

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**AMENDMENT NO. 2**  
**TO**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
*UNDER*  
**THE SECURITIES ACT OF 1933**

**Fenix Parts, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**5010**  
(Primary Standard Industrial Classification Code Number)

**46-4421625**  
(I.R.S. Employer Identification Number)

**One Westbrook Corporate Center, Suite 920**  
**Westchester, Illinois 60154**  
**(630) 480-6413**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Kent Robertson**  
**Chief Executive Officer**  
**Fenix Parts, Inc.**  
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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

| Title of each class of securities to be registered  | Amount to be registered(1) | Proposed maximum offering price per share | Proposed maximum aggregate offering price(2) | Amount of registration fee(3) |
|---|----------------------------|---|--|-------------------------------|
| Common Stock, \$0.001 par value per share . . . . . | 12,650,000                 | \$11.00                                   | \$139,150,000                                | \$16,170.00                   |

(1) Includes shares of common stock that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

(3) Of this amount, \$11,620.00 was previously paid in connection with the initial filing of this Registration Statement on April 8, 2015. The aggregate filing fee of \$16,170.00 is being offset by the amount previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall hereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

## 11,000,000 Shares



## Common Stock

### \$ Per Share

Fenix Parts, Inc. was founded in January 2014 to acquire eight companies engaged in the recycling and resale of automotive products and has conducted no recycling or resale operations to date. This is the initial public offering of our common stock. We anticipate that the public offering price of our common stock will be between \$9.00 and \$11.00 per share.

Prior to this offering, there has been no public market for our common stock. We have applied to list our common stock on the Nasdaq Global Market under the symbol "FENX."

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

**Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 13.**

|   | Per Share | Total |
|---|-----------|-------|
| Public offering price                           | \$        | \$    |
| Underwriting discount(1)                        | \$        | \$    |
| Proceeds, before expenses, to Fenix Parts, Inc. | \$        | \$    |

(1) We have agreed to reimburse the underwriters for certain FINRA-related expenses. See "Underwriting."

To the extent that the underwriters sell more than 11,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,650,000 shares from us at the public offering price less the underwriting discount.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares of common stock to the purchasers on \_\_\_\_\_, 2015.

*Joint Book-Running Managers*

**BMO Capital Markets**

**Stifel**

*Co-managers*

**BB&T Capital Markets**

**Barrington Research**

## FENIX PARTS FACILITIES

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## FENIX PARTS REGIONAL NETWORKS

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**You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us or on our behalf. We have not, and the underwriters have not, authorized anyone to provide you with any additional information or information that is different. This prospectus may be used only where it is legal to sell these securities. You should assume that the information in this prospectus is accurate only as of the date of this prospectus.**

**No action is being taken in any jurisdiction outside the United States to permit a public offering of these securities or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of the prospectus applicable to that jurisdiction.**

“Fenix,” “Fenix Parts, Inc.” and “fenixparts.com” are trademarks and are the property of Fenix Parts, Inc. All other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners.

## SUMMARY

*This summary highlights information contained elsewhere in the prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should read and carefully consider this entire prospectus before making an investment decision, especially the information presented under the headings “Risk Factors,” “Cautionary Disclosure Regarding Forward-Looking Statements” and “Selected Financial Data.”*

*Concurrently with the closing of this offering, we plan to acquire in separate acquisitions eleven corporate entities that conduct eight businesses: (i) Don’s Automotive Mall, Inc. (“Don’s”), (ii) Eiss Brothers, Inc. (“Eiss Brothers”), (iii) Gary’s U-Pull It, Inc. (“Gary’s”), (iv) Green Oak Investments LLC dba GO Auto Recycling (“GO Auto”), (v) Horseheads Automotive Recycling, Inc. (“Horseheads”), (vi) Jerry Brown, Ltd. (“Jerry Brown”), (vii) Leesville Auto Wreckers, Inc. (“Leesville”) and (viii) Standard Auto Wreckers, Inc. and its three Canadian affiliates (collectively, “Standard”). We collectively refer to these transactions as the “Combinations,” and all of these companies are collectively referred to as the “Founding Companies.” The Founding Companies will be acquired for cash, or cash and shares of our common stock, or, in the case of the three Canadian affiliates of Standard Auto Wreckers, Inc., cash and shares of our subsidiary. A portion of the net proceeds from this offering will be used to pay the cash portion of the consideration in the Combinations. We will not close the acquisition of any of the Founding Companies unless we close the acquisition of all of the Founding Companies. Furthermore, the closing of the Combinations and this offering are conditioned on the closing of each other. The description of our business that follows assumes that the Combinations have occurred and the operations of the Founding Companies have been combined. See “Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies.”*

Unless otherwise indicated by the context, references to “Fenix” refer to Fenix Parts, Inc. solely, and references to the “Company,” “our,” “we,” “us” and similar terms refer to Fenix Parts, Inc., together with the Founding Companies, after giving effect to the Combinations.

For accounting and reporting purposes, Fenix has been identified as the accounting acquirer of each of the Founding Companies. Don’s, Gary’s and Horseheads (collectively, the “Beagell Group”) have historically been under common control and on a combined basis have been identified as an accounting co-predecessor to the Company. Standard’s members (Standard Auto Wreckers, Inc., End of Life Vehicles Inc., Goldy Metals Incorporated and Goldy Metals (Ottawa) Incorporated) are entities that have historically been under common control and on a combined basis have also been identified as an accounting co-predecessor to the Company.

### **Our Company**

We are a leading recycler and reseller of original equipment manufacturer (“OEM”) automotive products. Fenix was founded in January 2014 to combine our eight Founding Companies and create a network that offers sales, fulfillment and distribution in key regional markets in the United States and Canada. Our Founding Companies have been in business an average of 25 years and operate from 13 locations. Our primary business is auto recycling, which is the recovery and resale of OEM parts, components and systems (referred to as “products”) reclaimed from damaged, totaled or low value vehicles. Our customers include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers.

We provide customers with high quality recycled OEM products, extensive inventory and product availability, responsive customer service and fast delivery. Upon receipt of vehicles, which we primarily purchase at auto salvage auctions, we inventory and then dismantle the vehicles and sell the recycled components. We operate a hub and spoke distribution network allowing us to efficiently move products among our locations and expedite delivery to our customers. We also generate a portion of our revenue from the sale of

aftermarket parts, and from the sale as scrap of the unusable parts and materials. For the year ended December 31, 2014, the Company generated unaudited pro forma revenues, Adjusted EBITDA and net loss of \$108.2 million, \$3.4 million and \$3.9 million, respectively. For a reconciliation of net income to Adjusted EBITDA, which is a non-GAAP financial measure, see “Selected Financial Data—Use of Non-GAAP Financial Measurements.”

The recycled OEM products that we sell include mechanical parts used to repair or replace worn or damaged components, such as engines and transmissions, and collision repair parts used to repair vehicles typically involved in a collision, such as door assemblies, trunk lids, lights, fenders and other products. These products are “insurance quality,” which means of a quality that is acceptable for use in a repair paid for by an insurance company. Many consumers and repair facilities use recycled OEM products because they are less expensive than new OEM products and are perceived to be of higher quality and fit than products made by non-OEM manufacturers, known as aftermarket products. Recycled OEM products often are sold as assemblies, which shorten repair times and help reduce labor costs. In addition, insurance companies are increasingly influencing repair facilities to use recycled OEM products as a lower cost alternative to new OEM products.

Typically, damaged, totaled or low value vehicles acquired by insurance companies are resold through auto salvage auctions. Because some insurance companies mandate that recycled OEM products be no older than the vehicle they are used to repair, the majority of the vehicles we acquire are not more than ten years old. We employ software-based inventory management systems to determine what vehicles to purchase and at what price, based upon our estimation of the demand for the products on the vehicle, the prices we can obtain for those products and the final scrap value of the vehicle.

We have nine full-service recycling facilities, concentrated in the Northeastern United States and Southeastern Canada. These locations include Binghamton, NY, Niagara Falls, NY, Pennsburg, PA, Rahway, NJ, Ottawa, Ontario, Port Hope, Ontario, Queensbury, NY, Watertown, NY and Jacksonville, FL. Concentration of our facilities provides significant advantages in distributing our products as well as in bidding for cars at auctions. Our full-service recycling facilities have a total of 62 bays for the dismantling of vehicles. In 2014, we dismantled and recycled over 12,500 vehicles and sold more than 450,000 parts and assemblies. Our full-service recycling facilities have approximately 500,000 square feet of indoor warehouse space and approximately 150 acres of total storage. Typically, we do not begin to process a vehicle until we have an order for a significant part at which point we process the entire vehicle, removing all resalable parts. Our facilities employ state-of-the art environmental systems for removing hazardous fluids prior to dismantling. We have four self-service locations, two of which are co-located with full-service facilities. Our self-service locations are in Binghamton, NY, Elmira, NY, Ottawa, Ontario and Scarborough, Ontario. At these locations, we allow retail customers to directly dismantle, recover and purchase recycled OEM products. Our self-service recycling facilities have approximately 40,000 square feet of indoor storage space and are situated on approximately 50 acres. Once each of our vehicles has been dismantled, we sell the remaining parts and materials as scrap.

Our customers include collision and mechanical repair shops, auto dealerships and individual retail customers. Competition for sales is based primarily on product availability and delivery times. Our ability to deliver insurance quality OEM products on a same or next day basis is a critical part of obtaining and retaining customers. Customers can go online or call our fulfillment centers to find and order our products. In order to increase the availability of our products, we maintain an extensive inventory. We apply a coordinated regional approach to our inventory management and distribution activities, which allows us to efficiently meet demand within the markets we serve. In 2014, this customer base exceeded 10,000 customers with no single OEM parts customer accounting for more than 1% of our combined OEM parts revenue, and no single customer accounting for more than 10% of our combined revenue.

Many of our Founding Companies have been operating for multiple generations of ownership and include leaders within the industry. The management of the Founding Companies provides significant industry experience,

including extensive buying and inventory expertise, strong customer and industry relationships, knowledge of the regulatory landscape and operational discipline. The operations managers of each of the Founding Companies will continue as members of our management team. See “Management.”

We have entered into agreements with the owners of each of the Founding Companies to combine their businesses. The aggregate consideration to be paid by Fenix in the Combinations, subject to adjustment and including, among other things, amounts held in escrow, amounts payable as bonuses and amounts payable for the reimbursement of certain capital expenditures by certain Founding Companies, consists of approximately \$93.2 million in cash, approximately 2.8 million shares of common stock, assuming a public offering price of \$10.00 or more, and approximately 1.2 million exchangeable preferred shares of our subsidiary, Fenix Parts Canada, Inc., assuming a public offering price of \$10.00 or more (collectively, the “Combination Consideration”). The cash portion of the Combination Consideration is generally subject to adjustment based upon the Founding Companies’ working capital on the closing date, capital expenditures during the six months preceding the closing of the Combinations and certain other factors. We estimate, based on December 31, 2014 balances, that the aggregate net adjustment for the cash portion of the Combination Consideration will be an increase of approximately \$6.7 million. The stock portion of the Combination Consideration is subject to adjustment based on the public offering price in this offering. The Combination Consideration was determined by arm’s length negotiations between Fenix and representatives of each Founding Company. Each of the owners of the Founding Companies has agreed not to sell their shares of our common stock for 180 days after the date of this prospectus, subject to certain exceptions. For a more detailed description of these transactions, see “Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies.”

## **Our Industry**

The Auto Care Association (“ACA”) estimates that the U.S. automotive aftermarket was approximately \$245.9 billion in 2014. We operate in the U.S. collision and mechanical repair products market, a subset of the U.S. automotive aftermarket. According to ACA, the U.S. collision and mechanical repair products market was approximately \$61.0 billion in 2014.

The automotive recycling industry is highly fragmented, with few multi-facility operators. According to the Automotive Recyclers Association (“ARA”), there are an estimated 9,000 vehicle recycling facilities in the United States and Canada. We believe that there is only one direct competitor with more than 1% market share within the automotive recycling industry, who we believe has market share of less than 10%.

The automotive recycling industry obtains its insurance quality recycled OEM products from damaged, totaled or low value vehicles purchased at salvage auctions. In 2014, there were over 300 salvage auctions in the U.S. and Canada at which over 2.5 million damaged, totaled or low value vehicles were sold on behalf of automobile insurance companies and other sellers to licensed buyers, such as the Company.

The industry’s direct customers are collision and mechanical shops that use recycled OEM products in vehicle repairs. The industry also indirectly serves insurance companies as they pay for the majority of repairs to insured vehicles and thus have significant influence over the repair process. As insurance companies seek more cost effective repair solutions, collision repair partners are utilizing more recycled OEM products due to their attractive value proposition. Presently, many major U.S. insurance companies are encouraging collision repair shops to reduce costs, thus influencing them to utilize recycled OEM products in the repair of damaged vehicles.

In addition, automotive recycling is considered environmentally responsible, or “green,” as more than 85% by weight of the materials from processed vehicles are typically reclaimed or recycled. We also believe that many environmentally conscious consumers will prefer a recycled product and over time government regulation will continue to favor environmentally friendly solutions.

## **Our Competitive Strengths**

### *Favorable Industry Dynamics*

We believe that demand for recycled OEM products is highly stable and marked by consistent long-term growth due to a number of favorable trends, including the number of vehicles on the road (commonly referred to as the “car parc”), the increasing miles driven and the number and age of drivers. Additionally, we believe the utilization of recycled OEM products over the last decade has continued to increase given the inherent favorable pricing and product availability of recycled OEM products relative to other replacement products.

### *Competitive Market Position*

Upon combining the Founding Companies, we believe that we will have the second largest network of automotive recycling companies in the northeast region of North America (U.S. and Canada) with nine full-service and four self-service recycling locations, two of which are co-located at existing full-service facilities. We believe the strength of our regional network, our customer relationships and our extensive inventory of insurance quality OEM products gives us a competitive advantage and creates high barriers to entry.

### *Extensive Inventory and Distribution Platform with Broad Customer Reach*

Our extensive inventory of insurance quality recycled OEM products and our distribution infrastructure give us the ability to help our customers reduce repair cycle time by delivering our products typically the same or next day. In order to increase the availability of our products, we maintain an extensive inventory and have developed a coordinated regional approach to inventory management and distribution. Our network enables us to reach three of the ten largest cities in North America by population. This customer base exceeds 10,000 customers with no single OEM parts customer accounting for more than 1% of our combined OEM parts revenue, and no single customer accounting for more than 10% of our combined revenue in 2014.

### *Dynamic Vehicle Procurement Process*

A critical component of our success and growth is our ability to identify and value the products that can be recycled on a vehicle. We have developed a scalable, data-driven approach, utilizing real-time sales and inventory information, which allows us to procure vehicles in a cost-efficient manner, optimize the dismantling process and profitably sell these products to our customers.

### *Deep Industry Expertise*

We benefit from the industry expertise and deep customer relationships that have been established at the Founding Companies over the course of their history as standalone businesses. Our key management personnel at the Founding Companies have served an average of 20 years in the automotive recycling industry and many have held senior leadership positions in key industry trade groups, such as the ARA.

### *Experienced Management Team*

Our senior management has significant experience operating and growing automotive and logistics-based businesses. Prior to joining Fenix, our Chief Executive Officer, Kent Robertson, held several senior leadership positions at Stericycle, Inc. (“Stericycle”), a national reverse logistics and regulated waste management company. Mr. Robertson had more than 20 years of experience managing multi-line decentralized distribution and services businesses at Stericycle and at American Medical Disposal, Inc., a company he co-founded in 1990, which was acquired by Stericycle in 2001. Under Mr. Robertson’s leadership, Stericycle successfully acquired and integrated over 70 acquisitions. Our Chief Financial Officer, Scott Pettit, has significant automotive industry, public company, acquisition and integration experience, including serving from 2001 to 2007 as the Chief Financial Officer of Insurance Auto Auctions, Inc. Our Executive Vice President, David Gold, was the President and a co-owner of Standard Auto Wreckers, Inc., one of our Founding Companies. A third-generation automobile recycler, Mr. Gold has over 20 years’ experience in our industry and is the President-elect of the ARA.



### *Attractive Financial Model*

We believe our highly variable cost structure, low requirements for capital expenditures (in 2014, our maintenance capital expenditures were less than 1% of pro forma revenues) and the stability of the collision and mechanical repair products market combine to enable our business to deliver strong results through a variety of business cycles. We believe that these factors will allow us to produce significant free cash flow and enable us to continue to fund our growth.

### *Organizational Structure*

We will operate on a decentralized basis with an emphasis on regional and local market execution supported by corporate coordination. Local management will continue to operate the businesses and leverage their relationships with customers and suppliers. At the same time, certain administrative functions will be centralized on a regional and, in certain circumstances, a national basis following this offering, including but not limited to corporate strategy and acquisitions, transactional processing, accounting support functions, marketing, systems support, insurance, human resources, information technology and environmental compliance. In addition, by combining overlapping operations of certain of the Founding Companies, we expect to achieve more efficient asset utilization.

### **Our Strategy**

We intend to pursue the following strategies to grow our business and enhance shareholder value:

#### *Enhance and Build our Network through Acquisitions*

The acquisition of other OEM automotive products recycling businesses is a key element of our strategy. This will increase our customer base, grow our distribution network and expand our inventory. There are currently an estimated 9,000 facilities in the automotive recycling industry, and we expect that there will continue to be an ample number of attractive acquisition candidates. We intend to actively pursue acquisitions to increase customer and route density within our network and expand into new geographic markets, using a disciplined approach to identify and evaluate acquisition candidates. Our goal is to complete between 10 and 15 acquisitions, ranging in size between \$5 million and \$10 million in revenue, in the near to mid term following the completion of this offering.

#### *Organically Grow Market Share and Unit Volume*

We have identified initiatives to increase vehicle processing throughput, inventory and product availability, thereby growing revenue, volume and market share. These initiatives include:

- *Expand Dismantling Capacity.* We operate over 62 dismantling bays within our full-service auto recycling facilities. We plan to add dismantling bays within our current facility structure to support inventory demand with minimal capital expense or regulatory involvement. We can also add shifts to increase dismantling utilization. We believe these initiatives will help us increase dismantling capacity and productivity, thereby increasing inventory and product availability.
- *Develop an Integrated Technology Platform.* We currently utilize third-party software solutions to support our business. We believe this software is sufficient for our current needs, but we intend to adopt an integrated technology platform to support our future growth. We believe that any associated cost would be offset through improvements in salvage vehicle procurement, production management, part pricing, inventory management, marketing, sales, logistics and compliance.
- *Enhance Sales Force Effectiveness.* We plan to maintain our sales specialists in their local markets to preserve high levels of service and existing customer relationships. We will also provide our sales force with enhanced training and additional resources to reach new markets and customers.

- *Expand our Logistics Capacity.* We will continue to expand our logistics capacity to meet the delivery expectations of our customers (typically the same or next day). We may invest in additional infrastructure, including trucks, employees or transfer hubs, to expand in existing markets and into adjacent markets.

#### *Increase our Margins and Enhance Operating Efficiencies*

We have identified certain best practices among our Founding Companies that improve salvage vehicle procurement and dismantling, enhance product delivery and maximize the value of end-of-life vehicles. We plan to implement these best practices across our network to improve the operating margins of our Company and any subsequently acquired businesses. Further, we believe an integrated operating platform within geographic areas will create opportunities for cost synergies as well as economies of scale as we grow.

#### **Risk Factors**

Investing in shares of our common stock involves a high degree of risk. See “Risk Factors” beginning on page 13 of this prospectus for a discussion of factors you should carefully consider before investing in our common stock. If any of these risks actually occurs, our business, financial condition, results of operations, cash flows and prospects would likely be materially and adversely affected. As a result, the trading price of our common stock would likely decline, and you could lose all or part of your investment. Listed below is a summary of some of the principal risks related to our business:

- We have not operated as a combined company, and we may not be able to successfully integrate the Founding Companies into one entity.
- Our business strategy includes growth through acquisitions. If we are unable to finance such acquisitions, or if we are unable to successfully integrate the companies we do acquire, our operating results could be adversely affected.
- Our success depends in part on the contributions of our executives and managers, including those who were employees of the Founding Companies. The loss of the services of any of them could have an adverse effect on our business or business prospects.
- The recycled vehicle replacement parts industry is highly competitive with many well-established competitors.
- Adverse changes in our relationships with our customers or with auction companies would negatively affect our business.
- Increasingly stringent environmental laws and regulations may adversely affect our business, financial condition or results of operations.
- One of our Founding Companies is currently the subject of environmental claims. We cannot assure you that we will not become liable for these claims, which would adversely affect our financial position and business prospects.

#### **Our Corporate Information**

We are incorporated in Delaware and our corporate offices are located at One Westbrook Corporate Center, Suite 920, Westchester, Illinois 60154. Our telephone number is (630) 480-6413. Our website is [www.fenixparts.com](http://www.fenixparts.com). None of the information on our website or any other website identified herein is part of this prospectus or the registration statement of which it forms a part.

## The Offering

|  |   |
|--|---|
| Common stock offered by us in this offering . . . . .      | 11,000,000 shares   |
| Common stock to be outstanding after this offering . . . . | 16,574,894 shares   |
| Option to purchase additional shares . . . . .             | We have granted the underwriters a 30-day option to purchase up to an additional 1,650,000 shares at the public offering price, less underwriting discounts and commissions.  |
| Use of proceeds . . . . .                                  | <p>We estimate that our net proceeds from this offering will be approximately \$101.2 million (or \$116.6 million if the underwriters exercise their option to purchase additional shares in full). We intend to use the net proceeds plus, to the extent necessary, up to \$6.0 million of borrowings or letter of credit utilization under our credit facility:</p> <ul style="list-style-type: none"><li>• To pay approximately \$93.2 million, subject to adjustment (which we expect, based on December 31, 2014 balances, to be approximately \$6.7 million), representing the cash portion of the Combination Consideration payable to the Founding Companies at the closing of the Combinations;</li><li>• To pay installments of the promissory notes we issued in the aggregate principal amount of \$200,000 in connection with the Combinations;</li><li>• To repay debt assumed in the Combinations, which we currently expect to be \$0; and</li><li>• While we have not allocated a specific amount of the remaining net proceeds from this offering to any particular purpose, we may use such remaining net proceeds for the acquisitions of additional businesses and general corporate purposes.</li></ul> <p>See “Use of Proceeds,” “Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies” and “Credit Facility.”</p> |
| Risk factors . . . . .                                     | See “Risk Factors” and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.   |
| Proposed Nasdaq Global Market symbol . . . . .             | We have applied to list our common stock on the Nasdaq Global Market under the symbol “FENX.”   |

Unless we indicate otherwise, all share, per share and financial data set forth in this prospectus:

- have been adjusted to give effect to the 2,000-for-1 common stock split, which will occur immediately prior to the closing of this offering;
- have been adjusted to give effect to the Combinations;
- assume a public offering price of \$10.00 per share (the midpoint of the price range set forth on the cover page of this prospectus);
- exclude 2,750,000 shares of common stock available for future option grants under our 2014 Incentive Stock Plan;
- exclude one share of our special voting stock (See “Description of Capital Stock of Fenix—Authorized and Outstanding Capital Stock—Special Voting Stock”); and
- assume no exercise by the underwriters of their option to purchase additional shares of our common stock to cover over-allotments.

Except under the heading “Capitalization,” all pro forma information set forth in this prospectus:

- has been adjusted to give effect to the 2,000-for-1 common stock split, which will occur immediately prior to the closing of this offering; and
- has been adjusted to give effect to the Combinations.

**SUMMARY FINANCIAL DATA**  
**(In thousands, except share and per share data)**

The following summary historical financial data for Fenix Parts, Inc. (the accounting acquirer and registrant) as of and for the period from its inception through December 31, 2014 are derived from the audited consolidated financial statements of Fenix included elsewhere in this prospectus. The following summary historical financial data for the Beagell Group and Standard (the accounting co-predecessors) for the years ended December 31, 2014, 2013 and 2012 are derived from the audited combined financial statements of the Beagell Group and Standard included elsewhere in this prospectus.

