the agreed form and prepared in accordance with the Accounting Principles, comprising the balance sheet, the profit and loss account, and the 'note esplicative', as approved by Rhino Bondco S.p.A.;

“Locked Box Date” means 30 September 2015;

“Long Stop Date” means 30 June 2016;

“Losses” means any direct or indirect losses, damages, claims, fees, fines, costs and expenses, interest, awards, settlements, liabilities, recourses, judgments and penalties, including reasonable attorneys' fees and expenses and any amounts in respect of any Tax whether or not involving a third party claim;

“MAC Condition” shall have the meaning set out in Clause 5.1.2;

“managed” means a bona fide relationship of management where the relevant managing person or entity is bona fide primarily responsible for the investment decisions made for the fund, trust or company or with respect to the managed party’s holding of investor instruments, regardless of whether the relationship is characterised by the managing person or entity and the managed party as a relationship of investment manager, investment adviser, trustee or agent and “fund manager” and “managing” shall be construed accordingly;

“Master Allocation Schedule” means the schedule in the agreed form setting out, among other things, details of the holdings of Securities of the Sellers and their respective entitlement to the Preference Share Consideration and the Ordinary Share Consideration as well as their Proportionate Share of the Escrow Amount;

“Material Adverse Change” means any change, development, occurrence or circumstance which is materially adverse to the business or financial condition or which materially and adversely affects, or is reasonably likely to affect, the results of operations of the Group, taken as a whole, if and to the extent such change, development occurrence or circumstance, results in a diminution of enterprise value of the Group, taken as a whole, in an amount in excess of €200,000,000 provided, however, that nothing arising out of, relating to or resulting from any of the following shall constitute or be deemed to contribute to a Material Adverse Change, and shall not be taken into account in determining whether a Material Adverse Change has occurred:

- (a) any adverse change, development, occurrence, effect, circumstance or condition caused by changes after the date of this Agreement in (i) general economic or political conditions in Europe or any country in Europe, or the United States, and/or any other regions where any Group Company operates or (ii) Europe, the United States, and/or global financial, banking or securities markets (including any disruption thereof, any decline in the price of any security or any market index and any currency rate fluctuations);
- (b) changes or developments after the date of this Agreement generally applicable to the industry in which the Group operates;
- (c) changes after the date of this Agreement in any statute, law (including common law), ordinance, regulation, rule, guideline, order, writ, decree, permit, agency requirement or licence of any Governmental Entity applicable to the Group;
- (d) any natural disasters or acts of terrorism, war or an escalation or worsening thereof or sabotage (other than any actual, uninsured damage or casualty loss to any Group Company or its properties or assets);
- (e) changes after the date of this Agreement in applicable accounting standards or the interpretation thereof;
- (f) the announcement, negotiation, execution, performance or compliance with the terms of, or taking any actions required to be taken by, any of the Transaction Documents or any of the transactions contemplated by the Transaction Documents, including any termination of, reduction in or other negative impact on relationships or dealings, contractual or otherwise, with any customers, suppliers, distributors, partners or employees of any Group Company due to the announcement and performance of this Agreement, the identity of the parties to this Agreement or any action taken by the Buyer or any entity in the Buyer’s Group or its or their respective representatives; and
- (g) any event that occurs or any action taken or omitted to be taken by the Group at the written request or written direction or with the prior written consent of the Buyer;

“Notice” shall have the meaning set out in Clause 27.1;

“Ordinary Share Consideration” means the amount equal to the Total Gross Consideration less the Preference Share Consideration;

“Ordinary Shares” means the ordinary shares of €1.00 each in the capital of the Company;

“Permitted Leakage” means a payment or action set out in Schedule 4 of this Agreement;

“Preference Share Consideration” means €127,686,755;

“Preference Shares” means the preference shares of €1.00 each in the capital of the Company;

“Press Release” means any press release to be issued by Apax Partners LLP and/or an Affiliate of Apax Partners LLP and/or by the Buyer and/or an Affiliate of the Buyer on or after the date of this Agreement as may be agreed from time to time by the Buyer and the Institutional Seller;

“Proportionate Share” means, in respect of each relevant Seller for the purpose in which it is being used to apportion an amount amongst all Sellers or a group of Sellers, that share determined by reference to that Seller’s share of the aggregate of the Preference Share Consideration and Ordinary Share Consideration as shown against its name in columns (6) and (8) of the Master Allocation Schedule relative to the total aggregate share of the Preference Share Consideration and Ordinary Share Consideration as shown in columns (6) and (8) of the Master Allocation Schedule of all relevant Sellers for that purpose;

“Revolving Credit Facility Agreement” means the revolving credit facility agreement dated 5 November 2013 (as amended and/or restated from time to time) between, amongst others, Rhiag Group S.p.A. as parent and BNP Paribas, Italian Branch as facility agent;

“Securities” means the Ordinary Shares and the Preference Shares;

“Senior Management Sellers’ Representative” means Luca Zacchetti, failing which any other Senior Management Seller appointed for this purpose by the Institutional Seller;

“Senior Notes Indenture” means the senior notes indenture dated 5 November 2013 (as amended and/or restated from time to time) between, amongst others, Rhino Bondco S.p.A. as issuer and The Law Debenture Trust Corporation p.l.c. as trustee and *Rappresentante Comune* of the holders of the notes;

“Subsidiaries” means all of the subsidiary undertakings of the Company and “Subsidiary” means any of them;

“Tax” or “Taxation” means all forms of tax, duty, rate, levy, charge, instalment, contributions, customs or other import or export duties or other imposition, assessment, liability, deduction or withholding whenever and by whatever authority imposed (including income tax, corporation tax, capital gains tax, inheritance tax, value added tax, environmental tax, excise duties, stamp duty, stamp duty reserve tax, stamp duty land tax, national insurance and social security or other similar contributions) and whether of the United Kingdom, the United States of America or elsewhere, together with any interest, penalty, charge, surcharge instalments, contributions, customs or other import duties or fine in connection with any taxation, and regardless of whether any of the above are chargeable directly or primarily against or attributable directly or primarily to a Group Company or any other person and regardless of whether any amount in respect of any of them is recoverable from any other person, and “Taxes” has the corresponding meaning;

“Tax Authority” means any local municipal, governmental, state, federal, provincial or other fiscal, customs, revenue or excise authority, body, official or person anywhere in the world with responsibility for, or competent to impose, collect or administer, any form of Taxation;

“Tax Deed” means the tax deed in the agreed form to be entered into at Completion by the Senior Management Sellers and the Buyer;

“Tax Returns” means any information, notices, accounts, statements, reports, forms, computations, declarations and returns which are required to be made and submitted to any Tax Authority;

“Total Gross Consideration” means the sum of $(A-B) + C$, where A is €570,150,000, B is the total amount of fees (together with irrecoverable VAT payable and disbursements and expenses) shown on the Approved Company Adviser Fee Schedule, and C is the amount of interest on the sum of A-B calculated at the Agreed Rate from (but excluding) the Locked Box Date to (and including) the Completion Date;

“Transaction” means the acquisition by the Buyer of the entire issued share capital of the Company pursuant to the terms of this Agreement;

“Transaction Documents” means this Agreement, the Master Allocation Schedule, the Approved Company Adviser Fee Schedule, the Approved Shareholder Adviser Fee Schedule, the Business Warranties Disclosure Exhibit, the Company Data Book, the Data Room Index, the Tax Deed, the Individual Entitlement Certificate and the Locked Box Accounts;

“Trustee” has the meaning attributed to such term in the Revolving Credit Facility Agreement;

“Unwarranted Information” has the meaning set out in Clause 25.3;

“Warranties” means the warranties given by the Sellers set out in Schedule 6 and “Warranty” means any of them; and

“Warranty Claim” means a claim for any breach under any of the Warranties.

1.2 In this Agreement, a reference to:

1.2.1 a “subsidiary undertaking” or “parent undertaking” is to be construed in accordance with section 1162 of the Act;

1.2.2 a party being liable to another party, or to liability, includes, but is not limited to, any liability in equity, contract or tort (including negligence) or under the Misrepresentation Act 1967;

1.2.3 a document in the “agreed form” is a reference to a document in a form approved and for the purposes of identification initialled by or on behalf of the Buyer, the Institutional Seller and the Senior Management Sellers’ Representative (with such amendments as may be agreed in writing by the Buyer and the Senior Management Sellers’ Representatives);

1.2.4 a statutory provision includes a reference to the statutory provision as amended, modified or re-enacted or both from time to time and any subordinate legislation made under the statutory provision (as so amended, modified or re-enacted), except to the extent that any liability of any party under this Agreement would not have arisen but for an amendment or modification or re-enactment or subordinate legislation made after the date of this Agreement;

1.2.5 a “person” includes a reference to any individual, firm, company, corporation or other body corporate, government, state or agency of a state or any joint venture, association or partnership (whether or not having separate legal personality) and includes a reference to that person’s legal personal representatives, successors and permitted assigns;

1.2.6 a “party” includes a reference to that party’s permitted assigns and his estate and personal representatives;

1.2.7 a Clause, paragraph or Schedule, unless the context otherwise requires, is a reference to a clause or paragraph of, or schedule to, this Agreement;

1.2.8 any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be deemed to include what most nearly approximates in that jurisdiction to the English legal term and references to any English statute shall be construed so as to include equivalent or analogous Laws of any other jurisdiction;

1.2.9 “material” or any similar expression shall, unless otherwise specified, be construed in the context of the Group, taken as a whole;

1.2.10 “Euros” or “€” is to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty of the European Union;

1.2.11 times of the day are to London time;

1.2.12 the word “including” and words of similar import when used in this Agreement shall mean “including, without limitation”, unless the context otherwise requires or unless otherwise specified;

1.2.13 writing includes typing, printing, and facsimile but excludes any other form of Electronic Communication;

1.2.14 a document is to that document as amended, varied or novated from time to time otherwise than in breach of this Agreement or that document; and

1.2.15 a company or firm includes any company or firm in succession to all, or substantially all, of the business of that company or firm.

1.3 The headings in this Agreement do not affect its interpretation.

1.4 Save as otherwise provided in this Agreement, where any obligation, representation, warranty or undertaking under or in connection with the Transaction Documents is expressed to be made, undertaken or given by two or more of the Sellers, the liability of those Sellers shall be several (and not joint or joint and several).

1.5 The *eiusdem generis* rule does not apply to this Agreement. Accordingly, specific words indicating a type, class or category of the thing shall not restrict the meaning of general words following such specific words, such as general words introduced by the word “other” or a similar expression. Similarly, general words followed by specific words shall not be restricted in meaning to the type, class or category of the thing indicated by such specific words.

2. Sale and Purchase

2.1 Subject to the conditions referred to in Clause 5.1 being satisfied, each of the Sellers shall sell, and the Buyer shall purchase, full legal and beneficial title to those Securities set out opposite the name of such Seller in columns (5) and (7) of the Master Allocation Schedule, on the terms set out in this Agreement.

2.2 The Securities shall be sold free from all Encumbrances and together with all rights attaching to them as at the Completion Date, including the right to receive all distributions and dividends declared, paid, made or accruing from the Completion Date, on the terms set out in this Agreement.

2.3 The consideration for the sale of the Securities shall be determined in accordance with Clause 3.

2.4 Each Seller severally covenants (in respect of his or its holding of Securities only) with the Buyer that it is the sole legal and beneficial owner of the Securities set opposite such Seller's name in columns (5) and (7) (inclusive) of the Master Allocation Schedule and has (and will have at Completion) the right to sell and transfer to the Buyer the full legal and beneficial interest in those Securities.

2.5 The Institutional Seller hereby consents to the sale and purchase of the Securities pursuant to this Agreement for the purpose of the articles of association.

3. Consideration

3.1 The total aggregate consideration for the Securities shall be an amount equal to the Total Gross Consideration, plus any deferred consideration payable under Clause 11, and shall be apportioned as follows:

(a) for the Preference Shares, the aggregate consideration shall be the amount of the Preference Share Consideration; and

(b) for the Ordinary Shares, the aggregate consideration shall be the amount of the Ordinary Share Consideration plus any deferred consideration payable under Clause 11.

3.2 At Completion, the consideration shall be satisfied as follows:

(a) subject to Clause 3.2(c), the Preference Share Consideration shall be paid in cash and apportioned between the Sellers in the amounts set opposite their respective names in column (6) of the Master Allocation Schedule;

(b) subject to Clause 3.2(c), the Ordinary Share Consideration shall be paid in cash and apportioned between the Sellers in the amounts set opposite their respective names in column (8) of the Master Allocation Schedule, subject to the deduction of each Seller's Proportionate Share of the Approved Shareholder Adviser Fees;

(c) the Buyer shall be entitled to deduct from the aggregate consideration payable to each Seller that Seller's Proportionate Share of the Escrow Amount (shown against that Seller's name in column (11) of the Master Allocation Schedule) with such deduction being deducted first from the Seller's share of the Preference Share Consideration and then (if at all) from the Seller's share of the Ordinary Share Consideration and the Buyer shall pay the Escrow Amount to the Escrow Account;

(d) an amount equal to the Approved Shareholder Adviser Fees shall be paid to the Institutional Seller to settle payment of the Approved Shareholder Adviser Fees on behalf of itself and other relevant Sellers (and not as additional consideration payable to the Institutional Seller); and

(e) the deferred consideration, if payable, shall be satisfied in accordance with Clause 11.

3.3 The Institutional Seller and the Senior Management Sellers' Representative shall update the Master Allocation Schedule as of the Completion Date to show the actual amounts of the Total Gross Consideration, the actual amounts of the Preference Share Consideration, and the actual amounts of the Ordinary Share Consideration, less the Proportionate Share of the Approved Shareholder Adviser Fees and the Escrow Amount, to which each Seller is entitled and shall deliver a copy to the Buyer no later than five Business Days prior to the Completion Date.

3.4 Each of the Sellers agrees that the Master Allocation Schedule, including the version updated in accordance with Clause 3.3, is binding on him or it in accordance with this Agreement.

3.5 The Master Allocation Schedule, including the version updated in accordance with Clause 3.3, shall be retained by the Buyer, the Institutional Seller and the Senior Management Sellers' Representative and not distributed to the other Sellers and each Seller (other than the Institutional Seller and the Senior Management Sellers' Representative) waives any right to receive a copy of the Master Allocation Schedule provided that each Seller shall be entitled to: (i) receive a copy of and disclose the Master Allocation Schedule as required by Law; and (ii) receive a certificate in the agreed form from the Senior Management Sellers' Representative certifying the Total Gross Consideration, the Preference Share Consideration, the Ordinary Share Consideration, the Escrow Amount, the Approved Shareholder Adviser Fees and his Proportionate Share thereof and that Seller's individual entitlement to net proceeds all as extracted from the Master Allocation Schedule (the "Individual Entitlement Certificate").

4. Locked Box

4.1 Each of the Sellers (in respect of itself only) severally warrants, covenants and undertakes to the Buyer that in the period from (and excluding) the Locked Box Date up to (and including) the Completion Date (save to the extent comprising a Permitted Leakage):

4.1.2 no dividend or distribution of profits or assets or other payment of any nature (including, without limitation, return of capital, redemption monies or management, monitoring, advisory fees or director's fees), whether in cash or in specie and whether out of profits or capital, has been paid or declared or made or will be paid or declared or made by a Group Company to or in favour of that Seller or any Connected Person of that Seller;

4.1.3 no amounts owed to a Group Company by that Seller or any Connected Person of that Seller have been or will be waived, forgiven or released (in whole or in part) and no claim of any Group Company outstanding against that Seller or any Connected Person of that Seller has been or will be released or waived;

4.1.4 no assets, rights or other benefits have been or will be transferred or surrendered by a Group Company to or for the benefit of or in favour of that Seller or any Connected Person of that Seller or acquired by a Group Company from that Seller or any Connected Person of that Seller;

4.1.5 no liabilities (contingent or otherwise) have been or will be assumed, indemnified or incurred (or any indemnity given in respect thereof) by any Group Company for the benefit of or on behalf of or in favour of that Seller or any Connected Person of that Seller (including but not limited to the giving of guarantees);

4.1.6 no Encumbrance has been or will be created over any of the assets of any Group Company in favour of or on behalf of or for the benefit of that Seller or any Connected Person of that Seller;

4.1.7 no other payment has been, or will be, made to or for the benefit of that Seller or any Connected Person of that Seller by a Group Company;

4.1.8 no agreement or arrangement relating to any of the matters referred to in Clauses 4.1.1 to 4.1.6 has been or will be entered into, or be offered to be entered into, by any Group Company for the benefit of that Seller or any Connected Person of that Seller; and

4.1.9 no costs or expenses relating to the sale of the Securities or to the other transactions contemplated by the Transaction Documents, or any transaction or exit or change of control bonuses or similar payments to any Employee, or any brokerage, finder's or other fees or commissions, in each case payable as a result of the completion of the sale of the Securities (to any person) or of the other transactions contemplated by the Transaction Documents (including advisory, management, transaction, service and other fees and expenses payable to any person) have been paid or incurred, or have been agreed to be paid or incurred, by any Group Company (it being acknowledged that remuneration in the ordinary course pursuant to employment contracts in place at the date hereof or adopted by a Group Company without there being a breach of Clauses 7.1 or 7.2 and bonus payments and commissions linked to the performance of a Group Company or the Group or individual performance of an Employee, in the case of the Senior

Management Sellers, as set out the Business Warranties Disclosure Exhibit and, in the case of other Employees, in the ordinary course of business consistent with past practice, is not covered by this Clause 4.1.8).

4.2 Subject to Clause 4.3 below, in the event of a breach of Clause 4.1, the relevant Seller shall repay to the Buyer, to the extent possible by way of a reduction in the consideration paid or to be paid for the Securities sold by that Seller, on a euro for euro basis, an amount equal to the amount in respect of any such breach of Clause 4.1 calculated in accordance with Clause 4.3 below. Save in the case of fraud or fraudulent misrepresentation, the Buyer shall have no remedy for a breach of Clause 4.1 except pursuant to this Clause 4.2 and Clause 4.5. In the case of a breach of Clause 4.1.8, the liability of the Sellers shall be apportioned amongst them so that they are only liable for their Proportionate Share except (and without prejudice to any claim a Buyer may have against each Seller for its or his Proportionate Share): (i) if the Senior Management Sellers' Representative can prove that the Institutional Seller approved a payment of the type referred to in Clause 4.1.8 without the agreement of any other Seller who is a director of a Group Company, in which case the Institutional Seller shall reimburse the Senior Management Sellers for sums paid by them due to a breach of Clause 4.1.8 in respect of such a payment, or (ii) if the Institutional Seller can prove that a payment of the type referred to in Clause 4.1.8 was made or agreed to be made without the agreement of the Institutional Seller, in which case the Senior Management Sellers shall reimburse the Institutional Seller for sums paid by it due to a breach of Clause 4.1.8 in respect of such payment.

4.3 Where an amount is required to be repaid to the Buyer under Clause 4.2 above, in calculating the amount payable, there shall be taken into account the amount of any Taxation paid or that will become payable by any Group Company to the extent attributable to any such breach (or the matter giving rise to such breach) so that the amount payable shall be increased by the amount of any such Taxation, provided that this increase will only become payable by the relevant Seller on the date which is five Business Days before the last day on which the relevant Taxation may, by law, be paid without incurring any penalty, fine, surcharge, interest charges, costs or similar imposition.

4.4 The Buyer shall reimburse the relevant Seller who has made any payment pursuant to Clause 4.2 above an amount equal to the amount by which any liability to Taxation of any Group Company is actually reduced or extinguished as a result of the matter giving rise to such breach (the “Available Tax Saving”) (not exceeding the payment made by the relevant Seller or Sellers) five Business Days following the date the Available Tax Saving is used to reduce liability to pay Taxation. Where the matter giving rise to such breach relates to third party costs, any part of that amount for which credit or payment is obtained from a Tax Authority as input value added tax shall be treated as an Available Tax Saving. The Buyer shall use reasonable endeavours to obtain the Available Tax Saving.

