

TURKCELL ILETISIM HIZMETLERI A S  
Form 20-F/A  
April 20, 2011  
Table of Contents

As filed with the Securities and Exchange Commission on April 20, 2011

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 20-F/A

(Amendment No.1)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from            to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report

# **TURKCELL ILETISIM HIZMETLERI A.S.**

(Exact Name of Registrant as Specified in Its Charter)

## **TURKCELL**

(Translation of Registrant's Name Into English)

**Republic of Turkey**

(Jurisdiction of Incorporation or Organization)

**Turkcell Plaza**

**Mesrutiyet Caddesi No: 71**

**34430 Tepebasi**

**Istanbul, Turkey**

(Address of Principal Executive Offices)

**Mr. Serkan Okandan**

**Telephone: +90 212 313 1201**

**Facsimile: +90 212 292 5390**

**Turkcell Plaza**

**Mesrutiyet Caddesi No: 71**

**34430 Tepebasi**

**Istanbul, Turkey**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of each class**  
**American Depositary Shares**  
**Ordinary Shares, Nominal Value TRY 1.000\***

**Name of each exchange on which registered**  
**New York Stock Exchange**  
**New York Stock Exchange**

\*Not for trading on the NYSE, but only in connection with the registration of ADSs representing such ordinary shares pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

<b>Ordinary Shares, Nominal Value TRY 1.000</b>	<b>2,200,000,000</b>
---	----------------------

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. 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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No



**Table of Contents****Table of Contents**

<b>ITEM 1</b>	<b><u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u></b>	<b>3</b>
<b>ITEM 2</b>	<b><u>OFFER STATISTICS AND EXPECTED TIMETABLE</u></b>	<b>3</b>
<b>ITEM 3</b>	<b><u>KEY INFORMATION</u></b>	<b>3</b>
	<u>3.A SELECTED FINANCIAL DATA</u>	3
	<u>3.B CAPITALIZATION AND INDEBTEDNESS</u>	8
	<u>3.C REASONS FOR THE OFFER AND USE OF PROCEEDS</u>	8
	<u>3.D RISK FACTORS</u>	9
<b>ITEM 4</b>	<b><u>INFORMATION ON THE COMPANY</u></b>	<b>27</b>
	<u>4.A HISTORY AND DEVELOPMENT OF THE COMPANY</u>	27
	<u>4.B BUSINESS OVERVIEW</u>	28
	<u>4.C ORGANIZATIONAL STRUCTURE</u>	80
	<u>4.D PROPERTY, PLANT AND EQUIPMENT</u>	80
<b>ITEM 5</b>	<b><u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u></b>	<b>81</b>
	<u>5.A OPERATING RESULTS</u>	84
	<u>5.B LIQUIDITY AND CAPITAL RESOURCES</u>	101
	<u>5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.</u>	104
	<u>5.D TREND INFORMATION</u>	105
	<u>5.E OFF-BALANCE SHEET ARRANGEMENTS</u>	106
	<u>5.F TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS</u>	107
	<u>5.G SAFE HARBOR</u>	107
<b>ITEM 6</b>	<b><u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u></b>	<b>107</b>
	<u>6.A DIRECTORS AND SENIOR MANAGEMENT</u>	107
	<u>6.B COMPENSATION</u>	112
	<u>6.C BOARD PRACTICES</u>	113
	<u>6.D EMPLOYEES</u>	115
	<u>6.E SHARE OWNERSHIP</u>	117
<b>ITEM 7</b>	<b><u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u></b>	<b>117</b>
	<u>7.A MAJOR SHAREHOLDERS</u>	117
	<u>7.B RELATED PARTY TRANSACTIONS</u>	119
	<u>7.C INTERESTS OF EXPERTS AND COUNSEL</u>	119
<b>ITEM 8</b>	<b><u>FINANCIAL INFORMATION</u></b>	<b>119</b>
	<u>8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION</u>	119
	<u>8.B SIGNIFICANT CHANGES</u>	121
<b>ITEM 9</b>	<b><u>THE OFFER AND LISTING</u></b>	<b>121</b>
	<u>9.A OFFER AND LISTING DETAILS</u>	121
	<u>9.B PLAN OF DISTRIBUTION</u>	122
	<u>9.C MARKETS</u>	122
	<u>9.D SELLING SHAREHOLDERS</u>	123
	<u>9.E DILUTION</u>	123
	<u>9.F EXPENSES OF THE ISSUE</u>	123
<b>ITEM 10</b>	<b><u>ADDITIONAL INFORMATION</u></b>	<b>123</b>
	<u>10.A SHARE CAPITAL</u>	123
	<u>10.B MEMORANDUM AND ARTICLES OF ASSOCIATION</u>	123
	<u>10.C MATERIAL CONTRACTS</u>	131
	<u>10.D EXCHANGE CONTROLS</u>	131
	<u>10.E TAXATION</u>	131
	<u>10.F DIVIDENDS AND PAYING AGENTS</u>	138
	<u>10.G STATEMENT BY EXPERTS</u>	138
	<u>10.H DOCUMENTS ON DISPLAY</u>	138
	<u>10.I SUBSIDIARY INFORMATION</u>	138

**Table of Contents**

ITEM 11	<b><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></b>	139
ITEM 12	<b><u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u></b>	140
ITEM 13	<b><u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u></b>	142
ITEM 14	<b><u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u></b>	142
ITEM 15	<b><u>CONTROLS AND PROCEDURES</u></b>	142
ITEM 16	<b><u>AUDIT COMMITTEE FINANCIAL EXPERT</u></b>	144
ITEM 16B.	<b><u>CODE OF ETHICS</u></b>	144
ITEM 16C.	<b><u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u></b>	144
ITEM 16D.	<b><u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u></b>	145
ITEM 16E.	<b><u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u></b>	145
ITEM 16F.	<b><u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u></b>	145
ITEM 16G.	<b><u>CORPORATE GOVERNANCE</u></b>	145
ITEM 17	<b><u>FINANCIAL STATEMENTS</u></b>	150
ITEM 18	<b><u>FINANCIAL STATEMENTS</u></b>	150
ITEM 19	<b><u>EXHIBITS</u></b>	150

**Table of Contents**

**Explanatory Note**

This Form 20-F/A is being filed by Turkcell Iletisim Hizmetleri A.S. (the Company ) as Amendment No. 1 to its Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission (the Commission ) on April 18, 2011 (the 2010 20-F ). This Form 20-F/A is intended to replace in its entirety the financial statements.

**Table of Contents**

**INTRODUCTION**

This is the 2010 annual report for Turkcell Iletisim Hizmetleri A.S. ( Turkcell ), a joint stock company organized and existing under the laws of the Republic of Turkey. The terms we , us , our , and similar ones refer to Turkcell, its predecessors, and its consolidated subsidiaries, except as the context otherwise requires.

Our audited consolidated financial statements as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 included in this annual report have been prepared in accordance with International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board ( IASB ).

The SEC has adopted rules accepting filings from foreign private issuers that include financial statements prepared in accordance with IFRS as issued by the IASB without reconciliation to accounting principles generally accepted in the United States, or U.S. GAAP, as was previously required. As we believe that we meet the relevant criteria to avail ourselves of this SEC rule, we have ceased providing such reconciliation as part of our consolidated financial statements.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not total exactly. In this annual report, references to TL , TRY and Turkish Lira are to the Turkish Lira, previously called the New Turkish Lira from 2005 through 2008; and references to \$ , U.S. Dollars , USD , U.S. \$ and cents are to U.S. Dollars and, except as otherwise noted, all interest rates are on a per annum basis. In this annual report, references to Turkey or the Republic are to the Republic of Turkey. Counters are the units we used with our subscribers until April 2010 to measure airtime. As of April 2010, we measure our airtime in TRY rather than counters.

Statements regarding our market share and total market size are based on the ICTA s announcements, and statements regarding penetration are based on the Turkish Statistical Institute s ( TUIK ) announcements pertaining to the Turkish population. Furthermore, statements regarding our 2G coverage are based on the Information and Communication Technologies Authority s ( ICTA ) specifications as well as the TUIK s announcements, and statements regarding our 3G coverage are based on the 3GPP TS 25.101 specifications for outdoor coverage.

References to the Information and Communication Technologies Authority or ICTA include its predecessor entity, the Telecommunications Authority.

**FORWARD-LOOKING STATEMENTS**

This annual report includes forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, and the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this annual report, including, without limitation, certain statements regarding our operations, financial position, and business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as may , will , expect , intend , estimate , anticipate , believe , continue , or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are contained in cautionary statements in this annual report, including, without limitation, in conjunction with the forward-looking statements listed below, and include, among others, the following:

competition in our main market;



**Table of Contents**

increased competition and/or the entrance of new direct and indirect competitors in the market due to regulatory changes in Turkey with respect to certain technologies;

developments in the Turkish telecommunications market that will impact the size and usage of our future subscriber base and which are affected by factors outside of our control;

failure to successfully integrate and manage the opportunities we pursue, particularly related to our current mobile communications business and new 3G business, new business models, new technologies and international activities;

changes in current and future Turkish telecommunications laws, regulations and regulatory orders which may impact our customers usage patterns;

regulations imposed by the Information and Communication Technologies Authority (hereinafter, the ICTA ), that may require us to maintain certain prices for our services, notably by placing a floor on certain of our prices and a ceiling on certain of our interconnection prices;

legal and regulatory restrictions imposed by regulatory authorities in Turkey, in particular following the enactment of the Electronic Communications Law, which broadens the power of the ICTA;

adverse effects on our competitiveness due to our designation by the ICTA as an operator holding significant market power in the mobile call termination services market and as an operator holding significant market power in access to GSM mobile networks and the call origination market ;

failure to abide by the requirements of our licenses or applicable regulations;

economic and political developments in Turkey and internationally;

exposure to certain risks through our interests in associated companies;

foreign exchange rate risks;

financial risks in the event that our majority owned subsidiaries fail to meet some of their obligations set forth in the agreements related to their financing arrangements;

our ability to deal with spectrum limitations;

zoning limitations related to our BTS;

## Edgar Filing: TURKCELL ILETISIM HIZMETLERI A S - Form 20-F/A

potential liability and possible reduced usage of mobile phones as a result of alleged health risks related to base transmitter stations ( BTSs ) and the use of handsets;

our dependence on certain suppliers for network equipment and the provision of data services;

our current legal action against the Turkish Capital Markets Board ( CMB );

the influence of our controlling shareholders and disputes between them;

our dependence on certain systems and suppliers for IT services and our exposure to potential natural disasters, regular or severe IT failures, human error, hacking and IT migration risk;

technological changes in the telecommunications market;

our dependence on third party providers to help us navigate the regulatory, security and business risks of industries where we traditionally do not compete;

our ability to retain key personnel and distributors;

The potential issuance and cancellation halt of American Depositary Shares ( ADSs ) by depositories in Turkey;

legal actions and claims to which we are a party; and

effective internal control over financial reporting.

All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

**Table of Contents**

**ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

**ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

**ITEM 3 KEY INFORMATION**

**3.A Selected Financial Data**

Our audited consolidated financial statements as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 included in this annual report have been prepared in accordance with IFRS as issued by the IASB.

The Company has for 2010 revised the manner in which it accounts for the impact of changes in foreign exchange rates in its statement of cash flows and has revised its presentation of prior periods, resulting in a change in the allocation of the impact of foreign exchange rate changes among Operating activities, Effects of foreign exchange on statement of financial position items and Effect of foreign exchange rate changes on cash in the statement of cash flows. In this context, 2010 quarterly cash flow data will be revised accordingly in 2011. The change relates to the impact of re-translation of the underlying functional currency cash flows into the presentation currency, the U.S. Dollar. The Company believes that changes to prior periods are immaterial. The change in the statement of cash flows will not impact the Company's previously reported statement of income, statement of comprehensive income, statement of financial positions or Cash and cash equivalents at the end of any period. See Note 2 to our consolidated financial statements in this Form 20-F.

The following information should be read in conjunction with Item 5. Operating and Financial Review and Prospects, our audited consolidated financial statements as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010, and the related notes appearing elsewhere in this annual report.

**Table of Contents**

The following table presents our selected consolidated statement of operations, balance sheet and cash flow data as of and for each of the years in the five-year period ended December 31, 2010, presented in accordance with IFRS as issued by the IASB which have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2010, 2009, 2008, 2007 and 2006. The information appearing under the caption "Other Financial Data" is not derived from the audited financial statements.