The summary unaudited pro forma financial data as of and for the year ended December 31, 2014 are derived from the unaudited pro forma financial statements included elsewhere in this prospectus. The unaudited pro forma financial data give effect to (a) the Combinations, (b) the 2,000-for-1 common stock split, which will occur immediately prior to the completion of this offering, and (c) the completion of this offering and the use of the proceeds therefrom. The pro forma adjustments are based on currently available information and certain estimates and assumptions, and, therefore, the actual effects of the transactions reflected in the pro forma data may differ from the effects reflected below. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of these transactions as contemplated and that the pro forma adjustments give appropriate effect to those assumptions. During the periods presented, Fenix and the Founding Companies were not under common control or management and, therefore, the data presented may not be comparable to, or indicative of, post-combination results.

You should review the information below together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the Unaudited Pro Forma Financial Statements and the related notes beginning on page F-3 of this prospectus, and the audited financial statements of Fenix, the Beagell Group and Standard, and the related notes all included elsewhere in this prospectus.

|  | <b>Fenix</b><br>(Designated accounting<br>acquirer)                  | <b>Pro Forma</b>                            |
|--|--|---|
|  | <b>From January 2, 2014<br/>(Inception)<br/>to December 31, 2014</b> | <b>Year Ended<br/>December 31,<br/>2014</b> |
|  |  | (Unaudited)                                 |
| <b>Statement of Operations Data:</b>                           |  |   |
| Total revenues .....   | \$ —   | \$ 108,216                                  |
| Gross profit .....   | —  | 37,030                                      |
| Operating loss .....   | (4,748)  | (7,498)                                     |
| Net loss .....   | (4,747)  | (3,850)                                     |
| Basic and diluted income (loss) per share(1) .....             | \$ (4,427.77)  | \$ (0.24)                                   |
| Weighted average basic and diluted shares outstanding(1) ..... | 1,072  | 15,853,471                                  |
| <b>Other Data:</b>   |  |   |
| Adjusted EBITDA(2) .....                                       | \$ (4,747)   | \$ 3,361                                    |

|                                      | <b>Beagell Group</b>                |             |             | <b>Standard</b>                     |             |             |
|--------------------------------------|-------------------------------------|-------------|-------------|-------------------------------------|-------------|-------------|
|                                      | (Designated accounting predecessor) |             |             | (Designated accounting predecessor) |             |             |
|                                      | <b>Year Ended December 31,</b>      |             |             | <b>Year Ended December 31,</b>      |             |             |
|                                      | <b>2014</b>                         | <b>2013</b> | <b>2012</b> | <b>2014</b>                         | <b>2013</b> | <b>2012</b> |
| <b>Statement of Operations Data:</b> |                                     |             |             |                                     |             |             |
| Total revenues .....                 | \$ 30,598                           | \$30,661    | \$31,637    | \$31,126                            | \$31,738    | \$31,037    |
| Gross profit .....                   | 10,701                              | 11,009      | 11,710      | 11,409                              | 12,024      | 10,794      |
| Operating income .....               | 2,393                               | 1,751       | 2,061       | 1,885                               | 422         | 417         |
| Net income .....                     | 2,242                               | 1,417       | 1,693       | 2,043                               | 281         | 305         |
| <b>Other Data:</b>                   |                                     |             |             |                                     |             |             |
| Adjusted EBITDA(2) .....             | \$ 4,578                            | \$ 3,659    | \$ 4,242    | \$ 3,308                            | \$ 2,325    | \$ 2,826    |
| Net cash provided by (used in):      |                                     |             |             |                                     |             |             |
| Operating activities .....           | 2,915                               | 2,609       | 2,499       | 2,267                               | (850)       | 1,753       |
| Investing activities .....           | 32                                  | (267)       | (1,322)     | (2,183)                             | (3,823)     | (132)       |
| Financing activities .....           | (1,897)                             | (2,390)     | (2,584)     | (246)                               | 249         | —           |

|   | <b>As of December 31, 2014</b> |                      |                 |                                 |
|---|--------------------------------|----------------------|-----------------|---------------------------------|
|   | <b>Fenix</b>                   | <b>Beagell Group</b> | <b>Standard</b> | <b>Pro Forma</b><br>(Unaudited) |
| <b>Balance Sheet Data:</b>                  |                                |                      |                 |                                 |
| Cash and cash equivalents .....             | \$ 453                         | \$ 2,770             | \$ 1,354        | \$ 10,290                       |
| Working capital (deficit) .....             | (1,128)                        | 9,158                | 8,665           | 50,104                          |
| Total assets .....                          | 849                            | 16,001               | 22,265          | 177,171                         |
| Total debt, including current portion ..... | —                              | 130                  | —               | —                               |
| Shareholders' equity (deficit) .....        | (1,128)                        | 11,990               | 16,301          | 137,140                         |

- (1) Pro forma earnings per share and related weighted-average shares give effect to the 2,000-for-1 common stock split and assume a public offering price of \$10.00 per share, the midpoint of the price range set forth on the cover page of this prospectus.
- (2) EBITDA consists of net income before interest, income taxes, depreciation and amortization and includes net losses attributable to Fenix. Adjusted EBITDA is defined as EBITDA less reductions in compensation expenses for certain employees. Adjusted EBITDA is intended as a supplemental measure of our performance that is not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). We believe that Adjusted EBITDA provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results. See "Selected Financial Data—Use of Non-GAAP Financial Measurements."

**Summary Individual Founding Company Financial Data  
(In thousands)**

The summary historical financial data as of and for the years ended December 31, 2014, 2013 and 2012 for each of the Founding Companies, other than the Beagell Group and Standard, are derived from the audited financial statements of each such Founding Company included elsewhere in this prospectus.

You should review the information below together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements of each of the Founding Companies and the related notes included elsewhere in this prospectus. These summary historical financial results may not be indicative of our future financial or operating results.

|                               | <u>Year Ended December 31,</u> |             |             |
|-------------------------------|--------------------------------|-------------|-------------|
|                               | <u>2014</u>                    | <u>2013</u> | <u>2012</u> |
| <b>Eiss Brothers</b>          |                                |             |             |
| Total revenues .....          | \$11,975                       | \$ 10,022   | \$ 9,054    |
| Gross profit .....            | 3,137                          | 2,769       | 2,854       |
| Operating income .....        | 843                            | 349         | 271         |
| Net income .....              | 798                            | 348         | 245         |
| <b>GO Auto</b>                |                                |             |             |
| Total revenues .....          | \$ 9,984                       | \$ 8,022    | \$ 5,507    |
| Gross profit .....            | 3,381                          | 2,435       | 1,730       |
| Operating income .....        | 338                            | 133         | 102         |
| Net income .....              | 289                            | 84          | 40          |
| <b>Jerry Brown</b>            |                                |             |             |
| Total revenues .....          | \$13,039                       | \$ 12,084   | \$ 10,652   |
| Gross profit .....            | 4,920                          | 4,365       | 4,037       |
| Operating income .....        | 589                            | 720         | 290         |
| Net income .....              | 418                            | 639         | 133         |
| <b>Leesville</b>              |                                |             |             |
| Total revenues .....          | \$16,865                       | \$ 18,202   | \$ 16,967   |
| Gross profit .....            | 4,273                          | 5,038       | 4,294       |
| Operating income (loss) ..... | 767                            | 219         | (183)       |
| Net income (loss) .....       | 369                            | 73          | (148)       |

## IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

We qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include, among other things:

- a requirement to have only two years of audited financial statements and only two years of related selected financial data and management’s discussion and analysis of financial condition and results of operations disclosure;
- an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”);
- reduced disclosure about the emerging growth company’s executive compensation arrangements; and
- no requirement to seek non-binding advisory votes on executive compensation or golden parachute arrangements.

The JOBS Act also permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to “opt out” of this provision, and as a result, we plan to comply with new or revised accounting standards as required when they are adopted by public companies. This decision to opt out of the extended transition period is irrevocable.

We have elected to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of these elections, the information that we provide in this prospectus may be different from the information you may receive from other public companies in which you hold equity interests. In addition, it is possible that some investors will find our common stock less attractive as a result of our elections, which may result in a less active trading market for our common stock and more volatility in our stock price.

We may take advantage of these provisions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least \$1.0 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our prior second fiscal quarter, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period. We may choose to take advantage of some but not all of the reduced disclosure requirements.



## RISK FACTORS

*You should carefully consider the risks described below before buying shares in this offering. If any of the following risks actually occur, our business, financial condition and results of operations could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.*

### Risks Related to Our Business

**We have no combined operating history, and there are risks associated with the proposed Combinations that could adversely affect the results of our operations.**

Fenix was founded in January 2014 but has conducted no operations and generated no revenues to date. Fenix has entered into agreements to combine with each of the Founding Companies simultaneously with, and as a condition to, the sale of the shares in this offering. However, the Founding Companies have operated independently of one another to date. There can be no assurance that we will be able to integrate the operations of the Founding Companies successfully or to institute the necessary systems and procedures, including accounting and financial reporting systems, to manage the combined enterprise on a profitable basis and to report the results of operations of the combined entities on a timely basis. In addition, there can be no assurance that our recently assembled management team will be able to successfully manage the combined entity and effectively implement our operating or growth strategies. The pro forma financial results of the Founding Companies cover periods during which they were not under common control or management and, therefore, may not be indicative of the combined entity's future financial or operating results. Our success will depend on management's ability to integrate the eight companies we are combining concurrently with this offering and other companies we may acquire in the future into one organization. Our inability to successfully integrate the companies we acquire and to coordinate and integrate certain operational, administrative, financial and information technology systems would have a material adverse effect on our financial condition and results of operations.

**If our efforts to locate desirable companies in the business of providing recycled OEM automotive products are not successful or if we are unable to acquire desirable companies on commercially reasonable terms, our revenue growth and profit will be adversely affected.**

Following this offering, one of our principal growth strategies will be to increase our revenue through the acquisition of additional businesses within our industry. We expect to face competition in our pursuit to acquire additional businesses, which will limit the number of available companies for sale and may lead to higher acquisition prices. When we identify desirable companies, their owners may not be willing to sell their companies at all or on terms that we have determined to be commercially reasonable. If our efforts to locate and acquire desirable companies are not successful, our revenue and profit growth may be adversely affected.

**Our ability to acquire additional businesses may require debt financing that we are unable to obtain on acceptable terms.**

Following this offering, the timing, size and success of our acquisition efforts and the associated capital commitments cannot be readily predicted. We intend to use our common stock and cash, if necessary, as consideration for future acquisitions of companies. If our common stock does not maintain a sufficient market value or potential acquisition candidates are unwilling to accept common stock as part of the consideration for the sale of their businesses, we may be required to utilize more of our cash resources, including obtaining additional capital through debt financing. However, there can be no assurance that we will be able to obtain financing if and when it is needed or that it will be available on terms that we deem acceptable. As a result, we may be unable to pursue our acquisition strategy successfully. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources," "Business—Our Strategy."

**We may not be able to successfully integrate future acquisitions or generate sufficient revenues from future acquisitions, which could cause our business to suffer.**

If we buy a company or a division of a company, there can be no assurance that we will be able to profitably manage such business or successfully integrate such business without substantial costs, delays or other operational or financial problems. There can be no assurance that the businesses we acquire in the future will achieve anticipated revenues and earnings. Additionally:

- the key personnel of the acquired company may decide not to work for us;
- changes in management at an acquired business may impair its relationships with employees and customers;
- we may be unable to maintain uniform standards, controls, procedures and policies among acquired businesses;
- we may be held liable for environmental risks and liabilities as a result of our acquisitions, some of which we may not have discovered during our due diligence;
- our ongoing business may be disrupted or receive insufficient management attention; and
- we may not be able to realize the cost savings or other financial benefits we anticipated.

Some or all of these factors could have a material adverse effect on our business, financial condition and results of operations.

**If we are not able to manage our internal growth, the results of our operations will be adversely affected.**

We will attempt to grow our revenues through internal growth as well as through acquisitions. There can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. Any future growth will also impose significant additional responsibilities on members of senior management. Furthermore, as we grow, our ability to increase productivity and profitability will be limited by our ability to employ, train and retain skilled personnel to provide services to our customers and partners. There can be no assurance that we will be able to maintain an adequate skilled labor force necessary to operate efficiently or that our labor expenses will not increase as a result of a shortage in the supply of skilled personnel. To the extent that we are unable to manage our growth efficiently and effectively, or are unable to attract and retain skilled personnel, our financial condition and results of operations could be materially adversely affected. See “Business—Our Strategy.”

**We depend upon the services of our management team.**

Our success depends, in part, upon the continuing contributions of our executive officers and key employees at the management level. This includes, in part, continuing efforts from many of the executives and managers of the Founding Companies, whose reputations and client relationships have contributed significantly to the success of those companies. Although we have employment and noncompetition agreements with certain of our key executive officers and managers, there is no guarantee that they will not leave. The loss of the services of any of our executive officers or managers, or our failure to attract other executive officers or managers could have a material adverse effect on our business or our business prospects. If we lose the services of any of our key employees at the operating or regional level, we may not be able to replace them with similarly qualified personnel, which could harm our business.

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

The recycled vehicle replacement parts and automotive recycling industries are highly competitive and are served by local owner-operated companies, several large regional companies and internet-based parts providers. Additionally, in certain regions of the country where we operate, local automotive recycling companies have formed cooperative inventory sharing programs. We currently participate in certain of these programs, but may elect not to in the future. We could also face additional competition in the future from others entering the market, such as OEMs, insurance companies, new parts producers other than OEMs, sometimes referred to as “aftermarket” suppliers, and industry consolidators. Some of our current and potential competitors may have more operational expertise and greater financial, technical, manufacturing, distribution and other resources, longer operating histories, lower cost structures and better key relationships in the insurance and automotive industries. As a result, they may be able to provide products that we are unable to supply, sell their products at lower costs or serve customers we are unable to serve.

**If we fail to maintain or adequately replace our relationships with auto body shops, insurers and other customers, through which we make a significant portion of our revenue, our revenue will be adversely affected.**

The majority of our products and services are sold to collision repair shops, also known as body shops, and mechanical repair shops. Additionally, we indirectly rely on insurance companies to help drive demand, as insurance companies are increasingly influencing repair facilities to use recycled OEM products as a lower cost alternative to new OEM products. We also generate a portion of our revenue from scrap sales to metal recyclers. If we are not able to continue our current or similar arrangements with these body shops, mechanical repair shops, insurers and scrap metal recyclers, the volume of our sales, revenue and profitability will be materially adversely affected.

**An adverse change in our relationships with auction companies could increase our expenses and hurt our relationships with our customers.**

Our inventory primarily consists of vehicles offered at salvage auctions operated by companies that own auction facilities in numerous locations across the U.S. We do not typically have contracts with these auction companies. A small number of companies control a large percentage of the salvage auction market in the U.S. and Canada. We acquire substantially all of our salvage autos from two of these auction companies. If either of these companies prohibited us from participating in its auctions, began competing with us, or significantly raised its fees, our business could be adversely affected through higher costs or the resulting potential inability to service our customers. Moreover, we face competition in the purchase of vehicles from direct competitors, rebuilders, exporters and others.

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

We and our operations, both in the U.S. and Canada, are subject to national, state, provincial and local environmental, health and safety laws and regulations governing, among other things:

- the emission and discharge of wastes, chemicals, contaminants and other hazardous materials into the ground, air, or water;
- the exposure to hazardous materials; and
- the generation, handling, storage, use, treatment, identification, reporting, record-keeping, transportation and disposal of industrial by-products, waste water, storm water, solid and hazardous wastes, petroleum products and hazardous materials.

We plan to implement environmental management processes that are designed to facilitate and support our compliance with these requirements and to address current outstanding environmental and operating permit issues. However, if we violate or fail to comply with these laws or regulations we could be fined or otherwise sanctioned by regulators.

Contamination resulting from vehicle recycling processes can include air, soil, surface water and ground water contamination from the release, storage, transportation, or disposal of motor oil, gasoline, or other petroleum products, antifreeze, transmission fluid, waste solvents, chlorofluorocarbons from air conditioners, other hazardous materials, or metals such as aluminum, cadmium, chromium, lead and mercury. Contamination can migrate on-site or off-site which can increase the risk and the amount of any potential liability.

In connection with the Combinations and future acquisitions, we may assume the liabilities of the companies we acquire. Contamination at properties owned or operated by the Founding Companies or companies we acquire in the future may result in liability for us under environmental laws and regulations for the full amount of assessment and remediation-related costs, including those for the investigation and cleanup of contaminated soil, surface water and ground water, building contamination, and impacts to human health, and damages to natural resources. Under certain environmental laws, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, we and our directors and officers could be held responsible for all of the costs relating to any contamination at, or migrating to or from, the Founding Companies' or any newly acquired company's past or present facilities and at third-party waste disposal sites. These laws often impose liability even if the owner or operator did not know of, or was not responsible for causing, any such contamination. The costs of complying with environmental laws and regulations and any claims concerning noncompliance or liability with respect to contamination in the future could have a material adverse effect on our financial condition or operating results.

Environmental laws are complex, change frequently and have tended to become more stringent over time. Significant capital and operating costs may be incurred at any time to keep our operations in compliance with environmental, health and safety laws and regulations. If it is not economical to make those expenditures, or if we violate any of these laws and regulations, it may be necessary to restrict or modify our operations, which could have a material adverse effect on our business, financial condition and results of operations.

**One of our Founding Companies is the subject of environmental claims.**

Groundwater and surface water contamination has been detected at the facility of Goldy Metals Incorporated, doing business as Standard Auto Wreckers ("GMI"), in Toronto, Ontario, as a result of historical releases and a petroleum hydrocarbon spill in November 2010. Since November 2010, the Ontario Ministry of the Environment issued a series of regulatory orders under Ontario's Environmental Protection Act that required the owner of GMI to investigate and remediate all areas that were contaminated by the spill and to take protective and remedial actions related to its property and operations as well as adjacent areas. We believe GMI has been and is taking necessary steps to remediate the surface water and groundwater contamination. Furthermore, we are not assuming this liability and GMI, its shareholder and certain affiliates have agreed to indemnify us against any liability that may be imposed on us as a result of this contamination. However, as the successor to GMI's business and lessee of the facility, we may become legally responsible for this liability, and we and our directors and officers may be responsible under national and provincial laws and regulations for the assessment, delineation, control, clean-up, remediation, monitoring and verification of, or as a result of, any environmental contamination at that site and any affected off-site areas. The current owner of GMI and certain affiliates have agreed, pursuant to the Combination Agreements, to be responsible for the costs of an additional storm water management, control and discharge system following the completion of the Combinations and this offering. However, there can be no assurance that the current owner of GMI or its affiliates will perform their obligations under such agreements and their failure to perform would require us to undertake these environmental obligations. See "Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies."

The site and operations in Toronto have been operating since the 1960s. During the last decade, the surrounding parkland and agricultural area, as well as the site itself, have been designated part of a new federal urban park. Accordingly, there has been continual governmental, quasi-governmental, and non-governmental body environmental oversight and intervention, including various enforcement initiatives. We anticipate that this will continue following the completion of this offering and of the Combinations.

The Province of Ontario has filed a civil lawsuit against GMI and the owner of the land on which its facility is located claiming damages of CAD \$10.5 million plus pre- and post-judgment interest and court costs, for alleged historical and spill-related contamination as well as for alleged property encroachment damage. The lawsuit is currently in the pre-discovery stage. We are not assuming this liability, and GMI, its shareholder and certain affiliates have agreed to indemnify us against any liability that may be imposed on us as a result of this liability. However, we may become legally responsible for this liability as the successor to GMI's business and lessee of the facility. We cannot assure you that we will not become responsible for this liability, or that GMI and its shareholder or their affiliates will have the capacity to indemnify us in the event we become responsible for this liability in whole or in part. Our responsibility for this liability in whole or in significant part could have a material adverse effect on our results of operations and financial position.

GMI was also charged by the Province of Ontario for causing or permitting an oil spill in Toronto which allegedly impaired a nearby creek. This matter was recently settled through a guilty plea on consent, with GMI paying a penalty of CAD \$93,755. A future charge and conviction under the same or other environmental statute in Ontario could result in the imposition of a minimum fine of CAD \$100,000 per day plus a 25% surcharge, up to a maximum of CAD \$10 million. We are not assuming this liability, and GMI, its shareholder and certain affiliates have agreed to indemnify us against any liability that may be imposed on us as a result of this liability. However, we may become legally responsible for this liability as the successor to GMI's business and lessee of the facility. We cannot assure you that we will not become responsible for this liability, or that GMI, and its shareholder or their affiliates will have the capacity to indemnify us in the event we become responsible for this liability in whole or in part. Our responsibility for this liability in whole or in significant part could have a material adverse effect on our results of operations and financial position.

GMI is also the subject of further regulatory orders relating to sedimentation monitoring and control in the creek, rehabilitating the creek area that was diverted in 2011 as well as assessing, preventing, treating and controlling off-site groundwater and surface water discharges. To address these orders, GMI intends to implement a new surface water control, management and discharge system.

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

The Founding Companies and any companies we acquire in the future must receive certain licenses and permits from state and local governments to conduct their operations, including but not limited to permits required by environmental laws. We may face unexpected delays in obtaining the necessary permits and approvals required by environmental and other laws in connection with our facilities. If we violate or fail to obtain or comply with any permits required by environmental or other laws, we could be fined or otherwise sanctioned by regulators. Furthermore, when we develop or acquire a new facility, we must seek the approval of state and local units of government and satisfy applicable siting laws and regulations. Governmental agencies often resist the establishment of an automotive recycling facility in their communities. There can be no assurance that future approvals or transfers will be granted. In addition, there can be no assurance that we will be able to maintain and renew the licenses and permits the Founding Companies currently hold.

**We will have a large amount of goodwill as a result of the acquisition of the Founding Companies and future acquisitions, and if such goodwill becomes impaired, our earnings would be adversely affected.**

Goodwill represents the excess of the amount we pay for our acquisitions over the fair value of the acquired net assets. We will have substantial goodwill related to our acquisitions of the Founding Companies. As

we implement our business acquisition strategy, we may be required to account for similar premiums paid on future acquisitions in the same manner. We do not amortize acquired goodwill but instead we test it for impairment on an annual basis based upon a fair value approach. Testing for impairment of goodwill involves an estimation of the fair value of our net assets and involves a high degree of judgment and subjectivity. If we have any significant impairment to our goodwill, it would have a material adverse effect on our reported financial results for the period in which the charge is taken and could result in a decrease in the market price of our common stock.

**Our annual and quarterly performance may fluctuate.**

Our Founding Companies' revenue, cost of salvage vehicles and operating results have fluctuated on a quarterly and annual basis in the past and on a combined basis can be expected to continue to fluctuate in the future as a result of a number of factors, some of which are beyond our control. Future factors that may affect our operating results include, but are not limited to, the following:

- fluctuations in the market value of salvage and used vehicles;
- the availability of salvage vehicles at an attractive price;
- variations in vehicle accident rates;
- changes in state or federal laws or regulations affecting our business;
- our ability to successfully integrate in a timely manner and manage our acquisitions;
- severity of weather and seasonality of weather patterns;
- the amount and timing of operating costs and capital expenditures relating to the maintenance and expansion of our business, operations and infrastructure; and
- declines in asset values.

Due to the foregoing factors, our operating results in one or more future periods can be expected to fluctuate and period-to-period comparisons of our results of operations should not be relied upon as indications of future performance. These fluctuations in our operating results may cause our results to fall below the expectations of public market analysts and investors, which could cause our stock price to decline.