4.5 To the extent that any amount under Clause 4.2 is agreed in writing by the Institutional Seller and the Senior Management Sellers' Representative prior to Completion to be payable to the Buyer, this amount shall be set off against that part of the Total Gross Consideration otherwise due to that Seller and the Buyer is irrevocably authorised to deduct such amount from the consideration to be paid at Completion in accordance with Clause 8.2.1.

4.6 For the purposes only of Clause 4, the term “Connected Person” shall also include an investor in a Fund, and a portfolio company of a Fund, where the Fund is an Affiliate of the Institutional Seller.

4.7 No Seller is liable to make a payment under Clause 4.2 unless Completion has occurred and unless the Buyer has notified that Seller in writing of the breach of Clause 4.1, stating in reasonable detail (as is then known to the Buyer) the nature of the breach and the amount claimed, on or before the date falling six months after the Completion Date, except in the case of the payment of an adviser fee constituting a breach of Clause 4.1.8 where the invoice is received after the expiry of such six month period in which case such notification shall be made by the Buyer on or before the date falling two months after the date of receipt of the relevant invoice.

4.8 The parties acknowledge that the payment of €700,000 to Luca Zacchetti as a result of (i) his resignation due to a material reduction of the powers granted to him as Chief Executive Officer; (ii) revocation of his office, without cause; (iii) failure to reappoint him as director and as Chief Executive Officer with the same powers

previously granted upon the expiry of the board of directors or early termination; or (iv) revocation of the resolution approving his indemnity without his consent, pursuant to the resolution of the Board of Directors of Rhiag IAP Italia S.p.A. dated 16 December 2013 (as confirmed by resolution of the same Board of Directors dated 24 March 2014) (which resolutions have been disclosed to the Buyer) shall not constitute a claim under this Clause 4.

5. Conditions

5.1 Completion is conditional on:

5.1.1 the approval of the Transaction by the Competent Antitrust Authorities required under the Applicable Antitrust Laws or expiry of the relevant waiting periods without the Transaction being prohibited by the Competent Antitrust Authorities.. The Transaction shall be deemed to have been approved by a Competent Antitrust Authority if the Transaction is cleared subject to obligations or conditions or commitments or other agreements required by the Competent Antitrust Authority; and

5.1.2 no Material Adverse Change having occurred between the date of this Agreement and the date on which the condition in Clause 5.1.1 is satisfied or waived (the “MAC Condition”). The MAC Condition may be jointly waived by the Institutional Seller, the Senior Management Sellers’ Representative and the Buyer and will be deemed to have been waived if written notice from the Buyer seeking to invoke the condition is not served on the Institutional Seller and the Senior Management Sellers’ Representative on or before the date on which the condition in Clause 5.1.1 is satisfied or waived.

5.2 The Buyer shall, at its own cost, use best endeavours to achieve satisfaction of the condition set out in Clause 5.1.1 as soon as possible and in any case before 11:59 p.m. on the Long Stop Date. Such best endeavours shall include:

5.2.1 within twenty-five Business Days (provided the Sellers have during that time complied with Clause 5.3 below) following the date of this Agreement, filing with any Competent Antitrust Authority the notifications required for the Transaction under the Applicable Antitrust Laws, which form(s) shall be in compliance with the requirements of the Applicable Antitrust Laws, provided that where a filing to any Competent Antitrust Authority is subject to a pre-notification process, the above obligation shall apply to the submission of a draft;

5.2.2 using best endeavours to obtain the approvals referred to in Clause 5.1. For the purposes of this Clause 5.2.2, the “best endeavours” of the Buyer shall include, where applicable and necessary to obtain a clearance decision, promptly proposing, negotiating, offering, agreeing to commit and effecting, by any means including hold separate order, decision or as otherwise required by any Governmental Entity, the sale, divestiture or disposition of such assets, categories, portions or parts of assets or businesses of the Buyer or the Buyer’s Group or, effective as of Completion, such assets of the Group, or otherwise offering to take or committing to take any action which the Buyer is capable of taking and, if the offer is accepted, taking or committing to take such action that limits the Buyer’s or the Buyer’s Group’s or, effective as of Completion, any member of the Group’s freedom of action with respect to, or its ability to retain, any of the businesses, services or assets of the Buyer or the Buyer’s Group or any or all of the assets of the Group, to avoid a prohibition decision. For the avoidance of doubt, the Buyer shall, consistent with its obligations under this Clause 5.2.2, take any and all actions necessary to ensure that no order or decision under any antitrust or competition law or regulation would preclude consummation of the Transaction by the Long Stop Date;

5.2.3 progressing the submissions, notifications and filings referred to in Clauses 5.2.1 and 5.2.2 with all diligence and promptly providing all information which is requested or required by any Governmental Entity in connection with such submission, notification and filings;

5.2.4 promptly providing the Institutional Seller and the Senior Management Sellers’ Representative and their advisers with draft copies of all submissions to any such Governmental Entity relating to any consent, approval or action in respect of the Transaction, giving the Institutional Seller and the Senior Management Sellers’ Representative

(or their advisers) reasonable advance notice of any draft submissions, allowing the Institutional Seller and the Senior Management Sellers' Representative (and their advisers) the opportunity to review any material written communications before submission (provided that any such review shall not unreasonably cause the submission to be delayed) and taking into account any reasonable comments of the Institutional Seller or the Senior Management Sellers' Representative (or their advisers) and making such amendments to such communications as the Institutional Seller or the Senior Management Sellers' Representative may reasonably request and, so far as practicable, and to the extent permitted by the relevant Competent Antitrust Authority, notifying the Institutional Seller and the Senior Management Sellers' Representative prior to all other communications (including telephone calls and meetings) with any Governmental Entity, allowing the Institutional Seller and the Senior Management Sellers' Representative the opportunity to participate in any such calls and meetings, subject to the Buyer's reasonable designation of any competitively sensitive or confidential business material as "outside counsel only" and such materials and information contained therein to be given only to the outside legal counsel of the recipient and not disclosed by such outside counsel to employees, officers or directors of the recipient unless express permission is obtained in advance from the Buyer or its advisers;

5.2.5 promptly notifying the Institutional Seller and the Senior Management Sellers' Representative of any communication (whether written or oral) received from any Governmental Entity, subject to the Buyer's reasonable designation of any competitively sensitive or confidential business material as "outside counsel only" and such materials and information contained therein to be given only to the outside legal counsel of the recipient and not disclosed by such outside counsel to employees, officers or directors of the recipient unless express permission is obtained in advance from the Buyer or its advisers;

5.2.6 to the extent the Institutional Seller and the Senior Management Sellers' Representative (or either of them) or their advisers are prohibited from participating or are unable to participate or choose(s) not to participate in the communications described in Clause 5.2.3 and/or 5.2.4, promptly notifying the Institutional Seller and the Senior Management Sellers' Representative (and providing copies or, in the case of non-written communications, details) of any communications from any such Governmental Entity relating to any such consent, approval or action, subject to the Buyer's reasonable designation of any competitively sensitive or confidential business material as "outside counsel only" and such materials and information contained therein to be given only to the outside legal counsel of the recipient and not disclosed by such outside counsel to employees, officers or directors of the recipient unless express permission is obtained in advance from the Buyer or its advisers;

5.2.7 promptly providing the Institutional Seller and the Senior Management Sellers' Representative (or their advisers) with copies of all such submissions, notifications, filings and other communications in the form submitted or sent, subject to the Buyer's reasonable designation of any competitively sensitive or confidential business material as "outside counsel only" and such materials and information contained therein to be given only to the outside legal counsel of the recipient and not disclosed by such outside counsel to employees, officers or directors of the recipient unless express permission is obtained in advance from the Buyer or its advisers; and

5.2.8 upon the request of the Institutional Seller or the Senior Management Sellers' Representative, fully informing the Institutional Seller and the Senior Management Sellers' Representative (or their advisers) as to the progress of any notifications and filings to any such Governmental Entity with a view to obtaining clearance from such Governmental Entity at the earliest reasonable opportunity.

5.3 The Sellers shall use best endeavours to provide the Buyer with all information in its possession reasonably requested by the Buyer to assist it to achieve satisfaction of the condition set out in Clause 5.1.1 and to assist the Buyer with any subsequent queries from a Competent Antitrust Authority in connection with the Transaction including in relation to requests to attend meetings with any Competent Antitrust Authority.

5.4 If, at any time, the Buyer becomes aware of a fact or circumstance that is reasonably likely to prevent the condition in Clause 5.1.1 being satisfied, it shall promptly inform the Institutional Seller and the Senior Management Sellers' Representative of the matter.

5.5 The Guarantor undertakes not to (and to procure that no member of the Buyer's Group shall) enter into any transaction or any agreement to effect any transaction (including any merger or acquisition) or of any other nature after the date of this Agreement that might reasonably be expected to make it more difficult, or to materially increase the time required, to achieve satisfaction of the condition set out in Clause 5.1.1 or to otherwise delay, impede or prejudice Completion or the timing of Completion.

5.6 If the condition in Clause 5.1.1 has not been fulfilled by 11:59 p.m. on the Long Stop Date, this Agreement shall automatically terminate without the need for any party to serve notice on the others.

5.7 Each party's further rights and obligations cease immediately on termination except in respect of Clauses 14 to 29 (inclusive) (and the applicable definitions from, and interpretation set out in, Clause 1.1 and Clause 1.2) which will continue in full force and effect, but termination does not affect a party's accrued rights and obligations at the date of termination.

6. No Frustrating Action

Between the execution of this Agreement and the consummation of the Transaction, none of the Sellers shall enter into (and shall take such action within its or his power to ensure that no member of the Group enters into) any other agreement or arrangement which may in any way delay, impede or prejudice Completion or the timing of Completion.

7. Pre-Completion Undertakings

7.1 Between the execution of this Agreement and the Completion Date:

7.1.1 the Institutional Seller and each Senior Management Seller severally agrees that it shall not (where applicable) without the prior written approval of the Buyer exercise any voting rights over the Securities held by it to approve any of the numbered matters specified in Schedule 3 save to the extent that such action is Permitted Leakage or is expressly provided for in the Transaction Documents; and

7.1.2 each Senior Management Seller severally undertakes to the Buyer that he shall, in each case to the extent that he is reasonably able and legally permitted or entitled to do so by exercising his rights as a shareholder, director (after taking into account any applicable fiduciary duties) and/or employee (as applicable): (i) in each case save to the extent that such action is Permitted Leakage or is expressly provided for in the Transaction Documents, procure that each of the Group Companies does not take or agree to take any of the numbered actions specified in Schedule 3; and (ii) procure that each of the Group Companies will carry on its business in the usual and ordinary course of business; and

7.1.3 the Institutional Seller undertakes to the Buyer that it will not exercise its voting rights as a shareholder, or if requested give any consent under any investment or shareholder agreement affecting the Company, to approve any of the matters specified in Schedule 3 save to the extent that such action is Permitted Leakage or is expressly provided for in the Transaction Documents.

7.2 Clause 7.1 does not apply in respect of and shall not operate so as to restrict or prevent:

7.2.1 the completion or performance of actions which are necessary to discharge any obligations undertaken pursuant to any legal or regulatory obligation in accordance with and pursuant to any contract, arrangement, licence or consent in the form disclosed in the Data Room prior to the date of this Agreement and entered into by or relating to any member of the Group in the usual and ordinary course of business prior to the date of this Agreement (or, in the case of a licence or consent, issued or granted);

7.2.2 any action undertaken or omitted at the written request or with the written consent of the Buyer (and for this purpose, the written consent of or consent by email from either of John Quinn or Walter Hanley shall constitute consent of the Buyer);

7.2.3 any action set out in Annex 7 to the Business Warranties Disclosure Exhibit;

7.2.4 any matter provided for or action required to give effect to this Agreement, any Transaction Document or the Transaction; or

7.2.5 any action required by Law.

7.3 Between the execution of this Agreement and Completion, the Senior Management Sellers shall:

7.3.1 provide the Buyer on a monthly basis with copies of the consolidated management accounts of Rhiag Bondco S.p.A., no later than three Business Days following the date on which they become available, in a format approved by legal counsel; and

7.3.2 upon the reasonable request of the Buyer, arrange for senior members of the management team of the Company to meet the Buyer or any person authorised by the Buyer, provided that the Buyer gives notice of no less than five Business Days of any meeting request (such notice not to be given prior to 15 days after the date of this Agreement). Such meetings shall take place no more than once per month and the Buyer shall not otherwise interfere with the ordinary operations of the business of the Group Companies. Such meetings will have an agenda approved by legal counsel for the Senior Management Sellers and for the Buyer and circulated to participants at least two Business Days in advance and minutes will be taken during such meetings,

provided that the Guarantor agrees that it and its Subsidiaries shall not trade in the Group's publicly traded bonds.

7.4 The Institutional Seller shall consult with the Senior Management Sellers' Representative in connection with the preparation of the final Approved Company Adviser Fee Schedule and the final Approved Shareholder Adviser Fee Schedule and shall provide the Senior Management Sellers' Representative with final versions before they are delivered under Clauses 7.5 and 7.6. If the total aggregate level of fees in the final Approved Company Adviser Fee Schedule and the final Approved Shareholder Adviser Fee Schedule, taken together, exceeds the total aggregate level of fees shown in the estimate of Approved Company Adviser Fee Schedule and the estimate of Approved Shareholder Adviser Fee Schedule, taken together, circulated to the Senior Management Sellers' legal adviser in advance of execution of this Agreement and in each case including all VAT and similar taxes and disbursements, by more than 10%, the final Approved Company Adviser Fee Schedule and the final Approved Shareholder Adviser Fee Schedule shall require the consent of the Senior Management Sellers' Representative (such consent not to be unreasonably withheld, delayed or made subject to conditions). If the Senior Management Sellers' Representative is entitled to withhold consent and does so, the final Approved Company Adviser Fee Schedule and the final Approved Shareholder Adviser Fee Schedule shall be adjusted so that the total aggregate increase over the estimates is 10%.

7.5 The Institutional Seller shall deliver to the Buyer and the Senior Management Sellers' Representative the Approved Company Adviser Fee Schedule no later than 11:00 a.m. on the fifth Business Day immediately preceding the Completion Date.

7.6 The Institutional Seller shall deliver to the Buyer and the Senior Management Sellers' Representative the Approved Shareholder Adviser Fee Schedule no later than 11:00 a.m. on the fifth Business Day immediately preceding the Completion Date.

7.7 Between the date of this Agreement and the Completion Date:

7.7.1 the Sellers undertake that they shall, and shall procure that each relevant Group Company shall serve the Facility Agent with a prepayment and cancellation notice in accordance with the terms of the Revolving Credit Facility Agreement in respect of the prepayment and/or cancellation on the Completion Date of the External Financing provided under the Revolving Credit Facility Agreement; and

7.7.2 if requested by the Buyer, the Sellers shall procure that Rhino Bondco S.p.A. furnishes an officer's certificate meeting the requirements of Section 3.01 of the Senior Notes Indenture to the Trustee together with a notice to noteholders in respect of the redemption of some or all the outstanding notes under the Senior Notes Indenture on the Completion Date provided that Rhino Bondco S.p.A. shall not be required to furnish any such certificate or notices less than 10 days or more than 60 days before the expected date for Completion.

7.8 In the period prior to Completion, the Sellers shall take such action within their power as the Buyer may reasonably request to merge a Subsidiary into its immediate parent company or a new parent company for such purpose (provided that the affected Group Companies are companies incorporated in the same jurisdiction, any consent under the External Financing is obtained and the Buyer confirms that it has received advice for the benefit of the Group that there is no material adverse Tax consequence to the Group or any Group Company). The Sellers shall obtain an estimate of the legal expenses to be incurred in effecting any such merger or mergers and such costs up to an aggregate maximum of €15,000 plus VAT shall be included in the Company Adviser Fee Schedule.

8. Completion

8.1 Completion shall take place at the offices of Simpson Thacher & Bartlett LLP, CityPoint, One Ropemaker Street, London EC2Y 9HU on the Completion Date (or on such other date or at such other place as the Institutional Seller and the Buyer may agree).

8.2 At Completion, each Seller and the Guarantor shall (or shall procure that the Buyer shall) do all those things respectively required of it or him in Schedule 2 and the Guarantor shall (or shall procure that the Buyer shall):

8.2.1 pay the consideration as described by Clause 3 by transfer of funds for same day value to such account as the relevant Seller directs;

8.2.2 pay the Escrow Amount to the Escrow Account by transfer of funds for same day value;

8.2.3 subject to the Group Company receiving an invoice, procure that a Group Company shall pay to the relevant Adviser to such account as such Adviser directs that part of the Approved Company Adviser Fees payable to that Adviser (and expressed to be "Not Paid" as at Completion).

8.2.4 It is acknowledged that any sum payable under Clause 8.2.3 is not consideration for any Securities but is to ensure that the Advisers are paid for services provided.

8.2.5 If an Adviser whose fees are included in the Approved Company Adviser Fee Schedule is not paid at Completion, the Guarantor shall (or shall procure that the Buyer shall), forthwith on demand from the Institutional Seller (which must be accompanied by a copy of the relevant adviser invoice), pay an amount equal to the sum payable to the Adviser to the Institutional Seller to enable it to pass on such sums to the relevant Adviser to discharge the obligation of the relevant Group Company or the relevant Seller or Sellers as the case may be in respect of such fees.

8.2.6 If there is any "Contingency" in the Approved Company Adviser Fee Schedule remaining after the operation of Clause 8.2.3 above and not required by a Group Company to pay an Adviser within one month of the Completion Date, that amount shall be paid by the Guarantor (or the Guarantor shall procure the payment by the Buyer) by transfer of funds for same day value on the expiry of the one month following the Completion Date to such account

as the Institutional Seller directs to be distributed amongst the Sellers pro rata to their Proportionate Share as additional consideration, provided that the Buyer shall have no obligation as to the distribution of such amount as among such Sellers and payment to the relevant account shall constitute a good discharge of Buyer's obligations as regards the payment required by this Clause 8.2.6.

8.3 The parties are not obliged to complete the sale and purchase of the Securities pursuant to this Agreement unless:

8.3.1 both the Guarantor and each of the Sellers comply with all their obligations under this Clause 8 and Schedule 2 (which shall be deemed to occur simultaneously); and

8.3.2 the sale and purchase of all the Securities are completed simultaneously in accordance with this Agreement.

8.4 Subject to the payment of the Total Gross Consideration, and without prejudice to any employment rights of continuing employees of the Group and/or the rights of any party under, or for breach of, the Transaction Documents and payment under the arrangements referred to in Clause 4.8, Clause 8.9 and Paragraph (9) of Schedule 4 and save for any claims arising due to fraud or fraudulent misrepresentation, each Seller confirms that (i) it and its Affiliates shall have no claim whatsoever outstanding after Completion, to the extent arising from any act, omission or state of facts taken or existing on or prior to Completion, against any Group Company or any of the past, present or future directors, officers, employees, Affiliates, or successors or assigns of any Group Company and (ii) no agreement or arrangement is or shall be outstanding at Completion under which any Group Company or any such person has or could have any obligation of any kind to it, any of its Affiliates or their respective successors and assigns other than to any other Group Company and each Seller shall procure that any of its Affiliates that are a party to such agreements agree to their termination with effect as of Completion. To the extent that any such claim, liability or obligation exists or may exist, the relevant Seller irrevocably and unconditionally waives or shall, on or before Completion, procure the irrevocable and unconditional waiver of such claim or obligation and irrevocably and unconditionally releases or shall, on or before Completion, procure the unconditional and irrevocable release of each Group Company and any such other person from any liability whatsoever in respect of such claim or obligation.