	2010	2009	2008	2007	2006
	(Million \$, except share data and other certain data)				
<b>Selected Financial Data Prepared in Accordance with IFRS as Issued by the IASB</b>					
<b>Consolidated Statement of Operations Data</b>					
<b>Revenues</b>					
Communication fees	5,670.2	5,557.3	6,576.9	5,976.9	4,406.7
Commission fees on betting business	31.2	42.7	176.2	181.3	172.4
Monthly fixed fees	75.4	42.5	65.1	54.8	57.6
Simcard sales	22.9	22.9	28.2	20.8	21.0
Call center revenues	25.2	17.4	16.6	12.9	10.2
Other revenues	157.2	107.2	107.4	81.9	32.4
Total revenues	5,982.1	5,790.0	6,970.4	6,328.6	4,700.3
Direct cost of revenues(1)	(3,349.0)	(3,097.1)	(3,409.0)	(3,103.4)	(2,627.9)
Gross profit	2,633.1	2,692.9	3,561.4	3,225.2	2,072.4
Other income	14.7	0.9	14.1	7.8	8.1
Administrative expenses	(347.3)	(273.1)	(309.3)	(252.8)	(154.9)
Selling and marketing expenses	(1,085.8)	(1,085.1)	(1,351.7)	(1,138.2)	(827.5)
Other expenses	(64.2)	(111.2)	(18.0)	(22.5)	(6.5)
Results from operating activities	1,150.5	1,224.4	1,896.5	1,819.5	1,091.6
Finance income	277.1	329.6	442.1	308.4	184.0

selecting candidates to fill vacancies of our Board of Directors; and

overseeing the evaluation of our Board of Directors.

The Nominating and Corporate Governance Committee generally seeks directors with strong reputations and experience in areas relevant to the operations and strategies of the Company's business. In connection with their recommendations regarding the size and composition of the Board, the Nominating and Corporate Governance Committee reviews the appropriate qualities and skills required of directors in the context of the then current make-up of the Board and the needs of the Company. The Nominating and Corporate Governance Committee generally identifies candidates for election to the Board of Directors; reviews their skills, characteristics and experiences; and recommends director nominees to the Board for approval. While we do not have a formal policy with regard to the consideration of diversity in identifying director nominees, the Nominating and Corporate Governance Committee strives to nominate directors with a variety of complementary skills and backgrounds so that as a group, the Board will possess the appropriate talent, skills, insight and expertise to oversee our business. The Nominating and Corporate Governance Committee assesses each candidate's independence, personal and professional integrity, financial literacy or other professional or business experience relevant to an understanding of our business, his or her ability to think and act independently and with sound judgment, and ability and commitment to serve our

and its stockholders' long-term interests. All factors considered by the Nominating and Corporate Governance Committee are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. As a result, the priorities and emphasis of the Nominating and Corporate Governance Committee and of the Board may change from time to time to take into account changes in our business, our future opportunities and strategic plans, and other trends, as well as the portfolio of skills and experience of current and prospective directors. The Nominating and Corporate Governance Committee generally leads the search for and selects, or recommends that the Board select, candidates for election to the Board. Consideration of new director candidates typically involves a series of committee discussions, a review of information concerning candidates and interviews with selected candidates. The Nominating and Corporate Governance Committee may in the future engage the services of a third-party search firm to identify director candidates.

The Nominating and Corporate Governance Committee will consider candidates for directors recommended by our stockholders who meet the eligibility requirements for submitting stockholder proposals for inclusion in our next proxy statement. This committee will evaluate such recommendations applying its regular nominee criteria. Eligible stockholders wishing to recommend a director nominee must submit such recommendation in writing to the Chair, Nominating and Corporate Governance Committee, care of the Corporate Secretary, at the Company's address set forth on the first page of this proxy statement by the deadline for stockholder proposals set forth in the prior year's proxy statement, specifying the following information: (a) the name and address of the nominee, (b) the name, address and phone number of the stockholder making the nomination and of the director nominee, (c) a representation that the nominating stockholder is a stockholder of record of our stock entitled to vote at the next annual meeting and intends to appear in person or by proxy at such meeting to nominate the person specified in the notice, (d) the nominee's qualifications for membership on the Board, (e) a resume of the candidate's business experience and educational background as well as all of the information that would be required in a proxy statement soliciting proxies for the election of the nominee as a director, (f) a description of all direct or indirect arrangements or understandings between the nominating stockholder and the nominee and any other person or persons (naming such person or persons) pursuant to whose request the nomination is being made by the stockholder, (g) all other companies to which the nominee is being recommended as a nominee for director, and (h) a signed consent of the nominee to cooperate with reasonable background checks and personal interviews, and to serve as a director, if elected. In connection with its evaluation, the Nominating and Corporate Governance Committee may request additional information from the candidate or the recommending stockholder, and may request an interview with the candidate. The Nominating and Corporate Governance Committee has the discretion to decide which individuals to recommend for nomination as directors.

No candidates for director nominations were formally submitted to the Nominating and Corporate Governance Committee by any stockholder in connection with the election of a director at the Annual Meeting. The director nominees standing for election at this Annual Meeting are current directors of the company.

#### Stockholder Communications to the Board

Our Board of Directors has implemented a process by which stockholders may send written communications directly to the attention of the Board, any committee of the Board or any individual Board member, care of our Corporate Secretary at 16941 Keegan Avenue, Carson, California 90746. The name of any specific intended Board recipient should be noted in the communication. Our Corporate Secretary will be primarily responsible for collecting, organizing and monitoring communications from stockholders and, where appropriate depending on the facts and circumstances outlined in the communication, providing copies of such communications to the intended recipients. Communications will be forwarded to directors if they relate to appropriate and substantive corporate or Board matters. Communications that are of a commercial or frivolous nature, or otherwise inappropriate for the Board's consideration will not be forwarded to the Board.

#### Policy on Stock Hedging

All directors and executive officers are prohibited from engaging in short-term or speculative transactions involving our securities, such as publicly traded options, short sales, puts and calls, and hedging transactions.



**PROPOSAL TWO:**

**RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

RSM US LLP (“RSM”) has audited our consolidated financial statements since 2015. The Audit Committee has selected RSM to continue in this capacity for the fiscal year ending December 30, 2017 (“fiscal 2017”). We are asking our stockholders to ratify the selection by the Audit Committee of RSM as our independent auditors to audit our consolidated financial statements for fiscal 2017 and to perform other appropriate services. Stockholder ratification of the selection of RSM as our independent auditors is not required by our bylaws or otherwise. In the event that the stockholders fail to ratify the appointment, the Audit Committee will reconsider its selection. Even if the selection is ratified, the Audit Committee, in its sole discretion, may direct the appointment of a different independent accounting firm at any time if the committee feels that such a change would be in our best interests and in the best interests of our stockholders.

A representative of RSM is expected to be present at the Annual Meeting, will have an opportunity to make a statement if he or she desires to do so, and is expected to be available to respond to appropriate questions.

**Changes in Independent Registered Public Accounting Firm**

The Audit Committee conducted a competitive selection process to determine the Company’s independent registered public accounting firm for fiscal 2015. As a result of this process, on August 28, 2015, the Audit Committee dismissed Deloitte & Touche LLP (“Deloitte”) as the Company’s independent registered public accounting firm effective immediately. Contemporaneously, the Audit Committee approved the engagement of RSM as the Company’s independent registered public accounting firm for fiscal 2015.

The reports of Deloitte on the Company’s consolidated financial statements as of and for the years ended January 3, 2015 (“fiscal 2014”) and December 28, 2013 (“fiscal 2013”) did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During fiscal 2014 and fiscal 2013, and the subsequent interim period through August 28, 2015, there were no (a) disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Deloitte’s satisfaction, would have caused Deloitte to make reference to the subject matter thereof in connection with its reports for such periods; or (b) reportable events, as described under Item 304(a)(1)(v) of Regulation S-K.

The Company provided Deloitte with a copy of the disclosures made in a Current Report on Form 8-K (the “Report”) prior to the time the Report was filed with the SEC and requested from Deloitte a letter addressed to the SEC indicating whether it agreed with such disclosures. A copy of Deloitte’s letter dated September 2, 2015 was attached as Exhibit 16.1 to the Report.

During fiscal 2014 and fiscal 2013, and during the subsequent interim period through August 28, 2015, the Company did not consult with RSM regarding any of the matters or events set forth in Item 304(a)(2) of Regulation S-K.

**Stockholder Approval**

The affirmative vote of the holders of a majority of the shares of our common stock present or represented by proxy and entitled to vote at the Annual Meeting is being sought to ratify the selection of RSM as our independent registered public accounting firm for fiscal 2017.

**Recommendation of Our Board of Directors**

Our Board of Directors recommends that the stockholders vote “FOR” the ratification of the selection of RSM as our independent registered public accounting firm for fiscal 2017.

**FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Principal Accountant Fees**

The following table sets forth the fees billed to us for fiscal 2016 and fiscal 2015 by RSM:

	Fiscal 2016	Fiscal 2015
Audit Fees	\$525,669	\$ 483,683
Audit Related Fees	21,700	31,000
Tax Fees	16,066	—
Total	\$563,435	\$ 514,683

**Audit Fees.** Audit fees consisted of fees billed by RSM for professional services rendered in connection with the audit and quarterly reviews of our consolidated financial statements.

**Audit Related Fees.** Audit related fees for fiscal 2016 consisted of fees billed by RSM for professional services rendered in connection with reviews of registration statements and other accounting consultations not qualifying under audit fees. Audit related fees for fiscal 2015 consisted of fees billed by RSM for professional services rendered in connection with an annual review of AutoMD’s financial statements, reviews of registration statements and other accounting consultations not qualifying under audit fees.

**Tax Fees.** Tax fees represent services for state and local sales taxes and possible net operating loss deduction limitations.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services**

All engagements for services by RSM and Deloitte are subject to prior approval by the Audit Committee; however, de minimis non-audit services may instead be approved in accordance with applicable SEC rules. The Audit Committee approved all services provided by RSM and Deloitte for fiscal 2016 and fiscal 2015.



#### AUDIT COMMITTEE REPORT\*

The following is the report of the Audit Committee with respect to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2016 included in the Company's Annual Report on Form 10-K for that year.

In carrying out its responsibilities under the Audit Committee Charter, which is available by accessing the investor relations section of our website at <http://investor.usautoparts.net/>, the Audit Committee, among other things, supervises the relationship between the Company and its independent auditors, including making decisions with respect to their appointment or removal, reviewing the scope of their audit services, pre-approving audit engagement fees and non-audit services and evaluating their independence. The Audit Committee oversees and evaluates the adequacy and effectiveness of the Company's systems of internal and disclosure controls and internal audit function. The Audit Committee has the authority to investigate any matter brought to its attention and may engage outside counsel for such purpose.

The Company's management is responsible, among other things, for preparing the financial statements and for the overall financial reporting process, including the Company's system of internal controls. The independent auditor's responsibilities include (i) auditing the financial statements and expressing an opinion on the conformity of the audited financial statements with U.S. generally accepted accounting principles and (ii) auditing the financial statements and expressing an opinion on management's assessment of, and the effective operation of, the Company's internal control over financial reporting.

The Audit Committee met five times during fiscal year 2016. The Audit Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Audit Committee's meetings include sessions with the Company's independent auditor and management present and regular sessions without the presence of the Company's management.

As part of its oversight of the Company's financial statements, the Audit Committee reviewed and discussed with management and the Company's independent auditors, the audited financial statements of the Company for the fiscal year ended December 31, 2016. The Audit Committee discussed with the independent auditors such matters as are required to be discussed by Statement on Auditing Standards No. 16 (Communication with Audit Committees), relating to the conduct of the audit. The Audit Committee also discussed the independence of the auditors from the Company and its management, including the matters in the written disclosures the Audit Committee received from the independent auditor as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and considered the compatibility of non-audit services with the auditor's independence.

Based on its review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, for filing with the SEC. The Audit Committee has also selected RSM as the Company's independent auditors for fiscal year 2017.

Submitted by the Audit Committee  
of the Board of Directors:

Warren B. Phelps III, Chairman  
Joshua L. Berman  
Jay Greyson  
Robert J. Majteles

---

\* The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this proxy statement and without regard to any

general incorporation language therein.