**Fluctuations in the prices of metals could adversely affect our financial results.**

Our operations generate scrap metal. After we dismantle a salvage vehicle for parts and after vehicles have been used in our self-service business, any remaining metal is sold to processors and brokers of metal and the remaining vehicle hulks are sold to scrap processors. In addition, we receive vehicles from various sources, which we sell at scrap metal market rates calculated on a per-ton basis. The price of scrap metal has historically fluctuated, sometimes significantly, due to market factors. In addition, buyers may stop purchasing metal entirely due to excess supply. To the extent that the price of metal decreases materially, our revenue from such sales will suffer and a write-down of our inventory value could be required. While the cost of our vehicle purchases may change as a result of fluctuating metal prices, in a period of falling metal prices there can be no assurance that our vehicle purchasing costs will decrease the same amount or at the same rate as the scrap metal prices decline, and there may be a delay between the scrap metal price reductions and any vehicle purchasing cost reductions.

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

We operate a fleet of trucks throughout our network to deliver products to our customers and transfer hub. We are subject to the risks associated with providing trucking services, including inclement weather, disruptions in the transportation infrastructure, availability and price of fuel, and liabilities arising from accidents

to the extent we are not covered by insurance. In addition, our failure to deliver parts in a timely and accurate manner could harm our customer relationships and reputation, which could have a material adverse effect on our business.

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

We rely on information technology for significant aspects of our business, including our financial reporting, accounting, accounts payable, payroll, procurement, inventory control, customer selling and billing, sales analysis, vehicle tracking and profitability reporting, as well as an electronic exchange system for identifying and locating parts at other selected recyclers and facilitating brokered sales to fill customer orders for items not in stock. Any disruption relating to our technology could seriously harm our operations.

**We may not be able to sell our products due to existing or new laws prohibiting or restricting the sale of recycled automotive products.**

Some jurisdictions have enacted laws prohibiting or severely restricting the sale of certain recycled automotive products that we provide, such as airbags. Additional jurisdictions could enact similar laws or could prohibit additional automotive products we sell. Restrictions on the products we are able to sell could decrease our revenue and have an adverse effect on our business and operations.

**Risks Related to this Offering**

**Our stock price could be volatile and could decline following this offering.**

The price at which our common stock will trade after this offering could be extremely volatile and may fluctuate substantially due to the following factors, some of which are beyond our control:

- variations in our operating results;
- variations between our actual operating results and the expectations of securities analysts, investors and the financial community;
- announcements of developments affecting our business or expansion plans by us or others; and
- conditions and trends in the auto parts industry and the economy as a whole.

As a result of these and other factors, investors in our common stock may not be able to resell their shares at or above the public offering price.

In the past, securities class action litigation often has been instituted against companies following periods of volatility in the market price of their securities. This type of litigation, if directed at us, could result in substantial costs and a diversion of management's attention and resources.

**There is no existing market for our common stock, and we do not know if one will develop to provide you with adequate liquidity.**

Prior to this offering, there has not been a public market for our common stock. An active market for our common stock may not develop following the completion of this offering, or if it does develop, may not be maintained. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The public offering price for the shares of our common stock was determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price you paid in this offering.

**Our officers and directors and the stockholders and equity interest holders of the Founding Companies and their affiliates will exercise significant control over us.**

After the completion of this offering, our executive officers and directors and the stockholders and equity interest holders of the Founding Companies and their immediate family members will beneficially own, in the aggregate, approximately 24.5% of our outstanding common stock (assuming the sale of 11,000,000 shares of our common stock in this offering). As a result, these stockholders will be able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could delay or prevent someone from acquiring or merging with us. These stockholders may have interests that are different from yours.

**Provisions in our certificate of incorporation and bylaws and under Delaware law could discourage a takeover that stockholders may consider favorable.**

Following this offering, our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable because they, among other things:

- authorize our board of directors, without stockholder approval, to issue up to 100,000 shares of undesignated preferred stock;
- do not provide for cumulative voting in the election of directors;
- establish supermajority voting requirements in order to amend certain provisions in our certificate of incorporation; and
- prohibit stockholders from calling a special meeting of stockholders.

As a Delaware corporation, we are also subject to the Delaware anti-takeover provisions contained in Section 203 of the Delaware General Corporation Law. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Our board of directors could rely on this provision to prevent or delay an acquisition of us. See “Description of Capital Stock of Fenix.”

**Future sales of our common stock, including those purchased in this offering, may depress our stock price.**

Sales of substantial amounts of our common stock in the public market following this offering or the perception that such sales may occur may adversely affect the market price of our common stock. Shares issued upon the exercise of outstanding options and upon conversion of outstanding exchangeable preferred shares also may be sold in the public market. Such sales could create the perception to the public of difficulties or problems with our business. As a result, these sales might make it more difficult for us to sell securities in the future at a time and price that we deem necessary or appropriate.

Upon completion of this offering, we will have outstanding 16,574,894 shares of common stock, assuming no exercise of the underwriters’ over-allotment option. Of these shares, 11,000,000 shares sold in this offering to persons not subject to a lock-up agreement with our underwriters will be freely tradable without restriction immediately following this offering. After the lock-up agreements expire 180 days from the date of this prospectus, an additional 5,574,894 shares will be eligible for sale in the public market, 2,188,382 of which are currently held by our directors, executive officers and other affiliates, and are subject to volume limitations under Rule 144 of the Securities Act of 1933, as amended (the “Securities Act”), and certain other restrictions. The underwriters may also, in their sole discretion, permit our founders, officers, directors, current stockholders and stockholders and equity interest holders of the Founding Companies to sell shares prior to the expiration of the lockup agreements. See “Shares Eligible for Future Sale” for more information regarding shares of our common stock that may be sold by existing stockholders after the closing of this offering.



**A majority of the proceeds we receive in this offering will be used as part of the Combination Consideration and our management will have broad discretion over the use of the remaining proceeds and may not apply those proceeds in ways that increase the value of your investment.**

We intend to use the net proceeds from this offering, plus, to the extent necessary, up to \$6.0 million of borrowings or letter of credit utilization under our credit facility to pay the approximately \$93.2 million cash portion of the Combination Consideration. Such cash portion of the Combination Consideration is subject to adjustment based upon the Founding Companies' working capital on the closing date of the Combinations and certain other factors. We estimate, based on December 31, 2014 balances, that the aggregate net adjustment for the cash portion of the Combination Consideration will be an increase of approximately \$6.7 million. We may also use a portion of the net proceeds from this offering to pay the installments of the promissory notes we issued in the aggregate principal amount of \$200,000 in connection with the Combinations with the Founding Companies and to repay any debt assumed in the Combinations. As a result, a majority of the net proceeds we receive in the offering will not be available to us to use to grow our business or for other uses beneficial to the Company. Our management will have broad discretion to use the remaining net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of such proceeds. See "Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies" and "Use of Proceeds."

**We do not intend to pay dividends. You will not receive funds without selling shares, and you may lose the entire amount of your investment.**

We have never declared or paid any cash dividends on our capital stock and do not intend to pay dividends in the foreseeable future. We intend to invest our future earnings, if any, to fund our growth. We cannot assure you that you will receive a return on your investment when you sell your shares or that you will not lose the entire amount of your investment.

**You will experience immediate and substantial dilution in our pro forma as adjusted net tangible book value.**

After giving effect to the Combinations, purchasers of our common stock in this offering will experience immediate and substantial dilution in the pro forma as adjusted net tangible book value of their shares in the amount of \$7.40 per share, or 74.0%, assuming a public offering price of \$10.00 per share (the midpoint of the price range set forth on the cover page of this prospectus). To the extent we raise additional capital in the future by issuing equity securities, our stockholders may experience substantial additional dilution. See "Dilution."

**Following this offering we will be obligated to develop and maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our Company and, as a result, the value of our common stock.**

The independent registered public accounting firm auditing the Founding Companies identified material weaknesses in the internal control over financial reporting for all of our Founding Companies. We intend to establish a company-wide system of uniform account classifications and internal control over financial reporting. If we fail to establish and thereafter maintain effective controls over financial reporting, our ability to accurately report on our financial results will be adversely affected. Following this offering, we will be required, pursuant to Section 404(a) of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. We may not be able to complete the evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to confirm that our internal controls are effective.

When we cease to be an “emerging growth company” as defined under the JOBS Act, our auditors will be required to express an opinion on the effectiveness of our internal controls. If we are unable to confirm that our internal control over financial reporting is effective, or if our auditors are unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline.

**The requirements of being a public company may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.**

As a public company with listed equity securities, we will need to comply with certain laws, regulations and requirements, including corporate governance provisions of the Sarbanes-Oxley Act, related regulations of the Securities and Exchange Commission (the “SEC”) and the requirements of the NASDAQ Global Market, with which the Founding Companies were not required to comply as private companies. Complying with these statutes, regulations and requirements will occupy a significant amount of the time of our board of directors and management and will result in significant costs and expenses, particularly after we are no longer an emerging growth company under the JOBS Act. We will need to:

- institute comprehensive corporate governance and compliance functions;
- design, establish, evaluate and maintain a system of internal control over financial reporting in compliance with the requirements of Section 404(a) of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;
- comply with rules promulgated by the NASDAQ Global Market;
- prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- establish internal policies, such as those relating to disclosure controls and procedures and insider trading;
- involve and retain outside counsel and accountants in connection with these activities; and
- establish an investor relations function.

**We are an emerging growth company and our reliance on the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.**

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions and relief from various reporting requirements that are applicable to other public companies that are not emerging growth companies. In particular, while we are an emerging growth company we will not be required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, we will be subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and we will not be required to hold nonbinding advisory votes on executive compensation or shareholder approval of any golden parachute payments not previously approved. See “Implications of Being an Emerging Growth Company.” Investors may find our common stock less attractive if we rely on these exemptions and relief. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may decline and/or become more volatile.

## INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information and statistics regarding our industry. We obtained this information and these statistics from sources other than us, which we have supplemented where necessary with information from publicly available sources, discussions with our customers and our own internal estimates. As used in this prospectus:

- Auto Care Association (“ACA”) refers to its “2015 Digital Auto Care Factbook” report;
- Automotive Recyclers Association (“ARA”) refers to its “Automotive Recycling Industry” report;
- R.L. Polk and Company refers to its “August 2013 Average Age of Passenger Cars and Light Trucks” report;
- U.S. Department of Transportation refers to its “December 2014 Travel Trends” report; and
- Wards Automotive refers to its “U.S. Vehicles in Operation by Year” report.

We believe these sources and estimates to be reliable, but we cannot give you any assurance that any of the projected results will occur.

## CAUTIONARY DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus are “forward-looking statements.” We have tried to identify these forward-looking statements by using words such as “may,” “might,” “will,” “expect,” “anticipate,” “believe,” “could,” “intend,” “plan,” “estimate,” “should,” “if,” “project” and similar expressions. We have based these forward-looking statements on our current expectations and projections about future events. However, these forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different. Some of these risks, uncertainties and other factors are set forth elsewhere in this prospectus and in other documents we have filed with the SEC and include, among other things:

- our lack of combined operating history and our ability to successfully integrate the Founding Companies into one entity;
- our ability to successfully locate and acquire additional businesses that provide recycled OEM automotive products and our ability to successfully integrate any acquired companies with our business;
- our success in managing our internal growth;
- competition from vehicle replacement parts companies, including but not limited to those that provide recycled parts;
- our ability to maintain our relationships with auto body shops, insurers and other customers and with auction companies from which we purchase our salvage vehicles;
- our compliance and our Founding Companies’ past compliance with environmental laws and regulations and federal, state and local operating and permit requirements;
- the known environmental liabilities at Standard’s Toronto, Ontario facility associated with groundwater and surface water contamination as a result of historical releases and a petroleum hydrocarbon spill in November 2010;
- potential for significant impairment of goodwill and intangibles;
- fluctuations in the prices of scrap metal and other metals;
- changes in the national, provincial or state laws and regulations affecting our business;
- disruptions in the information technology systems on which our business relies;
- material weaknesses in our internal control over financial reporting; and
- other factors discussed under the headings “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business”.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. Projections and other forward-looking statements included in this prospectus have been prepared based on assumptions, which we believe to be reasonable, but not in accordance with GAAP or any guidelines of the SEC. Actual results may vary, perhaps materially. You are strongly cautioned not to place undue reliance on such projections and other forward-looking statements. All subsequent written and oral

forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any such forward-looking statements, whether made in this prospectus or elsewhere, should be considered in the context of the various disclosures made by us about our businesses including, without limitation, the risk factors discussed above. For further discussion of these and other factors that could impact our future results, performance or transactions, please carefully read “Risk Factors.”

## USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 11,000,000 shares of our common stock in this offering, after deducting underwriting discounts and commissions and expenses payable by us, will be approximately \$101.2 million (approximately \$116.6 million if the underwriters exercise their option to purchase additional shares in full). This estimate assumes a public offering price of \$10.00 per share, the midpoint of the price range set forth on the cover page of this prospectus.

A \$1.00 increase (decrease) in the assumed public offering price of \$10.00 per share would increase (decrease) the net proceeds to us from this offering by \$10.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

The principal purposes of this offering are to create a public market for our common stock, to fund the acquisition of the Founding Companies, to facilitate future access to the public capital markets and to provide us with flexibility in the future, including to acquire additional automotive recycling businesses, either with the net proceeds from this offering or through the publicly traded common stock we create through this offering.

We intend to use the net proceeds from this offering, plus, to the extent necessary, up to \$6.0 million of borrowings or letter of credit utilization under the credit facility to be entered into with BMO Harris Bank N.A., to pay the approximately \$93.2 million cash portion of the Combination Consideration in the Combinations with the Founding Companies. Such cash portion of the Combination Consideration is subject to adjustment based upon the Founding Companies' working capital on the closing date of the Combinations and certain other factors. We estimate, based on December 31, 2014 balances, that the aggregate net adjustment for the cash portion of the Combination Consideration will be an increase of approximately \$6.7 million. We may also use a portion of the net proceeds from this offering to pay the installments of the promissory notes we issued in the aggregate principal amount of \$200,000 in connection with the Combinations with the Founding Companies and to repay debt assumed in the Combinations, which we currently expect to be \$0. See "Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies" and "Credit Facility."

While we have not allocated a specific amount of the remaining net proceeds from this offering to any particular purpose, we may use such remaining net proceeds for the acquisitions of additional automotive recycling businesses and general corporate purposes. The net proceeds we actually expend for the acquisition of additional businesses may vary significantly depending on a number of factors, including our ability to locate such companies and enter into a binding acquisition agreement on favorable terms and the negotiated purchase price. With the exception of confidentiality agreements, we currently have no understandings or agreements with any companies related to acquisitions of businesses other than the Founding Companies. In addition, the net proceeds we actually expend for general corporate purposes may vary significantly depending on a number of factors, including future revenue growth and our cash flows. As a result, we will retain broad discretion over the allocation of the remaining net proceeds from this offering. Pending use of the net proceeds from this offering, we intend to invest the net proceeds in short-term, investment-grade securities.

## **DIVIDEND POLICY**

We have never declared or paid any cash dividends on our capital stock and do not anticipate paying any cash dividends in the foreseeable future. We currently expect to retain future earnings, if any, to finance the growth and development of our business.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2014:

- on an actual basis for Fenix (the designated accounting acquirer);
- on an actual basis for the Beagell Group and Standard (the designated accounting co-predecessors); and
- on a pro forma basis to reflect (i) a 2,000- for-1 common stock split effective immediately prior to the closing of this offering; (ii) the completion of the Combinations with the Founding Companies; and (iii) the sale of 11,000,000 shares of our common stock at the assumed public offering price of \$10.00 per share (the midpoint of the price range set forth on the cover page of this prospectus), less the underwriting discounts and commissions and estimated offering expenses.

You should read this information in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our unaudited pro forma financial statements and the related notes and the historical financial statements and related notes appearing elsewhere in this prospectus.

|  | As of December 31, 2014 |               |           |            |
|--|-------------------------|---------------|-----------|------------|
|  | Actual                  |               |           | Pro Forma  |
|  | Fenix                   | Beagell Group | Standard  |            |
|  | (in thousands)          |               |           |            |
| Cash, cash equivalents and restricted cash . . . . .   | \$ 453                  | \$ 2,770      | \$ 1,354  | \$ 10,290  |
| Indebtedness, including current portion . . . . .  | \$ —                    | \$ 130        | \$ —      | \$ —       |
| Shareholders’ equity (deficit):  |                         |               |           |            |
| Fenix common stock, \$0.001 par value: 30,000,000 shares authorized and 1,215 shares issued and outstanding (actual); 16,271,971 shares issued and outstanding (pro forma) . . . . . | —                       | —             | —         | 14         |
| Fenix special voting stock . . . . .   | —                       | —             | —         | —          |
| Beagell Group Capital Stock . . . . .  | —                       | 748           | —         | —          |
| Standard Capital Stock . . . . .   | —                       | —             | 5,058     | —          |
| Additional paid-in capital . . . . .   | 3,619                   | —             | —         | 130,719    |
| Retained earnings (deficit) . . . . .  | (4,747)                 | 8,972         | 10,641    | (3,043)    |
| Accumulated other comprehensive loss . . . . .   | —                       | —             | (75)      | —          |
| Total controlling interests shareholders’ equity (deficit) . . . . .   | (1,128)                 | 9,720         | 15,624    | 127,690    |
| Noncontrolling interests(1) . . . . .  | —                       | 2,270         | 677       | 9,450      |
| Total shareholders’ equity (deficit) . . . . .   | (1,128)                 | 11,990        | 16,301    | 137,140    |
| Total capitalization . . . . .   | \$ (1,128)              | \$ 12,120     | \$ 16,301 | \$ 137,140 |

(1) Actual balances represent interests in consolidated variable interest entities of the Founding Companies. Pro forma balance represents 1.2 million Exchangeable Preferred Shares of Fenix Parts Canada, Inc., a subsidiary of ours, issued as part of the Combinations.



## DILUTION

If you invest in our stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering.

The pro forma net tangible book value of our common stock on December 31, 2014 was a deficit of \$59.0 million or \$(11.18) per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding, after giving effect to the Combinations with the Founding Companies. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of 11,000,000 shares of common stock offered by this prospectus at an assumed public offering price of \$10.00 per share (the midpoint of the price range set forth on the cover page of this prospectus) and to the Combinations with the Founding Companies, and after deducting the underwriting discounts, commissions and estimated offering and acquisition expenses payable by us, our pro forma net tangible book value would have been \$42.3 million, or approximately \$2.60 per share. This represents an immediate increase in pro forma net tangible book value of \$13.78 per share to existing stockholders (which will include the current owners of the Founding Companies pursuant to the shares of our common stock they receive as part of the Combination Consideration) and an immediate dilution in pro forma net tangible book value of \$7.40 per share to new investors. The following table illustrates the per share dilution:

|   |              |                |
|---|--------------|----------------|
| Assumed public offering price per share . . . . .   |              | \$10.00        |
| Pro forma net tangible book value per share as of December 31, 2014 . . . .                     | \$(11.18)    |                |
| Increase in pro forma net tangible book value per share attributable to new investors . . . . . | <u>13.78</u> |                |
| Pro forma net tangible book value per share after this offering . . . . .                       |              | <u>2.60</u>    |
| Dilution in pro forma net tangible book value per share to new investors . . . .                |              | <u>\$ 7.40</u> |

If the underwriters' over-allotment option is exercised in full, the pro forma net tangible book value per share of our common stock after giving effect to this offering and the Combinations would be \$3.22 per share of our common stock. This represents an increase in net tangible book value of \$14.40 per share of our common stock to existing stockholders (which will include the current owners of the Founding Companies pursuant to the shares of our common stock they receive as part of the Combination Consideration) and dilution in pro forma net tangible book value of \$6.78 per share to new investors.

A \$1.00 increase (decrease) in the assumed public offering price of \$10.00 per share of our common stock would increase (decrease) our net tangible book value after giving effect to this offering and the Combinations by \$10.2 million, or by \$0.63 per share of our common stock, assuming no change to the number of shares of our common stock offered by us as set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

The following table sets forth, on a pro forma basis to give effect to the completion of the Combinations of the Founding Companies at December 31, 2014, the differences between the number of shares of common stock purchased from us, the total price and average price per share paid by existing stockholders, stockholders of the Founding Companies and by the new investors, before deducting estimated offering and acquisition expenses payable by us, using the assumed public offering price of \$10.00 per share (the midpoint of the price range set forth on the cover page of this prospectus).

|   | <u>Shares Purchased</u> |                   | <u>Total Consideration</u> |                   | <u>Average Price Per Share</u> |
|---|-------------------------|-------------------|----------------------------|-------------------|--------------------------------|
|   | <u>Number</u>           | <u>Percentage</u> | <u>Amount</u>              | <u>Percentage</u> |                                |
| Existing stockholders and stockholders of the Founding Companies(1) ..... | 5,271,971               | 32.4%             | \$ 29,493,710              | 21.1%             | \$ 5.59                        |
| New investors .....   | <u>11,000,000</u>       | <u>67.6</u>       | <u>110,000,000</u>         | <u>78.9</u>       | \$10.00                        |
| Total .....   | <u>16,271,971</u>       | <u>100.0%</u>     | <u>\$139,493,710</u>       | <u>100.0%</u>     |                                |

(1) See “Certain Relationships and Related Person Transactions” for a discussion of the issuance of common stock to our initial stockholders and stockholders of the Founding Companies.

If the underwriters’ over-allotment option is exercised in full, the number of shares held by new public investors will be increased to 12,650,000 or approximately 70.6% of the total number of shares of our common stock outstanding after this offering.

**SELECTED FINANCIAL DATA**  
**(In thousands, except share and per share data)**

The following selected historical financial data for Fenix (the accounting acquirer and registrant) as of and for the period from its inception through December 31, 2014 are derived from the audited financial statements of Fenix included elsewhere in this prospectus. The following selected historical financial data for the Beagell Group and Standard (the accounting co-predecessors) as of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012 are derived from the audited combined financial statements of the Beagell Group and Standard included elsewhere in this prospectus.

The selected unaudited pro forma financial data as of and for the year ended December 31, 2014, are derived from the unaudited pro forma financial statements included elsewhere in this prospectus. The unaudited pro forma financial data give effect to (a) the Combinations, (b) the 2,000-for-1 common stock split, which will occur immediately prior to the completion of this offering, and (c) the completion of this offering and the use of the proceeds therefrom. The pro forma adjustments are based on currently available information and certain estimates and assumptions, and therefore, the actual effects of the transactions reflected in the pro forma data may differ from the effects reflected below. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of these transactions as contemplated and that the pro forma adjustments give appropriate effect to those assumptions. During the periods presented, Fenix and the Founding Companies were not under common control or management and, therefore, the data presented may not be comparable to, or indicative of, post-combination results.