8.5 If Completion does not take place on the scheduled Completion Date because a party fails to comply with any of its obligations under this Clause 8 or Schedule 2 (whether such failure amounts to a repudiatory breach or not), the Guarantor (in the case of a default by any Seller) or the Institutional Seller (in the case of a default by the Guarantor) may by notice to the defaulting party elect to:

8.5.1 proceed to Completion to the extent reasonably practicable (without limiting its rights under this Agreement); or

8.5.2 postpone Completion to a date not more than 10 Business Days after the scheduled Completion Date.

8.6 If a party postpones Completion to another date in accordance with Clause 8.5.2, the provisions of this Agreement apply as if that other date is the scheduled Completion Date.

8.7 If Completion does not take place on the postponed Completion Date because a party fails to comply with any of its obligations under this Clause 8 or Schedule 2 (whether such failure amounts to a repudiatory breach or not), the Guarantor (in the case of a default by any Seller) or the Institutional Seller (in the case of a default by the Guarantor) may by notice to the defaulting party exercise either of the rights set forth in Clause 8.5 or terminate this Agreement immediately upon written notice to the defaulting party, provided that the Guarantor shall not be entitled to terminate this Agreement pursuant to this Clause 8.7 if either the Guarantor or the Buyer is then in material breach of any of its covenants contained herein and the Institutional Seller shall not be entitled to terminate this Agreement pursuant to this Clause 8.7 if any Seller is then in material breach of any of its covenants contained herein.

8.8 If a party terminates this Agreement pursuant to Clause 8.7, each party's further rights and obligations cease immediately on termination except in respect of Clauses 14 to 29 (inclusive) (and the applicable definitions from, and interpretation set out in, Clause 1.1 and Clause 1.2) which will continue in full force and effect and except that termination does not affect a party's accrued rights and obligations at the date of termination.

8.9 Notwithstanding any other provision, the Buyer agrees that any Seller who is a director or manager of any Group Company and/or an Employee (and all other Employees) shall continue to benefit from and be entitled to awards under and in accordance with the long term cash incentive plan in force at the date of this Agreement (as may be amended from time to time from the date of this Agreement with the written consent of the Buyer) and to any contractual entitlement to variable remuneration or bonus payments earned or agreed upon as at the date of this Agreement and to participate under and in accordance with and benefit from performance related and similar employment based bonus payments and commissions linked to the performance of a Group Company or the Group or individual performance of an Employee, in the case of the Senior Management Sellers, as set out in the Business Warranties Disclosure Exhibit and, in the case of other Employees, in the ordinary course of business consistent with past practice, including the bonus scheme in respect of the current financial year under which bonuses are payable upon reaching the forecasted results for the year ended 31 December 2015.

9. The Sellers' Warranties and Undertakings

9.1 Each Seller severally warrants to the Buyer that at the date of this Agreement and as at Completion:

9.1.7 that Seller is and will be, at Completion, the sole registered holder of the Securities shown opposite its name in the Master Allocation Schedule and shall be entitled to sell and transfer (or cause the sale and transfer of) the full legal and beneficial ownership of the Securities shown opposite its name in the Master Allocation Schedule to the Buyer free from Encumbrances, and with all rights attaching thereto at Completion and thereafter;

9.1.8 that Seller is duly incorporated (where applicable) and that Seller has the full right, power and authority, and has taken all action necessary, to authorise, execute, deliver and perform its obligations under this Agreement and the Transaction Documents to be executed by that Seller;

9.1.9 that Seller's obligations under this Agreement and the Transaction Documents are, or when the relevant document is executed will be, legal, valid and enforceable obligations in respect of that Seller in accordance with their respective terms;

9.1.10 the execution and delivery of, and the performance by that Seller of its obligations under this Agreement and the Transaction Documents, and the consummation of the transactions contemplated under such documents, will not and is not likely to:

(a) conflict with or result in a breach of any provision of the memorandum or articles of association or by-laws or equivalent constitutional documents of that Seller;

(b) result in a breach, violation or infringement of, or constitute a default under, or give rise to the creation of any Encumbrance on, any instrument to which that Seller is a party or by which that Seller is bound and which is or is reasonably likely to be material in the context of the transactions contemplated by this Agreement;

(c) result in a breach of any Law by which that Seller is bound or submits; or

(d) save as referred to in Clause 5.1, require that Seller to obtain any consent or approval of, or give any notice to or make any registration with, any Governmental Entity or other authority which has not been obtained;

9.1.11 that there is no action, suit, investigation or proceeding pending against, or threatened against or affecting that Seller before any court or arbitrator or any Governmental Entity or other third party which in any manner challenges or seeks to prevent the transactions contemplated by this Agreement; and

9.1.12 that Seller is not insolvent or unable to pay its debts within the meaning of any Laws relating to insolvency binding upon the Seller.

9.2 Each of:

9.2.3 the Senior Management Sellers warrants to the Buyer on a joint and several basis that the statements set out in Paragraphs 1 to 17 of Part II of Schedule 6 in respect of the Group Companies (other than Rhiag Group S.p.A., Rhino Midco 2 Limited, Rhino Topco 2 Limited, Rhino Holdco Limited, Rhino Bondco S.p.A. and Rhino Bidco S.p.A.) are true and accurate as at the date of this Agreement;

9.2.4 the Institutional Seller warrants to the Buyer that the statements set out in Paragraphs 1 to 17 of Part II of Schedule 6 in respect of Rhiag Group S.p.A., Rhino Midco 2 Limited, Rhino Topco 2 Limited and Rhino Holdco Limited are true and accurate as at the date of this Agreement;

9.2.5 notwithstanding the foregoing, and in respect of Rhino Bondco S.p.A. only:

(a) the Institutional Seller warrants to the Buyer that each of the statements set out in Paragraphs 1 to 17 (other than Paragraph 3) of Part II of Schedule 6 are true and accurate as at the date of this Agreement; and

(b) each of Mr. Carrabino and Mr. Imhof warrants to the Buyer on a joint and several basis that the statements set out in Paragraph 3 of Part II of Schedule 6 are true and accurate as at the date of this Agreement;

9.2.6 notwithstanding the foregoing, and in respect of Rhino Bidco S.p.A. only:

(a) the Institutional Seller warrants to the Buyer that each of the statements set out in Paragraphs 1 to 17 (other than Paragraph 3) of Part II of Schedule 6 are true and accurate as at the date of this Agreement; and

(b) each of Mr. Carrabino and Mr. Coletta warrants to the Buyer on a joint and several basis that the statements set out in Paragraph 3 of Part II of Schedule 6 are true and accurate as at the date of this Agreement;

9.2.7 the Institutional Seller warrants to the Buyer that the statements set out in Paragraph 18 of Part II of Schedule 6 are true and accurate as at the date of this Agreement.

The only recourse of the Buyer against the Sellers in respect of Warranty Claims shall be against the Escrow Account. The Buyer, for itself and as agent for each member of the Buyer's Group, (i) waives all other rights, remedies and means of enforcement against the Sellers and each of their Connected Persons in respect of Warranty Claims under or in connection with any Transaction Document which would otherwise have been available; and (ii) acknowledges that a breach or potential breach by a Senior Management Seller of any warranty is not deemed to be just cause (giusta causa) to terminate any relationship between that Senior Management Seller and any Group Company, except, in each case, for a claim against a particular Seller or Sellers for fraud or fraudulent misrepresentation. The Escrow Account shall be dealt with in accordance with Schedule 7.

9.3 Each of the Sellers undertakes to the Buyer Incorporation Director not to bring a claim against the Buyer Incorporation Director (i) in respect of payment of the consideration pursuant to Clause 3; or (ii) for breach of the Buyer's Completion obligations pursuant to Clause 8 and, subject to:

9.3.1 delivery of the Buyer Registration Deed to the Sellers pursuant to Clause 10.5.6; and

9.3.2 the satisfaction by the Guarantor of the undertakings set out in Clause 10.6,

each of the Sellers undertakes to the Buyer Incorporation Director not to bring any claim against the Buyer Incorporation Director in relation to or arising out of this Agreement.

9.4 Notwithstanding any other provision of this Agreement and notwithstanding that certain Warranties are given by some, but not all, of the Sellers, it is acknowledged and agreed that each of the Sellers, including the Institutional Seller, shall bear its Proportionate Share of any Claim (as defined in Schedule 7) through payment being made from the Escrow Account and Schedule 7 shall apply to all Sellers accordingly.

9.5 The warranties set out in Clause 9.1 and Schedule 6 shall not in any respect be extinguished or affected by Completion.

9.6 Notwithstanding that the Buyer or the Guarantor becomes aware at any time:

9.6.1 that there has been a breach of any provision of this Agreement; or

9.6.2 that there may be a claim against any Seller in connection with this Agreement,

neither the Guarantor nor the Buyer shall be entitled to rescind this Agreement or, except as provided in Clause 5.6 or 8.7, treat this Agreement as terminated but (in the case of the Buyer only) shall only be entitled to claim damages in respect of such matter and, accordingly, each of the Guarantor and the Buyer waives all and any rights of rescission it may have in respect of any such matter (howsoever arising or deemed to arise), other than any such rights arising in respect of fraud or fraudulent misrepresentation.

9.7 Without prejudice to the aggregate caps on liability under Part III of Schedule 6, and save in the case of fraud or fraudulent misrepresentation, the aggregate liability of each Seller in respect of a breach of this Agreement (including breaches of Clauses 7.1 and/or 7.2) shall not in any circumstances exceed the portion of the Total Gross Consideration that such Seller is entitled to receive in respect of its or his Securities pursuant to Clauses 3.2(a) and (b) as set out in the Master Allocation Schedule before taking into account amounts to be deducted under Clause 3.2(b) in respect of Approved Shareholder Adviser Fees and paid under Clause 3.2(d).

9.8 Without prejudice to the aggregate cap on liability under Clause 9.7, save in the case of fraud or fraudulent misrepresentation or intentional breach, the aggregate liability of each Seller in respect of a breach of Clause 7.1 and 7.2 shall not in any circumstances exceed 20% of the portion of the Total Gross Consideration that such Seller is entitled to receive in respect of its or his Securities pursuant to Clauses 3.2 (a) and (b) as set out in the Master Allocation Schedule before taking into account amounts to be deducted under Clause 3.2(b) in respect of Approved Shareholder Adviser Fees and paid under Clause 3.2(d).

9.9 Save in the case of fraud or fraudulent misrepresentation, no Seller is liable in respect of a breach of: (i) Clause 7.1 and/or 7.2 unless the Buyer has notified that Seller in writing of the breach, stating in reasonable detail (as is known to the Buyer) the nature of the breach and the amount claimed, on or before the date falling six months after the Completion Date; and (ii) any of the warranties set out in Clause 9.1 unless the Buyer has notified that Seller in writing of the breach, stating in reasonable detail (as is then known to the Buyer) the nature of the breach and the amount claimed, on or before the date falling four years after the Completion Date.

9.10 No Seller shall make any claim against any other Seller on the basis that it or he may have relied on any warranty, representation or assurance made by such a person before agreeing any term of or before entering into this Agreement except pursuant to, or for breach of, this Agreement or any Transaction Document.

9.11 Save in the case of fraud or fraudulent misrepresentation, payment of a Seller's Proportionate Share of the Escrow Amount to the Buyer in respect of a Settled Claim pursuant to the provisions of Schedule 7 shall not give rise to a right of recovery by that Seller against any other Seller.

9.12 Payment of a Seller's Proportionate Share of the Escrow Amount to the Buyer in respect of a Settled Claim for the purpose of Schedule 7 shall be deemed to be a liability of the Seller for the purposes of Clause 9.7 and therefore any such payment shall be taken into account in determining whether or not the liability cap under Clause 9.7 has been reached.

9.13 None of the limitations contained in this Agreement shall apply to exclude or limit the liability of a Seller in respect of any claim under this Agreement to the extent it arises or is increased or which is delayed as a result of fraud or fraudulent misrepresentation by that Seller, provided that, to the extent that any liability arises or is increased or delayed as a result of fraud or fraudulent misrepresentation committed by a Seller, such liability shall be attributable to that Seller only, without any recourse towards, or joint liability of, any other Seller.

9.14 After Completion the Institutional Seller shall (at its own cost) provide such information within its possession relating to itself or its affairs on a strictly confidential basis (except that it may be disclosed to a Tax Authority on a strictly confidential basis) as the Buyer may reasonably require in the event of any Tax audit, proceedings, assessment, investigation or information request from the Italian Tax Authority in connection with the availability of interest deductions or notional interest deductions (the latter being known as "Aiuto alla Crescita Economica - ACE") in a Group Company or in any Tax Group in respect of the period of ownership by the Institutional Seller of the Company which includes any of these companies, including, but not limited to, details of the residence and domicile of any of the ultimate investors in the Institutional Seller recognising that the identity of the ultimate investors and their share of investments is commercially sensitive information and the Institutional Seller will be able to take such steps to preserve that confidentiality whilst seeking to assist the Buyer with its dealings with the Tax Authority as outlined above including by providing information on an anonymised and/or aggregated basis so that the identity of the investor is not disclosed, and provided that the Institutional Seller will not be required to take any steps which are contrary to any confidentiality or other undertaking given to any investor.

10. The Buyer's Warranties and Undertakings and the Guarantor's Warranties and Undertakings

10.1 The Buyer warrants to each Seller that as at the date of this Agreement and as at Completion:

10.1.8 subject to satisfaction of the conditions in Clause 5.1, the Buyer and each member of the Buyer's Group has obtained or satisfied all corporate regulatory and other approvals or any other conditions necessary to execute, and perform its obligations under this Agreement and the Transaction Documents;

10.1.9 the Buyer's obligations under this Agreement and the Transaction Documents are, or when the relevant document is executed will be, legal, valid and enforceable obligations of the Buyer in accordance with their respective terms;

10.1.10 the execution and delivery of, and the performance by the Buyer of its obligations under, this Agreement and the Transaction Documents, and the consummation of the transactions contemplated under such documents, will not, and is not likely to:

(a) result in a breach of any provision of the memorandum or articles of association or by-laws or equivalent constitutional documents of the Buyer;

(b) result in a breach of or constitute a default under, any instrument to which the Buyer is a party or by which the Buyer is bound and which is or is reasonably likely to be material in the context of the transactions contemplated by this Agreement;

(c) result in a breach of any Law by which the Buyer is bound or submits; or

(d) save as referred to in Clause 5.1, require the Buyer to obtain any consent or approval of, or give any notice to or make any registration with, any Governmental Entity or other authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked; and

10.1.11 that there is no action, suit, investigation or proceeding pending against, or threatened against or affecting it before any court or arbitrator or any Governmental Entity or other third party which in any manner challenges or seeks to prevent the transactions contemplated by this Agreement.

10.2 The Buyer warrants to each Seller that:

10.2.3 as at the date of this Agreement and at such time which is immediately prior to Completion, the Buyer is not insolvent or unable to pay its debts within the meaning of any Laws relating to insolvency binding upon the Buyer; and

10.2.4 the proceeds under the Buyer's Financing Agreements and the Buyer's own cash resources will be sufficient for the purchase of the Securities and the payment of all payments required to be made by the Buyer at Completion under this Agreement and to refinance all financial indebtedness due at Completion.

10.3 The Buyer confirms and undertakes to each Seller that it will not do or fail to do anything, that, in either case: adversely affects the availability or amount of financing under the Buyer's Financing Agreements to a level that is less than the amount required to satisfy the Buyer's obligations under this Agreement; releases any provider of financing under the Buyer's Financing Agreements from its obligations to fund thereunder; adversely impacts its ability to draw down funds under the Buyer's Financing Agreements; or adversely impacts its ability to enforce its rights against the other parties to the Buyer's Financing Agreements;

10.3.3 it will give the Institutional Seller prompt notice of any breach or default of any of the Buyer's Financing Agreements of which it is actually aware that would reasonably be expected to relieve any debt funding source of its obligation to fund in accordance with the relevant Buyer's Financing Agreement; and

10.3.4 as at the date hereof, there are no other agreements between the Buyer and any other parties to the Buyer's Financing Agreements that reduce the availability of the financing under any of the Buyer's Financing Agreements.

10.4 The Guarantor warrants to each Seller that as at the date of this Agreement and as at Completion:

10.4.1 subject to satisfaction of the conditions in Clause 5.1, the Guarantor has obtained or satisfied all corporate regulatory and other approvals or any other conditions necessary to execute, and perform its obligations under this Agreement and the Transaction Documents;

10.4.2 the Guarantor's obligations under this Agreement and the Transaction Documents are, or when the relevant document is executed will be, legal, valid and enforceable obligations of the Guarantor in accordance with their respective terms;

10.4.3 the execution and delivery of, and the performance by the Guarantor of its obligations under, this Agreement and the Transaction Documents, and the consummation of the transactions contemplated under such documents, will not, and is not likely to:

(c) result in a breach of any provision of the memorandum or articles of association or by-laws or equivalent constitutional documents of the Guarantor;

- (d) result in a breach of or constitute a default under, any instrument to which the Guarantor is a party or by which the Guarantor is bound and which is or is reasonably likely to be material in the context of the transactions contemplated by this Agreement;
- (e) result in a breach of any Law by which the Guarantor is bound or submits; or
- (f) save as referred to in Clause 5.1, require the Guarantor to obtain any consent or approval of, or give any notice to or make any registration with, any Governmental Entity or other authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked; and

10.4.4 that there is no action, suit, investigation or proceeding pending against, or threatened against or affecting it before any court or arbitrator or any Governmental Entity or other third party which in any manner challenges or seeks to prevent the transactions contemplated by this Agreement.

10.5 The Guarantor unconditionally and irrevocably undertakes to each of the Sellers:

10.5.3 to procure that the Buyer will fully and promptly perform and discharge all obligations and liabilities of the Buyer including any costs of enforcement of such obligations and liabilities (referred to in this Clause 10.5 as the "Guaranteed Obligations") under or in respect of this Agreement;

10.5.4 that it guarantees as a continuing guarantee to the Sellers the due and punctual performance and observance by the Buyer of the Guaranteed Obligations;

10.5.5 that, if the Buyer fails to do so, it will itself forthwith perform and discharge the Guaranteed Obligations as primary obligor and indemnify the Sellers on demand against all Losses suffered or incurred by or made against the Sellers in connection with or arising out of such failure;

10.5.6 that if and each time the Buyer fails to make any payment to fulfil the Guaranteed Obligations when due, the Guarantor shall on demand (without first requiring the Sellers to first take steps against the Buyer or any other person) pay such amount;

10.5.7 as a separate and independent stipulation, if any of the Guaranteed Obligations may not be enforceable against the Buyer for any reason whatsoever (other than an express provision of this Agreement), the Guaranteed Obligations may be enforced against and recoverable from the Guarantor as though the same had been incurred by it;

10.5.8 immediately following the Buyer Registration Effective Date, to deliver a deed (the "Buyer Registration Deed") in a form acceptable to the Institutional Seller, acting reasonably, to the Sellers confirming that the obligations of the Buyer as envisaged by Clause 10.6.2 shall, for the purposes of this Clause 10.5, constitute "Guaranteed Obligations" following the Buyer Registration Effective Date, notwithstanding that the incorporation of the Buyer had not been completed and remained subject to its registration with the Italian Companies Register as at the date of this Agreement; and

10.5.9 to pay (or to procure that the Buyer will pay) the consideration payable to the Sellers pursuant to Clause 3 and to carry out (or to procure that the Buyer carries out) all obligations due to be carried out by the Buyer prior to or at Completion pursuant to, and as set out in, this Agreement.

10.6 The Guarantor undertakes to:

10.6.1 register the Deed of Incorporation at the Italian Companies Register; and

10.6.2 procure that the Buyer (i) ratifies and approves all actions taken by the Buyer Incorporation Director; and (ii) ratifies and approves the entry by the Buyer into this Agreement; and (iii) accepts all obligations on the Buyer under this Agreement on a several basis (and not joint and several with the Buyer Incorporation Director).