**PROPOSAL THREE:**

**ADVISORY RESOLUTION ON THE COMPANY'S EXECUTIVE COMPENSATION**

As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), enacted in July 2010, our stockholders are enabled to approve an advisory resolution on our executive compensation as reported in this Proxy Statement. As described below in the "Compensation Discussion and Analysis" section of this Proxy Statement, the Compensation Committee has structured the Company's executive compensation program to achieve the following key objectives:

- attract, retain and motivate top quality executives;
- create economic incentives which are directly linked to the Company's financial performance and stockholder value;
- and
- link the creation of stockholder value with individual goals.

Our executive compensation has a number of features designed to promote these objectives, including a base salary sufficient to ensure that the executive is not motivated to take on undue risk, bonus compensation awarded upon the Company successfully achieving certain EBITDA thresholds, and equity awards designed to align the interests of our executives with those of our stockholders.

We urge you to read the "Compensation Discussion and Analysis" below, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve its compensation objectives, as well as the Summary Compensation Table and related compensation tables and narrative, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving the Company's goals and that the compensation of its named executive officers reported in this Proxy Statement has supported and contributed to the Company's success.

In accordance with Section 14A of the Exchange Act, and as a matter of good corporate governance, the Company is asking stockholders to approve the following advisory resolution at the Annual Meeting:

RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the Company's 2017 Annual Meeting of Stockholders.

This advisory resolution, commonly referred to as a "say-on-pay" resolution, is non-binding on the Board of Directors. Although non-binding, the Board and the Compensation Committee will carefully review and consider the voting results when evaluating the Company's executive compensation program.

**Stockholder Approval**

Advisory approval of this proposal requires the vote of the holders of a majority of the shares of our common stock present or represented by proxy and entitled to vote at the Annual Meeting.

**Recommendation of our Board of Directors**

Our Board of Directors recommends that the stockholders vote "FOR" the above "Say on Pay" Proposal

PROPOSAL FOUR:

ADVISORY VOTE ON THE FREQUENCY OF THE FUTURE ADVISORY VOTES  
ON THE COMPANY'S EXECUTIVE COMPENSATION

In Proposal Three above, we are asking stockholders to vote on an advisory resolution on executive compensation. Pursuant to the Dodd-Frank Act and Schedule 14A of the Exchange Act, in this Proposal Four we are asking stockholders to vote on whether future advisory votes on executive compensation should occur every year, every two years or every three years.

After careful consideration, the Board of Directors recommends that future advisory votes on executive compensation occur every three years (triennially). We believe that this frequency is appropriate for a number of reasons. Most significantly, our compensation programs are designed to reward long-term performance. Thus, we encourage our stockholders to evaluate our executive compensation programs over a multi-year horizon and to review the compensation of the named executive officers over the past three fiscal years. In addition, we believe that a triennial advisory vote on executive compensation reflects the appropriate time frame to enable the Compensation Committee and the Board of Directors to evaluate the results of the most recent advisory vote on executive compensation, to discuss the implications of that vote with stockholders to the extent needed, to develop and implement any adjustments to our executive compensation programs that may be appropriate in light of a past advisory vote on executive compensation, and for stockholders to see and evaluate any such adjustments to our executive compensation programs.

The Board of Directors is aware of and took into account views that some have expressed in support of conducting an annual advisory vote on executive compensation, and in fact, as more fully described in the "Compensation Discussion and Analysis" section of this Proxy Statement, the Compensation Committee performs annual benchmarking in order to ensure that we are in-line with our peers in compensating our named executive officers. We are aware that some stockholders believe that annual advisory votes will enhance or reinforce accountability. We believe that, because our executive compensation programs have typically not changed materially from year-to-year and are designed to operate over the long-term and to enhance long-term performance, we are concerned that an annual advisory vote on executive compensation could lead to a near-term perspective inappropriately bearing on our executive compensation programs. Additionally, we currently believe that holding an advisory vote on executive compensation every three years will reflect the right balance of considerations in the normal course, and we will periodically reassess that view and can provide for an advisory vote on executive compensation on a more frequent basis if changes in our compensation programs or other circumstances suggest that such a vote would be appropriate.

We understand that our stockholders may have different views as to what is an appropriate frequency for advisory votes on executive compensation, and we will carefully review the voting results on this proposal. Stockholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years, or abstain. Stockholders are not voting to approve or disapprove the Board's recommendation. This advisory vote on the frequency of future advisory votes on executive compensation is non-binding on the Board of Directors.

Notwithstanding the Board's recommendation and the outcome of the stockholder vote, the Board may in the future decide to conduct advisory votes on a more or less frequent basis and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

Stockholder Approval

The frequency that receives the vote of the holders of a majority of the shares of our common stock present or represented by proxy and entitled to vote at the Annual Meeting will be deemed to be the frequency selected by the stockholders.

Recommendation of our Board of Directors

Our Board of Directors recommends that the stockholders vote to conduct future advisory votes on the Company's executive compensation "EVERY THREE YEARS."



## EXECUTIVE COMPENSATION AND OTHER INFORMATION

### Executive Officers

The table below sets forth certain information regarding our current executive officers.

Name	Age	Current Position(s)
Aaron Coleman	42	Chief Executive Officer
Neil Watanabe	62	Chief Financial Officer
David Eisler	39	Vice President, General Counsel and Secretary

The following is certain biographical information describing the business experience of each of our executive officers who is not a director. The biography of Mr. Coleman appears earlier in this proxy statement. See “Proposal One: Election of Directors - Information about Directors and Nominees.”

Neil Watanabe was appointed as Chief Financial Officer in March 2015. Mr. Watanabe has over 30 years of finance, accounting and operational experience and has served as the Chief Financial Officer for both public and private national retail companies. Prior to his appointment as the Company's Chief Financial Officer, Mr. Watanabe recently served as Chief Operating Officer for National Stores, a discount department store chain that operates more than 300 locations, from May 2014 to March 2015. Prior to joining National Stores, from 2006 until May 2014, Mr. Watanabe was the Executive Vice President and Chief Financial Officer for Anna's Linens, a national textiles and home goods store that operates more than 300 locations. Mr. Watanabe, a veteran financial executive, has also served as the Chief Financial Officer for Shoe Pavilion, Elizabeth Arden Red Door Spas, Sears Health and Nutrition, PetSmart, Mac Frugal Bargain Closeout, Kay Bee Toys, and Motherhood Maternity. Mr. Watanabe began his career with Montgomery Ward and Filenes Basement. He is a graduate of the University of California, Los Angeles with a Bachelor of Arts and obtained certification as a Public Accountant in Illinois.

David Eisler has been our Vice President, General Counsel and Secretary since June 2015. Prior to his appointment, Mr. Eisler served as the Vice President, General Counsel of ImaginAb, Inc., a venture-backed biotechnology company, from September 2014 to June 2015, and as the Vice President, General Counsel of Reva Medical, Inc., a publicly traded medical device company, from February 2014 to April 2014. From July 2013 to January 2014, Mr. Eisler was the Senior Vice President, General Counsel at The Active Network, Inc., the leading provider of Activity and Participant Management™ solutions, where he led the successful sale of the public company to a private equity firm for over \$1 billion. Mr. Eisler also served as the Vice President, Senior Securities and Corporate Counsel at The Active Network, Inc. from September 2011 to July 2013. From October 2005 to September 2011, Mr. Eisler served as a corporate associate at DLA Piper LLP. Mr. Eisler also served as a corporate associate at Dorsey & Whitney LLP from September 2003 to October 2005. Mr. Eisler holds a B.B.A. from Emory University's Goizueta Business School and a J.D. from Boston University.

Our executive officers are elected by our Board of Directors and serve at the discretion of our Board until their successors have been duly elected and qualified or until their earlier resignation or removal.

### Compensation Discussion and Analysis

This section explains our executive compensation program as it relates to the “named executive officers” listed below whose 2016 compensation information is presented in the tables following this discussion in accordance with SEC rules. The primary objective of our executive compensation policies and programs is to serve our stockholders by attracting, retaining and motivating talented and qualified executives. We believe this best serves our stockholders by providing a stable management team that is focused on long-term growth and profitability without incurring undue risk.

The three key elements of the current executive compensation program are annual base salary, bonuses, and long-term, equity-based incentives. We also provide certain of our executive officers with severance and change-in-control benefits as well as limited perquisites and other personal benefits. Our discussion below contains an additional explanation of each of these elements.

In evaluating the mix of these compensation components, as well as the short-term and long-term value of the executive compensation plans, the Compensation Committee considers both the performance and skills of each executive, as well as the compensation paid to those executives in similar organizations with similar responsibilities. We focus on providing a competitive compensation package which provides significant short and long-term incentives for the achievement of measurable corporate and individual performance objectives. We focus on, among other things, the following five elements in determining compensation:

• **Competition.** Compensation should reflect the competitive marketplace, so that the Company can attract, retain, and motivate key executives of superior ability who are critical to our future success.

• **Accountability for Business Performance.** Compensation should be tied in part to overall Company financial performance, so our executive officers are held accountable through their compensation both in salary and in long-term incentive compensation.

• **Accountability for Individual Performance.** Compensation should be tied in part to the individual's performance to encourage and reflect individual contributions to the Company's performance.

• **Alignment with Stockholder Interests.** Compensation should be tied in part to the Company's stock performance through the grant of equity-based awards which serve to align our executive officer's interests with those of our stockholders.

• **Likelihood of Compensation Structure to Encourage Excessive Risk Taking.** Compensation, while tied in part to Company financial and stock performance, should not be tied in such a way as to encourage our executive officers to take excessive risk in operating the business or consummating strategic projects designed to artificially inflate earnings or share price.

Additionally, the Board of Directors adopted, and the Company's stockholders approved at the 2011 Annual Meeting of Stockholders, a say-on-pay policy pursuant to Section 14A - Shareholder Approval of Executive Compensation, of the Exchange Act. Every three years, stockholders are able to approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement. This advisory say-on-pay resolution is non-binding on the Board of Directors, however, the Board of Directors and the Compensation Committee carefully review and consider the voting results when evaluating the Company's executive compensation, in the applicable years when advisory votes are solicited. The Board of Directors and the Compensation Committee carefully evaluated the results of the most recent stockholder advisory vote of executive compensation, which occurred in fiscal 2014, and considered this vote to be a strong endorsement of the Company's policies and practices and has determined to conduct its review of executive compensation consistent with past practice. This advisory say-on-pay resolution is being voted on at the 2017 Annual Meeting as described in detail in this Proxy Statement under Proposal 3. Also, unless the Board of Directors decides to modify its policy regarding the frequency of soliciting advisory votes on the compensation of the Company's named executives, which is currently set at every three years, the next scheduled say-on-pay vote will be at the 2020 Annual Meeting of Stockholders.

Decisions regarding executive compensation are the primary responsibility of our Compensation Committee, in consultation from time to time with the Board of Directors, management and compensation consultants. In 2007, in connection with our initial public offering, we had retained Compensia Inc. (or "Compensia"), an independent compensation consultant company, to assist us in establishing a compensation program which includes objective criteria and formalized policies with respect to the determination of compensation amounts for our executives. As part of our annual evaluation of executive compensation, we engaged Compensia each year following the initial public offering, except fiscal 2012, in order to ensure that





the Company remained competitive in attracting and retaining talented executives. To assist with 2016 compensation decisions, the Chief Executive Officer prepared an assessment of the Company's overall performance in fiscal 2015, each individual's performance during fiscal 2015, as well as a review of how each executive's 2016 proposed compensation compared with the executives in the peer group companies provided in Compensia's report for fiscal 2016, and recommended to the Compensation Committee base salary amounts, annual performance goals and annual incentive compensation for all executive officers except himself based upon those goals. When making 2016 compensation decisions, the Compensation Committee reviewed this report, assessed the Chief Executive Officer with regard to his own performance and established and made the final determinations regarding compensation of our named executive officers. Our Compensation Committee utilized the services of Compensia to assist them in establishing a compensation program which includes objective criteria and formalized policies with respect to the determination of compensation amounts for our executives for fiscal 2016. Our Compensation Committee relied on Compensia's report for fiscal 2016 to consider changes to the overall compensation for our named executive officers. Compensia's report for fiscal 2016 noted that during 2015 both base salaries and total compensation for our named executive officers generally approximated or fell below the 25th percentile for our designated peer group. Compensia's report for fiscal 2016 recommended the Compensation Committee consider increasing base salaries, target incentive opportunities, and equity compensation to better align with our peer group.