You should review the information below together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the Unaudited Pro Forma Financial Statements and the related notes beginning on page F-3 of this prospectus, and the audited financial statements of Fenix, the Beagell Group and Standard and the related notes all included elsewhere in this prospectus.

|  | <b>Fenix</b><br>(Designated accounting acquirer)                     | <b>Pro Forma</b>                        |
|--|--|---|
|  | <b>From January 2, 2014<br/>(Inception)<br/>to December 31, 2014</b> | <b>Year Ended<br/>December 31, 2014</b> |
|  |  | (Unaudited)                             |
| <b>Statement of Operations Data:</b>                               |  |   |
| Total revenues . . . . .   | \$ —   | \$ 108,216                              |
| Cost of goods sold . . . . .                                       | —  | 71,186                                  |
| Gross profit . . . . .   | —  | 37,030                                  |
| Operating expenses . . . . .                                       | (4,748)  | (44,528)                                |
| Operating loss . . . . .   | (4,748)  | (7,498)                                 |
| Nonoperating income . . . . .                                      | 1  | 1,289                                   |
| Loss before income taxes . . . . .                                 | (4,747)  | (6,209)                                 |
| Benefit for income taxes . . . . .                                 | —  | (2,359)                                 |
| Net loss . . . . .   | \$ (4,747)   | \$ (3,850)                              |
| Basic and diluted loss per share(1) . . . . .                      | \$(4,427.77)   | \$ (0.24)                               |
| Weighted average basic and diluted shares outstanding(1) . . . . . | 1,072  | 15,853,471                              |
| <b>Other Data:</b>   |  |   |
| Adjusted EBITDA(2) . . . . .                                       | \$ (4,747)   | \$ 3,361                                |

|                                      | <b>Beagell Group</b>                |             |             | <b>Standard</b>                     |             |             |
|--------------------------------------|-------------------------------------|-------------|-------------|-------------------------------------|-------------|-------------|
|                                      | (Designated accounting predecessor) |             |             | (Designated accounting predecessor) |             |             |
|                                      | <b>Year Ended December 31,</b>      |             |             | <b>Year Ended December 31,</b>      |             |             |
|                                      | <b>2014</b>                         | <b>2013</b> | <b>2012</b> | <b>2014</b>                         | <b>2013</b> | <b>2012</b> |
| <b>Statement of Operations Data:</b> |                                     |             |             |                                     |             |             |
| Total revenues                       | \$ 30,598                           | \$30,661    | \$31,637    | \$ 31,126                           | \$ 31,738   | \$ 31,037   |
| Cost of goods sold                   | 19,897                              | 19,652      | 19,927      | 19,717                              | 19,714      | 20,243      |
| Gross profit                         | 10,701                              | 11,009      | 11,710      | 11,409                              | 12,024      | 10,794      |
| Operating expenses                   | 8,308                               | 9,258       | 9,649       | 9,524                               | 11,602      | 10,377      |
| Operating income                     | 2,393                               | 1,751       | 2,061       | 1,885                               | 422         | 417         |
| Nonoperating (expenses) income       | 297                                 | (55)        | 38          | 842                                 | 31          | (1)         |
| Income before income taxes           | 2,690                               | 1,696       | 2,099       | 2,727                               | 453         | 416         |
| Provision for income taxes           | 448                                 | 279         | 406         | 684                                 | 172         | 111         |
| Net income                           | \$ 2,242                            | \$ 1,417    | \$ 1,693    | \$ 2,043                            | \$ 281      | \$ 305      |

**Other Data:**

|                                 |          |          |          |          |          |          |
|---------------------------------|----------|----------|----------|----------|----------|----------|
| Adjusted EBITDA(2)              | \$ 4,578 | \$ 3,659 | \$ 4,242 | \$ 3,308 | \$ 2,325 | \$ 2,826 |
| Net cash provided by (used in): |          |          |          |          |          |          |
| Operating activities            | 2,915    | 2,609    | 2,499    | 2,267    | (850)    | 1,753    |
| Investing activities            | 32       | (267)    | (1,322)  | (2,183)  | (3,823)  | (132)    |
| Financing activities            | (1,897)  | (2,390)  | (2,584)  | (246)    | 249      | —        |

| <b>Fenix</b>                     | <b>Pro Forma</b>               |
|----------------------------------|--------------------------------|
| (Designated accounting acquirer) | (Unaudited)                    |
| <b>As of December 31, 2014</b>   | <b>As of December 31, 2014</b> |

**Balance Sheet Data:**

|                                       |         |           |
|---------------------------------------|---------|-----------|
| Cash and cash equivalents             | \$ 453  | \$ 10,290 |
| Working capital (deficit)             | (1,128) | 50,104    |
| Total assets                          | 849     | 177,171   |
| Total debt, including current portion | —       | —         |
| Stockholders' equity (deficit)        | (1,128) | 137,140   |

|                                       | <b>Beagell Group</b>                |             | <b>Standard</b>                     |             |
|---------------------------------------|-------------------------------------|-------------|-------------------------------------|-------------|
|                                       | (Designated accounting predecessor) |             | (Designated accounting predecessor) |             |
|                                       | <b>As of December 31,</b>           |             | <b>As of December 31,</b>           |             |
|                                       | <b>2014</b>                         | <b>2013</b> | <b>2014</b>                         | <b>2013</b> |
| <b>Balance Sheet Data:</b>            |                                     |             |                                     |             |
| Cash and cash equivalents             | \$ 2,770                            | \$ 1,720    | \$ 1,354                            | \$ 1,902    |
| Working capital                       | 9,158                               | 7,739       | 8,665                               | 9,595       |
| Total assets                          | 16,001                              | 14,664      | 22,265                              | 20,670      |
| Total debt, including current portion | 130                                 | 128         | —                                   | —           |
| Stockholders' equity                  | 11,990                              | 11,647      | 16,301                              | 15,486      |

(1) Pro forma earnings per share and related weighted-average shares give effect to the 2,000-for-1 common stock split and assume a public offering price of \$10.00 per share, the midpoint of the price range set forth on the cover page of this prospectus

(2) See “—Use of Non-GAAP Financial Measurements.”

**Selected Individual Founding Company Financial Data**  
(In thousands)

The selected historical financial data as of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012 for each of the Founding Companies, other than the Beagell Group and Standard, are derived from the audited financial statements of each such Founding Company included elsewhere in this prospectus.

You should review the information below together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements of each of the Founding Companies and the related notes included elsewhere in this prospectus. These selected historical financial results may not be indicative of our future financial or operating results.

|   | Year Ended December 31, |           |          |
|---|-------------------------|-----------|----------|
|   | 2014                    | 2013      | 2012     |
| <b>Eiss Brothers</b>                        |                         |           |          |
| <b>Statement of Operations Data:</b>        |                         |           |          |
| Total revenues .....                        | \$11,975                | \$ 10,022 | \$ 9,054 |
| Cost of goods sold .....                    | 8,838                   | 7,253     | 6,200    |
| Gross profit .....                          | 3,137                   | 2,769     | 2,854    |
| Operating expenses .....                    | 2,294                   | 2,420     | 2,583    |
| Operating income .....                      | 843                     | 349       | 271      |
| Nonoperating expenses .....                 | (45)                    | (1)       | (26)     |
| Income before income taxes .....            | 798                     | 348       | 245      |
| Provision for income taxes .....            | —                       | —         | —        |
| Net income .....                            | \$ 798                  | \$ 348    | \$ 245   |
| <b>Balance Sheet Data:</b>                  |                         |           |          |
| Cash and cash equivalents .....             | \$ 633                  | \$ 352    |          |
| Working capital .....                       | 6,189                   | 5,830     |          |
| Total assets .....                          | 8,335                   | 7,819     |          |
| Total debt, including current portion ..... | 611                     | 592       |          |
| Shareholders’ equity .....                  | 7,030                   | 6,634     |          |

**GO Auto****Statement of Operations Data:**

|                            | <u>Year Ended December 31,</u> |              |              |
|----------------------------|--------------------------------|--------------|--------------|
|                            | <u>2014</u>                    | <u>2013</u>  | <u>2012</u>  |
| Total revenues             | \$ 9,984                       | \$ 8,022     | \$ 5,507     |
| Cost of goods sold         | 6,603                          | 5,587        | 3,777        |
| Gross profit               | 3,381                          | 2,435        | 1,730        |
| Operating expenses         | 3,043                          | 2,303        | 1,628        |
| Operating income           | 338                            | 132          | 102          |
| Nonoperating expenses      | (49)                           | (48)         | (62)         |
| Income before income taxes | 289                            | 84           | 40           |
| Provision for income taxes | —                              | —            | —            |
| Net income                 | <u>\$ 289</u>                  | <u>\$ 84</u> | <u>\$ 40</u> |

**Balance Sheet Data:**

|                                       | <u>As of December 31,</u> |             |
|---------------------------------------|---------------------------|-------------|
|                                       | <u>2014</u>               | <u>2013</u> |
| Cash and cash equivalents             | \$ 109                    | \$ 296      |
| Working capital                       | 1,063                     | 933         |
| Total assets                          | 4,121                     | 3,821       |
| Total debt, including current portion | 1,047                     | 1,179       |
| Shareholders' equity                  | 2,023                     | 1,934       |

**Jerry Brown****Statement of Operations Data:**

|                            | <u>Year Ended December 31,</u> |               |               |
|----------------------------|--------------------------------|---------------|---------------|
|                            | <u>2014</u>                    | <u>2013</u>   | <u>2012</u>   |
| Total revenues             | \$ 13,039                      | \$ 12,084     | \$ 10,652     |
| Cost of goods sold         | 8,119                          | 7,719         | 6,615         |
| Gross profit               | 4,920                          | 4,365         | 4,037         |
| Operating expenses         | 4,331                          | 3,645         | 3,747         |
| Operating income           | 589                            | 720           | 290           |
| Nonoperating expenses      | (61)                           | (18)          | (4)           |
| Income before income taxes | 526                            | 702           | 286           |
| Provision for income taxes | 108                            | 63            | 153           |
| Net income                 | <u>\$ 418</u>                  | <u>\$ 639</u> | <u>\$ 133</u> |

**Balance Sheet Data:**

|                                       | <u>As of December 31,</u> |             |
|---------------------------------------|---------------------------|-------------|
|                                       | <u>2014</u>               | <u>2013</u> |
| Cash and cash equivalents             | \$ 362                    | \$ 303      |
| Working capital                       | 4,371                     | 4,684       |
| Total assets                          | 9,839                     | 9,060       |
| Total debt, including current portion | 1,703                     | 1,265       |
| Shareholders' equity                  | 5,279                     | 5,082       |

**Leesville**

|  | <u>Year Ended December 31,</u> |               |                 |
|--|--------------------------------|---------------|-----------------|
|  | <u>2014</u>                    | <u>2013</u>   | <u>2012</u>     |
| <b>Statement of Operations Data:</b>       |                                |               |                 |
| Total revenues .....                       | \$ 16,865                      | \$ 18,202     | \$ 16,967       |
| Cost of goods sold .....                   | <u>12,592</u>                  | <u>13,164</u> | <u>12,673</u>   |
| Gross profit .....                         | 4,273                          | 5,038         | 4,294           |
| Operating expenses .....                   | <u>3,506</u>                   | <u>4,819</u>  | <u>4,476</u>    |
| Operating income (loss) .....              | 767                            | 219           | (182)           |
| Nonoperating expenses .....                | <u>(6)</u>                     | <u>(3)</u>    | <u>(9)</u>      |
| Income (loss) before income taxes .....    | 761                            | 216           | (191)           |
| Provision (benefit) for income taxes ..... | <u>392</u>                     | <u>143</u>    | <u>(43)</u>     |
| Net income (loss) .....                    | <u>\$ 369</u>                  | <u>\$ 73</u>  | <u>\$ (148)</u> |

|   | <u>As of December 31,</u> |             |
|---|---------------------------|-------------|
|   | <u>2014</u>               | <u>2013</u> |
| <b>Balance Sheet Data:</b>                  |                           |             |
| Cash and cash equivalents .....             | \$ 674                    | \$ 269      |
| Working capital .....                       | 3,889                     | 3,098       |
| Total assets .....                          | 7,607                     | 6,612       |
| Total debt, including current portion ..... | 200                       | 200         |
| Shareholders' equity .....                  | 4,802                     | 4,165       |

## Use of Non-GAAP Financial Measurements

EBITDA and Adjusted EBITDA are presented in this prospectus as supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. EBITDA is net income before interest, income taxes, depreciation and amortization. Adjusted EBITDA is EBITDA less reductions in compensation paid to certain employees of the Founding Companies. We believe that EBITDA and Adjusted EBITDA provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results.

We believe that the use of EBITDA and Adjusted EBITDA provides additional tools for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with other automotive parts recycling businesses, which may present similar non-GAAP financial measures to investors. In addition, you should be aware when evaluating EBITDA and Adjusted EBITDA that in the future we may incur expenses similar to those excluded when calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate EBITDA and Adjusted EBITDA in the same fashion.

Our management does not consider EBITDA or Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitations of EBITDA and Adjusted EBITDA are that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. Some of these limitations are:

- a. EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- b. EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- c. EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- d. although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- e. EBITDA and Adjusted EBITDA do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- g. other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally. You should review the reconciliation of net income to EBITDA and Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.



The following tables reconcile net income (loss) to EBITDA and Adjusted EBITDA for the periods presented (in thousands).

|   | <b>Fenix</b><br>(Designated accounting acquirer)                     | <b>Pro Forma</b>                        |
|---|--|---|
|   | <b>From January 2, 2014<br/>(Inception)<br/>to December 31, 2014</b> | <b>Year Ended<br/>December 31, 2014</b> |
| Net loss .....                              | \$(4,747)  | \$(3,850)                               |
| Interest income .....                       | —  | (162)                                   |
| Depreciation and amortization expense ..... | —  | 5,724                                   |
| Benefit for income taxes .....              | —  | (2,359)                                 |
| EBITDA .....                                | (4,747)  | (647)                                   |
| Compensation adjustment(a) .....            | —  | 4,008                                   |
| Adjusted EBITDA .....                       | <u>\$(4,747)</u>   | <u>\$ 3,361</u>                         |

|   | <b>Beagell Group</b><br>(Designated accounting predecessor) |                |                | <b>Standard</b><br>(Designated accounting predecessor) |                |                |
|---|---|----------------|----------------|--|----------------|----------------|
|   | <b>Year Ended December 31,</b>                              |                |                | <b>Year Ended December 31,</b>                         |                |                |
|   | <b>2014</b>   | <b>2013</b>    | <b>2012</b>    | <b>2014</b>  | <b>2013</b>    | <b>2012</b>    |
| Net income .....                            | \$2,242   | \$1,417        | \$1,693        | \$2,043  | \$ 281         | \$ 305         |
| Interest expense .....                      | —   | —              | 10             | —  | —              | —              |
| Depreciation and amortization expense ..... | 853   | 863            | 881            | 682  | 918            | 737            |
| Provision for income taxes .....            | 448   | 279            | 406            | 684  | 172            | 111            |
| EBITDA .....                                | 3,543   | 2,559          | 2,990          | 3,409  | 1,371          | 1,153          |
| Compensation adjustment(a) .....            | 1,035   | 1,100          | 1,252          | (101)  | 954            | 1,673          |
| Adjusted EBITDA .....                       | <u>\$4,578</u>  | <u>\$3,659</u> | <u>\$4,242</u> | <u>\$3,308</u>   | <u>\$2,325</u> | <u>\$2,826</u> |

- (a) Represents (i) a change in employment compensation paid by certain Founding Companies to their shareholders, certain family members and other executives to amounts to be paid to those employees except for potential performance based bonus amounts pursuant to executed employment agreements with Fenix or its subsidiary and (ii) compensation expense for a one time bonus payable in shares of our common stock by one of our Founding Companies to certain of its employees.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the historical financial statements of the relevant entities and the pro forma financial statements and the notes thereto included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and "Cautionary Disclosure Regarding Forward-Looking Statements."*

### **Business Overview**

Fenix was founded in January 2014 to create a leading recycler and reseller of OEM automotive products in the United States and Canada. Our primary business is auto recycling, which is the recovery and resale of insurance quality OEM parts, components and systems reclaimed from damaged, totaled or low value vehicles. We sell recycled OEM products to collision repair shops, also known as body shops, and mechanical repair shops, auto dealerships and individual retail customers through centralized distribution facilities. Our recycled OEM products include mechanical parts used to repair worn or damaged components, such as engines and transmissions, and collision repair parts used to repair vehicles typically involved in a collision, such as door assemblies, trunk lids, lights, fenders and other products. We also sell aftermarket parts. We have nine full-service recycling facilities, concentrated in the Northeastern United States and Southeastern Canada. These locations include Binghamton, NY, Niagara Falls, NY, Pennsburg, PA, Rahway, NJ, Ottawa, Ontario, Port Hope, Ontario, Queensbury, NY, Watertown, NY and Jacksonville, FL. We have four self-service locations, two of which are co-located with full-service facilities. Our self-service locations are in Binghamton, NY, Elmira, NY, Ottawa, Ontario and Scarborough, Ontario. At these self-service locations, we allow retail customers to directly dismantle, recover and purchase recycled OEM products. Once each of our vehicles has been dismantled, we sell as scrap the remaining materials.

Concurrently with the closing of the offering made hereby, we plan to acquire in the Combinations eleven corporate entities that conduct eight businesses: (i) Don's, (ii) Eiss Brothers, (iii) Gary's, (iv) GO Auto, (v) Horseheads, (vi) Jerry Brown, (vii) Leesville and (viii) Standard. All of these companies are collectively referred to as the "Founding Companies." The Founding Companies will be acquired for a combination of cash and shares of our common stock or shares of our subsidiary. A portion of the net proceeds from this offering will be used to pay the cash portion of the consideration in the Combinations. We will not close the acquisition of any of the Founding Companies unless we close the acquisition of all of the Founding Companies. Furthermore, the closing of the Combinations and this offering are conditioned on the closing of each other. The description of our business that follows assumes that the Combinations have occurred and the operations of the Founding Companies have been combined.

We have entered into agreements with the owners of each of the Founding Companies to combine their businesses. The Combination Consideration to be paid by Fenix in the Combinations, subject to adjustment and including, among other things, amounts held in escrow, amounts payable as bonuses and amounts payable for the reimbursement of certain capital expenditures by certain Founding Companies, consists of approximately \$93.2 million in cash, approximately 2.8 million shares of common stock, assuming a public offering price of \$10.00 or more, and approximately 1.2 million exchangeable preferred shares of our subsidiary, Fenix Parts Canada, Inc., assuming a public offering price of \$10.00 or more. The cash portion of the Combination Consideration is generally subject to adjustment based upon the Founding Companies' working capital on the closing date, capital expenditures during the six months preceding the closing of the Combinations and certain other factors. We estimate, based on December 31, 2014 balances, that the aggregate net adjustment for the cash portion of the Combination Consideration will be an increase of approximately \$6.7 million. The stock portion of the Combination Consideration is subject to adjustment based on the public offering price in this offering. The Combination Consideration was determined by arm's length negotiations between Fenix and representatives of each Founding Company. Each of the owners of the Founding Companies has agreed not to sell their shares of

our common stock for 180 days after the date of this prospectus, subject to certain exceptions. For a more detailed description of these transactions, see “Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies.”

## **Financial Statement Components**

### *Sources of Revenue*

Our combined sales consist of revenues from: (i) recycled OEM and related products, and (ii) other sources. During 2014, sales of recycled OEM and related products represented approximately 72% of our combined sales. We sell recycled OEM and related products to collision repair shops and mechanical repair shops, parts suppliers and individual retail customers through centralized distribution facilities. Our recycled OEM and related products include mechanical parts used to repair worn or damaged components, such as engines, transmissions, transfer cases, air conditioning compressors and knee assemblies, and collision repair parts used to repair vehicles typically involved in a collision, such as doors, lids, gates, front and rear bumpers, and headlights. In addition, we purchase recycled OEM and related products from third parties for resale and distribution to our customers.

Other revenues, which primarily include the disposal of end of life vehicles and related scrap sales, represented the remaining 28% of our revenue for 2014. We obtain scrap metal from several sources, including vehicles that have been used in both our full-service and self-service recycling operations. Other revenues will vary based on fluctuations in commodity prices and the volume of materials sold. We sell extended warranty contracts for certain mechanical products. Revenue from these contracts is deferred and recognized ratably over the term of the contracts, or five years in the case of lifetime warranties.

The demand for our products and services is influenced by several factors, including the number of vehicles on the road, the number of miles being driven, the number and age of drivers, the frequency and severity of vehicle accidents, the age profile of vehicles in accidents, availability and pricing of new OEM parts and local weather conditions.

There is no standard price for many of our products, but rather a pricing structure that varies based upon such factors as product availability, quality, demand, new OEM product prices, the age and mileage of the vehicle from which the part was obtained and competitor pricing.

### *Cost of Goods Sold*

Our cost of goods sold for recycled OEM and related products includes the price we pay for the vehicles we purchase and, where applicable, auction, storage and towing fees. We acquire vehicles for dismantling from several sources, including auto salvage auctions and from the public. Prices for vehicles may be impacted by a variety of factors, including the demand and pricing trends for used vehicles, the number of vehicles designated as “total losses” by insurance companies, the production level of new vehicles, and the status of laws regulating the titling of “total loss” vehicles and the bidders of vehicles at auction. Our cost of goods sold also includes the price we pay to third parties for recycled OEM and related products purchased for resale and labor and other costs we incur to acquire and dismantle vehicles. Our labor and labor-related costs to purchase and dismantle vehicles account for approximately 13% of our cost of goods sold during 2014.

Some of our mechanical products are sold with a warranty against defects which could result in product returns. We record the estimated returns reserves at the time of sale using historical returns information to project future returns and related expenses.

### *Expenses*

Our facility expenses primarily consist of costs of operations and distribution. These costs include (1) wages for the operating management, facility and distribution personnel, related incentive compensation and employee benefits; (2) costs to occupy and operate the facility including rent, utilities, insurance and taxes;

(3) repairs and maintenance costs related to our facilities and equipment; and (4) other facility expenses. Our distribution and operations expenses are integral to the operation of each facility and primarily include our costs to prepare and deliver our products to our customers. These costs include labor costs for drivers, fuel, third party freight costs, local delivery and transfer truck leases or rentals and related repairs and maintenance, insurance, and supplies. The costs included in facility expenses do not relate to vehicle purchasing and to the dismantling process and, therefore, are classified below the gross margin line on our statement of operations.

Our selling and marketing expenses primarily include salary, commission and other incentive compensation expenses for sales personnel, advertising, promotion and marketing costs, telephone and other communication expenses, credit card fees and bad debt expense. Most of our product sales personnel are paid on a commission basis. The size and quality of our sales force are critical to our ability to respond to our customers' needs and increase our sales volume.

Our general and administrative expenses primarily include the costs of our corporate offices and field support services center that provide field management, treasury, accounting, legal, payroll, business development, human resources and information systems functions. These costs include wages and benefits for corporate, regional and administrative personnel, stock-based compensation and other incentive compensation, IT system support and maintenance expenses, accounting, legal and other professional fees, and supplies. The unaudited pro forma results for the periods included in this document do not include any allocation of overhead for the parent company or other pre-offering expenses not already included in the historical operating expenses of Fenix or the Founding Companies. Going forward, general and administrative expenses will include expenses associated with our operation as a public company, including audit, legal, accounting, investor relations and rent.

### **Critical Accounting Policies and Estimates**

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

#### *Revenue Recognition*

For our recycled OEM and related products, we recognize and report revenue from the sale of recycled OEM and related products when they are shipped or picked up by the customers and ownership has transferred, subject to an allowance for estimated returns (often pursuant to standard warranties on sold products), discounts and allowances that management estimates based upon historical information. We analyze historical returns and allowances activity by comparing the items to the original invoice amounts and dates. We use this information to project future returns and allowances on products sold. If actual returns and allowances are higher than our historical experience, there would be an adverse impact on our operating results in the period of occurrence. For an additional fee, we also sell extended warranty contracts for certain mechanical products. Revenue from these contracts is deferred and recognized ratably over the term of the contracts, or five years in the case of lifetime warranties.

For our other services revenue, we recognize revenue from the sale of scrap, cores and other metals when ownership has transferred, which typically occurs upon delivery to the customer.

### *Inventories*

Our recycled OEM and related product inventory cost is established based upon the price we pay for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling vehicles. After dismantling, the cost assigned to salvaged parts and scrap is determined using the average cost to sales percentage at each of our facilities and applying that percentage to the facility's inventory at expected selling prices. The average cost to sales percentage is derived from each facility's historical vehicle profitability for salvage vehicles purchased at auction or from contracted rates for salvage vehicles acquired under certain direct procurement arrangements.