10.7 The liability of the Guarantor under Clause 10.5 shall not be limited, discharged or otherwise affected by the invalidity, unenforceability or frustration of any of the Guaranteed Obligations, by any lack of capacity or lack or misuse of authority on the part of the Buyer or its officers, by the liquidation, administration or dissolution of the Buyer or the disclaimer of any of the Guaranteed Obligations, by any variation or termination of any of the Guaranteed Obligations or by any other fact or circumstance which would or might (but for this provision) limit, discharge or otherwise affect the liability of the Guarantor.

10.8 The Guarantor hereby agrees that payment or performance by the Guarantor of its Guaranteed Obligations under this Agreement may be enforced upon demand by the Sellers, such Guarantor expressly waiving to the fullest extent permitted by Law any right it may have to require the Sellers to: (i) prosecute collection or seek to enforce or resort to any remedies against the Buyer or any other guarantor of the Guaranteed Obligations; or (ii) seek to enforce or resort to any remedies with respect to any security interests, or encumbrances granted to the Buyer or any remedies with respect to any other guarantor or any other person on account of the Guaranteed Obligations or any guaranty thereof.

10.9 The obligations of the Guarantor under Clause 10.5 are continuing obligations and shall remain in full force and effect so long as any of the Guaranteed Obligations has yet to be fully performed or discharged.

11. Tax-Related Deferred Consideration

11.1 On the date falling four years following the Completion Date (the “Tax Cut-Off Date”), the Buyer shall pay to each Seller its or his Proportionate Share of the amount (if any) by which the Tax Refund (whether cash refund or credit against Tax payable), actually received by the Group Companies as at the Tax Cut-Off Date exceeds the amount of the aggregate of all Crystallised Tax Claim Amounts, save to the extent that an amount representing all or part of the Tax Refund has been paid or is payable to any person (other than a Group Company) under the 2013 SPA or otherwise. No amount can be claimed under this Clause 11 from any Seller if the Crystallised Tax Claim Amount exceeds the Tax Refund.

11.2 The Buyer undertakes to the Sellers to use best endeavours to ensure that all of the Tax Refund is made available to a Group Company as soon as possible following Completion and undertakes to the Sellers that it will take no action or omit to take action, and that it will procure that no Group Company takes action or omits to take action, which prejudices the ability of a Group Company to obtain the Tax Refund in full. To this end, the Buyer shall provide to the Sellers a copy of any relevant decision or communication received from any Tax Authority that relates to any Tax Refund granted (or denied) in respect of any Group Company.

11.3 For the purposes of this Clause 11:

11.3.5 “Tax Refund” means any amount or amounts (such amounts in aggregate not exceeding €1,867,000, plus accrued interest at the applicable rate) paid by a Tax Authority and received by any Group Company in the period from the Locked Box Date and in respect of the IRES refund claim filed for the Tax periods from 2007 to 2011 on the basis of Decree Law 16/2012 (such claim being for an amount of €1,186,000, plus accrued interest) and the IRES refund claim filed for Tax period 2009 concerning an IRES overpayment on interest rate swaps (such claim being for an amount of €681,000, plus accrued interest) minus all costs incurred by the Buyer or any Group Company in pursuing such Tax Refund;

11.3.6 “Crystallised Tax Claim Amount” means the aggregate amounts paid by a Group Company in respect of any or all of the following Tax liabilities in the period from the Locked Box Date and on or before the Tax

Cut-Off Date, plus all costs incurred by the Buyer or any Group Company in connection with any action carried out pursuant to Clause 11.4 :

(e) Tax liability of any Group Company which arises in connection with or as a result of: (a) the loss, disallowance or clawback of any deduction for interest expenses accrued by Rhiag IAP Italia S.p.A. in any Tax periods from 2007 to 2013; or (b) the failure by Rhiag IAP Italia S.p.A. to re-charge accrued interest expenses to Lanchester SA giving rise to unreported revenues in any Tax periods from 2007 to 2013 (except to the extent that a Group Company has received a payment from the Escrow Account (as defined in the 2013 SPA) in accordance with clauses 8.4 and 8.5 of the 2013 SPA in respect of the specific Tax liability);

(f) Tax liability of any Group Company which arises in connection with or as a result of any unpaid withholding tax due by IAP on interest expenses accrued on a deemed IBLOR loan in respect of any Tax period up to 2013 (except to the extent that a Group Company has received a payment from the Escrow Account (as defined in the 2013 SPA) in accordance with clauses 8.4 and 8.5 of the 2013 SPA in respect of the specific Tax liability);

(g) Tax liability of any Group Company which arises in connection with or as a result of the application of the Italian transfer-pricing regime to transactions (and documentation relating to such transactions) entered into by Bertolotti S.p.A. with ELIT CZ, spol. s r.o., Elit Ukraine Ltd. and Elit Romania S.r.l. in the Tax period 2012; and

(h) Tax liability of any Group Company which arises in connection with or as a result of any claims for interest deductions or notional interest deductions (the latter being known as “Aiuto alla Crescita Economica - ACE”) by reference to amounts invested or loaned by the Institutional Seller to a Group Company not being validly made, or otherwise being disallowed by any Tax Authority.

11.4 The Buyer undertakes to the Sellers that it will use best endeavours to dispute any Tax claim in respect of the items referred to in the above definition of Crystallised Tax Claim Amount and shall file all Tax Returns on the basis that no such Tax is payable, provided that in each case doing so is in accordance with applicable Laws.

12. Senior Management Sellers' Representative

The Senior Management Sellers' Representative shall be entitled to carry out the functions expressly conferred on him by this Agreement in accordance with the provisions of Schedule 5.

13. Post Completion Undertakings

13.1 The Buyer acknowledges that a Seller may need access from time to time after Completion to certain accounting, Tax and other records and information held by the members of the Group to the extent such records and information pertain to events occurring prior to Completion for the purpose of (i) filing his or its Tax Returns or dealing with the relevant Tax Authority in respect of such returns or (ii) complying with applicable Law or (iii) in the case of the Institutional Seller fund reporting or compliance or fund raising, and, accordingly, the Buyer agrees that it shall cause each Group Company to:

13.1.7 properly retain and maintain such records until the date that is seven years after Completion;

13.1.8 subject to entering into customary confidentiality agreements with the Group and subject to the need to preserve any applicable privilege, upon being given reasonable notice by the relevant Seller and subject to that Seller giving such undertaking as to confidentiality as the Buyer shall reasonably require, allow that Seller and its respective officers, employees, agents, auditors and representatives, to (i) inspect, review and make copies of such records and information for and only to the extent necessary for the purposes described in Clause 13.1 and (ii) be given reasonable access to any employee, officer, adviser or premises of any of the Group Companies (and within five Business

Days of a written request for such reasonable access), in each case, in a manner so as not to interfere with the normal business operations of the Group, during normal working hours and at the expense of the relevant Seller.

13.2 For a period of five years following Completion, the Buyer shall cause (in so far as it is able to do so) the Company and each other member of the Group to maintain “run-off” policies of directors’ and officers’ liability insurance covering each person who was a director or other officer of the Company and any other relevant member of the Group (as applicable) immediately prior to Completion in respect of claims arising from facts or events that occurred on or prior to Completion on terms that are not less advantageous to the insured parties than those contained in the policies of directors’ and officers’ liability insurance in effect immediately prior to Completion (and disclosed to the Buyer in the Data Room), provided that the cost of such “run-off” policies shall be first approved by the Institutional Seller and the Senior Management Sellers’ Representative and included in the Approved Company Adviser Fee Schedule so that it is ultimately borne by the Sellers although the Buyer shall procure that the cost is paid.

13.3 The Buyer:

13.3.3 shall procure that shareholders’ meetings of the Company, Rhiag Group S.p.A., Rhino Bondco S.p.A., Rhino Bidco S.p.A., Rhiag IAP Italia S.p.A., Bertolotti S.p.A., Rhiag Engineering S.r.l. and Era S.p.A. and such other Subsidiaries as the Institutional Seller and the Senior Management Sellers’ Representative may indicate in writing to the Buyer at least 5 Business Days prior to Completion are validly held at the Completion Date to resolve on the release (to the maximum extent allowed under applicable Law) of the Investor Directors and all other persons who are or have been directors of a Group Company and statutory auditors of the above mentioned companies and applicable Subsidiaries from any and all liabilities arising out of their activities and functions carried out as directors and/or statutory auditors, as the case may be, for the entire period of their office and until the Completion Date;

13.3.4 shall not promote, approve or pass a resolution for a responsibility action vis-à-vis the Investor Directors or any other person who is or has been a director of a Group Company and statutory auditors of the above mentioned companies and applicable Subsidiaries, for the period of their office and until the Completion Date; and

13.3.5 shall not promote any action vis-à-vis the Investor Directors or any other person who is or has been a director of a Group Company and statutory auditors of the above mentioned companies and applicable Subsidiaries, for the period of their office and until the Completion Date, in its quality of shareholder,

in each case with the exception of those directors’ or auditors’ actions or omissions due to their fraud or fraudulent misrepresentation.

13.4 The Sellers shall procure that shareholders’ meetings of the Company, Rhiag Group S.p.A., Rhino Bondco S.p.A., Rhino Bidco S.p.A., Rhiag IAP Italia S.p.A., Bertolotti S.p.A., Rhiag Engineering S.r.l. and Era S.p.A., and all Group Companies incorporated outside Italy which are direct or indirect Subsidiaries of Rhino Bondco S.p.A. for which a similar resolution at a shareholders’ meeting is in compliance with or admissible under the applicable Laws, are validly convened and held on the Completion Date to resolve on the actions set forth under this Clause 13.

13.5 The Institutional Seller undertakes that it shall not at any time during the period of twelve months after the Completion Date, for itself or for or through any other person employ or engage or seek to entice away from the employment or engagement of any Group Company Messr Luca Zacchetti or Aldo Carrabino.

14. Confidential Information

14.1 Subject to Clause 14.2 and Clause 15, each Seller undertakes to the Buyer, (and for this purpose, the Buyer is acting for itself and as agent and trustee for each Group Company), and the Buyer undertakes to each Seller, that it shall (and, in the case of the Buyer, that it will procure that each member of the Buyer's Group shall and in the case of each Seller, that it will procure that each of its Affiliates shall) treat as confidential all information received or obtained which relates to:

14.1.10 the other party and, where that other party is a Seller, the Seller and its Affiliates (other than any Group Company) and where that other party is the Buyer, the Buyer's Group;

14.1.11 the existence, provisions or the subject matter of this Agreement, any Transaction Document or the transactions contemplated thereby and any claim or potential claim thereunder;

14.1.12 the negotiations relating to this Agreement or any documents referred to herein; or

14.1.13 with respect to the undertakings of the Sellers, any other confidential information relating to the Group.

14.2 Clause 14.1 does not apply to disclosure of any such information as is referred to in Clause 14.1:

14.2.6 which is required to be disclosed by applicable Law, by a rule of a listing authority or stock exchange to which any party is subject or submits or by a Governmental Entity or Tax Authority, whether or not the requirement has the force of law, provided that the disclosure shall be made only to the extent required and, so far as is reasonably practicable, be made after consultation with the other parties and after taking into account the other parties' reasonable requirements as to its timing, content and manner of making or dispatch;

14.2.7 to the minimum extent required for any judicial proceedings arising out of any Transaction Document;

14.2.8 to an adviser for the purposes of advising in connection with the Transaction or a Transaction Document provided that such disclosure is on a need to know basis for these purposes and is on the basis that the recipient is bound to the disclosing party by a duty of confidentiality in respect of any information so disclosed;

14.2.9 to any direct or indirect or prospective investors in any fund managed or advised by Apax Partners LLP or managed by Apax Guernsey (Holdco) PCC Limited or an Affiliate, provided that such disclosure is made for the purposes of reporting to those investors or prospective investors and is on the basis that such investors or prospective investors are bound to the disclosing party by a duty of confidentiality in respect of any information so disclosed on terms reflecting this Clause 14 or, in relation to one-on-one meetings with any prospective investor, if such disclosure is accompanied by a statement (which shall be clearly marked on any non-oral disclosure) that such disclosure is made on the understanding that the information shall remain confidential on terms reflecting this Clause 14;

14.2.10 to a director, officer or employee of the Buyer or any Seller whose function requires him to have the relevant confidential information;

14.2.11 to the auditor of any Seller or any Affiliate of any Seller;

14.2.12 to the extent that the information has been made public by, or with the consent of, the other party;

14.2.13 to any bank or financial institution (or their respective Affiliates or respective officers, directors, employees, legal counsel or other advisors of the foregoing) providing, or potentially providing,

finance to the Buyer in connection with the Transaction provided that such disclosure is on a need to know basis for these purposes and is on the basis that the recipient is bound to the disclosing party by a duty of confidentiality in respect of any information so disclosed on terms reflecting this Clause 14;

14.2.14 to any member of the Buyer's Group or to the current or prospective equity owners thereof provided that such disclosure is on the basis that the recipient is bound to the disclosing party by a duty of confidentiality in respect of any information so disclosed on terms reflecting this Clause 14; or

14.2.15 which (i) is in, or has entered into, the public domain (other than as a direct or indirect consequence of a breach of this Agreement by the disclosing party or by any of the disclosing party's partners, members, directors, officers, employees, legal counsel or advisers, or which the disclosing party knows (or ought reasonably to have known) to have been disclosed in breach of any duty of confidentiality); or (ii) is disclosed to the disclosing party on a non-confidential basis by a third party that, as far as the disclosing party is aware, does not owe any duty of confidentiality to the other party or its Affiliates.

14.3 The provisions of this Clause 14 shall continue to apply after the termination of this Agreement and/or Completion without limit in time.

15. Announcements

15.1 Subject to Clause 15.2 and except as otherwise required by Law, no party may, before or after Completion, make or send a public announcement, communication or circular concerning the Transaction unless it has first obtained the prior written consent of the Buyer, the Institutional Seller and the Senior Management Sellers' Representative, which may not be unreasonably withheld.

15.2 Clause 15.1 does not apply to (a) any Press Release or (b) a public announcement, communication or circular:

15.2.1 if and to the extent required by applicable Law, by a rule of a listing authority or stock exchange to which any party is subject or submits or by a Governmental Entity, in each case whether or not the requirement has the force of law (including, whether or not legally required, the proposed announcement by Rhiag Group S.p.A. that it will not be proceeding with its initial public offering and admission to trading on the Milan Borsa);

15.2.2 made or sent by the Buyer after Completion to employees or to a financier, customer, client or supplier of a Group Company informing it of the Buyer's purchase of the Securities;

15.2.3 by the Institutional Seller after Completion which refers to the Institutional Seller's interest in Securities, the disposal of the Securities and the acquisition cost and disposal proceeds in relation to those Securities including the relationship between the two or any other matter that is consistent with the information set forth in any Press Release; or

15.2.4 by the Buyer after Completion which refers to the acquisition of the Group by the Buyer or any other matter that is consistent with the information set forth in any Press Release.

15.3 The provisions of this Clause 15 shall continue to apply after the termination of this Agreement and/or Completion without limit in time.

16. Costs and Expenses

16.1 Except where this Agreement provides otherwise, each party shall pay its own costs relating to the negotiation, preparation, execution and performance by it of this Agreement and of each document referred to in it.

16.2 Without prejudice to Clause 16.1, the Buyer shall pay any stamp duty, transfer tax or notarial fees in any jurisdiction payable in respect of the transfer of the Securities pursuant to this Agreement.

16.3 The Buyer shall procure that a Group Company pays the Approved Company Adviser Fees in accordance with Clause 8.2.3.

16.4 The Institutional Seller shall pay the Approved Shareholder Adviser Fees to the relevant Advisers out of the sum received by it under Clause 3.2(d).

17. Variation

A variation of this Agreement is valid only if it is in writing and signed by or on behalf of the parties and expressed to be a variation of this Agreement.

18. Remedies and Waivers

18.1 No delay or omission on the part of any party to this Agreement in exercising any right, power or remedy provided by this Agreement or by Law shall impair or constitute a waiver of such right, power or remedy or an impairment of or a waiver of other rights, powers or remedies. No single or partial exercise of a right, power or remedy provided by this Agreement or by Law prevents further exercise of that right, power or remedy or, save as otherwise provided in this Agreement, the exercise of any other right, power or remedy. The rights and remedies provided under this Agreement are cumulative and are not exclusive of any rights and remedies provided by Law or otherwise.

18.2 The parties agree that a party may only waive its rights, powers, remedies and obligations under this Agreement by notice in writing of such waiver, which may be given subject to such conditions as the grantor may in its absolute discretion decide. Any such waiver (unless otherwise specified) shall only be a waiver in the particular instance and for the particular purpose for which it was given and shall not operate as a waiver of any subsequent breach.

19. Effect of Completion

Except to the extent that they have been performed and except where this Agreement provides otherwise, the Warranties, covenants, undertakings and other obligations contained in this Agreement shall remain in full force and effect after Completion.

20. Payments

20.1 Any payments made pursuant to this Agreement shall be effected by crediting for same day value the account specified by the relevant Seller or the Buyer (as the case may be) reasonably in advance and in sufficient detail to enable payment by telegraphic or other electronic means to be effected on the due date for payment.

20.2 If a party fails to pay a sum due from it under this Agreement on the due date of payment in accordance with the provisions of this Agreement, that party shall pay interest on the overdue sum from (and including) the due date of payment until (but excluding) the date on which its obligation to pay the sum is discharged (after as well as before judgment) at the Default Rate.

20.3 Any payment made by a Seller to the Buyer (or *vice versa*) in respect of any claim for indemnity, compensation or reimbursement under this Agreement (whether as damages for breach, or otherwise, shall, to the extent possible, be deemed to reduce or increase (as applicable) the consideration paid for the Securities sold by that Seller.

20.4 All sums payable under this Agreement shall be paid free and clear of all deductions or withholdings whatsoever, save only as may be required by Law. If a payor is required by Law to make a deduction or withholding for or on account of Tax from any such payment (a “Tax Deduction”), that payor shall make that Tax Deduction and any payment required to be made to the relevant Tax Authority in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

20.5 If a Tax Deduction is made pursuant to Clause 20.4 in connection with a sum paid by the Sellers pursuant to a Warranty Claim, or if any sum paid or payable by the Sellers pursuant to a Warranty Claim is or will be chargeable to Tax in the hands of the payee (ignoring any Tax reliefs available to the payee), then the Sellers shall pay such additional amount as will ensure that the total amount received, net of the Tax Deduction or the Tax chargeable on such amount as the case may be, is equal to the amount that would otherwise be payable in relation to that Warranty Claim, provided that the total aggregate amount payable taking into account any additional amount paid by the Sellers pursuant to this Clause 20.5 shall not exceed the aggregate cap on liability applicable to the relevant Warranty to which the Warranty Claim relates and any such additional payment due under this Clause 20.5 shall be funded solely from the Escrow Account without recourse to the Sellers (and for the purposes of this Clause 20.5 “paid” shall include any amounts funded from the Escrow Account).

21. Set-Off

Save as otherwise provided herein, or in circumstances where the Buyer seeks to set-off the amount of a claim against the Seller (or any of them) which has been accepted in writing by the relevant Seller(s), or has been determined by a final and non-appealable court judgment or arbitral award (as the case may be), any payment to be made by any party under this Agreement or any Transaction Document shall be made in full without any set-off, restriction, condition or deduction for or on account of any counterclaim.

22. Invalidity

22.1 Each of the provisions of this Agreement is severable. If at any time any provision of this Agreement is held to be, or to have become, illegal, invalid or unenforceable in any respect under any Law, such provision shall to that extent be deemed not to form part of this Agreement and that shall not affect or impair:

(a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or

(b) the legality, validity or enforceability under the Law of any other jurisdiction of that or any other provision of this Agreement, and provided that the fundamental relations between the parties are not materially altered,

the parties shall use all reasonable efforts to replace it in that respect with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

23. Contracts (Rights of Third Parties) Act 1999

Except for those persons set out in Clauses 8.4, 9.3 and 25.3, who shall be entitled to enforce the terms of and rely on the rights granted by such respective clauses, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

24. Further Assurances

24.1 At all times after the date of this Agreement, each Seller shall (in respect of the Securities held by it only), at the cost of the Buyer, execute and do (or procure to be executed and done by any other necessary party) all such deeds, documents acts and things as may be required by Law or as the Buyer from time to time reasonably require in order to vest any of the Securities in the Buyer.