The components of our executive compensation program generally include (a) base salaries; (b) annual bonuses in the form of performance based cash and equity incentives; (c) annual equity grants; and (d) in certain cases, other long-term equity incentive opportunities. Executives also participate in employee benefit programs available to the broader employee population such as our 401(k) plan and health insurance. We also maintain a deferred compensation plan for employees of the Company earning greater than \$120,000 annually, in which such employees are eligible to participate and for which the Company matches 50% of contributions up to 2% of annual base salary. Our executive compensation program is intended to provide executives with overall levels of compensation that are competitive within the e-commerce industry, as well as within a broader spectrum of companies with comparable revenues and market capitalizations.

In 2016, our Compensation Committee utilized the services of Compensia for a new compensation report. As part of best market practices the Company's peer group for 2015 was reviewed to ensure an appropriate market comparison for 2016. Compensia and the Compensation Committee utilized the following peer group selection criteria: trailing twelve month revenues, market capitalization, employee headcount and industry. Based on the selection criteria, Compensia recommended and the Compensation Committee approved the following peer group companies for 2016:

1Angie's List	1Blue Nile	1DHI Group (formerly Dice Holdings)
1EnerNOC	1Epiq Systems	1Everyday Health
1Internap	1Liquidity Services	1LivePerson
1Millennial Media	1PetMed Express	1QAD, Inc.
1QuinStreet	1RetailMeNot	1Rightside Group
1Rocket Fuel	1Rosetta Stone	1TrueCar
1United Online		

#### Elements of Executive Compensation

##### Base Salary

We seek to provide our senior management with a base salary appropriate to their roles and responsibilities, and salaries for named executive officers (as set forth in the table below) are established and adjusted at the discretion of the Compensation Committee. Base salaries are reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account market data, together with individual responsibilities, performance and experience.

2016 base salaries for each named executive officer on an annualized basis were as follows:

NAME AND TITLE	2016 BASE SALARY (1)
Shane Evangelist, Chief Executive Officer (2)	\$ 435,689
Neil Watanabe, Chief Financial Officer	\$ 306,000
Aaron E. Coleman, President and Chief Operating Officer (2)	\$ 321,491
David Eisler, Vice President, General Counsel	\$ 243,225

(1) Base salaries reflect increases to base salaries approved by the Compensation Committee on January 21, 2016 and in effect as of December 31, 2016.

(2) Mr. Evangelist resigned as Chief Executive Officer on March 30, 2017 and Aaron Coleman, the Company's President and Chief Operating Officer, was appointed as Chief Executive Officer following his resignation.

#### Annual Incentive Bonuses

In addition to base salary, our executives are eligible to earn annual incentive bonus compensation. Our incentive bonus plan ties the level of achievement of Company annual financial performance goals to the amount of annual incentive compensation that we pay to each of our executives. These performance goals have historically incorporated a combination of revenue and/or EBITDA thresholds, as well as individual performance, so as to encourage the executives to maximize the generation of profitable new business as well as optimizing the profitability and performance of existing business. As a result, a significant portion of our executives' total compensation is dependent on the degree to which we achieve these performance goals. This provides an incentive for our executives to increase our performance with respect to these measures, and in turn increase stockholder value. This combination additionally limits the incentive for executives to take undue risk to maximize their incentive compensation. Incentive bonuses are established, adjusted and given final approval by the Compensation Committee, which has full discretion as to whether or not to award a given bonus. For 2016, incentive bonuses were established based upon Adjusted EBITDA goals. We define Adjusted EBITDA, a non-GAAP measure, as net income before net interest expense, income tax provision, depreciation and amortization expense and amortization of intangible assets, plus share-based compensation expense, impairment loss and restructuring costs. A reconciliation of Adjusted EBITDA to net income is provided in our Annual Report on Form 10-K.

Target incentive bonuses for our executive officers were established at 30% to 80% of their respective annual base salaries in alignment with Compensia's report for fiscal year 2016, with Mr. Evangelist's target bonus set at 80% of his base salary, Mr. Watanabe's target bonus and Mr. Coleman's target bonus each set at 50% of his respective base salary, and Mr. Eisler's target bonus set at 30% of his base salary. Notwithstanding the foregoing, each named executive officer was granted performance based restricted stock units ("PRsUs") in lieu of target cash bonus eligibility representing each executive's target bonus for fiscal 2016. The Company's target Adjusted EBITDA goal for an executive to receive a full payout of the PRsU award was \$13.3 million for fiscal 2016, and the Company's minimum Adjusted EBITDA goal for an executive to receive a fifty percent payout of the PRsU award was \$11.9 million. No PRsUs would have been earned had the Company not achieved its minimum Adjusted EBITDA goal. The actual number of PRsUs earned by the named executive officer was assessed on a linear basis by the Compensation Committee based on the degree to which the Company achieved its Adjusted EBITDA goal for 2016. Vesting of the PRsUs was also contingent on the executive providing continued service through the Compensation Committee's determination date. Each PRsU eligible to be earned was to be settled in one share of the Company's common stock. Each named executive officer was also eligible to receive a cash bonus award but only to the extent the Company achieved in excess of the Company's target Adjusted EBITDA goal of \$13.3 million for fiscal 2016. The amount of cash earned by the named executive officer was assessed by the Compensation Committee based on the degree to which the Company outperformed its target Adjusted EBITDA goal for 2016.

For fiscal 2016, the Company achieved \$14.0 million in Adjusted EBITDA representing an approximately forty percent (40%) increase over the prior year. As a result, the PRsUs vested in full on March 3, 2017, the date the

Compensation Committee certified that the target Adjusted EBITDA goals were met. In addition, because the Company exceeded its target Adjusted EBITDA for fiscal 2016, each named executed officer was also awarded a cash bonus as set forth below:

19

---

NAME AND TITLE	BONUS PAID/GRANTED	
	CASH (1)	STOCK (2)
Shane Evangelist (3) Chief Executive Officer	\$ 44,789	\$ 347,799
Neil Watanabe Chief Financial Officer	\$ 19,661	\$ 151,280
Aaron E. Coleman (3) President and Chief Operating Officer	\$ 20,656	\$ 158,939
David Eisler Vice President, General Counsel	\$ 9,376	\$ 72,149

(1) The amounts shown represent the named executive officer's cash bonus awarded in excess of the named executive officer's target bonus award for fiscal 2016 under the Company's incentive bonus plan.

(2) The amounts shown represent the PRSUs granted in respect of the named executive officer's target bonus award for fiscal 2016. The aggregate grant date fair value of the restricted stock unit awards as computed in accordance with FASB ASC Topic 718. Fair value is calculated using the closing price on the grant date (\$2.64) as if these awards were vested and issued on the grant date. See also our discussion of share-based compensation under "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates" and "Note 7 to the Consolidated Financial Statements - Stockholders Equity and Share-based Compensation" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

(3) Mr. Evangelist resigned as Chief Executive Officer on March 30, 2017 and Mr. Coleman, the Company's President and Chief Operating Officer, was appointed as Chief Executive Officer following his resignation.

#### Long-Term Equity Compensation

We believe that long-term performance of the Company is achieved through an ownership culture that encourages long-term performance by our executive officers through the use of equity-based awards, and have established equity incentive plans to provide our employees, including our executive officers, with incentives to help align those employees' interests with the interests of stockholders. We do not have specific ownership percentage requirements for our executive officers, but in making additional awards, the Compensation Committee takes into consideration the ownership percentages of the executive officers of our peer group companies, as well as the balance between vested and unvested options and restricted stock unit awards held by the executive. All grants are made at the fair market value of the Company's stock on the date of grant. Our Chief Executive Officer makes recommendations on equity awards to the Compensation Committee except with respect to his own equity awards which recommendations are made by the Chairman of the Compensation Committee. Following recommendation, the Compensation Committee considers the proposed grants. Annual grants for executives are generally reviewed in January of each year. If the hire date of an employee who is not an executive officer does not occur at the time of a Compensation Committee meeting, we may credit the employee with vesting time retroactive to hire date, but the exercise price of the option is always equal to the fair market value on the date of grant, no matter the vesting schedule. Initial grants for executive officer options are generally granted at the time of hire.

From time-to-time, we may grant equity based awards that vest based on the achievement of certain operational performance goals, which we believe help create incentives to help align our employees' interests with the interests of stockholders. If such operational performance or goal is not met, then such awards would be forfeited. From time to time, we may also grant restricted stock units that vest based on continued service through a future service date with the Company to further promote retention of key employees. The awards have no value to the executive unless the executive remains employed with the Company for the full vesting period, and will be canceled if the executive terminates or retires within the vesting



period. In 2016, Mr. Coleman was granted a restricted stock unit award under the Company's 2007 Omnibus Incentive Plan covering 187,266 shares of the Company's common stock. The restricted stock unit represents the right to receive shares of the Company's common stock only when, and with respect to the number of shares, which have vested. The restricted stock unit will become fully-vested on January 21, 2018, subject to Mr. Coleman's service to the Company through such date, provided, however, that if Mr. Coleman is terminated without cause or resigns for good reason (as defined under Mr. Coleman's employment agreement) prior to January 21, 2018, then the restricted stock unit would become fully-vested on the date of such earlier termination or resignation.

Equity awards are a critical component of our compensation philosophy, the focal point of which is to increase long-term stockholder value. We believe stock options and restricted stock unit awards help us achieve this objective in several important ways: by aligning the employees' interests with those of our stockholders, by motivating employees' performance toward our long term success and by encouraging our executives and employees who have received option grants to continue their employment with us.

Compensia's report for fiscal 2016 recommended the Company issue the named executive officer's equity compensation at market levels as a retentive measure and consistent with market practices. The Compensation Committee considered the amount of unvested equity, the Company's stock price, the executive's total potential equity ownership and individual performance, and market retention value based on peer group data. Based on those factors and the recommendation of Compensia, the Compensation Committee issued our named executive officers new annual stock option awards during fiscal 2016 in addition to the PRSUs referenced under "-Annual Incentive Bonuses" above.

Equity compensation granted to the named executive officers and its grant date fair values are presented in the compensation tables, below.

#### Other Compensation

The Compensation Committee may determine or the Chief Executive Officer may recommend from time to time that an executive officer has performed in a manner that should be rewarded with a "spot" or extraordinary bonus. No such bonuses were paid to executive officers in fiscal 2016. Finally, our executive officers are eligible to receive the same benefits, including non-cash group life and health benefits, as well as a Company match of 50% of contributions to the Company's 401(k) up to 6% of salary, that are available to all employees, plus a Company match of 50% of contributions to the Company's non-qualified deferred compensation plan up to 2% of salary. Certain additional benefits are also provided to some of our executives such as a car allowance and payment of health insurance premiums, but each on a case-by-case basis.

#### Likelihood of Compensation Structure to Encourage Excessive Risk Taking

After a thorough review of the Company's compensation policies as they apply to all employees and more specifically the executive officers, the Compensation Committee believes that the policies do not encourage unnecessary risk taking and the impact of risk that may be encouraged by the policies would not present a material adverse impact to the Company. We provide base salaries to provide stability and predictability of monthly income, and provide incentive cash or stock bonuses and long-term equity grants to encourage focus on profitability, growth and long term value of the Company.

#### Pension Benefits

We do not have any qualified or non-qualified defined benefit plans.

#### Non-Qualified Deferred Compensation

We have a non-qualified defined contribution plan that was established in January 2010; employees earning greater than \$120,000 are currently eligible to participate in the plan. The plan utilizes a rabbi trust for protection of its assets, although in the event of bankruptcy the plan could become a general unsecured creditor of the Company. Participants may contribute up to

90% of their annual base salary and up to 100% of bonus awards and the Company matches 50% of contributions up to 2% of salary.

#### Equity Compensation Plans

We have shares of our common stock reserved for future issuance under four equity compensation plans, the 2006 Equity Incentive Plan, the 2007 Omnibus Incentive Plan, the 2007 New Employee Incentive Plan, and the 2016 Equity Incentive Plan.

#### 2006 Equity Incentive Plan

Our 2006 Equity Incentive Plan (the “2006 Incentive Plan”) was adopted by our Board of Directors and approved by our stockholders in March 2006. A total of 4,365,340 shares of our common stock were previously reserved for issuance under the 2006 Incentive Plan. Under the 2006 Incentive Plan, we were authorized to grant to officers and other employees options to purchase shares of our common stock intended to qualify as incentive stock options, as defined under Section 422 of the Internal Revenue Code of 1986, and to grant to employees, consultants or independent advisors options that do not qualify as incentive stock options under the Internal Revenue Code. As of March 13, 2017, there were no options to purchase shares of common stock outstanding under the 2006 Incentive Plan.