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

### *Business Combinations*

We record our acquisitions under the acquisition method of accounting, under which most of the assets acquired and liabilities assumed are initially recorded at their respective fair values and any excess purchase price is reflected as goodwill. We utilize management estimates and, in some instances, independent third-party valuation firms to assist in determining the fair values of assets acquired, liabilities assumed and contingent consideration, if any. Such estimates and valuations require us to make significant assumptions, including projections of future events and operating performance.

We make assumptions about the value of tangible assets purchased in the Combinations, particularly for inventory and property and equipment. Inventory was marked up to 90% of its estimated selling price representing the inventory's cost and estimated related profit margin. Selling costs and related profit margin were estimated at all Founding Companies to be 10%. The acquired inventory is expected to be sold within 18 months. Assumptions for property and equipment valuation, which are based on cost and market approaches, are primarily data from industry databases and dealers on current costs of new equipment and information about the useful lives and age of the equipment. The remaining useful life of property and equipment is determined based on historical experience using such assets and varies from 3-20 years depending on the Founding Company and nature of the assets. All property and equipment is depreciated using the straight-line method.

The fair value of customer relationships and trade names acquired in business combinations are based on a number of significant assumptions. Trade names are valued using a "relief from royalty" method, which models cash savings from owning intangible assets as compared to paying a third party for their use. Descriptions of the inputs into this method, and the estimates or ranges of these inputs used for all of the Combinations are as follows:

|   |             |
|---|-------------|
| Compound annual revenue growth rate over term of use . . . . .              | 3%-7.9%     |
| Percentage of revenue attributable to trade name in forecast year . . . . . | 20%-100%    |
| Royalty rate . . . . .  | 2%          |
| Discount rate . . . . .   | 12.5%-14%   |
| Tax rate . . . . .  | 38.6%-40.9% |

The expected useful life of trade names, which we have established as five years, is based on our planned timeframe for using the existing trade names we will purchase in the Combinations. We expect to amortize such trade names using the straight-line method as no other method of amortization is more representative of our usage of these assets.

Customer relationships are valued using an income approach called the multi-period excess earnings method, a form of discounted cash flow that estimates revenues and cash flows derived from the use of the intangible asset and then deducts portions of the cash flow that can be attributed to supporting assets, such as

other intangible assets or property and equipment, that contributed to the generation of the cash flows to arrive at cash flows attributable solely to the intangible asset being valued. Descriptions of the inputs into this method, and the estimates or ranges of these inputs used for all of the Combinations are as follows:

|  |             |
|--|-------------|
| Compound annual revenue growth rate in forecast period . . . . . | 2.1%-3.8%   |
| Annual customer attrition rate . . . . .                         | 10%         |
| Gross margin in forecast period . . . . .                        | 31.8%-47.5% |
| Contributory asset charges as a percentage of revenue . . . . .  | 0.1%-3.4%   |
| Discount rate . . . . .  | 13.5%-16.0% |
| Tax rate . . . . .   | 38.6%-40.9% |

The expected useful life of customer relationships is established as 15 years, which is the period over which these assets are expected to reasonably contribute to future cash flows. We expect to amortize such customer relationships using an accelerated method that reflects a greater relative contribution to future cash flows in the earlier years of the assets' useful lives.

We also make assumptions to value off-market leases we expect to enter into as part of the Combinations. Such leases are recorded as assets or liabilities when applying the acquisition method and we expect to amortize these assets or liabilities over the 15 year life of the leases so that aggregate rent expense reflects market rates. Amounts relating to off-market leases that are recorded under the acquisition method are calculated based on a cost approach to value the land and buildings on a fee simple basis and then by applying a capitalization rate to that value to calculate a market rate. Cost estimates are obtained by analyzing recent sales transactions for similar properties.

The estimated fair values are subject to change during the measurement period, which is limited to one year subsequent to the acquisition date.

For certain acquisitions, we may issue contingent consideration under which additional payments will be made to the former owners if specified future events occur or conditions are met, such as meeting profitability or earnings targets. Each contingent consideration obligation is measured at the acquisition date fair value of the consideration, which is determined using the discounted expected cash flows. At each subsequent reporting period, we measure the liability at fair value and record any changes to the fair value. The fair value measurement of the liability is performed by our corporate accounting department using current information about key assumptions, with the input from our sales and operating management. Each reporting period, we evaluate the performance of the business compared to our previous expectations, along with any changes to our future projections, and update the estimated cash flows accordingly. In addition, we consider changes to our cost of capital and changes to the probability of achieving the contingent payment targets when updating our estimates.

As of the date of the Combinations, we expect to record \$8.9 million of discounted contingent consideration liabilities payable in cash. Actual payouts under these contingent consideration arrangements will be determined at the end of the performance periods, and if the maximum payments were earned, the total payout would be approximately \$7.9 million plus an uncapped amount which we estimate as \$1.6 million.

*Goodwill Impairment*

We are required to assess our goodwill for impairment at least annually for each reporting unit that carries goodwill. We may elect to first do a qualitative assessment to determine whether it is more likely than not that a reporting unit's fair value is in excess of its carrying value. If not, or if we elect to not perform a qualitative assessment, we then perform a quantitative impairment test. The first step of the quantitative test includes us estimating the fair value of the reporting unit and comparing that estimated fair value to the reporting unit's carrying value. If fair value exceeds carrying value, then no impairment is deemed to exist. Otherwise, we proceed to the second step and use that estimated fair value as a hypothetical purchase price for the reporting unit to determine the resulting "implied" goodwill (computed similarly to how goodwill is computed under

acquisition accounting described above). An excess of a reporting unit's recorded goodwill over its "implied" goodwill is reported as an impairment charge. We perform goodwill impairment tests annually in the fourth quarter and between annual tests whenever events or circumstances indicate that an impairment may exist. We are required to evaluate events and circumstances that may affect the performance of the reporting unit and the extent to which the events and circumstances may impact the future cash flows of the reporting unit.

Our reporting unit fair value estimates are established using weightings of the results of a discounted cash flow methodology and a comparative market multiples approach. We believe that using two methods to determine fair value limits the chances of an unrepresentative valuation. Nonetheless, these valuations are subject to significant subjectivity and assumptions, including estimates of future sales growth rates, gross margin patterns, changes in operating expenses, terminal values, discount rates and comparable companies. Changes in such assumptions or estimates may require us to record goodwill impairment charges.

#### *Intangible Assets Impairment*

We evaluate the carrying value of intangible assets, such as trade names and customer relationships, and other long lived assets for impairment whenever indicators of impairment exist. We test these assets for recoverability by comparing the net carrying value of the asset or asset group to the undiscounted net cash flows to be generated from the use and eventual disposition of that asset or asset group. If the assets are recoverable, an impairment loss does not exist and no loss is recorded. If the assets are not recoverable, an impairment loss is recognized for any deficiency of the asset or asset group's fair value compared to their carrying value. Although we base cash flow forecasts on assumptions that are consistent with plans and estimates we use to manage our business, there is significant judgment in determining the cash flows attributable to these assets, including markets and market share, sales volumes and mix, capital spending and working capital changes.

#### *Income Taxes*

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of our assets and liabilities and for certain tax credit carryforwards. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in addressing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, we believe it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including recent cumulative earnings experience, expectations of future taxable income, the ability to carryback losses and other relevant factors.

In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes may be required. We also recognize tax benefits to the extent that it is more likely than not that our positions will be sustained if challenged by the taxing authorities. To the extent we prevail in matters for which liabilities have been established, or are required to pay amounts in excess of our liabilities, our effective tax rate in a given period may be materially affected. An unfavorable tax settlement would require cash payments and may result in an increase in our effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the year of resolution.

## **Recently Issued Accounting Pronouncements**

Under the JOBS Act, we meet the definition of an “emerging growth company.” We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. See “Implications of Being an Emerging Growth Company.”

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-3 which amends ASC Topic 835, Interest, to require presentation of debt issuance costs as a direct deduction from the carrying amount of a debt liability, consistent with debt discounts. This guidance will be effective for our fiscal year ended December 31, 2016. We do not expect adoption of this ASU to have a material impact on our consolidated financial statements.

In August 2014, FASB issued ASU 2014-15 which amends ASC Topic 205, Presentation of Financial Statements, to describe management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. This guidance will be effective for our fiscal year ended December 31, 2016. We do not expect adoption of this ASU to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The guidance in this Update supersedes nearly all existing revenue recognition guidance under U.S. GAAP and creates a single, principle-based revenue recognition framework that is codified in a new FASB ASC Topic 606. The core principle of this guidance is for the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new revenue standard is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early adoption is not permitted. The new standard allows for either full retrospective or modified retrospective adoption. The Company is currently evaluating the transition method that will be elected and the potential effects of the adoption of the new standard on our consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, which amends FASB ASC Topic 205, Presentation of Financial Statements and FASB ASC Topic 360, Property, Plant, and Equipment. This standard amends the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective on a prospective basis for annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. The Company has adopted this standard effective January 1, 2015. Adoption is not expected to have a material impact on our consolidated financial statements.

## **Controls and Procedures**

A company’s internal control over financial reporting is a process designed by, or under the supervision of, that company’s principal executive and principal financial officers, or persons performing similar functions, and effected by that company’s board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.



In connection with our preparation for this offering, we concluded that there were material weaknesses in our internal control over financial reporting. We did not maintain a sufficient complement of resources with an appropriate level of accounting knowledge, experience and training commensurate with our financial reporting requirements. This caused untimely closing of our books and difficulty in, among other things, reconciling material accounts, recording tax adjustments and relevant tax positions, evaluating necessary valuation information, and assessing related party and other transactions for appropriate accounting treatment. As of December 31, 2014, our financial operations staff consisted only of paid consultants and we had no employees performing accounting functions at this date. The Founding Companies also did not maintain a sufficient complement of resources with an appropriate level of accounting knowledge, experience and training commensurate with the relevant financial reporting requirements.

In preparation for this offering, we initiated various remediation efforts, including initiation of hiring processes for additional personnel with the appropriate public company and technical accounting expertise and other actions that are more fully described below. As such remediation efforts are still ongoing, we have concluded that the material weaknesses have not been remediated. Our remediation efforts to date have included the following:

- We are in the process of adding appropriate full-time resources to our finance team and have hired additional external consultants with public company and technical accounting experience to facilitate accurate and timely accounting closes and to accurately prepare and review financial statements and related footnote disclosures.
- We are developing accounting policies and procedures to enhance the financial statement closing process to improve the completeness, timeliness and accuracy of our financial reporting and disclosures including, but not limited to, those procedures to ensure proper financial statement treatment in more judgmental areas of accounting.

The actions that have been taken are subject to continued review, supported by confirmation and testing by management as well as audit committee oversight. While we have implemented a plan to remediate these weaknesses, we cannot assure you that we will be able to remediate them, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows.

**Pro forma Results of Operations for Fenix for the Year Ended December 31, 2014 Compared to the Aggregated Results of Operations of the Founding Companies for the Year Ended December 31, 2013**

Please refer to the Unaudited Pro Forma Financial Statements included in this Registration Statement beginning on Page F-4, and to Management's Discussion and Analysis of Financial Condition and Results of Operations for the Beagell Group, Standard and the other Founding Companies.

## Revenue

Our pro forma revenue was \$108.2 million for the year ended December 31, 2014 and the aggregated revenues of the Founding Companies were \$106.9 million for the year ended December 31, 2013. Pro forma revenue represents the sum of the revenues of our predecessor companies, the Beagell Group and Standard, plus the revenue of each of our other Founding Companies, less the intercompany elimination of recycled OEM and related products sold from one Founding Company to another. The elimination was \$4.6 million for the year ended December 31, 2014 and \$3.8 million for the year ended December 31, 2013. Pro forma revenue for the year ended December 31, 2014 also includes the elimination of \$791,000 of historical revenue related to certain extended warranty contracts. The following table summarizes the revenue for each of the Founding Companies for each of the periods presented.

|   | <u>Fenix<br/>Parts</u> | <u>Beagell<br/>Group</u> | <u>Standard</u> | <u>Eiss<br/>Brothers</u> | <u>GO Auto</u> | <u>Jerry<br/>Brown</u> | <u>Leesville</u> | <u>Eliminations<br/>and<br/>Adjustments</u> | <u>Total</u> |
|---|------------------------|--------------------------|-----------------|--------------------------|----------------|------------------------|------------------|---|--------------|
| Twelve months ended<br>December 31,<br>2014 ..... | \$—                    | \$30,598                 | \$31,126        | \$11,975                 | \$9,984        | \$13,039               | \$16,865         | \$(5,371)                                   | \$108,216    |
| Twelve months ended<br>December 31,<br>2013 ..... | —                      | 30,661                   | 31,738          | 10,022                   | 8,022          | 12,084                 | 18,202           | (3,836)                                     | 106,893      |

Revenues increased due to higher recycled parts sales that more than offset the revenue lost due to a fire at Standard in March 2014, lower parts sales at Leesville, and overall lower scrap sales.

## Cost of Goods Sold

Our pro forma cost of goods sold was 65.8% of revenue for the year ended December 31, 2014, and the aggregated cost of goods sold of the Founding Companies was 64.8% of revenue for the year ended December 31, 2013. Such cost of goods sold represents the sum of the Founding Companies' cost of goods sold, less the elimination for intercompany sales consistent with the elimination of intercompany revenue.

Costs of goods sold as a percentage of revenues increased primarily due to effects of a fire at Standard offset by cost improvements at Standard and Leesville.

## Operating Expenses

Our pro forma operating expense was 41.1% of revenue for the year ended December 31, 2014 and the aggregated operating expenses of the Founding Companies were 31.9% of revenue for the year ended December 31, 2013. Such operating expense represents the sum of the Founding Companies' operating expenses, plus the impact of certain pro forma adjustments in 2014. These adjustments include (i) compensation expense adjustments; (ii) adjustments of depreciation and amortization of property and equipment and intangible assets as a result of the Combinations; (iii) adjustments related to leased properties; and (iv) adjustments related to contingent consideration.

## Liquidity and Capital Resources

Our primary sources of ongoing liquidity are cash flows from our operations. In addition, it is our intent to enter into a credit facility with BMO Harris Bank N.A. that will become effective concurrent with the closing of this offering. To this end, we have accepted a mandate letter from BMO Harris Bank N.A. for a proposed \$35,000,000 senior secured credit facility. See "Credit Facility." We do not expect to utilize the credit facility as a primary source of funding for working capital needs as we expect our cash flows from operations to be sufficient for that purpose, but we do intend to maintain availability as we continue to expand our facilities and

network. Aggregated cash, cash equivalents and restricted cash of the Founding Companies at December 31, 2014 and December 31, 2013 totaled \$10.3 million on a pro forma basis and \$4.8 million, respectively. Similarly, net working capital, defined as current assets less accounts payables and accrued expenses, was \$52.8 million on a pro forma basis as of December 31, 2014 and \$36.5 million as of December 31, 2013.

The procurement of inventory is the largest operating use of our funds. We normally pay for salvage vehicles acquired at salvage auctions and under some direct procurement arrangements at the time that we take possession of the vehicles. We acquired approximately 35,000 and 31,000 vehicles in the years ended December 31, 2014 and 2013, respectively. Inventories at December 31, 2014 and 2013 totaled \$42.2 million on a pro forma basis and \$31.5 million, respectively.

As part of the consideration for certain of the Combinations, we entered into contingent consideration agreements with the selling shareholders. Under the terms of the contingent consideration agreements, additional payments will be made to the former owners if specified future events occur or conditions are met, such as meeting profitability or earnings targets. For our Combination with Jerry Brown, we are required to pay (a) up to an additional \$1.75 million if the business achieves certain revenue targets during the twelve-month period beginning with the month following the month of closing of this offering and (b) an additional, uncapped amount if the business achieves certain EBITDA targets during 2016. Based on our evaluation of the likelihood of meeting these performance targets, we recorded a liability for the Combination date fair value of the contingent consideration of \$3.1 million. We expect to fund these payments through either cash generated from operations or through draws on our revolving credit facility. See “Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies—Consideration to be Paid in the Combinations—Earnouts.”

The Combination Agreements for Eiss Brothers and the Canadian Founding Companies provide for a holdback of Combination Consideration which will be payable only if certain performance hurdles are achieved. The maximum amount of consideration that is subject to holdback for Eiss Brothers is \$245,000 in cash plus 10,500 shares of our common stock (assuming a public offering price of \$10.00 or more per share), of which none, some or all will be released to Eiss Brothers depending upon its EBITDA during the twelve-month period beginning with the month following the month of the closing of this offering. The maximum amount of consideration that is subject to holdback for the Canadian Founding Companies is \$5.9 million in cash (or, at our option, in the form of a letter of credit under our credit facility) plus 252,000 Exchangeable Preferred Shares (assuming a public offering price of \$10.00 or more per share), of which, none, some or all will be released to the Canadian Founding Companies depending on their combined revenues from specific types of sales for the twelve-month period beginning with the month following the month of the closing of this offering. Based on our evaluation of the likelihood of meeting these performance targets, we recorded a liability for the Combination date fair value of the contingent consideration of \$8.4 million. We expect to fund the related cash payments through either cash generated from operations or through draws on our credit facility. See “Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies—Consideration to be Paid in the Combinations—Holdbacks” and “Credit Facility.”

We intend to continue to evaluate markets for potential growth through selected business acquisitions and the internal development of distribution and dismantling facilities. Our future liquidity and capital requirements will depend upon numerous factors, including the costs and timing of our future business acquisitions and our internal development efforts. We expect our credit facility to provide additional sources of liquidity to fund acquisitions.

We believe that our current cash and equivalents, cash provided by operating activities and funds available from bank borrowings will be sufficient to meet our current operating and capital requirements, although such sources may not be sufficient for future acquisitions depending on their size. From time to time, we may need to raise additional funds through public or private financing, or other arrangements. There can be no assurance that additional funding, or refinancing of our credit facility, if needed, will be available on terms attractive to us, or at all. Furthermore, any additional equity financing may be dilutive to stockholders, and debt

financing, if available, may involve restrictive covenants. Our failure to raise capital if and when needed could have a material adverse impact on our business, operating results, and financial condition.

### **Off-Balance Sheet Arrangements and Future Commitments**

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

After the Combinations, we expect to have contractual commitments under operating leases of approximately \$2.6 million per year for 15 years. Further, we expect to pay cash with a present value of approximately \$8.9 million for contingent consideration one or two years after the closing of the Combinations and cash with a present value of \$1.8 million for nonsubstantive consulting fee payments over periods of one to fifteen years from the closing of the Combinations. Although we may use proceeds from the offering to pay off promissory notes related to the Combinations, we may have an obligation to pay \$200,000 under such promissory notes two years from the closing of the Combinations.

### **Quantitative and Qualitative Disclosures about Market Risk**

Our results of operations are exposed to market risk related to price fluctuations in scrap metal and other metals. Market prices of these metals affect the amount that we pay for our inventory as well as the revenue that we generate from sales of these metals. As both our revenue and costs are affected by the price fluctuations, we have a natural hedge against the changes. However, there is typically a lag between the effect on our revenue from metal price fluctuations and inventory cost changes. Therefore, we can experience positive or negative gross margin effects in periods of rising or falling metal prices, particularly when such prices move rapidly. If market prices were to fall at a greater rate than our vehicle acquisition costs, we could experience a decline in gross margin.

Additionally, our results of operations are exposed to changes in interest rates primarily with respect to borrowings under our credit facility, where interest rates are tied to the prime rate.

Our operations in Canada are also exposed to changes in the relationship between the U.S. dollar and the Canadian dollar. As both our revenue and costs are affected by the price fluctuations, we have a natural hedge against the changes. Our operations in Canada represented 26% and 25% of our revenue in 2014 and 2013, respectively. An increase or decrease in the strength of the U.S. dollar against this currency by 10% would result in approximately a 2.6% change in our consolidated revenue and operating income for the year ended December 31, 2014 and 2013, respectively.

### **Description of Fenix and the Founding Companies**

For accounting and reporting purposes, Fenix has been identified as the accounting acquirer of each of the Founding Companies. Don's, Gary's and Horseheads (collectively, the "Beagell Group") have historically been under common control and on a combined basis have been identified as an accounting co-predecessor to the Company. Standard's members (Standard Auto Wreckers, Inc., End of Life Vehicles Inc., Goldy Metals Incorporated and Goldy Metals (Ottawa) Incorporated) are entities that have historically been under common control and on a combined basis have also been identified as an accounting co-predecessor to the Company. The remaining Founding Companies are Eiss Brothers, GO Auto, Jerry Brown and Leesville. The historical operating results, liquidity and capital resource considerations of Fenix, the Beagell Group, Standard and each of the other Founding Companies are described below.

## **Fenix Parts, Inc.**

### **Overview**

Fenix was founded in January 2014 for the purpose of effecting the Combinations. Fenix has no operations at this time and has two employees. During 2014, Fenix incurred various legal, accounting and administrative costs in preparation of this offering, the Combinations and assuring Fenix's continued viability upon consummation of this offering.

### **Results of Operations for the Period from January 2, 2014 (Inception) through December 31, 2014**

#### *Revenue and Cost of Goods Sold*

Fenix did not generate any revenue or incur any cost of goods sold for the period from January 2, 2014 through December 31, 2014.

#### *Operating Expenses*

Fenix did not incur any facility or selling expenses for the period from January 2, 2014 through December 31, 2014. Fenix's general and administrative expenses for the period from January 2, 2014 through December 31, 2014 totaled \$4.7 million. The expenses were incurred for various legal and accounting services in preparation of this offering and the Combinations.

#### *Net Loss*

Fenix's net loss was \$4.7 million for the period from January 2, 2014 through December 31, 2014.

### **Liquidity and Capital Resources**

Fenix's source of funding was capital raises of \$3.7 million of cash through December 31, 2014 from a small group of investors. Fenix may obtain additional financing as needed.

Net cash used in operating activities totaled \$3.2 million for the period from January 2, 2014 through December 31, 2014, which resulted in \$453,000 of the cash capital raise left on hand as of December 31, 2014. As of March 20, 2015, Fenix had \$701,000 of cash on hand.

## Beagell Group

### Overview

The Beagell Group includes three commonly-controlled companies: Don's, Gary's and Horseheads. Don's and Gary's were founded in 1979 in Binghamton, New York, and Horseheads was founded in 1990 in Elmira, New York. Don's sells recycled OEM products through its two full-service dismantling and distribution facilities located in Binghamton, New York and Pennsburg, Pennsylvania. As of December 31, 2014, Don's operated a total of six dismantling bays and had 81 full-time employees. Gary's and Horseheads sell recycled OEM products through their self-service facilities in Binghamton and Elmira, New York. As of December 31, 2014, Gary's and Horseheads together had an additional 39 employees.

### Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

#### *Revenue*

Revenue decreased by \$63,000, or 0.2%, to \$30.6 million for the year ended December 31, 2014 from \$30.7 million for the year ended December 31, 2013. The decrease in revenue was due to an increase of recycled parts sales at the full-service location that was more than offset by lower revenue at the self-service operations primarily due to lower scrap sales. Total 2014 revenue was composed of 70% recycled OEM and related products. Other revenue, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods sold increased by \$245,000, or 1.2%, to \$19.9 million for the year ended December 31, 2014 from \$19.7 million for the year ended December 31, 2013. The higher cost of goods sold resulted primarily from higher costs as a percentage of revenue resulting from the impact of lower scrap sales. As a percentage of revenue, cost of goods sold increased to 65.0% of revenue in 2014 from 64.1% of revenue in 2013.

#### *Operating Expenses*

Operating expenses decreased by \$950,000, or 10.3%, to \$8.3 million for the year ended December 31, 2014, as compared to \$9.3 million for the year ended December 31, 2013. The decrease in operating expenses was driven primarily by lower sales and marketing costs that more than offset higher distribution expenses. As a percentage of revenue, operating expenses decreased to 27.2% of revenue in 2014 compared to 30.7% of revenue in 2013.