24.2 For so long after Completion as any Seller or any nominee of it remains the registered holder of any Security, it shall hold (or direct the relevant nominee to hold) that Security and any distributions, property and rights deriving from it in trust for the Buyer and shall deal with that Security and any distributions, property and rights deriving from it as the Buyer directs; in particular, the Seller shall exercise all voting rights as the Buyer directs or shall execute an instrument of proxy or other document which enables the Buyer or its representative to attend and vote at any meeting of the Company.

24.3 Notwithstanding Clause 5.1, if and to the extent Completion is permissible pursuant to Clause 5.1.2 and regulatory clearance has been obtained from (or the relevant waiting period has expired in relation to) the European Commission pursuant to Clause 5.1.1 but the Transaction has not received clearance from any other Competent Antitrust Authority, without prejudice to the Buyer's obligations under Clause 5.2 and the Sellers' obligations under Clause 5.3, with effect from 30 days after regulatory clearance has been obtained from (or the relevant waiting period has expired in relation to) the European Commission, the parties shall use reasonable endeavours (subject to the cost cap set out in this Clause 24.3) to put in place the necessary arrangements in relation to any Group Companies incorporated in jurisdictions still subject to regulatory review, to the effect that such Group Companies can be provisionally excluded from the consummation of the Transaction until such consummation is permitted by the Competent Antitrust Authority, and to proceed to Completion in respect of the remainder of the Group provided that such arrangements are structured without the cost to the Buyer's Group or the Group exceeding €2,500,000 in aggregate (excluding for this purpose the payment of consideration for the Securities under this Agreement). The foregoing shall not affect the Buyer's obligation to pay the full amount of the consideration payable pursuant to Clause 3. In the event that the parties proceed to Completion pursuant to the arrangements set out in this Clause 24.3, then Clause 5.6 shall not apply.

25. Entire Agreement

In this Clause 25, the following definition applies:

“ Representation ” means any representation, statement, assurance, covenant, undertaking, warranty, promise, forecast, indemnity, guarantee or commitment (whether contractual or otherwise and whether or not in writing).

25.1 This Agreement and the Transaction Documents constitute the entire agreement between the Sellers and the Buyer and the Guarantor relating to the subject matter thereof at the date hereof to the exclusion of any terms implied by Law which may be excluded by contract and supersede and extinguish any previous or contemporaneous agreement, term sheet, draft or undertaking of any nature whatsoever between the parties relating to the subject matter of this Agreement and the Transaction Documents, whether or not in writing.

25.2 The Buyer and the Guarantor acknowledge and agrees that no Seller makes any Representation as to the accuracy of the forecasts, estimates, projections, statements of intent or statements of honestly held opinion provided to the Buyer or the Guarantor (howsoever provided) on or prior to the date of this Agreement, including, without limitation, in the Data Room or in the documents provided to the Buyer or the Guarantor or its advisers in the course of the Guarantor's due diligence exercise.

25.3 Subject to Clause 25.5, each of the Buyer and the Guarantor acknowledges and represents that it has not entered into this Agreement or any Transaction Document or any other agreement or document referred to herein in reliance on (or been induced to do so by) any Representation of any kind whatsoever (other than the

warranties in Clauses 4.1 and 9.1 and Schedule 6) and, for the avoidance of doubt, acknowledges that it shall not be entitled to, and undertakes that it will not, bring any claims in relation to any Representation made (other than the warranties in Clauses 4.1 and 9.1 and Schedule 6), or information provided, by or on behalf of any Seller or any of its Affiliates (including in the case of the Institutional Seller, Apax Partners LLP and Apax Guernsey (Holdco) PCC Limited and its Affiliates), any Group Company, or any of their respective directors, officers, partners, employees, advisers or representatives (the “Unwarranted Information”). Accordingly, no such person shall have any liability to the Buyer or the Guarantor or any member of the Buyer’s Group, and subject to Clause 25.5, each of the Buyer and the Guarantor undertakes not to, and undertakes to procure that no member of the Buyer’s Group shall, bring any claim or action against any Seller or any such other person in respect of the Unwarranted Information, including, without limitation, in the event that such Unwarranted Information is, is alleged to be or becomes inaccurate, incomplete or misleading. For the avoidance of doubt, this Clause 25.3 is subject to Clause 25.5. For the avoidance of doubt, and except as expressly agreed otherwise in writing by the relevant adviser, the Buyer hereby acknowledges that the Sellers’ advisers will not be responsible to anyone other than the Sellers in relation to the Transaction.

25.4 So far as is permitted by Law and except in the case of fraud or fraudulent misrepresentation, each of the Sellers and the Buyer and the Guarantor agrees and acknowledges that its only right and remedy in relation to any Representation made or given in connection with this Agreement shall be for breach of the terms of this Agreement to the exclusion of all other rights and remedies (including those in tort or arising under statute).

25.5 Nothing in this Agreement shall have the effect of excluding, limiting or restricting any liability or remedy arising as a result of any fraud or fraudulent misrepresentation.

26. Assignment

26.1 Subject to Clauses 26.2 and 26.3, none of the parties shall assign, transfer, charge, declare a trust of the benefit of or in any other way alienate any of its rights under this Agreement whether in whole or in part, save with the prior written consent of the other parties to this Agreement.

26.2 The Buyer or any member of the Buyer’s Group may charge and/or assign the benefit of this Agreement to any person providing debt financing and/or hedging facilities to the Buyer or any member of the Buyer’s Group, to any security agent or any person or persons acting as trustee, nominee or agent for any such person by way of security for the facilities being made or to be made available to the Buyer or member of the Buyer’s Group and any such person, security agent, trustee, nominee or agent may also, in the event of enforcement of such security in accordance with its terms, assign the benefit of such obligations and rights to a Buyer or assignee who acquires the Company or all or part of its business from that person, security agent, trustee, nominee or agent (or receiver appointed by any of them).

26.3 The Buyer shall be entitled to assign in whole or in part the benefit of or its rights under this Agreement at any time to any member of the Buyer’s Group to whom the Buyer transfers any Securities. However, the Buyer shall procure that any such member to whom it assigns any of its rights under this Agreement shall assign such rights back to the Buyer immediately prior to it ceasing to be a member of the Buyer’s Group (failing which the relevant rights shall cease to be enforceable).

26.4 No Seller shall be under any greater obligation or liability as a result of any assignment, charging or other dealing permitted by Clause 26.2 or Clause 26.3 than if such assignment charging or other dealing had never occurred and that the amount of Loss or damage recoverable by the assignee shall not exceed the amount calculated as if that person had been originally named as the Buyer in this Agreement (and, in particular, shall not exceed the sum which would, but for such assignment, have been recoverable hereunder by the Buyer in respect of the relevant fact, matter or circumstance).

27. Notices

27.1 A notice or other communication under or in connection with this Agreement (a “Notice”) shall be:

27.1.1 in writing;

27.1.2 in the English language; and

27.1.3 sent by prepaid recorded or special delivery post (or by an internationally recognised next-day courier service if sent internationally) to the party due to receive the Notice to the address set out in Clause 27.7.

27.2 Unless there is evidence that it was received earlier, a Notice is deemed given if:

27.2.1 if delivered by hand, on the date of delivery;

27.2.2 if sent by prepaid recorded or special delivery post within the same country, on the second Business Day after the date of posting;

and

27.2.3 if sent by an internationally recognised next-day courier service, on the second Business Day following the date of despatch.

27.3 In proving the giving of a notice, it will be sufficient to show:

27.3.1 in the case of a notice delivered by hand, that delivery was made; or

27.3.2 in the case of a notice sent by prepaid recorded or special delivery post, that the envelope containing the notice was properly addressed and posted in accordance with Clause 27.1; or

27.3.3 in the case of recognised international courier, that the envelope containing the notice was delivered to the courier and receipt given.

27.4 Any party may from time to time notify the others of any other person or address for the receipt of notices or copy notices. Any such change shall take effect five Business Days after notice of the change is received or (if later) on the date (if any) specified in the notice as the date on which the change is to take place.

27.5 Any notice, consent or other communication given in accordance with Clause 27.1 and received after 5:30 p.m. (local time) on a Business Day, or on any day which is not a Business Day, shall for the purposes of this Agreement be regarded as received on the next Business Day.

27.6 The provisions of Clause 27.1 shall not apply in relation to the service of process in any legal proceedings arising out of or in connection with this Agreement.

27.7 The address referred to in Clause 27.1.3 is:

Name of party

Institutional Seller

Address

Rhino EquityCo. Limited
33 Jermyn Street
London SW1Y 6DN

For the attention of: Frank Ehmer

with copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP
Citypoint, One Ropemaker Street
London, EC2Y 9HU

For the attention of: Derek Baird

Senior Management Sellers

Luca Zacchetti
c/o Studio Legale Galbiati, Sacchi e Associati
Via Durini 24 2012 Milan Italy

For the attention of Luca Zacchetti

with copy (which shall not constitute notice) to:

Studio Legale Galbiati, Sacchi e Associati
Via Durini 24 20122 Milan Italy

For the attention of: Maurizio Galbiati and Aldo Sacchi

The Buyer

LKQ Corporation, 500 West Madison Street,
Suite 2800, Chicago IL 60661 USA
For the attention of: General Counsel

with copy (which shall not constitute notice) to:

K&L Gates LLP, One New Change,
London EC4M 9AF
For the attention of: Jeremy Davis

The Guarantor

LKQ Corporation, 500 West Madison Street,
Suite 2800, Chicago IL 60661 USA
For the attention of: General Counsel

with copy (which shall not constitute notice) to:

K&L Gates LLP, One New Change,
London EC4M 9AF
For the attention of: Jeremy Davis

28. Governing Law and Jurisdiction

28.1 This Agreement and any other Transaction Documents and any non-contractual obligations arising out of or in connection with them shall, except as expressly provided otherwise, be governed by and construed in accordance with English law.

28.2 The parties irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any dispute relating to, or which may arise out of or in connection with, this Agreement and the documents to be entered into pursuant to it, including a dispute regarding the existence, validity or termination of this Agreement or

the consequences of its nullity and that accordingly any proceedings arising out of or in connection with this Agreement and the documents to be entered into pursuant to it shall be brought in such courts.

28.3 The parties irrevocably submit to the exclusive jurisdiction of the courts of England and waive any objection to proceedings in any such court on the ground of venue or the ground that proceedings have been brought in an inconvenient forum.

29. Counterparts

This Agreement may be executed in any number of counterparts, all of which together evidence the same agreement. A Seller and the Buyer and the Guarantor may enter into this Agreement by executing any such counterpart but this Agreement shall not be effective until all parties have executed at least one counterpart. Each counterpart shall be deemed an original and all counterparts shall together constitute a single agreement.

30. Agent for Service

30.1 Each of the Senior Management Sellers irrevocably appoints Apax WW Nominees Limited to be its agent for the receipt of service of process in England and Wales and agrees that any claim form, notice or other document relating to any suit, action or proceeding in England and Wales arising out of or in connection with this Agreement and the documents entered into pursuant to this Agreement (a “Process Document”) may be effectively served on the Senior Management Sellers by service on Apax WW Nominees Limited.

30.2 Each of the Buyer and Guarantor irrevocably appoints Euro Car Parts Limited to be its agent for the receipt of service of process in England and Wales and agrees that any Process Document may be effectively served on it by service on Euro Car Parts Limited.

30.3 A Process Document shall be deemed to have been duly served pursuant to Clause 30.1 if delivered by hand or by courier to Apax WW Nominees Limited, 33 Jermyn Street, London, SW1Y 6DN and shall be deemed to have been received by Apax WW Nominees Limited if delivered by hand or by courier, at the time of delivery.

30.4 A Process Document shall be deemed to have been duly served pursuant to Clause 30.2 if delivered by hand or by courier to Euro Car Parts Limited (FAO the Head of Legal), Fulton Road, Wembley Industrial Estate, Wembley, Middlesex HA9 0TF and shall be deemed to have been received by Euro Car Parts Limited if delivered by hand or by courier, at the time of delivery.

IN WITNESS WHEREOF this Agreement has been executed as a deed and is delivered as a deed on the date first stated at the beginning.

EXECUTED and **DELIVERED** as a **DEED** by **RHINO EQUITY CO. LIMITED**

Acting by:

)

.....

)

Director name

)

.....

Director signature

In the presence of:

)

.....

)

Witness name

)

.....

Witness signature

Witness address:

)

.....

)

.....

.....

Witness occupation:

)

.....

)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **LUCA ZACCHETTI**

.....
Signature

In the presence of:)

.....)

Witness name)

.....
Witness signature

Witness address:)

.....)

.....)

.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO**

.....
Signature

In the presence of:)

.....)

Witness name)

.....
Witness signature

Witness address:)

.....)

.....)

.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **WALTER COLETTA**

.....
Signature

In the presence of:)

.....)
Witness name) *Witness signature*

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **ADRIANO CERUTI**

.....
Signature

In the presence of:)

.....)
Witness name)

.....
Witness signature

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **FERDINANDO IMHOF**

.....
Signature

In the presence of:)

.....)
Witness name)

.....
Witness signature

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **PAOLO VUILLERMIN**

.....
Signature

In the presence of:)

.....)
Witness name) *Witness signature*

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **PAOLO APPENDINO**

.....
Signature

In the presence of:)

.....)
Witness name) *Witness signature*

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **MASSIMO DEPERTRIS**

.....
Signature

In the presence of:)

.....)
Witness name)

.....
Witness signature

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **OLEKSANDR NIKOLENKO**

.....
Signature

In the presence of:)

.....)
Witness name)

.....
Witness signature

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **JIRI NOVAK**

.....
Signature

In the presence of:)

.....)
Witness name) *Witness signature*

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **LUKAS VYDRA**

.....
Signature

In the presence of:)

.....)
Witness name) *Witness signature*

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **JOZSEF VARADI**

.....
Signature

In the presence of:)

.....)
Witness name) *Witness signature*

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **ONDREJ NAVRATIL**

.....
Signature

In the presence of:)

.....)
Witness name) *Witness signature*

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **ANDRE SAUTEUR**

.....
Signature

In the presence of:)

.....)
Witness name)

.....
Witness signature

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **SALVATORE MILIGI**

.....
Signature

In the presence of:)

.....)
Witness name)

.....
Witness signature

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **CLAUDIO FRASCOLLA**

.....
Signature

In the presence of:)

.....)
Witness name)

.....
Witness signature

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **ALDO CARRABINO** , acting as attorney on behalf of **MARIO SGALAMBRO**

.....
Signature

In the presence of:)

.....)
Witness name)

.....
Witness signature

Witness address:)

.....)
.....)
.....)

Witness occupation:)

.....)

EXECUTED and **DELIVERED** as a **DEED** by **LKQ ITALIA S.R.L.**

Acting by:	)	
.....	)	
<i>Director name</i>	)	<i>Director signature</i>
In the presence of:	)	
.....	)	
<i>Witness name</i>	)	<i>Witness signature</i>
<i>Witness address:</i>	)	
.....	)	
.....	)	
.....	)	
<i>Witness occupation:</i>	)	
.....	)	

EXECUTED and DELIVERED as a DEED by LKQ CORPORATION

Acting by:	)	
.....	)	
<i>Director name</i>	)	<i>Director signature</i>
In the presence of:	)	
.....	)	
<i>Witness name</i>	)	<i>Witness signature</i>
<i>Witness address:</i>	)	
.....	)	
.....	)	
.....	)	
<i>Witness occupation:</i>	)	
.....	)	

SCHEDULE 1
Information about the Senior Management Sellers

Name

Address

Luca Zacchetti

Aldo Carrabino

Walter Coletta

Adriano Ceruti

Ferdinando Imhof

Paolo Vuillermin

Paolo Appendino

Massimo Depetris

Oleksandr Nikolenko

Jiri Novak

Lukáš Vydra

József Váradi

Ondrej Navratil

Andre Sauter

Salvatore Miligi

Claudio Frascolla

Mario Sgalambro

All c/o Via Vincenzo Monti 23/D, Pero (Mi) 20016

SCHEDULE 2 Completion Requirements

Part 1 – Sellers' Completion Requirements

- (A) At Completion, each Seller shall deliver or make available to the Buyer:
- (a) duly executed transfer(s) in respect of the Securities referred to against such Seller's name in the Master Allocation Schedule in favour of the Buyer, and the share certificates for those Securities (or an indemnity in a form satisfactory to the Buyer acting reasonably in the case of any certificate found to be missing);
 - (b) in the case of the Institutional Seller, a letter of resignation from the Investor Directors confirming that they have no claims against any Group Company (in exchange for a waiver from the relevant Group Company of all claims against such Investor Director to the fullest extent permitted by Law);
 - (c) in the case of the Senior Management Sellers, the Tax Deed, duly executed;
 - (d) in the case of the Institutional Seller as evidence of the authority of the Institutional Seller:
 - (i) a copy of the minutes (or an extract therefrom) of the duly held meeting of the Institutional Seller, (or duly constituted committees thereof) approving the sale of the relevant Securities and the transactions contemplated pursuant to this Agreement and authorising the execution by such Seller of this Agreement and all Transaction Documents; or
 - (ii) a copy of the power of attorney conferring the authority,
 in each case certified to be a true copy by a director or the secretary of the Institutional Seller;
 - (e) (f) an irrevocable power of attorney in the agreed form given by each Seller in favour of the Buyer to enable the Buyer to exercise all voting and other rights attaching to those Securities pending registration of the Buyer as the holder of the Securities; and
 - (g) the statutory books of the Company, Rhino Topco Limited and Rhino Midco 2 Limited and the *libro soci* of Rhiag Group S.p.A., Rhino Bondco S.p.A., Rhino Bidco S.p.A. and Rhiag IAP Italia S.p.A..
- (B) The Institutional Seller shall ensure that, immediately prior to Completion, a meeting of the board of the directors of the Company is held at which the directors:
- (a) vote in favour of the registration of the Buyer or its nominee(s) as the member(s) of the Company in respect of the Securities (subject to stamping of the relevant transfers) and, subject to Completion and stamping authorise the Company to register the transfer of the Securities into the books of the Company in the name of the Buyer and to issue a new share certificate in relation to the Securities to the Buyer;
 - (b) to the extent that relevant details and consents to act are provided to the Institutional Seller at least three Business Days prior to Completion, appoint the relevant Buyer Directors, such appointments to take effect from Completion; and
 - (c) accept the resignations of each Investor Director and secretary, such resignation to take effect from Completion; and

- (d) appointing such person as the Buyer may nominate as the secretary of the Company with effect from the end of the meeting.

Part 2 – Guarantor’s and Buyer’s Completion Requirements

At Completion the Guarantor shall (or shall procure that the Buyer shall) deliver or make available, as the case may be, to the Institutional Seller and the Senior Management Sellers’ Representative:

- (a) evidence of the authority of each person executing this Agreement and any Transaction Document on the Buyer’s behalf:
 - (i) a copy of the minutes of the duly held meeting of the Buyer (or duly constituted committees thereof) approving the purchase of the Securities and the transactions contemplated pursuant to this Agreement and authorising the execution by the Buyer of this Agreement and all Transaction Documents; or
 - (ii) a copy of the power of attorney conferring the authority,
 in each case certified to be a true copy by a director or the secretary of the Buyer; and
- (b) evidence of the authority of each person executing this Agreement and any Transaction Document on the Guarantor’s behalf, by way of a certified extract of the minutes of the duly held meeting of the Guarantor (or duly constituted committees thereof) approving the transactions contemplated pursuant to this Agreement and authorising the execution by the Guarantor of this Agreement and all Transaction Documents.