#### 2007 Omnibus Incentive Plan

We adopted the 2007 Omnibus Incentive Plan (the “2007 Omnibus Plan”) in January 2007, which became effective on February 8, 2007, the effective date of the registration statement filed in connection with our initial public offering. Under the 2007 Omnibus Plan, the Company was previously authorized to issue 2,400,000 shares of common stock under various instruments plus an automatic annual increase on the first day of each of the Company’s fiscal years beginning on January 1, 2008 and ending on January 1, 2017 equal to (i) the lesser of (A) 1,500,000 shares of Common Stock or (B) five percent (5%) of the number of shares of Common Stock outstanding on the last day of the immediately preceding fiscal year or (ii) such lesser number of shares of Common Stock as determined by the Company’s board of directors. Options granted under the 2007 Omnibus Plan generally expire no later than ten years from the date of grant and generally vest over a period of four years. The exercise prices of all option grants are equal to 100% of the fair market value on the date of grant. The 2007 Omnibus Plan allows for the grant of options to purchase common stock to non-employee directors. During 2016, we granted an aggregate of 953,678 restricted stock units and 680,000 options to purchase share of common stock under the 2007 Omnibus Plan, which reduced the shares of common stock reserved for future issuance under the 2007 Omnibus Plan. As of March 13, 2017, 411,864 restricted stock units were outstanding under the 2007 Omnibus Plan and options to purchase 5,728,213 shares of our common stock were outstanding under the 2007 Omnibus Plan at a weighted average exercise price of \$2.72 per share. No shares are available for future grants under the 2007 Omnibus Plan following the Company’s adoption of the 2016 Equity Incentive Plan (the “2016 Incentive Plan”).

#### 2007 New Employee Incentive Plan

We adopted the 2007 New Employee Incentive Plan (the “2007 New Employee Plan”) in October 2007. Under the 2007 New Employee Plan, the Company was authorized to issue 2.0 million shares of common stock under various instruments solely to new employees. Options granted under the 2007 New Employee Plan generally expire no later than ten years from the date of grant and generally vest over a period of four years. The exercise price of all option grants must be equal to 100% of the fair market value on the date of grant. As of March 13, 2017, no options to purchase shares of our common stock or other equity awards were outstanding under the 2007 New Employee Plan. No shares are available for future grants under the 2007 New Employee Plan following the Company’s adoption of the 2016 Incentive Plan.

#### AutoMD 2014 Equity Incentive Plan

AutoMD, our former subsidiary which recently filed for dissolution, adopted the AutoMD 2014 Equity Incentive Plan (the “2014 AutoMD Plan”) in November 2014. Under the 2014 AutoMD Plan, AutoMD was authorized to issue up to 1,950,000 shares of common stock of AutoMD under various instruments solely to employees, consultants and directors of

AutoMD. Options granted under the 2014 AutoMD Plan generally expired no later than ten years from the date of grant and generally vested over a period of four years. The exercise price of all option grants was equal to 100% of the fair market value on the date of grant. AutoMD filed for dissolution in March 2017, and as a result, each of the 1,410,000 options to purchase shares of AutoMD common stock which were outstanding at that time were terminated in accordance with the 2014 AutoMD Plan.

#### 2016 Equity Incentive Plan

Our 2016 Incentive Plan was adopted by our Board of Directors in March 2016 and approved by our stockholders in May 2016. Subject to adjustment for certain changes in the Company's capitalization, the aggregate number of shares of the Company's common stock that may be issued under the 2016 Incentive Plan will not exceed the sum of (i) two million five hundred thousand (2,500,000) new shares, (ii) the number of unallocated shares remaining available for the grant of new awards under the Company's prior equity plans described above (the "Prior Equity Plans") as of the effective date of the 2016 Plan (which was equal to 3,894,000 shares as of May 31, 2016) and (iii) any shares subject to a stock award under the Prior Equity Plans that are not issued because such stock award expires or otherwise terminates without all of the shares covered by such stock award having been issued, that are not issued because such stock award is settled in cash, that are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required for the vesting of such shares, or that are reacquired, withheld (or not issued) to satisfy a tax withholding obligation in connection with an award or to satisfy the purchase price or exercise price of a stock award. In addition, the share reserve will automatically increase on January 1st of each year, for a period of nine years, commencing on January 1, 2017 and ending on (and including) January 1, 2026, in an amount equal to one million five hundred thousand (1,500,000) shares per year; however the Board of Directors of the Company may act prior to January 1st of a given year to provide that there will be no January 1st increase in the share reserve for such year or that the increase in the share reserve for such year will be a lesser number of shares of common stock than would otherwise occur pursuant the automatic increase.

Options granted under the 2016 Incentive Plan generally expire no later than ten years from the date of grant and generally vest over a period of four years. The exercise prices of all option grants are equal to 100% of the fair market value on the date of grant. The 2016 Incentive Plan allows for the grant of options to purchase common stock to non-employee directors. During 2016, we granted an aggregate of 320,000 options to purchase share of common stock under the 2016 Equity Incentive Plan, which reduced the shares of common stock reserved for future issuance under the 2016 Incentive Plan. As of March 13, 2017, 1,333,138 restricted stock units (including 470,159 PRSUs) were outstanding under the 2016 Equity Incentive Plan and options to purchase 760,000 shares of our common stock were outstanding under the 2016 Equity Incentive Plan at a weighted average exercise price of \$3.56 per share. As of March 13, 2016, 6,291,514 shares of our common stock are reserved for future issuance under the 2016 Equity Incentive Plan.

#### Employment Contracts and Termination of Employment and Change of Control Arrangements

##### Employment Agreements with Named Executive Officers

In February 2014, the Company amended and restated the Employment Agreements with Mr. Evangelist, the Company's then Chief Executive Officer, and Mr. Coleman, the Company's then Chief Operating Officer. In March 2015, the Company entered into an Employment Agreement with Neil Watanabe, the Company's Chief Financial Officer, and in June 2015, the Company entered into an Employment Agreement with David Eisler, the Company's VP, General Counsel. Pursuant to the Employment Agreements, the following provisions apply upon a termination of an executive officer's employment with the Company:

Upon an executive officer's termination or resignation for any reason, all stock options granted to such officer that are outstanding on the date of such termination or resignation shall remain exercisable until the earlier of (i) the expiration date set forth in the applicable stock option agreement or (ii) the expiration of one year measured from the date of such termination or resignation;



In the event of a death of a named executive officer or in the event an executive officer's employment is terminated by the Company without "cause" as defined in the Employment Agreement or such officer resigns for "good reason" as defined in the Employment Agreement, he will be entitled to severance benefits consisting of, among other things, (i) (x) in the case of Messrs. Evangelist, Watanabe and Coleman, continuation of annual base salary for a period of one year following termination (provided however that if Mr. Watanabe or Mr. Coleman obtain other employment, then their respective severance payment shall be reduced after the first six months of the severance period by any amounts received from their new employer for the balance of the severance period), and (y) in the case of Mr. Eisler, continuation of annual base salary for a period of six months following termination (provided however that if Mr. Eisler is terminated without cause or resigns for good reason in connection with a change in control, as defined in the 2007 Omnibus Plan, Mr. Eisler shall be entitled to a severance period of one year, provided further that that if Mr. Eisler obtains other employment, then his severance payment shall be reduced after the first six months of the severance period by any amounts received from his new employer for the balance of the severance period), (ii) any unpaid annual target bonus for the fiscal year prior to the year of such termination or resignation (in an amount equal to the bonus percentage accrued by the Company pursuant to generally accepted accounting principles), (iii) a pro-rated portion of his target bonus for the year in which his employment was terminated or he resigned (in an amount equal to the bonus percentage accrued by the Company pursuant to generally accepted accounting principles), and (iv) except in the case of death, reimbursement for his COBRA payments for health insurance benefits for a period of one year; and

In the event a named executive officer's employment is terminated by the Company without cause or such executive officer resigns for good reason within three months before, and ending twelve months following, a change in control, the vesting of all equity compensation awards, including all stock option awards, that are outstanding as of the date of such termination or resignation, shall accelerate in full (except with respect to any restricted stock units granted to such executive officer).

On March 30, 2017, Mr. Evangelist resigned as Chief Executive Officer and Mr. Coleman, the Company's President and Chief Operating Officer, was appointed as Chief Executive Officer following his resignation. In connection with Mr. Coleman's appointment as Chief Executive Officer, Mr. Coleman entered into an amended and restated employment agreement with the Company (the "Coleman Employment Agreement") which provided for the following amended terms to Mr. Coleman's compensation as approved by the Compensation Committee of the Board of Directors: (i) an increase in annual base salary to \$400,000, (ii) an increase in annual target bonus equal to 80% of Mr. Coleman's base salary under the Company's Annual Bonus Plan, and (iii) an increase in Mr. Coleman's automobile allowance to \$15,000 per year. The Coleman Employment Agreement also provides that in the event Mr. Coleman's employment is terminated by the Company without "cause" as defined in the Coleman Employment Agreement or he resigns for "good reason" as defined in the Coleman Employment Agreement, Mr. Coleman will be entitled to increased severance benefits consisting of an annual base salary for a period of one year following termination. The other terms of Mr. Coleman's employment with the Company remain unchanged.

#### Restricted Stock Unit Agreements with Named Executive Officers

In addition, the Company has previously granted restricted stock unit awards and performance based restricted stock unit awards to its named executive officers, pursuant to which the unvested portion of such awards accelerate in full in the event such executive officer's employment is terminated by the Company without cause or such executive officer resigns for good reason at any time.

#### AutoMD Stock Option Agreement with Mr. Evangelist

On February 16, 2015, AutoMD entered into a stock option agreement with Mr. Evangelist (the "AutoMD Option Agreement"), pursuant to which Mr. Evangelist received stock options to purchase 975,000 shares of common stock of AutoMD. Under the AutoMD Option Agreement, if Mr. Evangelist no longer provides service to AutoMD for any reason, all of his AutoMD stock options then outstanding on the date of such termination or resignation shall remain

exercisable until the

24

---

earlier of (i) the expiration date set forth in the applicable stock option agreement or (ii) the expiration of one year measured from the date of such termination or resignation. Notwithstanding the preceding sentence, and in lieu of the foregoing, if Mr. Evangelist no longer provides service to AutoMD as a result of a termination without cause (as defined under the 2014 AutoMD Plan) or a resignation for good reason (as defined in his employment agreement with the Company), all of his AutoMD stock options then outstanding on the date of such termination or resignation shall remain exercisable until the earlier of (i) the expiration date set forth in the applicable stock option agreement or (ii) the expiration of two years measured from the date of such termination or resignation.

In addition, under the AutoMD Option Agreement, upon a change in control of AutoMD (as defined in the 2014 AutoMD Plan), the vesting and exercisability of all of Mr. Evangelist's then unvested AutoMD stock options shall be accelerated in full.

AutoMD filed for dissolution in March 2017, and as a result, Mr. Evangelist's 975,000 options to purchase shares of AutoMD common stock were terminated in accordance with the 2014 AutoMD Plan.

#### Tax and Accounting Impact of Executive Compensation

Section 162(m) of the Internal Revenue Code limits the deductibility of executive compensation paid to the chief executive officer and to each of the three other most highly compensated officers of a public company (other than the chief financial officer) to \$1 million per year. However, compensation that is considered qualified "performance-based compensation" generally does not count toward the \$1 million deduction limit.

The Company annually reviews the compensation paid to its Chief Executive Officer and each of the three other most highly compensated officers to determine the deductibility of compensation under Section 162(m). Base salary, by its nature, does not qualify as performance-based under Section 162(m). The Company's grants of performance-based stock and annual cash bonus payments may qualify as performance-based compensation.

For 2016, the Company believes all compensation paid to its executives is fully deductible by the Company without regard to Code Section 162(m).

## Summary Compensation Table

The following table sets forth information regarding the compensation earned or awarded during the fiscal years ended December 31, 2016, January 2, 2016, and January 3, 2015 by our “named executive officers.”