#### *Net Income*

Net income increased by \$826,000, or 58.2%, to \$2.2 million for the year ended December 31, 2014 from \$1.4 million for 2013. This increase was primarily due to the reduction in operating expenses. As a percentage of revenue, net income increased to 7.3% of revenue in 2014 compared to 4.7% of revenue in 2013.

### Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

#### *Revenue*

Revenue decreased by \$976,000, or 3.1%, to \$30.7 million for the year ended December 31, 2013 from \$31.7 million for the year ended December 31, 2012. The decrease in revenue was due to a \$2.0 million reduction of other revenues at the self-service operations primarily due to lower scrap sales that more than offset an increase in recycled parts sales at the full-service operations. Total 2013 revenue was composed of 66% recycled OEM and related products. Other revenue, including scrap sales, represented the remaining revenue.

### *Cost of Goods Sold*

Cost of goods sold decreased by \$275,000, or 1.4%, to \$19.7 million for the year ended December 31, 2013 from \$19.9 million for the year ended December 31, 2012. The lower cost of goods sold resulted primarily from lower revenue, partially offset by higher costs as a percentage of revenue resulting from the impact of lower scrap sales. As a percentage of revenue, cost of goods sold increased to 64.1% of revenue in 2013 from 63.0% of revenue in 2012.

### *Operating Expenses*

Operating expenses decreased by \$391,000, or 4.1%, to \$9.3 million for the year ended December 31, 2013, as compared to \$9.6 million for the year ended December 31, 2012. The decrease in operating expenses was driven primarily by lower sales and marketing costs that more than offset higher distribution expenses. As a percentage of revenue, operating expenses decreased to 30.2% of revenue in 2013 compared to 30.5% of revenue in 2012.

### *Net Income*

Net income decreased by \$276,000, or 16.3%, to \$1.4 million for the year ended December 31, 2013 from \$1.7 million for the year ended December 31, 2012. This decrease was primarily due to lower revenue and gross profit related to other services (scrap) revenue which was not fully offset by the reduction in operating expenses. As a percentage of revenue, net income decreased to 4.6% of revenue in 2013 compared to 5.4% of revenue in 2012.

## **Liquidity and Capital Resources**

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

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$2.9 million for the year ended December 31, 2014, compared to \$2.6 million for the year ended December 31, 2013. The higher cash from operating activities resulted mostly from an increase in net income, partially offset by increased inventory levels during 2014. Inventory is the largest operating use of cash and, as of December 31, 2014, \$6.7 million of inventory was on hand, compared to \$5.8 million as of December 31, 2013.

Net cash provided by investing activities was \$32,000 for the year ended December 31, 2014, compared to net cash used of \$267,000 for the year ended December 31, 2013. The change in cash used in investing activities primarily resulted from increased proceeds from disposals of property and equipment, offset by higher capital expenditures.

Net cash used in financing activities was \$1.9 million for the year ended December 31, 2014, compared to net cash used in financing activities of \$2.4 million for the year ended December 31, 2013. The reduction in cash used in financing activities resulted primarily from lower distributions to shareholders of \$1.9 million in 2014, compared to \$2.5 million for the prior year.

Working capital was \$9.2 million as of December 31, 2014.

### *Year Ended December 31, 2013 Compared to Year Ended December 31, 2012*

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$2.6 million for the year ended December 31, 2013, compared to \$2.5 million for the year ended December 31, 2012. The higher cash provided by operating activities resulted mostly from a reduction in inventory levels during 2013, compared to an increase in inventory during 2012. Inventory is the largest operating use of cash and, as of December 31, 2013, \$5.8 million of inventory was on hand, compared to \$6.1 million as of December 31, 2012.

Net cash used in investing activities was \$267,000 for the year ended December 31, 2013, compared to \$1.3 million for the year ended December 31, 2012. The reduction in cash used in investing activities primarily resulted from lower capital expenditures of \$181,000 in 2013, compared with \$1.4 million in the prior year.

Net cash used in financing activities was \$2.4 million for the year ended December 31, 2013, compared to \$2.6 million for the year ended December 31, 2012. The reduction in cash used in financing activities resulted primarily from lower distributions to shareholders of \$2.5 million in 2013, compared to \$2.8 million for the prior year.

Working capital was \$7.7 million as of December 31, 2013.

#### *Debt*

As of December 31, 2014, the Beagell Group had approximately \$130,000 of debt, about half of which is due in 2015. The Beagell Group has a line of credit of \$500,000, under which no amount was outstanding as of December 31, 2014.

#### *Variable Interest Entities*

The combined financial statements of the Beagell Group include the accounts of four limited liability companies, which are the lessors of the premises from which the Beagell Group operates. The Beagell Group's net income includes the limited liability companies' net income of \$625,000 for the year ended December 31, 2014, \$558,000 for the year ended December 31, 2013 and \$364,000 for the year ended December 31, 2012. These lessors accounted for \$1.4 million of net property and equipment and no debt as of December 31, 2014. The membership interests in these limited liability companies will not be transferred to Fenix Parts, Inc. in the Combinations.



## Standard

### Overview

Standard Auto Wreckers, Inc. was founded in 2005, in Niagara Falls, New York; End of Life Vehicles Inc. was founded in 2007 in Toronto, Ontario; Goldy Metals Incorporated was founded in 1979 in Toronto, Ontario; and Goldy Metals (Ottawa) Incorporated was founded in 2013 in Ottawa, Ontario. We collectively refer to Standard Auto Wreckers, Inc. and its three Canadian affiliates as “Standard.”

Standard sells recycled OEM products through three full-service dismantling and distribution facilities located in Niagara Falls, New York; Scarborough, Ontario; and Ottawa, Ontario. As of December 31, 2014, Standard operated a total of 22 dismantling bays and had 202 full-time employees. Both the Scarborough and Ottawa facilities run self-service operations adjacent to the full-service operation. An additional full-service dismantling and distribution facility with 12 dismantling bays was added in Port Hope, Ontario in 2014 to replace the Scarborough full-service operation and allow for the expansion of the self-service operation.

### Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

#### *Revenue*

Revenue decreased by \$0.6 million, or 1.9%, to \$31.1 million for the year ended December 31, 2014 from \$31.7 million for the year ended December 31, 2013. The decrease in revenue was primarily due to a reduction in revenue of approximately \$2.9 million from parts sales at the Toronto facility following the fire there in March 2014 that largely destroyed its full-service dismantling and distribution operations. The reduction in revenue in Toronto was partially offset by higher parts sales at the Ottawa and Niagara Falls facilities as they began servicing some of Toronto’s previous parts customers. Total 2014 revenue was composed of approximately 60% recycled OEM and related products. Other services revenue, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods was \$19.7 million for both of the years ended December 31, 2014 and 2013. Total cost of goods sold for 2014 includes an increase of approximately \$1.3 million in environmental, freight, labor, travel, repairs and maintenance expenses, primarily to support dismantling operations at the Ottawa and Port Hope facilities following the March 2014 fire in Toronto, offset by lower cost of goods sold at the Niagara Falls facility. As a percentage of revenue, cost of goods sold increased to 63.3% of revenue in 2014 from 62.1% of revenue in 2013.

#### *Operating Expenses*

Operating expenses decreased \$2.1 million, or 18%, to \$9.5 million for the year ended December 31, 2014 from \$11.6 million for the year ended December 31, 2013. The decrease in operating expenses was driven primarily by lower management fees and salaries. Fenix will not pay any management fees after the Combinations. As a percentage of revenue, operating expenses decreased to 30.6% of revenue in 2014 compared to 36.6% in 2013.

#### *Net Income*

Net income increased by \$1.7 million, to \$2.0 million for the year ended December 31, 2014 from a net income of \$281,000 for the year ended December 31, 2013. 2014 net income includes a \$758,000 gain related to insurance proceeds received as a result of a fire in Toronto. As a percentage of revenue, net income was 6.4% for the year ended December 31, 2014 and 0.9% for the year ended December 31, 2013.

## **Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012**

### *Revenue*

Revenue increased by \$0.7 million, or 2.3%, to \$31.7 million for the year ended December 31, 2013 from \$31.0 million in for the year ended December 31, 2012. The increase in revenue was due to acquisition and expansion of the Ottawa operation in March 2013, which added an incremental \$2.1 million of revenue in 2013. Driven by the new Ottawa operation, higher volumes of recycled OEM parts sales were largely offset by lower revenue from the sale of scrap in the self-service business. There were no acquisitions in 2012. Total 2013 revenue was composed of approximately 64% recycled OEM and related products. Other services revenue, including scrap sales, represented the remaining revenue.

### *Cost of Goods Sold*

Cost of goods sold decreased \$529,000, or 2.6%, to \$19.7 million for the year ended December 31, 2013 from \$20.2 million for the year ended December 31, 2012. The lower cost of goods sold was driven primarily by improvement in the Niagara Falls facility cost of goods sold and the impact of Ottawa which has a lower cost structure than either Toronto or Niagara Falls. These factors more than offset higher costs at Standard's Toronto facility. As a percentage of revenue, cost of goods sold decreased to 62.1% of revenue in 2013 from 65.2% of revenue in 2012.

### *Operating Expenses*

Operating expenses increased \$1.2 million, or 11.5%, to \$11.6 million for the year ended December 31, 2013 from \$10.4 million for the year ended December 31, 2012. The increase in operating expenses was driven primarily by the labor, supplies, advertising, repairs and maintenance costs associated with converting the Ottawa operation into a dismantling facility. As a percentage of revenue, operating expenses increased to 36.6% of revenue in 2013 compared to 33.5% in 2012.

Operating expenses include management fees of \$1,020,000 and \$1,050,000 for the years ended December 31, 2013 and 2012, respectively. There is no formal agreement and the amount paid each year was largely discretionary. Fenix will not pay these management fees after the Combinations.

### *Net Income*

Net income decreased by \$24,000, to \$281,000 for the year ended December 31, 2013 from a net income of \$305,000 for the year ended December 31, 2012. As a percentage of revenue, net income was 0.1% for each of 2013 and 2012.

## **Liquidity and Capital Resources**

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

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$2.3 million for the year ended December 31, 2014, compared to \$850,000 of net cash used in operating activities for the year ended December 31, 2013. The increase in cash provided by operating activities resulted primarily from the increase in net income and insurance recoveries for damaged inventory. Inventory is the largest operating use of cash and, as of December 31, 2014, \$11.1 million of inventory was on hand as compared to \$10.5 million as of December 31, 2013.

Net cash used in investing activities was \$2.1 million for the year ended December 31, 2014, compared to \$3.8 million for the year ended December 31, 2013. The decrease in cash used in investing activities for the

year ended December 31, 2014 primarily relates to insurance proceeds from property damaged by fire in Toronto offset by the start-up of the new Port Hope facility compared to the prior year that included the acquisition and development of Standard's Ottawa facility.

Cash used in financing activities was \$246,000 for the year ended December 31, 2014, compared to cash provided by financing activities of \$249,000 for the year ended December 31, 2013.

Working capital was \$8.7 million as of December 31, 2014.

*Year Ended December 31, 2013 Compared to Year Ended December 31, 2012*

Sources of ongoing liquidity are cash flows from operations. Inventory is the largest operating use of funds and, as of December 31, 2013, \$10.5 million of inventory was on hand compared to \$10.1 million as of December 31, 2012. Working capital was \$9.6 million as of December 31, 2013.

Net cash used in operating activities totaled \$850,000 for the year ended December 31, 2013, compared to \$1.8 million provided by operating activities for the year ended December 31, 2012. The decrease in cash provided by operating activities resulted mostly from changes in the level of inventory at year end.

Net cash used in investing activities was \$3.8 million for the year ended December 31, 2013, compared to \$132,000 for the year ended December 31, 2012. The increase in cash used in investing activities for the year ended December 31, 2013 primarily relates to the acquisition and development of Standard's Ottawa facility.

Net cash provided by financing activities was \$249,000 for the year ended December 31, 2013, compared to \$0 for the year ended December 31, 2012.

*Debt*

Standard had \$2.4 million due to related parties as of December 31, 2014, representing advances for working capital needs.

*Variable Interest Entities*

Standard's combined financial statements include the accounts of Dalana Realty, Inc. ("Dalana") and Standard Auto Wreckers (Port Hope), Inc. ("Port Hope"), the lessors of two of the premises from which Standard operates. Standard's net income includes Dalana and Port Hope income of \$107,000 for the year ended December 31, 2014, \$68,000 for the year ended December 31, 2013 and \$61,000 for the year ended December 31, 2012. Dalana and Port Hope accounted for \$2.4 million of net property and equipment and no debt as of December 31, 2014. The shareholder interests in Dalana and Port Hope will not be transferred to Fenix Parts, Inc. in the Combinations.

## Eiss Brothers, Inc.

### Overview

Eiss Brothers was founded in 1980 in Watertown, New York. Eiss Brothers sells recycled OEM products through its full-service dismantling and distribution facility located in Watertown, New York. As of December 31, 2014, Eiss Brothers operated five dismantling bays and had 46 full-time employees.

### Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

#### *Revenue*

Revenue increased by \$2.0 million, or 19.5%, to \$12.0 million for the year ended December 31, 2014 from \$10.0 million for the year ended December 31, 2013. The increase in revenue was due to organic growth, which was driven by the increase in volume of recycled OEM products sold. Total 2014 revenue was composed of 87% recycled OEM and related products. Other revenues, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods sold increased by \$1.6 million, or 21.8%, to \$8.8 million for the year ended December 31, 2014 from \$7.3 million for the year ended December 31, 2013. The higher cost of goods sold was a result of the higher revenue. As a percentage of revenue, cost of goods sold increased to 73.8% of revenue in 2014 from 72.4% of revenue in 2013. The higher cost of goods sold as a percentage of revenue was driven by an increase in parts sold from vehicles dismantled in-house.

#### *Operating Expenses*

Operating expenses decreased by \$126,000, or 5.2%, to \$2.3 million for the year ended December 31, 2014 from \$2.4 million for the year ended December 31, 2013. The decrease in operating expenses was driven primarily by lower promotion, repair, systems support and telephone expenses. As a percentage of revenue, operating expenses decreased to 19.2% of revenue in 2014, compared to 24.1% of revenue in 2013.

#### *Net Income*

Net income increased by \$450,000, or 129%, to \$798,000 for the year ended December 31, 2014 from \$348,000 for the year ended December 31, 2013. This increase was primarily driven by the additional gross profit generated from the higher revenue and lower operating expenses. As a percentage of revenue, net income increased to 6.7% of revenue in 2014 compared to 3.5% in 2013.

### Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

#### *Revenue*

Revenue increased by \$969,000, or 10.7%, to \$10.0 million for the year ended December 31, 2013 from \$9.1 million for the year ended December 31, 2012. The increase in revenue was due to organic growth, which was driven by the increase in volume of recycled OEM products sold. Total 2013 revenue was composed of 93% recycled OEM and related products. Other revenues, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods sold increased by \$1.1 million, or 17.0%, to \$7.3 million for the year ended December 31, 2013 from \$6.2 million for the year ended December 31, 2012. The higher cost of goods sold was driven

primarily by costs associated with revenue increases, higher costs and lower margin on products purchased from third parties for resale and higher payroll costs associated with dismantling and inventory management. As a percentage of revenue, cost of goods sold increased to 72.4% of revenue in 2013 from 68.5% of revenue in 2012.

#### *Operating Expenses*

Operating expenses decreased by \$162,000, or 6.3%, to \$2.4 million for the year ended December 31, 2013 from \$2.6 million for the year ended December 31, 2012. The decrease in operating expenses was driven primarily by decreases in commission, advertising and shipping costs and overall reductions in the cost of supplies. As a percentage of revenue, operating expenses decreased to 24.1% of revenue in 2013, compared to 28.5% of revenue in 2012.

#### *Net Income*

Net income increased by \$103,000, or 42%, to \$348,000 for the year ended December 31, 2013 from \$245,000 for the year ended December 31, 2012. This increase was primarily driven by the additional gross profit generated from the higher revenue and lower operating expenses that were largely offset by lower margins. As a percentage of revenue, net income increased to 3.5% of revenue in 2013 compared to 2.7% in 2012.

### **Liquidity and Capital Resources**

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

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$815,000 for the year ended December 31, 2014, compared to \$395,000 for the year ended December 31, 2013. The higher cash flow from operating activities resulted from the increase in net income in 2014, as compared to the prior year, partially offset by higher receivables. Inventory continues to be the largest operating use of cash and, as of each of December 31, 2014 and December 31, 2013, \$5.4 million of inventory was on hand. Inventory increased by \$6,000 in 2014, compared to a decrease in inventory of \$45,000 in 2013. Accounts receivable increased by \$177,000 to \$753,000 as of December 31, 2014.

Net cash used in investing activities was \$152,000 for the year ended December 31, 2014, compared to generating \$2,000 for the year ended December 31, 2013. Capital expenditures totaled \$179,000 for the year ended December 31, 2014, compared to \$5,000 for the year ended December 31, 2013.

Cash used in financing activities was \$382,000 for the year ended December 31, 2014, compared to \$197,000 for the year ended December 31, 2013. Shareholder distributions and the borrowing and/or repayment of debt are the primary components of cash used in financing activities.

Working capital was \$6.2 million as of December 31, 2014.

#### *Year Ended December 31, 2013 Compared to Year Ended December 31, 2012*

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$395,000 for the year ended December 31, 2013, compared to \$155,000 for the year ended December 31, 2012. The higher cash flow from operating activities resulted mostly from a reduction in inventory during 2013, compared to an increase in inventory during 2012. Inventory is the largest operating use of cash and, as of December 31, 2013, \$5.37 million of inventory was on hand, compared with \$5.41 million as of December 31, 2012. Inventory decreased by \$45,000 in 2013, compared to an increase in inventory of \$302,000 in 2012.

Net cash provided by investing activities was \$2,000 for the year ended December 31, 2013, compared to a use of cash of \$179,000 for the year ended December 31, 2012. The use of cash in 2012 was driven by a loan to a shareholder of \$155,000. Capital expenditures totaled \$5,000 for the year ended December 31, 2013, compared to \$32,000 for the year ended December 31, 2012.

Cash used in financing activities was \$197,000 for the year ended December 31, 2013, compared to \$111,000 for the year ended December 31, 2012. Repayment of debt and shareholder distributions are the primary components of cash used in financing activities.

Working capital was \$5.8 million as of December 31, 2013.

#### *Debt*

Eiss Brothers had \$612,000 in notes payable at December 31, 2014, including a mortgage loan of \$375,000, a term loan of \$126,000 and various equipment loans of \$111,000, \$71,000 of which is due in 2015.

#### *Variable Interest Entities*

Eiss Brothers' financial statements include the accounts of Eiss Brothers Partnership ("EBP"), which is the lessor of the premises from which Eiss Brothers operates. Eiss Brothers' net income included EBP income of \$15,000 for the year ended December 31, 2014, \$17,000 for the year ended December 31, 2013 and \$11,000 for the year ended December 31, 2012. EBP accounted for \$853,000 of net property and equipment and \$375,000 of debt as of December 31, 2014. The partnership interests in EBP and the related mortgage loan will not be transferred to Fenix Parts, Inc. in the Combinations.

## Green Oak Investments LLC dba GO Auto Recycling

### Overview

GO Auto was founded in 2008 in Jacksonville, Florida. GO Auto sells recycled OEM products through its full-service dismantling and distribution facility located in Jacksonville, Florida. As of December 31, 2014, GO Auto operated five dismantling bays and had 42 full-time employees.

### Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

#### *Revenue*

Revenue increased \$2.0 million, or 24.5%, to \$10.0 million for the year ended December 31, 2014 from \$8.0 million for the year ended December 31, 2013. The increase in revenue was due to organic growth, which was primarily driven by a proportionate increase in both the volume of recycled OEM products sold through the GO Auto distribution network and those sold to dismantlers in other markets for resale. Total revenue for the year ended December 31, 2014 was composed of 86% recycled OEM and related products. Other revenues, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods sold increased \$1.0 million, or 18.2%, to \$6.6 million for the year ended December 31, 2014 from \$5.6 million for the year ended December 31, 2013. The higher cost of goods sold was a result of the higher revenue. As a percentage of revenue, cost of goods sold decreased to 66.1% of revenue in 2014 from 69.6% of revenue in 2013. The lower cost of goods sold as a percentage of revenue was driven by an increase in parts sold from vehicles dismantled in-house and less reliance on parts acquired from dismantlers in other markets.

#### *Operating Expenses*

Operating expenses increased \$740,000, or 32.1%, to \$3.0 million for the year ended December 31, 2014 from \$2.3 million for the year ended December 31, 2013. The increase in operating expenses was driven primarily by incremental labor and other expenses for distribution, selling and marketing to support the 24.5% increase in revenue. Professional fees were also higher in 2014 than in the prior year. As a percentage of revenue, operating expenses for the year ended December 31, 2014 increased to 30.5% of revenue compared to 28.7% of revenue in 2013.

#### *Net Income*

Net income increased by \$205,000 to \$289,000 for the year ended December 31, 2014 from \$84,000 for the year ended December 31, 2013. This increase was primarily driven by the impact of the incremental profit from the revenue increase that was partially offset by higher labor and other operating expenses. As a percentage of revenue, net income increased to 2.9% of revenue in 2014 compared to 1.0% of revenue in 2013.

### Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

#### *Revenue*

Revenue increased \$2.5 million, or 46.0%, to \$8.0 million for the year ended December 31, 2013 from \$5.5 million for the year ended December 31, 2012. The increase in revenue was due to organic growth, which

was primarily driven by an increase in the volume of recycled OEM products sold from vehicles that GO Auto purchased at auction and dismantled in-house as well as product acquired from other dismantling operations for sale and distribution through the GO Auto distribution network. Total revenue for the year ended December 31, 2013 was composed of 90% recycled OEM and related products. Other revenues, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods sold increased \$1.8 million, or 48.0%, to \$5.6 million for the year ended December 31, 2013 from \$3.8 million for the year ended December 31, 2012. The higher cost of goods sold was driven primarily by an increase in the proportion of recycled OEM products that were acquired from other dismantling operations for sale and distribution through the GO Auto network and by costs associated with the incremental sales volume. As a percentage of revenue, cost of goods sold increased to 69.6% of revenue in 2013 from 68.6% of revenue in 2012.

#### *Operating Expenses*

Operating expenses increased \$675,000, or 41.0%, to \$2.3 million for the year ended December 31, 2013 from \$1.6 million for the year ended December 31, 2012. The increase in operating expenses was driven primarily by incremental labor and other expenses for distribution, selling and marketing to support the 46% increase in revenue. As a percentage of revenue, operating expenses for the year ended December 31, 2013 decreased to 28.7% of revenue compared to 29.6% of revenue in 2012.

#### *Net Income*

Net income increased by \$44,000, or 110.0%, to \$84,000 for the year ended December 31, 2013 from \$40,000 for the year ended December 31, 2012. This increase was primarily driven by the impact of the incremental profit from the revenue increase that was largely offset by the higher operating expenses. As a percentage of revenue, net income increased to 1.0% of revenue in 2013 compared to 0.7% of revenue in 2012.

### **Liquidity and Capital Resources**

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

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$264,000 for the year ended December 31, 2014, compared to \$295,000 for the year ended December 31, 2013. The decrease in cash flows from operations was primarily driven by changes in working capital mostly related to an increase in inventory offset by an increase in accrued expenses and deferred warranty. Inventory is the largest operating use of cash and, as of December 31, 2014, \$1.4 million of inventory was on hand, compared with \$1.0 million as of December 31, 2013. Inventory increased by \$413,000 in 2014, compared to a decrease in inventory of \$115,000 in 2013.

Net cash used in investing activities was \$119,000 for capital expenditures for the year ended December 31, 2014, compared to \$34,000 for capital expenditures for the year ended December 31, 2013.

Net cash used in financing activities was \$332,000 for the year ended December 31, 2014, compared to \$81,000 for the year ended December 31, 2013. The largest portion of the use of cash in 2014 was for member distributions. Additional cash was used in 2014 and 2013 to repay debt.