At Completion, the Buyer shall deliver the Tax Deed, duly executed, to the Senior Management Sellers.

SCHEDULE 3
Action Pending Completion

The following are the matters referred to in Clause 7.1 and shall apply in each case in respect of any Group Company:

- (1) create, allot, issue, grant an option to subscribe for, repay, cancel or redeem any share or loan capital or agree, arrange or undertake to do any of those things in respect of any Group Company (except where the counterparty is another Group Company) or acquire, or agree to acquire, an interest in a corporate body or merge or consolidate with a corporate body or any other person, enter into any demerger, scheme of arrangement or similar transaction, enter into or form any legal partnership or joint venture or participate in any other type of corporate reconstruction, or incorporate or liquidate any subsidiary undertaking or effect any hive-up or hive-down;
- (2) acquire or dispose of, or agree to acquire or dispose of, any business or undertakings or bodies corporate or any shares in any Group Company or, other than in the ordinary course of business, assets with a book or market value exceeding €3,000,000;
- (3) make, or agree to make, capital expenditure exceeding in total €3,000,000 or incur, or agree to incur, a commitment or commitments involving capital expenditure exceeding in total €3,000,000;
- (4) declare, pay or make a dividend or distribution to any person which is not a Group Company, whether in cash or in specie and whether out of profits or capital;
- (5) terminate or amend in any material respect, or fail to comply in all material respects with, or fail to renew, any material contract which involves an annual consideration in excess of €1,000,000;
- (6) materially amend the terms and conditions of employment, including any material increase in remuneration (including pension benefits, bonuses, equity incentives, commissions and benefits in kind) of any category of Employees, save for increases in remuneration made in accordance with statutory provisions or pursuant to or contemplated under existing employment agreements;
- (7) terminate the employment of a senior employee entitled to emoluments in excess of €200,000 per annum or commence collective redundancy consultation in respect of more than 10 Employees;
- (8) amend or vary, or enter into any collective bargaining agreement with or in respect of all or any category of Employees on terms which, taken as a whole (and giving due consideration to past practice with respect to the negotiation or renegotiation of such agreements, as well as the relative bargaining position of the parties), are materially more onerous than those in force at the date of this Agreement with respect to such Employees (if any);
- (9) amend, or agree to amend, the terms of its borrowing or indebtedness in the nature of borrowing or create, incur, or agree to create or incur, borrowing or indebtedness in the nature of borrowing (except for (A) trade credit in the ordinary course of trading, (B) entering into finance leases in the ordinary course of business or (C) indebtedness under or pursuant to the External Financing Documents or local lines of credit in place and on terms existing as at the date of this Agreement or terms which are more favourable to the relevant member of the Group (and any refinancing or replacement thereof));
- (10) (A) wilfully withhold a payment in respect of Tax when due for payment, save for any payment in respect of Tax that can be lawfully withheld because it is being contested in good faith by proper proceedings, (B) make a change in accounting or Tax reporting principles, methods or policies (unless so required by applicable Law) or (C) make or change any Tax election, file any amended Tax Return, deviate from past practice with respect to the preparation of Tax Returns due for filing (unless required under applicable Law), settle or compromise

any proceeding with respect to any Tax claim or assessment, offer to or enter into any agreement with any Tax Authority (otherwise than in the ordinary course of business), surrender any right to claim a refund of Taxes, or take any other similar action relating to the filing of any Tax Return or the payment of any Taxes;

- (11) (A) commence, compromise, settle, withdraw or abandon any litigation or arbitration proceedings or any action, demand, claim or dispute relating to an amount exceeding €1,000,000, or (B) waive a right in relation to such litigation or arbitration proceedings, action, demand, claim or dispute;
- (12) save for any Encumbrance arising in the ordinary course of business or by operation of law or pursuant to or in connection with the External Financing Documents, create or agree to create or amend any Encumbrance over the assets (tangible or intangible), undertaking or share capital of any Group Company;
- (13) terminate, amend in a material respect or fail to renew any policy of insurance maintained at the date hereof by the Group;
- (14) sell, assign, transfer, license, abandon, fail to prosecute or otherwise dispose of, or fail to maintain, defend, pay registration fees in respect of, or diligently pursue applications for any intellectual property owned by a Group Company;
- (15) enter into any agreement or arrangement or amend the terms of any existing agreement or arrangement with a Seller or any Affiliate of a Seller;
- (16) amend the provisions of its constitutional documents;
- (17) change its accounting reference date;
- (18) incur or assume any off balance sheet liability which in the individual case exceeds the amount of €1,000,000;
- (19) amend or vary or enter into or terminate any hedging or derivative arrangements other than in the ordinary course of business; or
- (20) enter into any agency agreement involving expenditure in excess of €100,000 per year;
- (21) enter into any new services agreement, which involves the payment, on an annual basis, by any Group Company in excess of €250,000 per year, other than in the ordinary course of business (and excluding any renewal or extension of any existing services agreements); or
- (22) offer to or enter into any agreement or arrangement (whether in writing or otherwise) to do any of the foregoing or allow or permit any of the foregoing.

SCHEDULE 4
Permitted Leakage

The following payments (without duplication) made or to be made by or on behalf of any Group Company:

- (1) director or consultant fees and/or expenses or salaries or wages, emoluments and other contractual benefits payable to Employees, or consultants of any Group Company or managers or directors of any Group Company under any service or employment or consultancy agreement or by virtue of their employment or directorship in each case in the ordinary course pursuant to employment contracts in place at the date hereof or adopted by a Group Company without there being a breach of Clauses 7.1 or 7.2 and bonus payments and commissions linked to the performance of a Group Company or the Group or individual performance of an Employee, in the case of the Senior Management Sellers, as set out in the Business Warranties Disclosure Exhibit and, in the case of other Employees, in the ordinary course of business consistent with past practice;
- (2) the reimbursement of all expenses incurred by the Investor Directors, in an amount not exceeding €15,000 per month;
- (3) any payment or service provided to a portfolio company of entities or funds advised by Apax Partners LLP or managed by Apax Guernsey (Holdco) PCC Limited or an Affiliate in the ordinary course of business and on arm's length terms pursuant to contractual obligations entered into prior to 30 September 2015;
- (4) any provision of services to or for the benefit of, or other non-cash benefit received by, a Seller or his or its Connected Persons in respect of time spent and services provided by Employees or advisers in connection with the Transaction or in connection with a potential transaction the purpose of which is to realise in whole or in part the investment of the Sellers (or some of them) in the Company including an initial public offering and listing of shares in a Group Company or a new holding company of a Group Company,;
- (5) in the case of a Connected Person of the Institutional Seller, the incurring of the liability to pay, the granting of an Encumbrance in respect of that liability, and the payment of sums due under the External Financing Documents;
- (6) the incurring of the liability to pay or payment of Approved Company Adviser Fees (including amounts categorised as "Contingency") and the entry into engagement letters with such advisers on market standard terms;
- (7) any payments specifically provided for (and to the extent provided for) and accrued (to the extent accrued) in the Locked Box Accounts;
- (8) any matter undertaken at the written request of the Buyer and acknowledged as Permitted Leakage;
- (9) the incurring of the liability to pay and the payment of the change of control bonus payment in the aggregate gross amount of €600,000 to certain Senior Management Sellers and Employees;
- (10) all costs and expenses and other actions in connection with the repayment or refinancing of External Financing, including costs and expenses to discharge Encumbrances securing the External Financing; and
- (11) any Taxation paid or that will become payable by any Group Company to the extent attributable to any of the foregoing.

SCHEDULE 5
Senior Management Sellers' Representative

1. Each Senior Management Seller hereby appoints Luca Zacchetti of Via Vincenzo Monti 23/D, Pero, Milan, failing which any other Senior Management Seller appointed for this purpose by the Institutional Seller to act on such Senior Management Seller's behalf in relation to those matters contemplated by the Transaction Documents to be undertaken by the Senior Management Sellers' Representative and, without prejudice to the generality of the foregoing, with power and authority on behalf of such Senior Management Seller to give, make or receive any notice, consent, approval, agreement, election or instruction as so contemplated by this Agreement and any Transaction Document.
2. Each Senior Management Seller agrees and accepts that he shall be bound by, and may not, in the absence of fraud or fraudulent misrepresentation, challenge, any decision or action of the Senior Management Sellers' Representative, and that the Senior Management Sellers' Representative owes no duty of care or any other fiduciary duty to the Senior Management Sellers. Each Senior Management Seller agrees to indemnify the Senior Management Sellers' Representative in relation to any expenses, damages, costs, or any other Losses the Senior Management Sellers' Representative may suffer in relation to any actions he takes on behalf of the Senior Management Sellers or any of them individually under the terms of the appointment set out in this Schedule 5.
3. The Buyer shall be entitled to rely on all and any communications provided by the Senior Management Sellers' Representative within the scope of his authority (as described within this Schedule) as binding on each of the Senior Management Sellers.
4. Any communication in respect of any matter within the authority of the Senior Management Sellers' Representative described in this Schedule 5 shall be deemed (unless the context otherwise requires) to be provided to the Senior Management Sellers' Representative as nominee for all of the Senior Management Sellers. In any event (notwithstanding anything to the contrary in this Agreement), any notice served on the Senior Management Sellers' Representative will be deemed to have been validly served at the same time on each of the Senior Management Sellers on whom it is required to be served. The Senior Management Sellers' Representative may act upon any instrument of written communication believed by the Senior Management Sellers' Representative to be genuine and to be signed and presented by the proper person(s).
5. Each of the Senior Management Sellers, as the case may be, undertakes to take whatever measures are necessary to ratify whatever the Senior Management Sellers' Representative does (if the Senior Management Sellers' Representative so requires pursuant to the powers and authorities contained in this Schedule 5) and each such Senior Management Seller acknowledges that the Senior Management Sellers' Representative will have no liability nor will such Senior Management Seller have any action against the Senior Management Sellers' Representative in relation to any actions of the Senior Management Sellers' Representative carried out in accordance with the terms of this Schedule 5 (except in the case of fraud or fraudulent misrepresentation), and each such Senior Management Seller shall severally (and proportionately on the basis of each such Seller's share of the Total Gross Consideration), indemnify and keep indemnified and hold harmless the Senior Management Sellers' Representative against any such liabilities, provided that the Senior Management Sellers' Representative shall not be entitled to indemnification for and in respect of any matter where its actions or inactions are fraudulent or dishonest.

SCHEDULE 6
Sellers Warranties and Limitations of Liability

Part I General

- a. Each Warranty shall be separate and independent and shall not be limited by reference to any other Warranty.
- b. Where any Warranty is qualified by reference to the Senior Management Sellers' knowledge or in any other similar manner, it shall mean the actual (not imputed or constructive) knowledge of the Senior Management Sellers.
- c. Save in the case of fraud or fraudulent misrepresentation, the Sellers agree to waive any rights, remedies or claims which any of the Sellers may have against any Group Company or any director, officer, employee or agent of any Group Company in respect of any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by any such person on which the Sellers may have relied or which the Sellers may have taken into account in agreeing to give any Warranty or on which the Sellers may have relied on in agreeing to contribute to the Escrow Account.

Part II Business Warranties

1. Organisation and Good Standing

- (a) Each of the Company and the Subsidiaries are companies duly incorporated and validly existing and in good standing under the Laws of its jurisdiction of incorporation or organisation, with full power and authority to conduct its business as it is being conducted. The Company and the Subsidiaries are not subject to or involved in insolvency, bankruptcy, liquidation or reorganisation procedures of any kind, have not ceased making payments and they are not insolvent or under liquidation.
- (b) With respect to the shares of capital stock (or other equity interest) of the Company, there are no outstanding: (A) options, warrants or other rights to purchase from the Company any capital stock of the same; (B) securities convertible into or exchangeable for shares of capital stock of the Company; or (C) other commitments of any kind of the Company for the issuance of additional shares of capital stock or options, warrants or other securities of the same.

2. Subsidiaries

- (a) At the date of this Agreement, the Subsidiaries are those listed in the Company Data Book. The authorised, issued and outstanding shares of capital stock (or other equity interest) and the jurisdiction of incorporation or organisation of each Subsidiary is set forth in the Company Data Book, which sets out a true and accurate list of all of the shares of capital stock (or other equity interest) of each of such Subsidiaries and all of such shares or membership interests (except with respect to InSiamo s.c.a.r.l., limited to the relevant interest indirectly owned by the Company) are duly authorised, validly issued, and fully paid, and, except as encumbered in connection with the Senior Notes Indenture and the Revolving Credit Facility Agreement, such shares or membership interests are not subject to any Encumbrances. The Group Companies own full title to the shares of capital stock (or other equity interest) of each of the Subsidiaries (as well as InSiamo s.c.a.r.l. as indicated in the Company Data Book). None of the Group Companies own any interest in any other person.
- (b) So far as the Sellers are aware, no former holder of any share in any Subsidiary has threatened in writing to commence legal proceedings to establish that the title of a Group Company as holder of that share in the capital of a Subsidiary is invalid in any respect.

- (c) With respect to the shares of capital stock (or other equity interest) of each of the Subsidiaries, there are no outstanding: (A) options, warrants or other rights to purchase from Subsidiaries any capital stock of the same; (B) securities convertible into or exchangeable for shares of capital stock of the Subsidiaries; or (C) other commitments of any kind of the Subsidiaries for the issuance of additional shares of capital stock or options, warrants or other securities of the same.

3. 2014 Consolidated Financial Statements and Locked Box Accounts

The 2014 Consolidated Financial Statements and the Locked Box Accounts have been prepared in accordance with the Accounting Principles. The 2014 Consolidated Financial Statements show a true and fair view of the assets, liabilities and state of affairs of Rhino Bondco S.p.A and its Subsidiaries or Rhino Midco 2 Limited and its Subsidiaries, as applicable, as of 31 December 2014 and of the profits and losses and cash flows for the financial year ended on 31 December 2014, in accordance with the Accounting Principles. The Locked Box Accounts show a true and fair view of the assets, liabilities and state of affairs of the Group Companies as of 30 September 2015 and of the profits and losses and cash flows for the nine month period ended 30 September 2015, in accordance with the applicable Accounting Principles.

The statutory books, books of account and other records of each of Group Company required to be kept by applicable Laws in any relevant jurisdiction have substantially been maintained in accordance with those Laws.

For the purposes of this Warranty:

- “2014 Consolidated Financial Statements” means the audited consolidated financial statements of Rhino Bondco S.p.A. and Rhino Midco 2 Limited as of 31 December 2014, prepared in accordance with the Accounting Principles, comprising the balance sheet, the profit and loss account, and the 'note esplicative', as approved by Rhino Bondco S.p.A. and Rhino Midco 2 Limited;
- “Accounting Principles” means the International Financial Reporting Standards (IFRS), including the International Accounting Standards, issued by the International Accounting Standards Board (I.A.S.B.), and the Interpretations, issued by the IFRS Interpretations Committee (I.F.R.I.C), as respectively adopted by the European Union and in effect at the relevant time or for the relevant period, as applied by the Company in the preparation of the 2014 Consolidated Financial Statements, to be applied on a basis consistent with past practice; provided, however, that, with respect to the Locked Box Accounts only, Accounting Principles means the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

4. Material Assets

Except as disclosed in the Business Warranties Disclosure Exhibit, each Group Company is the owner of all the material assets and properties reflected in its respective ledger (or equivalent books) as belonging to such Subsidiary and has a valid title to use all such material assets and properties as currently used free of any material Encumbrances.

5. Real Properties

The real properties leased by each Group Company are leased or subleased on the basis of commercial lease or sublease agreements compliant with the applicable Laws.

6. Intellectual Property

- (a) None of the Group Companies have received any written communication that the intellectual property owned by the same may infringe the rights of any third party; and
- (b) except as disclosed in the Business Warranties Disclosure Exhibit, none of the Group Companies has violated any intellectual property right belonging to any third party that could give rise to a material claim by such third party and no written notice of any such violation has been received by any Group Company.

7. Employees and Labour matters

- (a) The Business Warranties Disclosure Exhibit contains a true, correct, complete and accurate table with the total number of employees, as of 30 September 2015;
- (b) the Business Warranties Disclosure Exhibit contains the list of all material agency contracts entered into by each Group Company still in force as of the date of this Agreement;
- (c) except as disclosed in the Business Warranties Disclosure Exhibit, each Group Company substantially complies and has complied in all material respect with the applicable labour Laws and collective agreements, the individual employment agreements concerning present and former employees and agents of that Group Company, including any provision thereof relating to the term and conditions of the employment, wages and salaries, working time, over time, mandatory hiring of disabled employees and registration in the mandatory books (but with the exclusion of any safety or similar Laws);
- (d) all directors of each of Group Company currently holding office have been duly compensated in accordance with the Laws and/or the agreements reached with them.
- (e) none of the consultants and/or independent contractors working for a Group Company is in a position to legitimately claim the status of employee of that Group Company;
- (f) where applicable, the staff leaving indemnities ("TFR" - *trattamento di fine rapporto*) and any other indemnities due to employees of any Group Company have been correctly and are accurately accrued pursuant to the applicable Laws, collective bargaining agreements and the individual employment agreements;
- (g) all social security contributions due in connection with the present and former employees of any Group Company to public authorities pursuant to the terms of the pension plans and/or policies for the employees have been paid; and
- (h) all collective dismissal procedures implemented by each Group Company have been carried in accordance with applicable Law, including, with respect to any Subsidiary incorporated in Italy, Law n. 223/1991.

8. Taxes

- (a) All material Tax returns, reports and forms required to be filed by any applicable state, local or foreign Tax Laws by or on behalf of a Group Company have been filed in a timely manner, within any applicable extension periods, in a substantially truthful, accurate and complete manner, with relevant Tax Authorities;
- (b) in all of its open Tax years, each Group Company has properly accounted for all Taxes in accordance with applicable Tax Laws;

- (c) each Group Company has duly and timely paid all Taxes becoming due and payable prior to 30 September 2015, determined in accordance with applicable Laws;
- (d) other than as set forth in the Business Warranties Disclosure Exhibit, no Group Company is a party to any outstanding material proceedings with any Tax Authority concerning the payment of Taxes nor has it received written notice of any material Tax audit or inspection, examination or other proceedings in this respect;
- (e) each Group Company has been tax resident in the jurisdiction where it has a legal seat, and has never been qualified as tax resident in another country; a Group Company has never carried on their business abroad by means of a permanent establishment; and
- (f) except as disclosed in Business Warranties Disclosure Exhibit, no Tax Authority has ever raised any objection in writing in relation to transactions between any Group Company falling under transfer pricing rules.

9. Litigation and Claims

Except as set forth in Business Warranties Disclosure Exhibit, there are no pending (or, as far as the Senior Management Sellers are aware, threatened in writing) civil, administrative or other proceedings or other litigation whatsoever regarding a Group Company (including without limitation their business, assets and properties owned or used, contracts and rights, liabilities and obligations, permits and authorisations), whether before the ordinary courts or before administrative or other courts, jurisdictional body, authority or arbitrators involving an amount higher than €200,000 each.

10. Contractual Matters

Each of the contracts listed in Business Warranties Disclosure Exhibit: (i) as far as the Senior Management Sellers are aware, is valid and binding according to its respective terms and conditions applicable to the respective Group Company, (ii) is in effect and has not been terminated, and (iii) no written notice of cancellation, material breach or termination has been received with respect thereto by the relevant Group Company.

11. Authorisations, Anti-corruption Law and Data Protection

- (a) Each Group Company has obtained from all the competent governmental and/or regulatory authority all material authorisations, licences, permits, certifications and registrations necessary for the carrying out of its activities as currently conducted, and it has not received any written notification from the relevant authorities that any such licenses, permits, certifications and registrations are not in full force and effect;
- (b) no Group Company has, directly or indirectly, taken any action which would cause it to be liable pursuant to any applicable anti-corruption or anti-bribery Law, including, without limitation, Italian Legislative Decree no. 231 of June 8, 2001; and
- (c) each Group Company substantially complies with all material applicable data protection Laws; no written notice or allegation has been received by any Group Company alleging a failure to comply with the data protection Laws.