Name and Title	Fiscal Year	Salary	Bonus (1)	Restricted Stock Awards(2)	Option Awards (3)	All Other Compensation (4)	Total
Shane Evangelist (5)	2016	435,689	44,789	347,799	108,075	39,752	976,104
Chief Executive Officer	2015	431,375	—	171,798	619,233(6)	39,220	1,261,616
	2014	425,000	—	645,644	237,740	37,739	1,336,123
Neil Watanabe (7)	2016	306,000	19,661	151,280	36,025	44,967	557,933
Chief Financial Officer	2015	300,000	—	140,401	385,619	30,489	856,509
			—				
Aaron Coleman (5)	2016	321,491	20,656	653,321	72,050	38,937	1,106,455
President and Chief Operating Officer	2015	315,188	—	78,453	59,735	38,209	491,585
	2014	306,375	—	448,905	148,558	36,617	940,585
David Eisler (8)	2016	243,225	9,376	72,149	36,025	12,642	373,417
VP, General Counsel	2015	235,000	—	34,935	164,079	5,538	439,552

(1) The amounts shown represent the cash bonus awards earned by the named executive officers for the fiscal year ended December 31, 2016 and payable on March 3, 2017.

(2) The amounts shown represent the aggregate grant date fair value of restricted stock awards as computed in accordance with FASB ASC Topic 718. Fair value is calculated using the closing price on the grant date as if these awards were vested and issued on the grant date. See also our discussion of share-based compensation under “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” and “Note 7 to the Consolidated Financial Statements - Stockholders Equity and Share-based Compensation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

(3) The amounts shown represent the aggregate grant date fair value of option awards as computed in accordance with FASB ASC Topic 718. For valuation assumptions, see our discussion of share-based compensation under “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” and “Note 7 to the Consolidated Financial Statements - Stockholders Equity and Share-based Compensation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

(4) The table below shows the components of “All Other Compensation” for the named executive officers.

(5) Mr. Evangelist resigned as Chief Executive Officer on March 30, 2017 and Mr. Coleman was appointed as Chief Executive Officer following his resignation.

(6) The amount shown for Mr. Evangelist’s 2015 option awards consist of \$89,603 of the Company’s options awarded under the 2007 Omnibus Incentive Plan and \$529,620 of AutoMD’s options awarded under the 2014 AutoMD Plan.

(7) Mr. Watanabe commenced his employment in March 2015. The amount reported in the “Salary” column for Mr. Watanabe reflects his prorated salary earned for 2015.

(8) Mr. Eisler commenced his employment in June 2015. The amount reported in the “Salary” column for Mr. Eisler reflects his prorated salary earned for 2015.

26

---

## Fiscal 2016 All Other Compensation Table

Name	Automobile Allowance	401(k) employer contribution	Deferred compensation, employer portion	Health insurance premiums and expenses	Total
Shane Evangelist	15,000	—	4,353	20,399	39,752
Neil Watanabe	12,000	4,582	3,055	25,330	44,967
Aaron E. Coleman	12,000	3,209	3,329	20,399	38,937
David Eisler	—	3,637	2,425	6,580	12,642

## Grants of Plan-Based Awards

All plan-based awards granted to our named executive officers during 2016 were non-qualified stock options or restricted stock unit awards granted under our 2007 Omnibus Plan. The exercise price per share of each option granted to our named executive officers is equal to the closing sales price of a share of our common stock, as reported by the NASDAQ Stock Market, on the date of the stock option grant. The per share amounts represent the grant date fair value of such option awards as computed in accordance with FASB ASC Topic 718. See also our discussion of share-based compensation under “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” and “Note 7 to the Consolidated Financial Statements - Stockholders Equity and Share-based Compensation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016. Grants made to our named executive officers during fiscal year 2016 were as follows:

Name	Award	Grant date	All Other Stock Awards (#)	All Other Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards (\$)
Shane Evangelist	(1)	1/21/16	131,742	—	—	347,799
	(2)	1/21/16	—	75,000	2.64	108,075
Neil Watanabe	(1)	1/21/16	57,303	—	—	151,280
	(2)	1/21/16	—	25,000	2.64	36,025
Aaron E. Coleman	(1)	1/21/16	60,204	—	—	158,939
	(3)	1/21/16	187,266	—	—	494,382
	(2)	1/21/16	—	50,000	2.64	72,050
David Eisler	(1)	1/21/16	27,329	—	—	72,149
	(2)	1/21/16	—	25,000	2.64	30,385

(1) This restricted stock unit award represents the PRSUs granted by the Company as part of the named executive’s 2016 annual incentive bonus. The PRSU award became fully-vested on March 3, 2017 in accordance with its terms.

(2) This option award shall vest 25% on the first anniversary of the grant date, and the remainder of which shall vest in equal monthly installments thereafter over the subsequent three years, subject to such executive’s service to the Company through such dates.

(3) This restricted stock unit award represents the retention restricted stock units granted to Mr. Coleman which shall become fully vested on January 21, 2018, subject to Mr. Coleman’s service to the Company through such date.



## Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of December 31, 2016. Except as otherwise indicated below, each award was granted under the 2007 Omnibus Plan and vests as to 25% of the shares underlying the option on the first anniversary of the grant date, with the remainder vesting in 36 equal monthly installments thereafter, subject in each case to such executive's continued service through such date.

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Exercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of shares of stock that have not vested (#)	Market value of shares of stock that have not vested (\$)(5)
Shane Evangelist	1/21/2016	—	75,000	2.64	1/20/2026		
	1/21/2016	—	—	—	—	131,742 (2)	463,732
	1/29/2015	35,973	39,063	2.29	1/28/2025		
	1/29/2015	468,480	506,520	(1) 1.00	1/28/2025		
	2/14/2014	141,666	58,334	2.03	2/13/2024		
	9/10/2013	174,106	40,179	0.99	9/09/2023		
	5/15/2008	250,000	—	3.72	5/14/2018		
	1/05/2009	500,000	—	1.59	1/04/2019		
Neil Watanabe	1/21/2016	—	—	—	—	57,303 (2)	201,707
	1/21/2016	—	25,000	2.64	1/20/2016		
	3/23/2015	146,562	188,438	2.18	3/22/2025		
	3/23/2015	—	—	—	—	30,000 (3)	105,600
Aaron E. Coleman	1/21/2016	—	50,000	2.64	1/20/2026	—	—
	1/21/2016	—	—	—	—	187,666 (4)	659,176
	1/21/2016	—	—	—	—	60,204 (2)	211,918
	1/29/2015	23,958	26,042	2.29	1/28/2025		
	9/10/2013	81,248	18,750	0.99	9/09/2023		
	2/14/2014	88,541	36,459	2.03	2/13/2024		
	1/05/2009	125,000	—	1.59	1/04/2019		
David Eisler	1/21/2016	—	25,000	2.64	1/20/2026	—	—
	1/21/2016	—	—	—	—	27,329 (2)	96,198
	6/23/2015	50,625	84,375	2.23	6/22/2025		

(1) Represents stock options to purchases shares of common stock of AutoMD under the 2014 AutoMD Plan, 25% of which vest on the first anniversary of the grant date, and the remainder of which will vest in equal monthly installments thereafter over three years. In March 2017, AutoMD filed a certificate of dissolution with the State of Delaware and such options were terminated in accordance with the terms of the 2014 AutoMD Plan.

(2) This restricted stock unit award represents the PRSUs granted by the Company as part of the named executive's 2016 annual incentive bonus. The PRSUs vested in full upon the determination of the Compensation Committee on March 3, 2017.

(3) The time-based restricted stock units vested in full on March 23, 2017.



(4) 100% of the time-based restricted stock units vest in full on the two year anniversary date of the grant subject to Mr. Coleman's service to the Company through such vesting date.

(5) The market value of the unvested restricted stock awards is calculated by multiplying the number of units by the closing price of our common stock at December 30, 2016 (the last trading day of the fiscal year), which was \$3.52.

28

---

## Option Exercises and Stock Vested in Fiscal 2016

The following table sets forth the number of shares acquired upon the vesting of common stock by each named executive officer during fiscal 2016. There were no option exercises by the named executive officers during fiscal 2016.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#) (1)	Value Realized on Vesting (\$) (1)(2)
Shane Evangelist	75,021	210,059
Neil Watanabe	34,404	96,331
Aaron Coleman	34,259	95,925
David Eisler	15,666	43,865

(1) The vesting represents the vesting of the RSU's granted by the Company as part of the named executive's 2015 annual incentive bonus. The value realized on vesting is determined by multiplying (x) the number of shares that vested during 2016, times (y) the closing price of our common stock on NASDAQ on the applicable vesting date.

(2) Includes shares cancelled to satisfy tax withholding obligations.

## Nonqualified Deferred Compensation

The following table shows for fiscal 2016 certain information regarding nonqualified deferred compensation benefits for the named executive officers:

Name	Executive Contributions in 2016	Company Contributions in 2016 (1)	Aggregate Earnings (Losses) in 2016 (2)	Aggregate Withdrawals / Distributions	Aggregate Balance at December 31, 2016 (3)
Shane Evangelist	\$ 8,706	\$ 4,353	\$ 6,644	14,560	\$57,203
Neil Watanabe	6,109	3,055	592	—	16,065
Aaron E. Coleman	9,628	3,329	2,662	11,081	44,424
David Eisler	4,850	2,425	483	—	11,002

(1) All Company contributions have also been included under "All Other Compensation" in the Summary Compensation Table above.

(2) Aggregate annual earnings have not been included in the Summary Compensation Table above.

(3) Aggregate balance for Mr. Watanabe includes \$3,588 which vests in March 2018 and the aggregate balance for Mr. Eisler includes \$2,457 which vests in June 2018.

The Board of Directors determined that it is appropriate for retention of our executives to implement a deferred compensation plan so that employees earning greater than \$120,000 annually could make contributions to their retirement in addition to those allowed under our 401(k) plan, which has required deferrals to be returned to certain employees who contributed more than 401(k) discrimination testing will allow under certain circumstances. The deferred compensation plan allows participants to defer as much as 90% of salary and 100% of any bonuses, and the Company matches 50% of any employee contributions, up to a maximum of 2% of salary and credited to the account at the end of each year. Company contributions vest over a 3-year period. The participant can elect to have contributions paid out at a date certain or upon retirement from the Company. Account balances can be paid out in lump sum or installments upon retirement or disability of the participant, but lump-sum payouts are mandatory upon termination of employment or death; change of control; or an "in-service" or date certain payout. The plan is funded through the purchase of company owned life insurance through a rabbi trust, and each participant is granted a death benefit of 3 times his or her salary. Total participant deferrals and Company contributions into the plan were \$42,455 for the year ended December 31, 2016 including the amounts set forth in the table above.



## Potential Payments upon Termination or Change in Control

The table below describes the potential payments or benefits to our named executive officers upon termination of employment due to death or disability, a termination by us without cause, or a resignation by the executive officer with good reason, in each case, as if each executive's employment terminated as of December 31, 2016:

Name	Salary(1)	Bonus (1)(2)	RSU's (Accelerated Vesting)(3)	Options (Accelerated Vesting)(1)(4)(5)	Cobra(1)	Auto(1)	PTO	Deferred Compensation Plan(6)	Total
Shane Evangelist (7)	435,689	44,789	463,732	302,755	20,807	15,000	58,650	—	1,341,422
Neil Watanabe	306,000	19,661	307,307	274,507	24,000	12,000	8,238	3,588	955,301
Aaron E. Coleman (7)	321,000	20,656	871,094	177,857	20,807	12,000	43,278	—	1,466,692
David Eisler	243,225	9,376	96,198	130,844	6,712	—	7,016	2,457	495,828

See the terms of such named executive officer's employment agreement as further described under (1) "Executive Compensation and Other Information - Employment Contracts and Termination of Employment and Change of Control Arrangements - Employment Agreements with Named Executive Officers".

(2) Represents the accrued cash bonuses as of December 31, 2016 under the 2016 Annual Incentive Plan.

Calculated based on a share price of \$3.52, the closing price of our common stock on December 30, 2016 (the last trading day of the fiscal year). See "Executive Compensation and Other Information - Employment Contracts and

(3) Termination of Employment and Change of Control Arrangements - Restricted Stock Unit Agreements with Named Executive Officers" for additional information. The stock-based compensation expense recorded for financial statement reporting purposes may differ from the amount reported in this column.