Working capital was \$1.1 million as of December 31, 2014.

#### *Year Ended December 31, 2013 Compared to Year Ended December 31, 2012*

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$295,000 for the year ended December 31, 2013, compared to \$57,000 for the year ended December 31,



2012. The increase in cash flows from operations was primarily driven by changes in working capital mostly related to increases in accounts payable to support sales growth and a decrease in inventories.

Net cash used in investing activities was \$34,000 for capital expenditures for the year ended December 31, 2013, compared to \$69,000 for the year ended December 31, 2012.

Net cash used in financing activities was \$81,000 for the year ended December 31, 2013, compared to net cash provided by financing activities of \$40,000 for the year ended December 31, 2012. The use of cash in 2013 was to repay debt, compared to 2012 when GO Auto was a net borrower.

Working capital was \$0.9 million as of December 31, 2013.

*Debt*

As of December 31, 2014, GO Auto had \$1.0 million of debt, of which \$164,000 is due in 2015. Debt is primarily comprised of a related party mortgage and line of credit of \$894,000 and \$120,000, respectively.

## **Jerry Brown, Ltd.**

### **Overview**

Jerry Brown was founded in 1980 in Queensbury, New York. Jerry Brown sells recycled OEM products and a selection of aftermarket parts through its full-service dismantling and distribution facility located in Queensbury, New York. As of December 31, 2014, Jerry Brown operated four dismantling bays and had 68 full-time employees.

### **Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013**

#### *Revenue*

Revenue increased by \$1.0 million, or 7.9%, to \$13.0 million for the year ended December 31, 2014 from \$12.1 million for the year ended December 31, 2013. The increase in revenue was due to organic growth, which was driven by the increase in volume of recycled OEM products sold. Total 2014 revenue was composed of 91% recycled OEM and related products. Other revenues, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods sold increased by \$400,000, or 5.2%, to \$8.1 million for the year ended December 31, 2014 from \$7.7 million for the year ended December 31, 2013. The higher cost of goods sold was driven primarily by costs associated with the incremental revenue. As a percentage of revenue, cost of goods sold decreased to 62.3% of revenue in 2014 from 63.9% of revenue in 2013.

#### *Operating Expenses*

Operating expenses increased \$685,000, or 18.8% to \$4.3 million for the year ended December 31, 2014 from \$3.6 million for the year ended December 31, 2013. The increase in operating expenses was driven primarily by higher compensation incurred with the new warehouse brought on-line in 2014. As a percentage of revenue, operating expenses increased to 33.2% of revenue in 2014 compared to 30.1% of revenue in 2013.

#### *Net Income*

Net income decreased by \$221,000 to \$418,000 for the year ended December 31, 2014 compared to \$639,000 for the year ended December 31, 2013. This decrease was primarily driven by the higher operating expenses that more than offset the gross profit generated on the incremental revenue. As a percentage of revenue, net income decreased to 3.2% of revenue in 2014 compared to 5.3% of revenue in 2013.

### **Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012**

#### *Revenue*

Revenue increased by \$1.4 million, or 13.4%, to \$12.1 million for the year ended December 31, 2013 from \$10.7 million for the year ended December 31, 2012. The increase in revenue was due to organic growth, which was driven by the increase in volume of recycled OEM products sold. Total 2013 revenue was composed of 92% recycled OEM and related products. Other revenues, including scrap sales, represented the remaining revenue.

### *Cost of Goods Sold*

Cost of goods sold increased by \$1.1 million, or 16.7%, to \$7.7 million for the year ended December 31, 2013 from \$6.6 million for the year ended December 31, 2012. The higher cost of goods sold was driven primarily by costs associated with the incremental revenue. As a percentage of revenue, cost of goods sold increased to 63.9% of revenue in 2013 from 62.1% of revenue in 2012.

### *Operating Expenses*

Operating expenses decreased \$101,000, or 2.7%, to \$3.6 million for the year ended December 31, 2013 from \$3.7 million for the year ended December 31, 2012. The decrease in operating expenses was driven primarily by lower officer compensation. As a percentage of revenue, operating expenses decreased to 30.1% of revenue compared to 35.1% of revenue in 2012.

### *Net Income*

Net income increased by \$506,000 to \$639,000 for the year ended December 31, 2013 compared to \$133,000 for the year ended December 31, 2012. This increase was primarily driven by the margin from the incremental revenue.

## **Liquidity and Capital Resources**

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

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$1.3 million for the year ended December 31, 2014, compared to \$533,000 for the year ended December 31, 2013. The increase in cash flows from operations was primarily driven by changes in working capital mostly related to a decrease in inventory and an increase in accrued expenses. Inventory is the largest operating use of cash and, as of December 31, 2014, \$4.6 million of inventory was on hand, compared to \$4.9 million as of December 31, 2013.

Net cash used in investing activities was \$1.4 million for the year ended December 31, 2014, compared to \$1.3 million for the year ended December 31, 2013. Capital expenditures were \$1.4 million in both 2014 and 2013. The capital expenditures for both years primarily related to the expansion of the storage yard and construction of a new warehouse.

Net cash provided in financing activities was \$216,000 for the year ended December 31, 2014, compared to \$864,000 for the year ended December 31, 2013. Total borrowings of \$0.7 million, net of repayments of \$238,000, were used largely to fund capital expenditures in 2014. Shareholder distributions were \$222,000 during 2014.

Working capital was \$4.4 million as of December 31, 2014.

### *Year Ended December 31, 2013 Compared to Year Ended December 31, 2012*

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$533,000 for the year ended December 31, 2013, compared to \$463,000 for the year ended December 31, 2012. Net income was \$506,000 higher in 2013, but was offset by a \$533,000 larger increase in inventories in 2013. Inventory is the largest operating use of cash and, as of December 31, 2013, \$4.9 million of inventory was on hand, compared to \$4.4 million as of December 31, 2012.

Net cash used in investing activities was \$1.3 million for the year ended December 31, 2013, compared to \$266,000 for the year ended December 31, 2012. Capital expenditures were \$1.4 million in 2013, primarily related to the expansion of the storage yard and construction of a new warehouse compared to \$312,000 in 2012.

Net cash provided by financing activities was \$864,000 for the year ended December 31, 2013, compared to net cash used in financing activities of \$179,000 for the year ended December 31, 2012. Total borrowings of \$1.7 million, net of repayments of \$0.9 million, were used largely to fund capital expenditures in 2013.

Working capital was \$4.7 million as of December 31, 2013.

#### *Debt*

As of December 31, 2014, Jerry Brown had \$1.7 million of debt, an increase of \$438,000 from the previous year end. Jerry Brown entered into a new term loan agreement in 2013 to facilitate the expansion of its storage yard and the construction of a warehouse. \$220,000 of debt is due in 2015.

#### *Variable Interest Entities*

Jerry Brown's financial statements include the accounts of three limited liability companies, which are the lessors of the premises from which Jerry Brown operates. Jerry Brown's net income includes the limited liability companies' net income of \$145,000 for the year ended December 31, 2014, \$138,000 for the year ended December 31, 2013 and \$19,000 for the year ended December 31, 2012. The lessors accounted for \$353,000 of net property and equipment and no debt as of December 31, 2014. The membership interests in these limited liability companies will not be transferred to Fenix Parts, Inc. in the Combinations.

## Leesville Auto Wreckers, Inc.

### Overview

Leesville was founded in 1951 in Rahway, New Jersey. Leesville sells recycled OEM products through its full-service dismantling and distribution facility located in Rahway, New Jersey. As of December 31, 2014, Leesville operated eight dismantling bays and had 54 full-time employees.

### Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

#### *Revenue*

Revenue decreased \$1.3 million, or 7.3%, to \$16.9 million for the year ended December 31, 2014 from \$18.2 million for the year ended December 31, 2013. The decrease in revenue was primarily driven by lower vehicle sales which more than offset a 6% increase in the volume of recycled OEM and related parts sold during the period. Total 2014 revenue was composed of 69% recycled OEM and related products and 11% vehicles, primarily motorcycles. Other services revenue, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods sold decreased \$572,000, or 4.3%, to \$12.6 million for the year ended December 31, 2014 from \$13.2 million for the year ended December 31, 2013. The lower cost of sales was related to the decrease in vehicle sales. As a percentage of revenue, cost of goods sold increased to 74.7% of revenue in 2014 from 72.3% of revenue in 2013. As a percentage of revenue, cost of goods sold was higher on both recycled parts and vehicle sales compared to the period year.

#### *Operating Expenses*

Operating expenses decreased \$1.3 million, or 27.2%, to \$3.5 million for the year ended December 31, 2014 from \$4.8 million for the year ended December 31, 2013. The decrease in operating expenses was driven primarily by lower officer compensation, commissions and profit sharing expenses that more than offset higher professional fees. As a percentage of revenue, operating expenses decreased to 20.8% of revenue in 2014, compared to 26.5% of revenue in 2013.

#### *Net Income*

Net income increased by \$296,000 to \$369,000 for the year ended December 31, 2014 from \$73,000 for the year ended December 31, 2013. This improvement was primarily driven by the reduction in operating expenses which more than offset lower revenue and the related gross profit.

### Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

#### *Revenue*

Revenue increased \$1.2 million, or 7.2%, to \$18.2 million for the year ended December 31, 2013 from \$17.0 million for the year ended December 31, 2012. The increase in revenue was due to organic growth, which was primarily driven by an increase in the volume of recycled OEM and related parts purchased from third parties for sale. Total 2013 revenue was composed of 74% recycled OEM and related products and 24% vehicles, primarily motorcycles. Other services revenue, including scrap sales, represented the remaining revenue.

#### *Cost of Goods Sold*

Cost of goods sold increased \$491,000, or 3.9%, to \$13.2 million for the year ended December 31, 2013 from \$12.7 million for the year ended December 31, 2012. The higher cost of sales was driven primarily by an

increase in the proportion of recycled OEM products that were acquired from other dismantling operations for sale and distribution through the Leesville network. In general, margins are considerably higher on the recycled OEM parts dismantled in-house. As a percentage of revenue, cost of goods sold decreased to 72.3% of revenue in 2013 from 74.7% of revenue in 2012.

#### *Operating Expenses*

Operating expenses increased \$343,000, or 7.7%, to \$4.8 million for the year ended December 31, 2013 from \$4.5 million for the year ended December 31, 2012. The increase in operating expenses was driven primarily by higher officer compensation and rent. As a percentage of revenue, operating expenses increased to 26.5% of revenue in 2013, compared to 26.4% of revenue in 2012.

#### *Net Income (Loss)*

Net income increased by \$221,000 to \$73,000 for the year ended December 31, 2013 from a net loss of \$148,000 for the year ended December 31, 2012. This improvement was primarily driven by higher revenue and improved operating margins.

### **Liquidity and Capital Resources**

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

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$203,000 for the year ended December 31, 2014, compared to \$268,000 for the year ended December 31, 2013. Net income was \$296,000 higher in 2014, however, this increase was partially offset by the impact of working capital changes. Inventory is the largest operating use of cash and, as of December 31, 2014, \$4.2 million of inventory was on hand, compared to \$3.8 million as of December 31, 2013.

Net cash used in investing activities, entirely for capital expenditures, was \$67,000 for the year ended December 31, 2014, compared to \$553,000 for the year ended December 31, 2013.

Net cash provided by financing activities was \$269,000 for the year ended December 31, 2014 compared to net cash provided by financing activities of \$338,000 for the year ended December 31, 2013. The 2014 financing activities consisted of \$389,000 of shareholder contributions net of \$120,000 of shareholder distributions, whereas the 2013 financing activities related primarily to a new note for \$200,000 and shareholder contributions of \$164,000.

Working capital was \$3.9 million as of December 31, 2014.

#### *Year Ended December 31, 2013 Compared to Year Ended December 31, 2012*

Sources of ongoing liquidity are cash flows from operations. Net cash provided by operating activities totaled \$268,000 for the year ended December 31, 2013, compared to \$67,000 for the year ended December 31, 2012. Net income was \$221,000 higher in 2013, however, this increase was partially offset by the impact of working capital changes. Inventory is the largest operating use of cash and, as of December 31, 2013, \$3.8 million of inventory was on hand, compared to \$3.7 million as of December 31, 2012.

Net cash used in investing activities, entirely for capital expenditures, was \$553,000 for the year ended December 31, 2013, compared to \$127,000 for the year ended December 31, 2012.

Net cash provided by financing activities was \$338,000 for the year ended December 31, 2013, compared to no net change for the year ended December 31, 2012. The 2013 change in cash flows related primarily to a new note for \$200,000 and shareholder contributions of \$164,000.

Working capital was \$3.1 million as of December 31, 2013.

### *Debt*

As of December 31, 2014, Leesville had \$200,000 of debt, consisting of a note for that amount entered into by one of the lessors of the Company's premises in October 2013, none of which is due in 2015.

### *Variable Interest Entities*

Leesville's financial statements include the accounts of three limited liability companies and one C corporation, which are the lessors of the premises from which Leesville operates. Leesville's net income includes the lessors' net income of \$74,000 for the year ended December 31, 2014, \$161,000 for the year ended December 31, 2013 and \$19,000 for the year ended December 31, 2012. These lessors accounted for \$926,000 of net property and equipment and \$200,000 of debt as of December 31, 2014. The ownership interests in these lessors will not be transferred to Fenix Parts, Inc. in the Combinations.

## BUSINESS

### Our Company

We are a leading recycler and reseller of OEM automotive products. Fenix was founded in January 2014 to combine our eight Founding Companies and create a network that offers sales, fulfillment and distribution in key regional markets in the United States and Canada. Our Founding Companies have been in business an average of 25 years and operate from 13 locations. Our primary business is auto recycling, which is the recovery and resale of OEM parts, components and systems reclaimed from damaged, totaled or low value vehicles. Our customers include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers.

We provide customers with high quality recycled OEM products, extensive inventory and product availability, responsive customer service and fast delivery. Upon receipt of vehicles, which we primarily purchase at auto salvage auctions, we inventory and then dismantle the vehicles and sell the recycled components. We operate a hub and spoke distribution network allowing us to efficiently move products among our locations and expedite delivery to our customers.

The recycled OEM products that we sell include mechanical parts used to repair or replace worn or damaged components, such as engines and transmissions, and collision repair parts used to repair vehicles typically involved in a collision, such as door assemblies, trunk lids, lights, fenders and other products. These products are “insurance quality” which means of a quality that is acceptable for use in a repair paid for by an insurance company. Many consumers and repair facilities use recycled OEM products because they are less expensive than new OEM products and are perceived to be of higher quality and fit than aftermarket products. Recycled OEM products often are sold as assemblies, which shorten repair times and help reduce labor costs. In addition, insurance companies are increasingly influencing repair facilities to use recycled OEM products as a lower cost alternative to new OEM products.

Typically, damaged, totaled or low value vehicles acquired by insurance companies are resold through auto salvage auctions. Because some insurance companies mandate that recycled OEM products be no older than the vehicle they are used to repair, the majority of the vehicles we acquire are not more than ten years old. We employ software-based inventory management systems to determine what vehicles to purchase and at what price, based upon our estimation of the demand for the products on the vehicle, the prices we can obtain for those products and the final scrap value of the vehicle.

We have nine full-service recycling facilities, concentrated in the Northeastern United States and Southeastern Canada. These locations include Binghamton, NY, Niagara Falls, NY, Pennsburg, PA, Rahway, NJ, Ottawa, Ontario, Port Hope, Ontario, Queensbury, NY, Watertown, NY and Jacksonville, FL. Concentration of our facilities provides significant advantages in distributing our products as well as in bidding for cars at auctions. Our full-service recycling facilities have a total of 62 bays for the dismantling of vehicles. In 2014, we dismantled and recycled a total of over 12,500 vehicles and sold more than 450,000 parts and assemblies. We also sell aftermarket parts. Our full-service recycling facilities have approximately 500,000 square feet of indoor warehouse space and approximately 150 acres of total storage. Typically we do not begin to process a vehicle until we have an order for a significant part at which point we process the entire vehicle, removing all resalable parts. Our facilities employ state-of-the-art environmental systems for removing hazardous fluids prior to dismantling. We have four self-service locations, two of which are co-located with full-service facilities. Our self-service locations are in Binghamton, NY, Elmira, NY, Ottawa, Ontario and Scarborough, Ontario. At these locations, we allow retail customers to directly dismantle, recover and purchase recycled OEM products. Our self-service recycling facilities have approximately 40,000 square feet of indoor storage space and are situated on approximately 50 acres. Once each of our vehicles has been dismantled, we sell the remaining parts and materials as scrap.

Our customers include collision and mechanical repair shops, auto dealerships and individual retail customers. Competition for sales is based primarily on product availability and delivery times. Our ability to



deliver insurance quality OEM products on a same or next day basis is a critical part of obtaining and retaining customers. Customers can go online or call our fulfillment centers to find and order our products. In order to increase the availability of our products, we maintain an extensive inventory. We apply a coordinated regional approach to our inventory management and distribution activities, which allows us to efficiently meet demand within the markets we serve. In 2014, this customer base exceeded 10,000 customers with no single OEM parts customer accounting for more than 1% of our combined OEM parts revenue, and no single customer accounting for more than 10% of our combined revenue.

## **Our Industry**

The ACA estimates that the U.S. automotive aftermarket was approximately \$245.9 billion in 2014. We operate in the U.S. collision and mechanical repair products market, a subset of the U.S. automotive aftermarket. According to ACA, the U.S. collision and mechanical repair products market was approximately \$61.0 billion in 2014.

The following are key industry highlights:

### *Large and Stable Market Opportunity*

Demand for collision repair products has been increasing since 2002 and is driven by the number of annual collision repairs in the United States and Canada. Several key drivers of the number of collision repairs include increased number and age of vehicles on the road (commonly referred to as the “car parc”), the increased number and age of licensed drivers and the total miles driven annually. Wards Automotive estimates there were more than 253 million passenger vehicles in the U.S. car parc in 2013 compared to 226 million in 2003; the U.S. Department of Transportation estimates there were more than 212 million licensed drivers in 2012 versus 194 million in 2002; and the U.S. Department of Transportation estimates that total miles driven in the U.S. in 2014 was 3.0 trillion compared to 2.9 trillion in 2003.

We believe that improvements in automobile quality have extended the useful life of vehicles. We believe this has resulted in an increasing age of the car parc over time, which has further increased demand for recycled OEM products due to their attractive value proposition. According to R.L. Polk and Company, in 2013, the average age of the U.S. car parc was 11.4 years, which has steadily increased from 9.7 years in 2003.

### *Increased Usage of Recycled OEM Products*

Usage of recycled OEM products has experienced steady growth over the last decade. We believe there are several industry dynamics that have contributed to the demand for recycled OEM products, including rising collision repair costs and increasing age of the car parc, favorable price points relative to other replacement products, shorter part delivery time and higher profit margins for the repair shops that utilize recycled OEM products.

Demand for recycled OEM products is driven by the desire to reduce costs, including that of insurance carriers since they pay for the majority of all collision repairs. In most cases, recycled OEM products are sold at a discount relative to other replacement products.

### *Highly Fragmented Market with High Barriers to Entry*

The automotive recycling industry is highly fragmented, with few multi-facility operators. According to the ARA, there are an estimated 9,000 vehicle recycling facilities in the United States and Canada. We believe that there is only one direct competitor with more than 1% market share within the automotive recycling industry, who we believe has market share of less than 10%.

Typically, automotive recyclers are located near high-density, urban environments which provide both a strong supply of salvage vehicles and stable consumer demand. Given the typical facility size and nature of the industry’s full-service and self-service recycling facilities, it can be extremely difficult to receive the zoning

necessary to conduct dismantling operations and the proper permits necessary to open a new facility. We believe this insulates our business from new competitors entering the market. Furthermore, in order to access the 300 salvage auction sites that annually sell over 2.5 million damaged, totaled or low-value vehicles, prospective buyers generally must meet state licensing requirements. Finally, given the cost associated with the logistics required to meet the quick turnaround demands of repair shops, we believe it is difficult for suppliers outside of local markets, including internet-based parts providers, to effectively compete with local automotive recycling suppliers.

## **Our Competitive Strengths**

### *Favorable Industry Dynamics*

We believe that demand for recycled OEM products is highly stable and marked by consistent long-term growth. Because our products are used principally in non-discretionary collision and mechanical repairs, we believe the demand for our products remains stable through a variety of economic cycles. We believe that the number of collision and mechanical repairs has increased over time due to favorable trends including the number of vehicles in the car parc, the increasing miles driven and the number and age of drivers. Additionally, we believe that there are several industry dynamics that have contributed to the increased utilization of recycled OEM products over the last decade, including rising collision repair costs, favorable price points relative to other replacement products, greater inventory availability, shorter part delivery time and higher profit margins for the repair shops that utilize recycled OEM products.

### *Competitive Market Position*

Upon combining the Founding Companies, we believe that we will have the second largest network of automotive recycling companies in the northeast region of North America (U.S. and Canada) with nine full-service and four self-service recycling locations, two of which are co-located at existing full-service facilities. We believe the strength and scale of our regional network, our customer relationships and our extensive inventory of insurance quality OEM products give us a competitive advantage. Furthermore, we believe that obtaining the zoning and environmental permits required to greenfield a new location creates significant barriers to entry. Finally, given the demand for insurance quality OEM replacement parts and the cost associated with the logistics required to meet the quick turnaround demands of repair shops, we believe it is difficult for suppliers outside of local markets and internet-based competitors to effectively compete with local automotive recycling suppliers like us.

### *Extensive Inventory and Distribution Platform with Broad Customer Reach*

Competition for sales is based primarily on product availability and delivery times. Our extensive inventory of insurance quality recycled OEM products and our distribution infrastructure give us the ability to help our customers reduce repair cycle time by delivering our products typically the same or next day. In order to increase the availability of our products, we maintain an extensive inventory, which exceeds 300,000 products. We have also developed a coordinated regional approach to our inventory management and distribution activities, which allows us to efficiently meet demand within the markets we serve. According to the 2010 census, our network enables us to reach three of the ten largest cities in North America by population (New York, Toronto and Philadelphia). This customer base exceeds 10,000 customers throughout the U.S. and Canada with no single OEM parts customer accounting for more than 1% of our combined OEM parts revenue, and no single customer accounting for more than 10% of our combined revenue in 2014. We believe this diverse customer base protects us against adverse changes in the economy and market conditions.

### *Dynamic Vehicle Procurement Process*

A critical component of our success and growth is our ability to identify and value the products that can be recycled on a vehicle. We have developed a scalable, data-driven approach, utilizing real-time sales and inventory information, which allows us to procure vehicles in a cost-efficient manner and optimize the

dismantling process. Employing this real-time demand information per product enables us to determine which vehicles to purchase, how much to pay per vehicle and the expected profit per vehicle. As our largest single expenditure, the efficient procurement of vehicles is critical to our growth, operating results and cash flow.

#### *Deep Industry Expertise*

We benefit from the industry expertise and deep customer relationships that have been established at the Founding Companies over the course of their history as standalone businesses. Our key management personnel at the Founding Companies have served an average of 20 years in the automotive recycling industry and many have held senior leadership positions in key industry trade groups, such as the ARA. We believe that our key management personnel at the Founding Companies will be instrumental in the ongoing implementation of operational best practices across our network. Additionally, as long-term participants in the industry, we believe that our key management personnel at the Founding Companies have deep relationships with their peers that will help facilitate the discussions for future acquisitions.