12. Guarantees in favour of Sellers or Connected Persons

No Group Company has guaranteed any obligation of a Seller or a Connected Person of a Seller.

13. Competition Matters

No Group Company has received any written notice or other written communication by or on behalf of any competition authority or any third party in relation to any material issue relating to the breach of the competition Laws.

14. No Broker

There is no person that is entitled to a finder's fee or any type of similar brokerage commission from a Group Company in relation to or in connection with the transactions contemplated herein as a result of any agreement or understanding with the Senior Management Sellers, nor has any Senior Management Seller had any dealings related to the transactions contemplated herein with any person that may claim such a finder's fee or similar brokerage commission. For the avoidance of doubt, this paragraph 14 shall not be deemed to apply to Advisers' fees.

15. Position since the Locked Box Date

Since the Locked Box Date, none of the Group Companies has declared, authorised, paid or made (or has agreed to declare, authorise, pay or make), any dividend or other distribution (whether in cash, stock or in kind) nor has reduced (or has agreed to reduce) paid-up share capital.

16. Insurance and Product Liability

Particulars of the product liability and recall insurance, the general liability to third parties insurance and safety in the workplace insurance maintained by or on behalf of the Group Companies are set out in folders 3.14, 4.1.32, 4.4.26, 4.9.29 and 5.14 (as well as in document No. 4.7.1.199) of the Data Room. In respect of such insurances: (a) all the policies are in full force and effect; (b) there has been no notice of cancellation in respect of any policy; and (c) there has been no addition, variation or amendment in respect of any policy. As far as the Senior Management Sellers are aware, there are no product liability claims in an amount exceeding €250,000, which have been notified to the Group Companies in writing in the two years immediately preceding 11 December 2015 and which are outstanding immediately prior to the date of this Agreement.

17. Compliance with Laws

As far as the Senior Management Sellers are aware, no Group Company has been in violation of applicable Laws in any material respect at any time in the last two years.

18. 2013 Tax Indemnity Escrow

The amount standing in the Escrow Account (pursuant to and as defined in the 2013 SPA) stands at €7,534,000. There is no written claim outstanding which, if successful, would result in a payment being made from the Escrow Account (as defined in the 2013 SPA).

Part III Limitation of Liability

1. Financial Limits

- (a) The Sellers shall not be liable in respect of any Warranty Claim unless the Sellers would, but for this paragraph 1(a), have a liability in respect of that Warranty Claim in excess of €200,000, excluding any liability for costs and interest. Where the same facts or circumstances give rise to more than one Warranty Claim, such Warranty Claims shall be aggregated for the purpose of determining whether such €200,000 sum has been exceeded. For the purposes of this paragraph 1(a) and paragraph 1(b) only, to the extent that any Warranty is qualified by materiality, any such materiality qualification

shall be disregarded in assessing whether the quantum of damages (but not the question of breach) in respect of that Warranty Claim (or, where the same facts or matters give rise to more than one Warranty Claim, the aggregate quantum of damages (but not the question of breach) in respect of the series of Warranty Claims) exceeds €200,000 or €7,500,000 as the case may be.

- (b) The Sellers shall not be liable in respect of any Warranty Claim unless the Sellers have an aggregate liability in respect of all Warranty Claims (excluding Warranty Claims excluded by virtue of paragraph 1(a) above) in excess of €7,500,000, excluding any liability for costs and interest.
- (c) The aggregate liability of the Sellers (including costs and interest) for all claims under the Warranties shall not exceed €5,000,000.
- (d) The Buyer agrees that any liability of the Sellers for a Warranty Claim shall be satisfied solely and exclusively from the Escrow Account without recourse against the Sellers (without prejudice to a claim for fraud or fraudulent misrepresentation against a Seller).

2. Time Limits

- (a) The Sellers shall not be liable in respect of any Warranty Claim unless notice of that Warranty Claim specifying the matter in reasonable detail, the Warranties which has or which is likely to have been breached and, to the extent practicable, its best estimate of the amount of the Warranty Claim or likely claim is given to the Senior Management Sellers' Representative and the Institutional Seller on or before the date falling fifteen months from the Completion Date.
- (b) The Sellers shall not be liable in respect of any Warranty Claim if, on or before the date falling 20 Business Days after the date on which notice of that Warranty Claim is received by the Sellers, the Sellers have remedied the relevant breach or prevented the Buyer from suffering any loss in respect of the subject matter of that Warranty Claim or caused any loss so suffered by the Buyer to be made good. The Buyer shall comply with all reasonable requests made by the Sellers during that period for the purposes of so remedying any such breach or preventing any such loss, without the requirement of the Buyer having to expend funds (other than internal management time).
- (c) The Sellers shall not be liable in respect of any Warranty Claim unless legal proceedings have been issued and served on the Sellers on or before the date falling nine months after the date on which notice of that Warranty Claim was served under paragraph 2(a) of this Schedule 6 save, in the case of a Warranty Claim based upon a liability which is contingent, in which case such nine month period shall commence on the date that the contingent liability becomes an actual liability.

3. Exclusion of liability: general

- (a) The Sellers shall not be liable in respect of a Warranty Claim to the extent the matter was fairly disclosed in the Data Room or in the Business Warranties Disclosure Exhibit, where "fairly disclosed" shall mean that the information directly ascertainable on the face of the material disclosed in the Data

Room or the Business Warranties Disclosure Exhibit is sufficiently precise to put a reasonable buyer, with the benefit of appropriate professional advisers, on notice that the Warranty in question is inaccurate taking into account (in relation to the Data Room) the categorisation of the material disclosed by subject matter and/or geographical location.

- (b) The Sellers shall not be liable in respect of a Warranty Claim if at the time of entry by the Buyer and the Guarantor into this Agreement any of John S. Quinn and Walter P. Hanley had actual knowledge of the matter giving rise to such Warranty Claim. For the purposes of this paragraph neither John S. Quinn nor Walter P. Hanley shall be deemed to have actual knowledge of any matter solely by virtue of the fact that he had access to or viewed any particular document in the Data Room.
- (c) The Sellers shall not be liable in respect of a Warranty Claim to the extent that such claim relates to any matter specifically provided for in the Locked Box Accounts.
- (d) The Sellers shall not be liable in respect of a Warranty Claim to the extent that the matter giving rise to the Warranty Claim results from:
 - (i) any act or omission before Completion carried out or omitted at the express written request of the Buyer or any other member of the Buyer's Group; or
 - (ii) any breach by the Buyer or the Guarantor of its obligations under this Agreement; or
 - (iii) any reorganisation of the Buyer's Group after Completion or change after Completion in the ownership of the Company; or
 - (iv) any act, event, occurrence or omission after the date of this Agreement compelled by Law, or from the enactment, amendment or change in the interpretation after that date, of any statute, regulation or practice of any governmental, regulatory or other body, including a Tax Authority, whether or not having retrospective effect, or any change after the date of this Agreement in the rates of Taxation.
- (e) The Sellers shall not be liable in respect of a Warranty Claim to the extent that the matter giving rise to the Warranty Claim would not have arisen but for any act or omission on or after Completion carried out or omitted by or on behalf of the Buyer or any member of the Buyer's Group (including any Group Company) otherwise than in the ordinary course of business provided that such act or omission was not required as a consequence of any Law, regulation or statute in effect as at Completion or contractual obligation entered into prior to Completion by a Group Company.
- (f) The Sellers shall not be liable in respect of any Warranty Claim to the extent that the matter giving rise to such Warranty Claim constitutes a contingent liability of any Group Company or relates to a liability which is not capable of being quantified until such liability becomes an actual liability of that Group Company or becomes capable of being quantified. This paragraph shall not relieve the Buyer from any obligation to give notice under paragraph 3(a) in respect of any matter which

constitutes a contingent liability on the Buyer or relates to a liability which is not capable of being quantified.

4. Conduct of third party claims

- (a) Where a matter arises that could give rise to a Warranty Claim, the Buyer shall:
- (i) consult with the Senior Management Sellers' Representative and the Institutional Seller as soon as reasonably practicable with regard to any actual or proposed developments relating to the matter in question and provide the Sellers with copies of all correspondence and documents in relation to that matter;
 - (ii) where practicable, not admit liability in respect of or settle or compromise the matter in question (or offer to do so) without prior consultation with the Senior Management Sellers' Representative and the Institutional Seller;
 - (iii) consult with the Senior Management Sellers' Representative and the Institutional Seller as to any ways in which the matter might be avoided, disputed, resisted, mitigated, settled, compromised, defended or appealed; and
 - (iv) take such action, at the written request of the Sellers, as the Senior Management Sellers and the Institutional Seller may reasonably require, to avoid, dispute, resist, mitigate, settle, compromise, defend or appeal the third party claim,
- provided that;
- (b) the provisions of paragraph 4 shall not apply:
- (i) where the subject matter of the relevant Warranty Claim involves a claim by or against a material customer or supplier of the business of the Group Companies;
 - (ii) to any matters which would require the Buyer or any Group Company to breach a contractual or legal obligation existing at the date hereof or waive any legal privilege; or
 - (iii) if the relevant actions or steps required by the Senior Management Sellers and the Institutional Seller would conflict with the Buyer's obligations under the terms of the Insurance Policy.

Subject to the Buyer's obligations under the terms of the Insurance Policy, if there is any dispute between the Sellers and the Buyer as to whether liability in respect of any third party claim should be admitted or whether that claim should be settled or compromised, liability shall not be admitted, and that claim shall not be settled or comprised, other than in accordance with the provisions of this paragraph. Any such dispute shall be referred to leading counsel agreed between the Senior Management Sellers' Representative and the Institutional Seller and the Buyer or in default of agreement on or before the date falling five Business Days after the date on which an individual is first proposed for this purpose by either the Institutional Seller or the Buyer by the

President for the time being of the Law Society of England and Wales on the application of either the Institutional Seller or the Buyer. Any individual to whom a dispute is so referred shall be instructed in writing to give a written opinion, as soon as is reasonably practicable, as to which of the courses of conduct proposed by the Buyer and by the Senior Management Sellers' Representative and the Institutional Seller is most likely to result in the third party claim being agreed, settled or compromised at the least cost to the Sellers but bearing in mind the matters set out in paragraphs 4(b)(i) and 4(b)(ii) above. The decision of counsel (who shall act as expert and not as arbitrator) shall be final and binding on the Buyer and the Sellers for all purposes. Counsel's fees and expenses shall be borne by the Sellers and the Buyer as counsel may determine in his sole discretion or, if no such determination is made by the Sellers on the one part and the Buyer on the other part in equal shares. The parties shall then implement counsel's decision as soon as is reasonably practicable. To the extent counsel's fees are to be borne by the Sellers, such fee shall be funded solely and exclusively out of the Escrow Account without recourse against the Sellers.

5. Insurance

- (a) The Sellers shall not be liable for any Warranty Claim if the Buyer or any member of the Buyer's Group or any Group Company is insured against any loss, damage or liability which is the basis of such Warranty Claim under the terms of any insurance policy to the extent that the insured company has made a claim against the insurers under such policy and that claim has been settled, agreed or otherwise determined. The amount recoverable under the Warranty Claim shall be reduced by any amount which is recovered under such policy.
- (b) If the Buyer or any member of the Buyer's Group is insured against any loss, damage or liability under the terms of any insurance policy (which was in place prior to execution of this Agreement or any other policy arising upon renewal of such policy or any policy subsequently put in place which covers the same or similar risk as such policy) which loss, damage or liability is the basis of a claim, then the insured company shall make a claim in respect of such loss, damage or liability against the insurers under such policy. If, after any payment is made in respect of a Warranty Claim, the Buyer or any member of the Buyer's Group subsequently recovers or obtains payment in respect of the relevant Warranty Claim under such policy, the Buyer shall pay to each Seller an amount equal to the lesser of any amount paid in respect of the Warranty Claim and that Seller's Proportionate Share of sum so recovered under such insurance policy (less any costs incurred in recovering such amount and any taxes attributable in respect of such amount).

6. Reimbursement of Claims

If, after any payment is made in respect of a Warranty Claim, the Buyer or any member of the Buyer's Group recovers from a third party (including any Tax Authority) (whether by payment, discount, credit, relief or otherwise) a sum which is referable to that Warranty Claim or any payment in respect of it (the "Recovery Amount"), then the Buyer shall forthwith repay (or procure the repayment of) to each Seller its Proportionate Share of the Recovery Amount, save to the extent that any part of the Recovery Amount has been paid to that Seller pursuant to this Agreement. The Buyer agrees to take all reasonable steps to recover any such Recovery Amount from a third party as soon as reasonably practicable whether before or after payment is made in respect of a Warranty Claim.

7. Mitigation

The Buyer shall (and shall procure than any relevant Group Company shall) take all reasonable actions to mitigate any loss suffered by it or the relevant Group Company which would, could or might result in a Warranty Claim.

8. Reduction in Consideration

Any amount paid from the Escrow Account in respect of any Warranty Claim shall, to the greatest extent permitted by law, be treated as a reduction in the consideration payable by the Buyer to the Sellers.

9. General

The Buyer shall not be entitled to recover any loss or amount more than once under this Agreement, including under Clause 4.2 and Paragraph 3 of Part II of Schedule 6. For this purpose, recovery by the Buyer or any Group Company shall be deemed to be a recovery by each of them.

SCHEDULE 7
Escrow

111. In this Schedule, unless the context requires otherwise:

“Claim” means a claim made by the Buyer under the Warranties;

“Disputed Claim” has the meaning given to that expression in paragraph 3;

“Escrow Payment Date” means the date falling fifteen months from the Completion Date;

“Notification Date” has the meaning given to that expression in paragraph 3;

“Opening Fee” has the meaning given to that expression in paragraph 2;

“Settled Claim” has the meaning given to that expression in paragraph 7;

2. At Completion, the Guarantor shall (or shall procure that the Buyer shall) pay the Escrow Amount into the Escrow Account in accordance with Clause 3.2(c). Thereafter, the Escrow Amount will be held in escrow until the Escrow Payment Date. No amounts shall be payable from the Escrow Account other than in accordance with this Schedule 7. Any bank or other charges arising on the Escrow Account shall be charged to the Escrow Account, with the exception of any initial fee payable to the Escrow Agent on opening the Escrow Account (the “Opening Fee”), which shall be paid by the Buyer with 50% of the Opening Fee being included in the Approved Company Adviser Fee Schedule (so that the Sellers bear their share). Any interest or profit generated on the Escrow Account shall accrue to and form part of the Escrow Amount. For the avoidance of doubt, the Escrow Amount shall be regarded as imposing a limit on the amount of any Warranty Claims and no claim may be made against any Seller in respect of a Warranty Claim other than a claim for a payment out of the Escrow Account.

3. If the Buyer has a Claim against the Sellers it may at any time prior to the Escrow Payment Date, by written notice to the Institutional Seller and the Senior Management Sellers require the amount of the Claim to be satisfied out of the Escrow Amount. The date of receipt of the notice shall be referred to as the “Notification Date”. A notice given under paragraph 4(a) of Part III of Schedule 6 shall constitute a notice under this paragraph 3. In respect of any such notice:
 - (a) it shall specify the monetary amount claimed or (if the amount cannot then be specified) the Buyer's bona fide estimate of the maximum monetary amount claimed and shall give reasonable particulars of the breach or other event to which the Claim relates;

 - (b) the Institutional Seller and the Senior Management Sellers' Representative may within 10 Business Days of the Notification Date give the Buyer written notice of their objections to the Claim and that part of the amount (or estimated amount) claimed to which they object and, if they so object, that Claim or the disputed part of it shall be referred to as a “Disputed Claim” and an amount equal to the Disputed Claim (or the remaining amount standing to the credit of the Escrow Account (after deducting any amounts attributable to interest), if less) shall be retained in the Escrow Account, and an amount equal to the undisputed part of the Claim (or the remaining amount standing to the credit of the Escrow Account (after deducting any amounts attributable to interest), if less) shall be paid to the Buyer out of the Escrow Account as soon as reasonably practicable and any such payment shall satisfy the undisputed part of the Claim to the extent of any such payment; and

 - (c) if the Institutional Seller and the Senior Management Sellers' Representative do not give the Buyer notice under paragraph 3(b) of this Schedule 7, the amount claimed shall be paid to the Buyer out of the Escrow Account (or the remaining amount standing to the credit of the Escrow Account (after deducting any amounts attributable to interest), if less) as soon as reasonably practicable and any such payment shall satisfy the Buyer's Claim to the extent of any such payment.

4. On Escrow Payment Date, there shall be paid to the Sellers the amount standing to the credit of the Escrow Account, after deduction of:
 - (a) any amount due to be paid to the Buyer under paragraph 3 but not yet paid to the Buyer;

 - (b) the total amount claimed in respect of any Disputed Claims which have not, as at that date, become Settled Claims, which Disputed Claims shall be dealt with under paragraph 8; and

- (c) any amounts attributable to interest which shall be dealt with in accordance with paragraph 9.
5. The Buyer and the Sellers undertake to issue prompt instructions for payment from the Escrow Account of the amounts due under paragraph 4 above without delay.
6. If a Disputed Claim has become a Settled Claim (whether before or after the Escrow Payment Date), an amount equal to the amount of the Settled Claim (or the remaining amount standing to the credit of the Escrow Account (after deducting any amounts attributable to interest), if less) shall be paid to the Buyer from the Escrow Account within 10 Business Days of the date on which the Claim became a Settled Claim.
7. A Disputed Claim shall be regarded as a “ Settled Claim ” if:
- (a) the Institutional Seller, the Senior Management Sellers' Representative and the Buyer (or their respective solicitors) shall so agree in writing and the amount of the Settled Claim shall be the amount so agreed; or
 - (b) a court of competent jurisdiction has awarded judgment in respect of the Disputed Claim and no right of appeal lies in respect of such judgment or the parties are debarred whether by passage of time or otherwise from exercising any such right of appeal and the amount of the Settled Claim shall be the amount awarded by the court.
8. Where an amount (other than any amount attributable to interest) remains in the Escrow Account after the Escrow Payment Date the following amounts shall be released to the Sellers from the Escrow Account:
- (a) where a Disputed Claim has become a Settled Claim and the amount of that Disputed Claim exceeded the amount of the Settled Claim, the excess;
 - (b) where proceedings in respect of a Disputed Claim shall not have been commenced in a court of competent jurisdiction on or before nine months from the Notification Date in respect of that Disputed Claim, the amount of that Claim;
 - (c) where the Buyer has by notice withdrawn a Disputed Claim (in whole or in part), the amount of that Disputed Claim or amount attributable to the part withdrawn; and
 - (d) where counsel of at least ten years' standing (as agreed between the Senior Management Sellers' Representative and the Institutional Seller and the Buyer or, in default of agreement on or before the date falling five Business Days after the date on which an individual is first proposed for this purpose, the President for the time being of the Law Society of England and Wales) is of the opinion that, on a balance of probabilities, a Disputed Claim has no reasonable prospect of success, the amount of that Disputed Claim, with the costs of obtaining such opinion from counsel to be borne by (i) the Buyer, in the event that the Disputed Claim is deemed to have no reasonable prospect of success; or (ii) the Sellers, in the event that the Disputed Claim is deemed to have a reasonable prospect of success.

Any payment under this paragraph 8 shall be paid as soon as practicable after the date on which, under this paragraph 8, the amount is no longer liable to be retained in the Escrow Account.