Acceleration of Company options requires a termination without cause or resignation for good reason in connection with a change in control transaction. Calculated using the "in-the money" (intrinsic) value of options that would become exercisable on December 31, 2016 based on the fair market value of our common stock on that

(4) date by multiplying (i) the difference between \$3.52, the closing price of our common stock on December 30, 2016 (the last trading day of the fiscal year) and the applicable exercise price of each option, by (ii) the number of unvested and accelerated options. The stock-based compensation expense recorded for financial statement reporting purposes may differ from the amount reported in this column.

With respect to Mr. Evangelist, (i) the value of accelerated unvested stock option awards previously granted to Mr. Evangelist by the Company represents \$302,755; and (ii) the value of accelerated unvested stock option awards

(5) previously granted to Mr. Evangelist by AutoMD under the 2014 AutoMD Plan represents \$0 based on an AutoMD share price of \$1.00 per share as of December 31, 2016, which such acceleration of vesting could occur under certain circumstances in connection with a change in control transaction involving U.S. Auto Parts Network, Inc.

(6) Represents amounts under the Deferred Compensation Plan which would accelerate solely upon a change in control transaction.

(7) Mr. Evangelist resigned as Chief Executive Officer on March 30, 2017 and Mr. Coleman was appointed as Chief Executive Officer following his resignation.

### Director Compensation

The compensation and benefits for service as a member of the Board of Directors is determined by our Board of Directors. Directors employed by us or one of our subsidiaries are not compensated for service on the Board or on any committee of the Board; however, we reimburse each of our directors for any out-of-pocket expenses in connection with attending meetings of our Board of Directors and committees of the Board of Directors. Each of our non-employee directors, other than Mr. Khazani, are entitled to a fee of \$30,000 per year for his or her service as a director. Members of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee each receive an additional \$7,500, \$5,000 and \$2,500, respectively, per year for his or her service on such committee. The chairpersons of the Board, the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee receive an additional \$25,000, \$22,000, \$7,500, and \$5,000, respectively, per year for his or her service as chairperson for such committee.

Any non-employee director who is first elected to the Board of Directors will be granted an option to purchase 45,000 shares of our common stock on the date of his or her initial election to the Board of Directors. In addition, on the date of each annual stockholders meeting, each person who has served as a non-employee member of the Board of Directors for at least six months before the date of the stockholder meeting will be granted a stock option to purchase 20,000 shares of our common stock and our chairman of the Board will be granted an additional stock option to purchase 20,000 shares of our common stock for his service. These options will have an exercise price per share equal to the fair market value of our common stock on the date of grant and will vest over an approximate three year period, subject to the director's continuing service on our Board of Directors. These options will also immediately vest in full upon a change in control of the Company. The term of each option granted to a non-employee director shall be ten years. These options are currently granted under our 2016 Equity Incentive Plan.

### Director Stock Ownership Guidelines and Director Payment Election Plan

In June 2011, in an effort to further align directors' interests with those of shareholders and implementing best practices in corporate governance, the Company implemented guidelines for director share ownership. The stock ownership guidelines are for directors to own and maintain a minimum of \$100,000 of our stock (a multiple of 4 times the annual \$25,000 director retainer). Any new directors will have 3 years from the date of their initial election to the Board of Directors to comply.

In July 2011, the Board of Directors approved the Director Payment Election Plan which provides the directors with a convenient mechanism to acquire stock to comply with the director stock ownership guidelines. Each year the Director Payment Election Plan allows for a director to elect, beginning on the first day of the open trading window following the annual meeting of the Company's stockholders and ending on the last day of such open trading window, to receive, in lieu of cash, all or a specified percentage of all fees to be earned for serving on the Board of Directors in shares of the Company's common stock. The election shall be irrevocable for each applicable year. The Company will issue to each director who has elected to receive common stock, on the date fees become payable on a quarterly basis during the applicable year in accordance with the Company's normal payment practices, a number of shares of common stock equal to (i) the cash value of any fees otherwise payable to the director, divided by (ii) the closing sales price for the common stock on the applicable payment date. If the calculation would result in the issuance of any fractional share, the Company will, in lieu of issuing any fractional share, pay cash equal to the fraction multiplied by the closing sales price on the applicable payment date.

The following table sets forth a summary of the compensation earned in fiscal year 2016 by each person who served as a director during such year, who is not a named executive officer.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)(1)(2)	Total (\$)
Robert J. Majteles	\$70,453	\$105,435	\$175,888
Warren B. Phelps III	52,453	63,261	115,714
Joshua L. Berman	42,953	63,261	106,214
Barbara Palmer	32,953	63,261	96,214
Bradley E. Wilson	30,453	63,261	93,714
Jay K. Greyson	35,453	63,261	98,714
Fredric W. Harman (3)	—	—	—
Sol Khazani	—	—	—

(1) Stock options were granted pursuant to our 2016 Equity Incentive Plan. The amounts shown represent the aggregate grant date fair value of such option awards as computed in accordance with FASB ASC Topic 718. See also our discussion of share-based compensation under “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” and “Note 7 to the Consolidated Financial Statements - Stockholders Equity and Share-based Compensation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

(2) As of December 31, 2016, Mr. Majteles held 595,000 options, Mr. Berman held 255,000 options, Mr. Phelps held 255,000 options, Mr. Wilson held 115,000 options, Ms. Palmer held 115,000 options, and Mr. Greyson held 95,000 options, in each case, to purchase shares of the Company’s common stock.

(3) Mr. Harman resigned from the Company’s Board of Directors on March 30, 2017.

COMPENSATION COMMITTEE REPORT\*

The Compensation Committee has furnished the following report to the stockholders of the Company in accordance with rules adopted by the SEC. We have reviewed and discussed with the management of U.S. Auto Parts Network, Inc. the Compensation Discussion and Analysis to be included in the proxy statement on Schedule 14A for our 2017 Annual Meeting of Stockholders. Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in such proxy statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2016.

Submitted by the Compensation Committee  
of the Board of Directors:

Joshua L. Berman  
Robert J. Majteles  
Barbara S. Palmer

---

\* The material in this report is not “soliciting material,” is not deemed “filed” with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this proxy statement and without regard to any general incorporation language therein.

**OWNERSHIP OF SECURITIES BY  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table indicates information as of March 13, 2017 regarding the ownership of our common stock by:

- each person who is known by us to own more than 5% of our shares of common stock;
- each named executive officer;
- each of our directors and director nominees; and
- all of our directors and executive officers as a group.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 34,277,371 shares of common stock outstanding and 4,149,997 shares of Series A Convertible Preferred outstanding as of March 13, 2017 totaling 38,427,368 shares. Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. Shares subject to options that are exercisable within 60 days following March 13, 2017 are deemed to be outstanding and beneficially owned by the optionee for the purpose of computing share and percentage ownership of that optionee, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table, and as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

Name and Address of Beneficial Owners(1)	Number of Shares	Percentage of Shares Beneficially Owned
<b>5% Stockholders:</b>		
Oak Investment Partners XI, L.P.(2)	10,811,422	28.1%
Mehran Nia(3)	4,723,843	12.3
William Blair (4)	2,301,701	6.0
Sol Khazani(5)	2,539,671	6.6
Mina Khazani(6)	2,474,952	6.4
Lafitte Capital Management LP(7)	2,473,694	6.4
<b>Officers and Directors:</b>		
Shane Evangelist(8)	1,765,536	4.5
Neil Watanabe(9)	287,041	*
Aaron E. Coleman(10)	499,308	1.3
David Eisler(11)	92,804	*
Joshua L. Berman(12)	223,751	*
Jay K. Greyson(13)	61,636	*
Fredric W. Harman(2)	10,811,422	28.1
Sol Khazani(5)	2,539,671	6.6
Robert J. Majteles(14)	791,561	2.1
Barbara Palmer(15)	77,218	*
Warren B. Phelps III(16)	234,575	*
Bradley E. Wilson(17)	77,218	*
All directors and executive officers as a group (12 persons)(18)	17,461,741	42.2

\*Less than 1%.





The address for each of the officers and directors listed above, MehranNia and Mina Khazani is c/o U.S. Auto Parts Network, Inc. at 16941 Keegan Avenue, Carson, California 90746. The address for Oak Investment Partners XI, L.P. is 525 University Avenue, Suite 1300, Palo Alto, California 94301. The address for William Blair Investment Management, LLC is 222 W. Adams, Chicago, IL 60606. The address for Lafitte Capital Management LP is 701 Brazos, Suite 310, Austin, TX 78701.

(1) Based on a Schedule 13D filed with the SEC on March 11, 2016 and the Company's stockholder records, consists of (i) 9,333,485 shares of common stock, (ii) 1,379,310 shares of common stock issuable upon conversion of Series A Convertible Preferred Stock, and (iii) 98,627 shares of common stock issued in lieu of preferred stock dividends. Mr. Harman is a Managing Member of Oak Associates XI, LLC ("Oak Associates"), the general partner of Oak Investment Partners XI, L.P. ("Oak Partners"). Mr. Harman has shared power to vote and shared power to

(2) dispose of the US Auto Parts shares held by Oak Partners. The names of the parties who share power to vote and dispose of the shares held by Oak Partners with Mr. Harman are Bandel L. Carano, Ann H. Lamont, and Edward F. Glassmeyer, all of whom are Managing Members of Oak Associates. Mr. Harman, Bandel L. Carano, Ann H. Lamont, and Edward F. Glassmeyer each disclaims beneficial ownership of the shares held by Oak Partners, except to the extent of each such person's pecuniary interest therein. Mr. Harman resigned as a director of the Company on March 30, 2017.

Based on a Schedule 13G filed with the SEC on May 5, 2015 and the Company's stockholder records, consists of (i) 3,615,391 shares of Common Stock owned directly by the Nia Living Trust Established September 2, 2004 (the "Living Trust"), of which Mehran Nia and his spouse, FaribaNia, are co-trustees, (ii) 1,034,482 shares of

(3) Common Stock issuable upon conversion of Series A Convertible Preferred Stock owned by the Living Trust, and (iii) 73,970 shares of Common Stock issued in lieu of preferred stock dividends. Mehran Nia disclaims beneficial interest in the Living Trust except to the extent of his pecuniary interest therein.

Based on Schedule 13G's filed with the SEC on February 14, 2017, consists of 2,301,701 shares over which

(4) William Blair Investment Management, LLC has sole power to dispose or to direct the disposition of, and is thus deemed to beneficially own such shares.

Consists of (i) 1,956,211 shares of common stock owned directly by the Sol Khazani Living Trust Established June 1, 2007, of which Mr. Khazani is the sole trustee, (ii) 213,979 shares of common stock owned directly by the Sol Khazani Annuity Trust Established November 18, 2006, of which Mr. Khazani is the sole trustee, (iii) 24,654

(5) shares of common stock issued in lieu of preferred stock dividends, and (iv) 344,827 shares of common stock issuable upon conversion of Series A Convertible Preferred Stock. Mr. Khazani has shared power to vote or to direct the vote of and the shared power to dispose or to direct the disposition of shares in the aggregate, and is thus deemed to beneficially own such shares, in his capacity as trustee of several trusts. Mr. Khazani additionally shares the right to receive dividends from, and the proceeds from the sale of, the shares.

Based on the Company's stockholder records, consists of (i) 1,366,500 shares of common stock owned directly by the Mina Khazani Living Trust, Dated May 30, 2007, of which Ms. Khazani is the sole trustee, (ii) 73,970 shares of common stock issued in lieu of preferred stock dividends, and (iii) 1,034,482 shares of common stock issuable

(6) upon conversion of Series A Convertible Preferred Stock. Ms. Khazani has shared power to vote or to direct the vote of and the shared power to dispose or to direct the disposition of shares in the aggregate, and is thus deemed to beneficially own such shares, in her capacity as trustee the trust. Ms. Khazani additionally shares the right to receive dividends from, and the proceeds from the sale of, the shares.

Based on a Schedule 13G filed with the SEC on February 13, 2017, Lafitte Capital Management LP has sole power to vote or to direct the vote of and sole power to dispose or to direct the disposition of 2,473,694 shares,

(7) and is thus deemed to beneficially own such shares. Lafitte Capital Management LP is the investment manager of certain private funds and other accounts and has the power to vote and dispose of the shares. Lafitte Capital, LLC is the general partner of Lafitte Capital Management LP and its sole member is Bryant Regan.

Includes 1,170,385 shares issuable upon exercise of outstanding options which are exercisable as of March 13,

(8) 2017 or within 60 days after such date. Mr. Evangelist resigned as Chief Executive Officer and a director of the Company on March 30, 2017.