9. Upon the release of the whole or any part of the Escrow Amount to the Sellers or the Buyer, the Sellers or the Buyer (as the case may be) shall be entitled to any interest which has accrued pro rata to the amounts of the Escrow Amount so released. Any amounts withheld on account of Taxation shall be deducted from amounts paid under this paragraph pro rata to the amount released. Any payments under this paragraph shall be made as soon as practicable following any release of amounts held in the Escrow Account.
10. For the purposes of this Schedule:
- (a) any amounts paid to the Sellers or to the Buyer under this Schedule 7 shall be transferred by electronic bank transfer to the relevant party;
 - (b) proceedings shall not be treated as having been commenced by the Buyer unless they shall have been issued and served on the Institutional Seller and the Senior Management Sellers;
 - (c) nothing in this Schedule 7 shall operate to require any set off against the amount in the Escrow Account found to be owing by the Buyer to the Sellers;
 - (d) any payments made to the Sellers under this Schedule 7 shall be made in the Proportionate Share; and
 - (e) each Seller shall bear its Proportionate Share of any costs, fees or expenses incurred by the Sellers in investigating or defending a Claim.
11. As soon as reasonably practicable following the date of this Agreement, the Buyer and the Institutional Seller shall negotiate in good faith to agree the terms of an escrow operating agreement consistent with the terms of Schedule 7 with the Escrow Agent. If such parties are unable to agree the form of an escrow operating agreement by close of business (London time) on 29 February 2016 (or such later date as the Buyer and the Institutional Seller shall agree in writing), then the Institutional Seller shall, acting reasonably, be entitled to appoint any reputable escrow agent to undertake such role and the Buyer and the Institutional Seller shall enter into an escrow operating agreement with such party for the operation of the Escrow Account on standard terms of such escrow agent (with any changes agreed between the Buyer, the Institutional Seller and the relevant escrow agent). If such alternative escrow agent is used then it shall be treated as the Escrow Agent for the purposes of this Agreement.

LKQ CORPORATION AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratios)
(Unaudited)

	Year Ended December 31,				
	2011	2012	2013	2014	2015
Income from continuing operations before provision for income taxes	\$ 335,771	\$ 409,167	\$ 475,827	\$ 587,888	\$ 649,030
Fixed charges	56,901	71,983	100,190	124,670	124,739
Amortization of capitalized interest, net of interest capitalized	(318)	(57)	56	(50)	64
Earnings available for fixed charges	\$ 392,354	\$ 481,093	\$ 576,073	\$ 712,508	\$ 773,833
Fixed charges:					
Interest expense, including amortization of debt issuance costs	\$ 24,307	\$ 31,429	\$ 51,184	\$ 64,542	\$ 57,860
Capitalized interest	479	296	130	264	166
Portion of rental expense representative of interest	32,115	40,258	48,876	59,864	66,713
Total fixed charges	\$ 56,901	\$ 71,983	\$ 100,190	\$ 124,670	\$ 124,739
Ratio of earnings to fixed charges	6.9	6.7	5.7	5.7	6.2

LIST OF SUBSIDIARIES OF LKQ CORPORATION (as of December 31, 2015)

Subsidiary	Jurisdiction	Assumed Names
U.S. Entities		
A&A Auto Parts Stores, Inc.	Pennsylvania	
Accu-Parts LLC	New York	
Akron Airport Properties, Inc.	Ohio	
American Recycling International, Inc.	California	Pick A Part Auto Dismantling LKQ Self Service Auto Parts-Rockford; LKQ Heavy Duty Truck ARSCO; LKQ Heavy Duty Truck Core; LKQ Pick Your Part Rockford
A-Reliable Auto Parts & Wreckers, Inc.	Illinois	
Arrow Speed Acquisition LLC	Delaware	
Budget Auto Parts U-Pull-It, Inc.	Louisiana	
City Auto Parts of Durham, Inc.	North Carolina	LKQ Self Service Auto Parts-Durham
Coast Caravans International, Inc.	California	
Coast Taiwan, Inc.	California	
C/P Products Corp.	Indiana	
DriverFx.com, Inc.	Delaware	
Goodmark Motors, LLC (49.9% stake)	Delaware	Saturn Wheel Company; Heartland Aluminum; Proformance Powertrain; LKQ Heavy Duty Truck-Carolina; Potomac German Mid-Atlantic; Greenleaf Quality Recycled Auto Parts; LKQ West Florida; LKQ North Florida
Greenleaf Auto Recyclers, LLC	Delaware	
KAI China LLC	Delaware	
KAIR IL, LLC	Illinois	
KAO Logistics, Inc.	Pennsylvania	
KAO Warehouse, Inc.	Delaware	Transwheel, Coast to Coast International; LKQ of Cleveland; Keystone Automotive-San Francisco Bay Area; Chrome Enhancements
Keystone Automotive Industries, Inc.	California	
Keystone Automotive Operations, Inc.	Pennsylvania	
Keystone Automotive Operations of Canada, Inc.	Delaware	
Lakefront Capital Holdings, Inc.	California	
LKQ 1st Choice Auto Parts, LLC	Oklahoma	
LKQ 250 Auto, Inc.	Ohio	
LKQ A&R Auto Parts, Inc.	South Carolina	
LKQ All Models Corp.	Arizona	Wholesale Auto Recyclers; Cars 'n More; LKQ of Arizona
LKQ Apex Auto Parts, Inc.	Oklahoma	LKQ Self Service Auto Parts - Oklahoma City
LKQ Atlanta, L.P.	Delaware	LKQ Carolina; LKQ Parts Outlet-Atlanta
LKQ Auto Parts of Central California, Inc.	California	LKQ Valley Truck Parts; LKQ Specialized Auto Parts; LKQ ACME Truck Parts; All Engine Distributing
LKQ Auto Parts of Memphis, Inc.	Arkansas	LKQ of Tennessee; LKQ Preferred
LKQ Auto Parts of North Texas, Inc.	Delaware	
LKQ Auto Parts of North Texas, L.P.	Delaware	LKQ Auto Parts of Central Texas; LKQ Self Service Auto Parts-Austin
LKQ Auto Parts of Utah, LLC	Utah	

LKQ Best Automotive Corp.	Delaware	LKQ Auto Parts of South Texas; A-1 Auto Salvage Pick & Pull; The Engine & Transmission Store; LKQ Automotive Core Services; LKQ International Sales; LKQ of El Paso
LKQ Birmingham, Inc.	Alabama	LKQ Gulf Coast; LKQ Plunks Truck Parts & Equipment - West Monroe
LKQ Brad's Auto & Truck Parts, Inc.	Oregon	
LKQ Broadway Auto Parts, Inc.	New York	LKQ Buffalo; LKQ Self Service Auto Parts-Buffalo
LKQ Delaware LLP	Delaware	
LKQ Finance 1 LLC	Delaware	
LKQ Finance 2 LLC	Delaware	
LKQ Foster Auto Parts Salem, Inc.	Oregon	Foster Auto Parts Salem
LKQ Foster Auto Parts Westside LLC	Oregon	
LKQ Foster Auto Parts, Inc.	Oregon	LKQ U-Pull-It Auto Wrecking; U-Pull-It Auto Wrecking; LKQ Barger Auto Parts; LKQ KC Truck Parts-Inland Empire; LKQ KC Truck Parts-Western Washington; LKQ KC Truck Parts-Montana; LKQ Wholesale Truck Parts; LKQ of Eastern Idaho
LKQ Gorham Auto Parts Corp.	Maine	
LKQ Great Lakes Corp.	Indiana	LKQ Star Auto Parts; LKQ Chicago; LKQ Self Service Auto Parts-Milwaukee
LKQ Heavy Truck-Texas Best Diesel, L.P.	Texas	LKQ Fleet Solutions
LKQ Hunts Point Auto Parts Corp.	New York	Partsland USA; LKQ Auto Parts of Eastern Pennsylvania; LKQ Auto Parts
LKQ Lakenor Auto & Truck Salvage, Inc.	California	LKQ of Southern California; LKQ of Las Vegas; LKQ Parts Outlet-Los Angeles
LKQ Management Company	Delaware	
LKQ Metro, Inc.	Illinois	
LKQ Mid-America Auto Parts, Inc.	Kansas	Mabry Auto Salvage; LKQ of Oklahoma City; LKQ of NW Arkansas; LKQ Heavy Duty Truck-Kansas; LKQ Four States
LKQ Midwest Auto Parts Corp.	Nebraska	Midwest Foreign Auto; LKQ Midwest Auto; LKQ Auto Parts of Lincoln
LKQ Minnesota, Inc.	Minnesota	LKQ Albert Lea
LKQ of Indiana, Inc.	Indiana	LKQ Self Service Auto Parts-South Bend; LKQ Kentuckiana
LKQ of Michigan, Inc.	Michigan	
LKQ of Nevada, Inc.	Nevada	
LKQ of Tennessee, Inc.	Tennessee	
LKQ Online Corp.	Delaware	
LKQ Penn-Mar, Inc.	Pennsylvania	LKQ Thruway Auto Parts; LKQ Venice Auto Parts; LKQ Triple Nickel Trucks
LKQ Pick Your Part Southeast, LLC	Delaware	LKQ Self Service Auto Parts-Orlando; LKQ Pick Your Part
LKQ Plunks Truck Parts & Equipment - Jackson, Inc.	Mississippi	
LKQ Raleigh Auto Parts Corp.	North Carolina	LKQ Pick Your Part
LKQ Receivables Finance Company, LLC	Delaware	
LKQ Route 16 Used Auto Parts, Inc.	Massachusetts	Diversified Marketing Solutions; LKQ Pick Your Part; LKQ Car World Auto Parts
LKQ Salisbury, Inc.	North Carolina	LKQ of Carolina; LKQ Richmond; LKQ East Carolina; LKQ Self Service East NC ; LKQ Self Service Auto Parts-Charlotte; LKQ Pick Your Part; LKQ Heavy Duty Truck Charlotte

LKQ Savannah, Inc.	Georgia	LKQ Self Service Auto Parts-Savannah; LKQ Pick Your Part
LKQ Self Service Auto Parts-Holland, Inc.	Michigan	LKQ Pick Your Part
LKQ Self Service Auto Parts-Kalamazoo, Inc.	Michigan	LKQ Self Service Auto Parts-Grand Rapids; LKQ Pick Your Part
LKQ Self Service Auto Parts-Memphis LLC	Tennessee	LKQ Pick Your Part
LKQ Self Service Auto Parts-Tulsa, Inc.	Oklahoma	LKQ Pick Your Part
LKQ Smart Parts, Inc.	Delaware	LKQ Viking Auto Salvage
LKQ Southeast, Inc.	Delaware	LKQ Fort Myers; LKQ Heavy Truck-Tampa; LKQ Pick Your Part
LKQ Southwick LLC	Massachusetts	
LKQ Taiwan Holding Company	Illinois	
LKQ Tire & Recycling, Inc.	Delaware	
LKQ Trading Company	Delaware	
LKQ Triplet ASAP, Inc.	Ohio	LKQ Heavy Truck-Goody's; LKQ Pittsburgh; LKQ Pick Your Part
LKQ U-Pull-It Auto Damascus, Inc.	Oregon	LKQ U-Pull-It Damascus
LKQ U-Pull-It Tigard, Inc.	Oregon	
LKQ West Michigan Auto Parts, Inc.	Michigan	
Mohawk Trailer Supply, Inc.	New York	
North American ATK Corporation	California	
		LKQ Pick A Part-San Bernardino; LKQ Midnight Auto & Truck Recyclers; LKQ Pick A Part-Hesperia; LKQ Desert High Truck & Auto Recyclers; LKQ Pick A Part-Riverside; LKQ Hillside Truck & Auto Recyclers; LKQ Pick Your Part Chicago Heights
Pick-Your-Part Auto Wrecking	California	
Potomac German Auto, Inc.	Maryland	LKQ Norfolk; LKQ Heavy Truck-Maryland
		LKQ Pull-N-Save Auto Parts of Aurora LLC; LKQ of Colorado; LKQ Self Service Auto Parts-Denver; LKQ Western Truck Parts
Pull-N-Save Auto Parts, LLC	Colorado	LKQ Auto Parts of Northern California; LKQ Reno; LKQ Specialized Parts Planet; LKQ ACME Truck Parts; LKQ Auto Sales of Rancho Cordova
Redding Auto Center, Inc.	California	
Scrap Processors, LLC	Illinois	
Supreme Auto Parts, Inc.	Pennsylvania	
The Coast Distribution System, Inc.	Delaware	
United Sales and Warehouse of Texas, Inc.	Texas	
U-Pull-It, Inc.	Illinois	LKQ PickYour Part Blue Island
U-Pull-It, North, LLC	Illinois	LKQ Pick Your Part
Foreign Entities		
1323352 Alberta ULC	Alberta	
1323410 Alberta ULC	Alberta	
9002-1282 Quebec, Inc.	Quebec	
Accesorios Para Campers Y Autobuses, S.A. de C.V. (80% stake)	Mexico	
A.C.M. 165 321 979 Pty Ltd. (49% stake)	Australia	
ADR Automotive B.V.	Netherlands	
Ageres B.V.	Netherlands	

A-Parts Automaterialen B.V.	Netherlands
AP Logistics Belgie NV	Belgium
AP Logistics B.V.	Netherlands
APS B.V.	Netherlands
APS Autobanden B.V. (50% stake)	Netherlands
Atracco AB	Sweden
Atracco AS	Norway
Atracco Auto AB	Sweden
Atracco Group AB	Sweden
Auto Electra Naaldwijk B.V.	Netherlands
Autodistribution Benelux B.V.	Netherlands
Automaterialen Vink B.V.	Netherlands
Automotive Data Services Limited	England & Wales
Autoparts Waterland B.V.	Netherlands
Autoparts Zaanstad B.V.	Netherlands
AVC Tyre Recycling Ltd. (33.33% stake)	England & Wales
Car Parts 4 Less Limited	England & Wales
Cartal Rijsbergen Automotive B.V.	Netherlands
Cruiser B.V.	Netherlands
Distribuidora Hermanos Copher Internacional, SA	Guatemala
Eur-Asia Rec. Veh. Accessories Taiwan Co. Ltd. (99.9% stake)	Taiwan
Euro Car Parts Holdings Limited	England & Wales
Euro Car Parts Limited	England & Wales
Euro Car Parts Ltd	Ireland
Euro Car Parts (Northern Ireland) Limited	Northern Ireland
Euro Garage Solutions Ltd	England & Wales
Harrems Tools B.V.	Netherlands
Harrems Tools N.V.	Belgium
Hartsant Crash Repair Bvba	Belgium
Havam Automotive B.V.	Netherlands
Heijl Holding B.V.	Netherlands
Heuts Banden en Wielen B.V.	Netherlands
Heuts Beheer B.V.	Netherlands
Heuts DHZ B.V.	Netherlands
Heuts Handel B.V.	Netherlands
Heuts Newco B.V.	Netherlands
Heuts Tilburg B.V.	Netherlands
HF Services B.V.	Netherlands
HF Services Bvba	Belgium
Imbema Automaterialen B.V.	Netherlands
Imbema Edy Vos Automaterialen B.V.	Netherlands

Imbema Ira Automaterialen B.V.	Netherlands
Imbema Tielman Automaterialen B.V.	Netherlands
Imbema Van Mill Automaterialen B.V.	Netherlands
Imbema Westerhof Automaterialen B.V.	Netherlands
Intermotor B.V. (50% stake)	Netherlands
IPAR Industrial Partners B.V.	Netherlands
Iris Distribution Limited	England & Wales
JCA Coatings Limited	England & Wales
Keystone Automotive de Mexico, Sociedad de Responsabilidad Limitada de Capital Variable	Mexico
Keystone Automotive Industries ON, Inc.	Canada (Federal)
Keystone Automotive Operations (India) Pvt. Ltd.	India
Keystone Autopartes de Mexico, Sociedad de Responsabilidad Limitada de Capital Variable	Mexico
Keystone Autopartes Servicios de Mexico, Sociedad de Responsabilidad Limitada de Capital Variable	Mexico
Knopf Automotive Do Brasil Industria E Distribuicao De Pecas Automotivas Ltda.,	Brazil
Knopf Automotive Korkatolt Felelossegu Turasug	Hungary
Kuhne Nederland B.V.	Netherlands
Liwoth B.V.	Netherlands
LKQ Canada Auto Parts Inc.	Canada (Federal)
LKQ Coatings Limited	England & Wales
LKQ Euro Limited	Ireland
LKQ Euro Limited	United Kingdom
LKQ Italia S.r.l.	Italy
LKQ Netherlands B.V.	Netherlands
LKQ Ontario LP	Ontario
LKQ Trucks and Parts de Mexico S. de R.L de C.V.	Mexico
LKQ UK Finance 1 LLP	England & Wales
LKQ UK Finance 2 LLP	England & Wales
LKQ Upper Brookside Inc.	Canada (Federal)
Markesdemo AB (2.85% stake)	Sweden
Nipparts B.V.	Netherlands
Nipparts Deutschland GmbH	Germany
Nipparts UK Ltd.	England & Wales
Pala Holding, B.V.	Netherlands
P. Heijl Automaterialen Beek en Donk B.V.	Netherlands
P. Heijl Automaterialen Oss B.V.	Netherlands
P. Heijl Automaterialen Schijndel B.V.	Netherlands
P. Heijl Automaterialen 's Hertogenbosch B.V.	Netherlands

P. Heijl Automaterialen Uden B.V.	Netherlands
Primaparts Automaterialen B.V.	Netherlands
Raclame Buro Heuts B.V.	Netherlands
Recopart AB	Sweden
Recopart Holding AB	Sweden
Rijsbergen Autobanden B.V.	Netherlands
Rijsbergen CarTAL Beheer B.V.	Netherlands
Sator Beheer B.V.	Netherlands
Sator Central Services B.V.	Netherlands
Sator Holding B.V.	Netherlands
Schaftenaar B.V.	Netherlands
Signalen AB	Sweden
Signalen Bildemontering AB	Sweden
Slager Automaterialen B.V.	Netherlands
Troms Bildelsenter AS	Norway
The Coast Distribution System (Canada), Inc.	Quebec
Van Heck & Co. B.V.	Netherlands
Van Heck Interpieces N.V.	Belgium
Van Heck Vastgoed B.V.	Netherlands
Van Rheenen Haarlem B.V.	Netherlands
VEAM B.V.	Netherlands
Vehicle Data Services Limited	England & Wales
Vége de Mexico S.A. de C.V.	Mexico
Vege-Motodis S.A. de C.V.	Mexico
Vhip Fr SAS	France
Widells Bilplat Eftr AB	Sweden
WJCM de Mexico, Sociedad de Responsabilidad Limitada de Capital Variable	Mexico

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-110149, 333-128151, and 333-174450 on Form S-8, Registration Statement No. 333-205562 on Form S-3, and Registration Statement Nos. 333-193585, 333-133911 and 333-160395 on Form S-4 of our reports dated February 25, 2016 , relating to the consolidated financial statements and financial statement schedule of LKQ Corporation and subsidiaries, and the effectiveness of LKQ Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of LKQ Corporation for the year ended December 31, 2015 .

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 25, 2016

CERTIFICATION

I, Robert L. Wagman, certify that:

1. I have reviewed this annual report on Form 10-K of LKQ Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 25, 2016

/s/ ROBERT L. WAGMAN

Robert L. Wagman

President and Chief Executive Officer

CERTIFICATION

I, Dominick Zarcone, certify that:

1. I have reviewed this annual report on Form 10-K of LKQ Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 25, 2016

/ s / DOMINICK ZARCONE

Dominick Zarcone

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of LKQ Corporation (the “Company”) on Form 10-K for the fiscal year ended December 31, 2015 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, as President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d));
and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 25, 2016

/ s / ROBERT L. WAGMAN

Robert L. Wagman

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of LKQ Corporation (the “Company”) on Form 10-K for the fiscal year ended December 31, 2015 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, as Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d));
and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 25, 2016

/ s / DOMINICK ZARCONE

Dominick Zarcone

Executive Vice President and Chief Financial Officer