(9)

Includes (i) 182,291 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date, and (ii) 30,000 restricted stock units which are subject to vesting within 60 days of March 13, 2017.

(10) Includes 359,371 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date.

(11) Includes 69,687 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date.

(12) Includes (i) 217,218 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date, and (ii) 357 restricted stock units which are subject to vesting within 60 days of March 13, 2017.

Includes (i) 55,272 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date, and (ii) 357 restricted stock units which are subject to vesting within 60 days of March 13, 2017.

Consists of (i) 121,612 shares of common stock, (ii) 150,000 shares of common stock issuable upon conversion of Series A Convertible Preferred Stock, (iii) 10,721 shares of common stock issued in lieu of preferred stock dividends, (iii) 514,436 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date, and (iv) 1,404 restricted stock units which are subject to vesting within 60 days of March 13, 2017.

Includes 77,218 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date.

Includes (i) 217,218 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date, and (ii) 357 restricted stock units which are subject to vesting within 60 days of March 13, 2017.

Includes 77,218 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date.

Includes (i) 1,874,137 shares of common stock issuable upon conversion of Series A Convertible Preferred Stock, (ii) 2,939,314 shares issuable upon exercise of outstanding options which are exercisable as of March 13, 2017 or within 60 days after such date, and (iii) 32,475 restricted stock units which are subject to vesting within 60 days of March 13, 2017. Mr. Evangelist resigned as Chief Executive Officer of the Company on March 30, 2017 and Messrs. Evangelist and Harman each resigned as a director of the Company on March 30, 2017.

#### EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information with respect to all of our equity compensation plans in effect as of December 31, 2016:

	Number of securities to be issued upon exercise of outstanding options and awards (a)	Weighted-average exercise price of outstanding options and awards (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 security holders:	7,065,326	\$ 2.81	6,306,536	(1)
Equity compensation plans not approved by security holders:	—	—	—	
Total	7,065,326	\$ 2.81	6,306,536	

(1) Represents securities available for issuance under the 2016 Equity Incentive Plan.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since January 2, 2016, except as set forth below, there has not been, nor is there any proposed transaction where we were or will be a party in which the amount involved exceeded or will exceed \$120,000 and in which any director, director nominee, executive officer, holder of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than the compensation agreements and other agreements and transactions which are described in "Executive Compensation

and Other Information”.

36

---

#### Policies and Procedures for Related Party Transactions

Pursuant to the written charter of our Audit Committee adopted in January 2007, our Audit Committee is responsible for reviewing and approving all related party transactions and potential conflict of interest situations involving a principal stockholder, a member of the Board of Directors or senior management. In addition, our company policies require that our officers and employees avoid using their positions for purposes that are, or give the appearance of being, motivated by a desire for personal gain, and our policies further require that all officers and employees who have authority to initiate related party transactions provide a written report, on a quarterly basis, of all activities which could result in a conflict of interest or impair their professional judgment. All such written reports concerning related party transactions or conflicts of interest are submitted to, and reviewed by, our Chief Financial Officer and our Audit Committee.

#### Related Party Transactions

AutoMD. On March 3, 2017, AutoMD, a majority owned subsidiary of the Company, entered into a Dissolution Agreement with Oak Investment Partners XI, Limited Partnership (“Oak”) and the Sol Khazani Living Trust (the “Trust”), pursuant to which AutoMD redeemed 1,500,000 and 500,000 shares its common stock, respectively, for a purchase price of \$895,500 and \$298,500, respectively. In connection with the Dissolution Agreement, each of the prior investor agreements entered into between AutoMD, and Oak and the Trust, were terminated. Fredric W. Harman and Sol Khazani, each a director of the Company at the time of the transaction, are affiliated with Oak and the Trust, respectively. Mr. Harman subsequently resigned as a director of the Company on March 30, 2017. In accordance with the Company’s policies and procedures for related party transactions, the Audit Committee approved the transaction prior to AutoMD entering into the Dissolution Agreement.

Indemnification Agreements. The Company has entered into indemnification agreements with the Company’s directors and executive officers. These agreements require the Company to indemnify these individuals to the fullest extent permitted under law against liabilities that may arise by reason of their service to the Company, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. The Company also intends to enter into indemnification agreements with the Company’s future directors and executive officers.

#### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the federal securities laws, our directors and officers and any persons holding more than 10% of our common stock are required to report their ownership of our common stock and any changes in that ownership to the SEC on Section 16(a) forms. Specific due dates for these reports have been established, and we are required to report in this proxy statement any failure to file by these dates. Based solely on our review of copies of the reports on the Section 16(a) forms received by us with respect to the fiscal year ended December 31, 2016 and representations from the reporting persons that no other reports were required, we believe that all directors, executive officers and persons who own more than 10% of our common stock have complied with the reporting requirements of Section 16(a) and have filed all reports required by such section.

#### ANNUAL REPORT

A copy of our annual report on Form 10-K for the fiscal year ended December 31, 2016 (excluding the exhibits thereto) accompanies the proxy materials being mailed to all stockholders. The Annual Report is not incorporated into this proxy statement and is not considered proxy solicitation material. Stockholders may obtain a copy of the Annual Report and any of our other filings with the SEC, without charge, by writing to our Corporate Secretary, U.S. Auto Parts Network, Inc., 16941 Keegan Avenue, Carson, California 90746. The annual report on Form 10-K (including the exhibits thereto) is also available on the SEC’s website at [www.sec.gov](http://www.sec.gov).

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 11, 2017**

**AT THE OFFICES OF THE COMPANY LOCATED AT  
16941 KEEGAN AVENUE, CARSON, CA 90746**

This proxy statement and our annual report on Form 10-K for the year ended December 31, 2016 are also available at <http://investor.usautoparts.net>. We encourage you to access and review all of the important information contained in the proxy materials before voting. To obtain directions to be able to attend the shareholder meeting and vote in person, please contact our Corporate Secretary, at our principal executive offices at 16941 Keegan Avenue, Carson, California 90746 or by calling us at (424) 702-1455. You will also be required to register for the meeting at [proxyvote.com](http://proxyvote.com) to attend the meeting in person.

**ADDITIONAL INFORMATION**

**Deadline for Receipt of Stockholder Proposals or Nominations**

Stockholders may present proposals for action at a future meeting or nominate persons for the election of directors only if they comply with the requirements of the proxy rules established by the SEC and our bylaws. Pursuant to Rule 14a-8 of the Exchange Act, some stockholders proposals may be eligible for inclusion in our proxy statement for the 2018 Annual Meeting of Stockholders (the "2018 Annual Meeting"). Stockholder proposals that are intended to be presented at our 2018 Annual Meeting and included in the proxy statement, form of proxy and other proxy solicitation materials related to that meeting must be received by us not later than December 6, 2017.

If a stockholder wishes to submit a proposal which is not intended to be included in our proxy statement under Rule 14a-8 of the Exchange Act, or wishes to nominate a person as a candidate for election to the Board, the stockholder must submit the proposal or nomination between February 10, 2018 and March 12, 2018. If the date of the 2018 Annual Meeting is advanced by more than 30 days or delayed (other than as a result of adjournment) by more than 60 days from the anniversary date of the 2018 Annual Meeting of Stockholders (a situation that we do not anticipate), the stockholder must submit any such proposal or nomination not earlier than the 90th day before the 2018 Annual Meeting and not later than the close of business on the later of (i) the 60th day before the 2018 Annual Meeting and (ii) the 10th day following the day on which public announcement of the date of such meeting is first made.

Stockholders are advised to review our bylaws which contain these advance notice requirements with respect to advance notice of stockholder proposals and director nominations.

In addition, with respect to any proposal that a stockholder presents at the 2018 Annual Meeting that is not submitted for inclusion in our proxy materials pursuant to Rule 14a-8 under the Exchange Act, the proxy solicited by the Board of Directors for such annual meeting will confer discretionary voting authority to vote on such stockholder proposal to the extent permitted under Rule 14a-4 under the Exchange Act.

Stockholder proposals must be in writing and should be addressed to our Corporate Secretary, at our principal executive offices at 16941 Keegan Avenue, Carson, California 90746. It is recommended that stockholders submitting proposals direct them to our Corporate Secretary and utilize certified mail, return receipt requested, in order to provide proof of timely receipt. The Chairman of the Annual Meeting reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements, including conditions set forth in our bylaws and conditions established by the SEC.

**Stockholders Sharing the Same Address**

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Annual Meeting materials with respect to two or more stockholders sharing the same address by delivering a single copy of Annual Meeting materials to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.





This year, a number of brokers with account holders who are stockholders will be “householding” the Company’s proxy materials. A single copy of the Annual Meeting materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in “householding” and would prefer to receive a separate copy of the Annual Meeting Materials, please notify your broker or the Company. Direct your written request to U.S. Auto Parts Network, Inc., Attn: Corporate Secretary, 16941 Keegan Avenue, Carson, CA 90746 or contact the Company by telephone at (424) 702-1455. Stockholders who currently receive multiple copies of the Annual Meeting Materials at their addresses and would like to request “householding” of their communications should contact their brokers.

#### OTHER BUSINESS

The Board of Directors is not aware of any other matter which will be presented for action at the Annual Meeting other than the matters set forth in this proxy statement. If any other matter requiring a vote of the stockholders arises, it is intended that the proxy holders will vote the shares they represent as the Board of Directors may recommend. The enclosed proxy grants the proxy holders discretionary authority to vote on any such other matters properly brought before the Annual Meeting.

By Order of the Board of Directors  
Aaron Coleman  
Chief Executive Officer





## Edgar Filing: TURKCELL ILETISIM HIZMETLERI A S - Form 20-F/A

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date KEEP THIS PORTION FOR YOUR RECORDS DETACH AND RETURN THIS PORTION ONLY TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. E26726-P86464 !!! !!! !!! For All Withhold All For All Except For Against Abstain To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below. V.1.1 U.S. AUTO PARTS NETWORK, INC. ATTN: DAVID EISLER 16941 KEEGAN AVENUE CARSON, CA 90746 VOTE BY INTERNET - www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. VOTE IN PERSON If you are a stockholder of record, you may vote in person at the meeting by requesting a ballot. To attend the meeting, go to the "Register for Meeting" link at www.proxyvote.com. Please note that you will need to print your admission ticket and bring a valid photo ID to attend the Annual Meeting. U.S. AUTO PARTS NETWORK, INC. 3. An advisory (non-binding) vote regarding the approval of the compensation of our named executive officers, or the Say-on-Pay Proposal. 2. Ratification of the appointment of RSM US LLP, an independent registered public accounting firm, as independent auditors of the Company for fiscal year ending December 30, 2017. 4. An advisory (non-binding) vote regarding the approval of the frequency of stockholder votes on the compensation of our named executive officers, or the Say-on-Pay Frequency Proposal. NOTE: Such other business, if any, as may properly come before the Annual Meeting, or any adjournment, postponement or extension thereof. Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer. 01) Joshua L. Berman 02) Sol Khazani 03) Robert J. Majteles 1. Election of the following Class II Directors Nominees: The Board of Directors recommends you vote FOR the above nominees, FOR proposals 2 and 3, and FOR 3 years for proposal 4. !!! 3 Years 1 Year 2 Years Abstain

---





## Edgar Filing: TURKCELL ILETISIM HIZMETLERI A S - Form 20-F/A

E26727-P86464 V.1.1 Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Annual Report and Notice and Proxy Statement are available at [www.proxyvote.com](http://www.proxyvote.com). If you plan to attend the meeting in person, please register and print an admission ticket in advance at [proxyvote.com](http://proxyvote.com), following the instructions set forth in the proxy statement. You will need the 16-digit control number printed on the other side of this proxy card. Questions? Please contact us at 1-424-702-1455. Continued and to be signed on reverse side U.S. AUTO PARTS NETWORK, INC. Annual Meeting of Stockholders May 11, 2017 9:00 AM, PDT This proxy is solicited by the Board of Directors The stockholder(s) hereby appoint(s) Aaron Coleman and David Eisler, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Series A Convertible Preferred Stock and/or Common Stock of U.S. AUTO PARTS NETWORK, INC. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 9:00 AM, PDT on May 11, 2017, at U.S. Auto Parts Network, Inc., 16941 Keegan Ave., Carson, CA 90746, and any adjournment or postponement thereof. This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

---