#### *Experienced Management Team*

Our senior management has significant experience operating and growing automotive and logistics-based businesses. Prior to joining Fenix, our Chief Executive Officer, Kent Robertson, held several senior leadership positions at Stericycle, Inc. (“Stericycle”), a national reverse logistics and regulated waste management company. Mr. Robertson had more than 20 years of experience managing multi-line decentralized distribution and services businesses at Stericycle and at American Medical Disposal, Inc., a company he co-founded in 1990, which was acquired by Stericycle in 2001. Under Mr. Robertson’s leadership, Stericycle successfully acquired and integrated over 70 acquisitions. Our Chief Financial Officer, Scott Pettit, has significant automotive industry, public company, acquisition and integration experience, including serving from 2001 to 2007 as the Chief Financial Officer of Insurance Auto Auctions, Inc. Our Executive Vice President, David Gold, was the President and a co-owner of Standard Auto Wreckers, Inc., one of our Founding Companies. A third-generation automobile recycler, Mr. Gold has over 20 years’ experience in our industry and is the President-elect of the ARA.

Our senior management team and key employees will continue to have a significant equity stake in Fenix following this offering.

#### *Attractive Financial Model*

We believe our highly variable cost structure, low requirements for capital expenditures (in 2014, our maintenance capital expenditures were less than 1% of pro forma revenues) and the stability of the collision and mechanical repair products market combine to enable our business to deliver strong results through a variety of business cycles. We believe that these factors will allow us to produce significant free cash flow and enable us to continue to fund our growth. Our cost of goods sold includes the price we pay for vehicles we purchase and, where applicable, auction, storage and towing fees. We use analytic tools to value vehicles for purchase based on industry pricing trends, historical parts usage, inventory availability and current scrap prices. Accordingly, we can quickly react to positive or negative changes in our industry and in the economy by increasing or decreasing our vehicle purchases. In addition, our dismantling, distribution and expense for our commissioned sales force are largely variable in nature. We also believe that following the Combinations, our scale will create a broader base for cost absorption, process improvement to facilitate more informed decision making and improved financial management.

#### *Organizational Structure*

We will operate on a decentralized basis with an emphasis on regional and local market execution supported by corporate coordination. Local management will continue to operate the businesses and leverage their relationships with customers and suppliers. At the same time, certain administrative functions will be centralized on a regional and, in certain circumstances, a national basis following this offering, including but not

limited to corporate strategy and acquisitions, transactional processing, accounting support functions, marketing, systems support, insurance, human resources, information technology and environmental compliance. In addition, by combining overlapping operations of certain of the Founding Companies, we expect to achieve more efficient asset utilization.

## **Our Strategy**

We intend to pursue the following strategies to grow our business and enhance shareholder value:

### *Enhance and Build our Network through Acquisitions*

The acquisition of other OEM automotive products recycling businesses in our markets or adjacent markets is a key element of our strategy. This will increase our customer base, grow our distribution network and expand our inventory. We believe that the highly fragmented nature of the automotive recycling industry presents a significant opportunity for consolidation. There are currently an estimated 9,000 vehicle recycling facilities in the automotive recycling industry, and we expect that there will continue to be an ample number of attractive acquisition candidates. We believe the relationships developed by management of our Founding Companies will assist us in gaining access to potential acquisition candidates. We intend to actively pursue acquisitions to increase customer and route density within our network and expand into new geographic markets, using a disciplined approach to identify and evaluate acquisition candidates. We believe that our expansion strategy also makes us an attractive buyer to auto recyclers that may wish to remain active in their business while participating in an acquisition growth strategy. Our goal is to complete between 10 and 15 acquisitions, ranging in size between \$5 million and \$10 million in revenue, in the near to mid term following the completion of this offering.

### *Organically Grow Market Share and Unit Volume*

We have identified initiatives to increase vehicle processing throughput, inventory and product availability, thereby growing revenue, volume and market share. These initiatives include:

- *Expand Dismantling Capacity.* We operate 62 dismantling bays within our full-service auto recycling facilities. We plan to add dismantling bays within our current facility structure to support inventory demand with minimal capital expense or regulatory involvement. We can also add shifts to increase dismantling utilization. Training is an important element to support our dismantling operations, and we will continue to invest in the education of our dismantlers to further increase their abilities. Collectively, we believe these initiatives will help us increase dismantling capacity and productivity, thereby increasing inventory and product availability.
- *Develop an Integrated Technology Platform.* We currently utilize third-party software solutions to support our business. We believe this software is sufficient for our current needs, but we intend to adopt an integrated technology platform to support our future growth. We believe that any cost associated with the development of a new technology platform would be offset through improvements in salvage vehicle procurement, production management, part pricing, inventory management, marketing, sales, logistics and compliance.
- *Enhance Sales Force Effectiveness.* We have built significant goodwill with our customers through the use of local sales specialists. We plan to maintain our sales specialists in their local markets to preserve high levels of service and existing customer relationships. We will also provide our sales force with enhanced training and additional resources to reach new markets and customers. We believe that the resulting increase in sales force effectiveness will strengthen our relationships with customers and increase sales.
- *Expand our Logistics Capacity.* We will continue to expand our logistics capacity to meet the delivery expectations of our customers (typically the same or next day). We believe that by implementing certain business process improvements within our organization we will be able to leverage our infrastructure without requiring additional capital investment. However we may invest

in additional infrastructure including trucks, employees or transfer hubs to expand in existing markets and into adjacent markets. By improving our logistics capacity, we expect to improve customer fulfillment rates and enhance our value to customers.

#### *Increase our Margins and Enhance Operating Efficiencies*

We have identified certain best practices among our Founding Companies, including those that improve salvage vehicle procurement and dismantling, enhance product delivery and maximize the value of end-of-life vehicles. We plan to implement these best practices across our network to improve the operating margins of our Company and any subsequently acquired businesses. Further, we believe an integrated operating platform within geographic areas will create opportunities for cost synergies as well as economies of scale as we grow. We expect cost savings in such areas as parts purchasing, vehicle leasing and maintenance, information systems and contractual relationships with key suppliers. We also believe there are significant opportunities to improve operating margins by consolidating administrative and support functions such as accounting tax, legal and information technology. We have identified annual cost synergies in these areas of approximately \$1.1 million. While we believe that these cost synergies are achievable, we may be unable to realize all of these cost synergies in the near term or at all.

### **Our Business Operations**

We are a leading recycler and reseller of OEM automotive products in the United States and Canada. Our primary business is the recovery and resale of insurance quality OEM parts, components and systems reclaimed from damaged, totaled or low value vehicles. Our full-service recycling operations involve four primary components: vehicle procurement, vehicle processing, sales and distribution.

#### *Vehicle Procurement*

Vehicle procurement is the acquisition of severely damaged or totaled vehicles for the purpose of obtaining recycled OEM products and other inventory. Salvage auctions are our primary source for late model high-value salvage vehicles to be processed and sold. We acquired approximately 12,500 vehicles from these auctions in 2014. As part of the procurement process we pay certain fees that the auction companies charge to both vehicle suppliers (primarily insurance companies) and purchasers. We also incur third-party fees to tow the vehicles from the auction to our facilities. Salvage auctions ensure that vehicles have proper title documentation and are in compliance with applicable laws, thereby assuring that the vehicle is not stolen.

Supported by industry leading third-party software, we utilize a scalable, data-driven approach to vehicle procurement, which employs real-time sales and inventory information. Employing real-time demand information, on a per part basis, enables us to determine which vehicles to purchase, how much to pay per vehicle and the expected profit per vehicle, ensuring that we do not purchase vehicles where we have excess inventory. The analysis of this data and the purchasing of the vehicles are led by our professionals at each location in coordination with management. We plan to coordinate our teams on a regional and national basis to support our growth strategy of inventory expansion and order fulfillment.

#### *Vehicle Processing*

Vehicle processing involves converting or dismantling a salvage vehicle into recycled OEM products ready for distribution. When a salvage vehicle arrives at one of our facilities, our inventory specialists identify and catalog the vehicle so that the parts become available in our inventory system. Supported by third-party technology and our internal production scheduling, we will determine the optimal time to recover a significant part from a salvage vehicle and, at that point, begin the dismantling process.

Our dismantlers remove components that will become products for sale. Once we receive an order for a significant component, we transfer the vehicle into a dismantling bay. We then validate the useable parts and harvest them from the vehicle. Harvested products include, among other things, engines, transmissions, transfer

cases, air conditioning compressors, doors, hoods, trunk lids, tail lamps and bumpers. Each part is inspected for quality, entered into our inventory tracking system, bar code tagged for identification and prepared for storage or delivery to our customers. We also remove and use or sell any remaining recyclable items, such as gasoline and catalytic converters. We use licensed third parties to dispose of any fluids that are not reused or recycled. The remaining vehicle hulks and components such as fabrics, rubber, plastics and glass are delivered to automobile shredders, crushers and scrap processors.

### *Sales*

As of December 31, 2014, we employed 68 sales specialists, who are generally responsible for working with our customers to provide part solutions. Our sales specialists receive a significant component of their compensation as commission. We put all of our sales personnel through a thorough training program. We support our sales specialists with route managers who deliver our products and help foster our client relationships. In addition, our outside sales staff focuses on business development in various markets to enhance current market penetration and develop geographically adjacent new markets.

We also employ specialists who regularly review and revise our product pricing. These specialists analyze factors such as location, model year of the product, recent demand, product quality, inventory turnover, new OEM part prices, aftermarket part prices and remanufactured part prices with the goal of optimizing revenue.

### *Distribution*

We operate our full-service locations as warehouse and distribution facilities. In-stock parts are generally delivered the same or next day by one of our route delivery trucks. Our distribution is supported by our regional transfer hub. On a daily basis, each full-service location supplements its internal inventory with recycled OEM products and other inventory purchased from business partners in adjacent markets for sale to customers in its local market. The transfer of products between locations is facilitated using a cross-docking system established by the partners on a regional basis. This transfer activity enables us to have an expanded inventory without the carrying cost of additional warehousing and increases fulfillment rates by having higher in-stock levels and reduced product lead time. We believe that by implementing certain business process improvements, we will be able to better leverage our distribution infrastructure.

### *Self-Service Operations*

We operate four self-service locations, two of which are co-located at existing full-service facilities. At our self-service locations, we primarily serve individual retail customers. In compliance with our policies, these customers directly dismantle, recover and purchase recycled OEM products from our self-service inventory of end-of-life vehicles at a pre-set product price.

We procure these end-of-life vehicles from a variety of sources including but not limited to charities, individual customers, impound lots, third-party tow truck services and salvage auctions. We primarily pay for these vehicles on a per ton basis, which allows us to typically ensure that the final scrap value of these vehicles is greater than our initial purchase price. Once we determine that we have received proper title or other documentation, we will begin the inventory process. The inventory process entails draining and recycling all fluids, and removing the tires and certain mechanical parts, which are then held for sale to our customers. Our self-service locations are typically open seven days a week, year-round. Once we determine that a vehicle in our self-service inventory has few remaining valuable recoverable parts due to customers having dismantled and recovered the majority of the vehicle, we sell the remainder as scrap on a per ton basis.

## **Products**

We procure salvage vehicles which we determine have the greatest recyclable product demand and provide the highest margins. These tend to be popular types of vehicles, reflective of the composition of the

North American car parc, such as sport utility vehicles and pickup trucks, and, when available, high value late-model foreign and domestic vehicles. Customers or their insurers generally require the use of recycled OEM parts that are not older than the vehicle being repaired. The degree of damage is not a significant factor in our procurement process as we only assign value to the undamaged product in our valuation.

Our most popular mechanical items include engines, transmissions, transfer cases, air condition compressors and knee assemblies, while our most popular collision parts include doors, lids, gates, front and rear bumpers and headlights. We also generate a portion of our revenues from the sale of aftermarket parts and from the sale as scrap of unusable parts and materials.

For an additional fee, we sell extended warranty contracts for certain mechanical products. These contracts cover the cost of parts and, in some cases, labor, and are sold for periods of six months or longer.

### **Competition**

We operate in a highly competitive industry. We consider all suppliers of automotive products to be competitors, including other participants in the recycled OEM product market, OEMs, and suppliers of aftermarket, refurbished and remanufactured parts. We also compete with both online and offline retailers who offer OEM and aftermarket parts, including national auto parts retailers, online marketplaces (such as eBay), online retailers and auto repair information websites and local independent retailers or niche auto parts retailers. We believe the principal areas of competition in our industry include availability of inventory, service, quality and pricing.

The automotive recycling industry is highly fragmented, with few multi-facility operators. According to the ARA, there are an estimated 9,000 vehicle recycling facilities in the United States and Canada. We believe that LKQ Corporation, with what we believe is less than a 10% market share, is our only direct competitor with more than a 1% market share within the automotive recycling industry.

### **Customers**

We sell the majority of our products to collision repair shops and mechanical repair shops. The majority of these shops tend to be independently-owned, although there has been a trend toward consolidation resulting in the formation of several national and regional repair companies. We also sell recycled OEM products to individual retail customers. In 2014, this customer base exceeded 10,000 customers with no single OEM parts customer accounting for more than 1% of our combined OEM parts revenue, and no single customer accounting for more than 10% of our combined revenue.

Although our products are delivered directly to the repair shop or installer, we consider insurance companies to be indirect customers as they often ultimately pay for the repair of the insured vehicle. Insurance companies thereby influence the decision-making process as to how a damaged vehicle is repaired, and the cost level of the product used in the repair process. Insurance companies are also concerned with customer satisfaction with the repair process and the total time to return the repaired vehicle to its owner, as well as “green” initiatives consistent with recycling vehicle parts.

### **Information Technology**

We use widely available third-party systems technology, as well as some proprietary applications. The major features of our facility management systems include procurement, inventory control, order fulfillment and billing, sales analysis, vehicle tracking and profitability reporting. These systems are primarily based at our individual operating locations. The systems also support an electronic exchange system for identifying and locating parts at other selected recyclers and facilitate brokered sales to fill customer orders for items not in stock.

We have separate third-party financial systems for financial and budget reporting, general ledger accounting, accounts payable, payroll and fixed assets. We utilize the same common financial systems throughout our operations.

We believe our existing information technology systems are sufficient for our current needs, but we intend to adopt an integrated technology platform to support our future growth. We believe that any associated cost would be offset through improvements in salvage vehicle procurement, production management, part pricing, inventory management, marketing, sales, logistics and compliance.

### **Intellectual Property**

We own two registered trademarks in the United States and two registered trademarks in Canada. Such trademarks may endure in perpetuity on a country-by-country basis, provided that we comply with all statutory maintenance requirements, including continued use of each trademark in each such country.

We currently do not own any registered copyrights or patents.

### **Employees**

As of December 31, 2014, we employed 521 full-time team members, with 165 in Canada and 356 in the United States. As of December 31, 2014, we also had two corporate employees. None of our employees are members of unions or participate in other collective bargaining arrangements.

### **Facilities**

Our corporate headquarters are located at One Westbrook Corporate Center, Suite 920, Westchester, Illinois 60154, where we occupy approximately 7,600 square feet. We lease these premises under a sublease for a term expiring September 30, 2018. The primary functions performed at our corporate headquarters are financial, accounting, treasury, marketing, human resources, information systems support and legal.

We conduct operations from a total of thirteen full- and self-service facilities. All of these facilities include a combination of processing and sales operations, and nine of them also include distribution facilities. We do not own any real property; each of our thirteen facilities is leased, with its lease term commencing upon the completion of this offering and expiring after 15 years, subject to renewal options. The following table describes the leases for our thirteen facilities (three of which are composed of multiple leased properties).

#### **Full-Service Recycling Facilities**

| <u>City</u>   | <u>State or Province</u> | <u>Address</u>         | <u>Landlord</u>                    | <u>Operations</u>                  |
|---------------|--------------------------|------------------------|------------------------------------|------------------------------------|
| Binghamton    | NY                       | 216 Colesville Road    | D & B Holdings, LLC                | Processing, sales and distribution |
| Binghamton    | NY                       | 13 Barlow Road         | Beagell Properties, LLC            | Processing, sales and distribution |
| Jacksonville  | FL                       | 12270 New Kings Road   | New Kings LLC                      | Processing, sales and distribution |
| Niagara Falls | NY                       | 3800 Highland Avenue   | Dalana Realty, Inc.                | Processing, sales and distribution |
| Ottawa        | ONT                      | 5402 Old Richmond Road | Goldy Metals (Ottawa) Incorporated | Processing, sales and distribution |



| <u>City</u>       | <u>State or Province</u> | <u>Address</u>          | <u>Landlord</u>   | <u>Operations</u>                  |
|-------------------|--------------------------|-------------------------|---|------------------------------------|
| Ottawa (Cornwall) | ONT                      | 4345 Northfield Road    | Standard Auto Wreckers (Cornwall), Inc.                               | Warehouse                          |
| Pennsburg         | PA                       | 1245 Sleepy Hollow Road | BBHC, LLC   | Processing, sales and distribution |
| Port Hope         | ONT                      | 260 Peter Street        | Standard Auto Wreckers (Port Hope) Inc.                               | Processing, sales and distribution |
| Queensbury        | NY                       | 26 Lower Warren Street  | JBAP Properties LLC, SBLB Properties, LLC and SBLB Properties II, LLC | Processing, sales and distribution |
| Rahway            | NJ                       | 391 E. Inman Avenue     | Loki-Lot I, LLC   | Processing, sales and distribution |
| Rahway            | NJ                       | 63 Adele Street         | PPP Group, LLC  | Processing                         |
| Rahway (Avenel)   | NJ                       | 20 Leesville Avenue     | Loki-Lot II, LLC  | Parking lot                        |
| Rahway (Avenel)   | NJ                       | 186 Leesville Avenue    | Gin-Jac, Inc.   | Office and warehouse               |
| Watertown         | NY                       | 28250 St. Rte. 37       | Mark Eiss, John Eiss and Tim Eiss                                     | Processing, sales and distribution |

**Self-Service Facilities**

| <u>City</u> | <u>State or Province</u> | <u>Address</u>          | <u>Landlord</u>                             | <u>Operations</u>    |
|-------------|--------------------------|-------------------------|---|----------------------|
| Binghamton  | NY                       | 230-246 Colesville Road | Beagell Properties LLC                      | Processing and sales |
| Elmira      | NY                       | 1592 Sears Road         | Don's Independent Salvage Company, LLC      | Processing and sales |
| Ottawa      | ONT                      | 5402 Old Richmond Road  | Goldy Metals (Ottawa) Incorporated          | Processing and sales |
| Scarborough | ONT                      | 1216 Sewells Road       | Kenneth L. Gold & Goldy Metals Incorporated | Processing and sales |

Our typical facility with processing, sales and distribution operations has approximately ten or more acres of real estate. The typical property has a large warehouse with multiple bays to dismantle vehicles, indoor and outdoor storage areas and administrative and sales offices. Equipment typically used at each facility includes hydraulic lifts, forklifts and loaders and hand tools to dismantle vehicles.

We utilize a multi-party transfer hub located at 650 Conklin Road, Conklin, New York which we lease from an unaffiliated party under a one year lease.

Our facilities, and our operations at such facilities, are governed by various environmental, health and safety laws and regulations. Prior to the closing of the Combinations, we conducted environmental due diligence at the thirteen facilities operated by the Founding Companies. Such diligence included a third-party environmental site assessment and limited environmental compliance audits of potential environmental risks at each of these sites. The scope of our third-party due diligence included:

- Submitting Freedom of Information Act requests to appropriate agencies to obtain public information for each facility;
- Conducting a review of available information on each facility;
- Conducting interviews of the appropriate managers of each facility regarding permits and compliance, facility equipment and operations, waste management and environmental management practices;
- Observing each facility's equipment, operations, infrastructure and utilities as well as neighboring properties; and
- Interviewing agency personnel familiar with the facility's permitting and compliance history.

See “—Regulation,” “Risk Factors—We are subject to environmental regulations and incur costs relating to environmental matters” and “Risk Factors—One of our Founding Companies is the subject of environmental claims” for more information on environmental concerns.

## **Regulation**

### *Environmental Compliance*

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

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

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

Contamination resulting from vehicle recycling processes can include soil and ground water contamination from the release, storage, transportation, or disposal of motor oil, gasoline or other petroleum products, antifreeze, transmission fluid, waste solvents, chlorofluorocarbons from air conditioners, other hazardous materials or metals such as aluminum, cadmium, chromium, lead and mercury. Contamination can migrate on-site or off-site which can increase the risk and the amount of any potential liability. We are required at all of our recycling sites to establish spill prevention controls and countermeasures and storm water control and pollution prevention plans. Additionally, we are required to register our tanks that contain hazardous fluids.

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

See “Risk Factors—We are subject to environmental regulations and incur costs relating to environmental matters” and “Risk Factors—One of our Founding Companies is the subject of environmental claims.”

#### *State and Provincial Licensing Requirements*

Our operations are subject to licensing and supervision by various U.S. and Canadian state, provincial and local authorities. For example, our automotive recycling facilities are generally required to obtain and maintain licenses to dismantle salvage vehicles, recycle their component parts and, in certain cases, operate junkyards. Licenses or other certifications also are typically required in order to participate in bidding on salvage and end-of-life vehicles at salvage auctions. Our facilities may require permits, certifications or approvals for stormwater discharge, petroleum tank storage, waste generation and environmental compliance. Local zoning requirements impose restrictions on the location and operation of our facilities. If we violate applicable licensing and zoning restrictions, it might become necessary to restrict or modify our operations, which could have a material adverse effect on our business, financial condition and results of operations.

#### *Title Laws*

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

#### *Anti-Car Theft Act*

In 1992, the U.S. Congress enacted the Anti-Car Theft Act to deter trafficking in stolen vehicles. One of the purposes of the law is to implement an electronic system to track and monitor vehicle identification numbers

and major automotive parts. In January 2009, the U.S. Department of Justice implemented the portion of the system to track and monitor vehicle identification numbers. The portion of the system that would track and monitor major automotive parts would require various entities, including automotive parts recyclers like us, to inspect salvage vehicles for the purpose of collecting the part number for any “covered major part.” The Department of Justice has not promulgated rules on this portion of the system, and therefore there has been no progress on the implementation of the system to track and monitor major automotive parts. However, if this system is fully implemented, the requirement to collect the information would place substantial burdens on vehicle recyclers, including us, that otherwise would not normally exist. It would place similar burdens on repair shops, which may discourage the use by such shops of recycled products. There is no pending initiative to implement the parts registration from a law enforcement point of view. However, there is a risk that a heightened legislative concern over safety of parts might precipitate an effort to push for the implementation of such rules.

### **Legal Proceedings**

Groundwater and surface water contamination has been detected at the facility of GMI in Toronto, Ontario, as a result of historical releases and a petroleum hydrocarbon spill in November 2010. Since November 2010, the Ontario Ministry of the Environment issued a series of regulatory orders under Ontario’s Environmental Protection Act that required the owner of GMI to investigate and remediate all areas that were contaminated by the spill and to take protective and remedial actions related to its property and operations as well as adjacent areas. We believe GMI has been and is taking necessary steps to remediate the surface water and groundwater contamination. However, as the owner of the Toronto site following the Combinations, we and our directors and officers may be responsible under national and provincial laws and regulations for the assessment, delineation, control, cleanup, remediation, monitoring and verification of, or as a result of, any environmental contamination at that site and any affected off-site areas. The current owner of GMI and certain affiliates have agreed, pursuant to the Combination Agreements, to be responsible for the costs of an additional storm water management, control and discharge system following the completion of the Combinations and this offering. However, there can be no assurance that the current owner of GMI or its affiliates will perform their obligations under such agreements and their failure to perform would require us to undertake these environmental obligations. See “Certain Relationships and Related Person Transactions—The Combinations with the Founding Companies.”

The Province of Ontario filed a civil lawsuit in November 2012 against Goldy Metals Incorporated, doing business as Standard Auto Wreckers (“GMI”), in Toronto and the owner of the land on which its facility is located claiming damages of CAD \$10.5 million plus pre- and post-judgment interest and court costs, for alleged historical and spill-related contamination as well as for alleged property encroachment damage. The lawsuit is currently in the pre-discovery stage. We are not assuming this liability, and GMI, its shareholder and certain affiliates have agreed to indemnify us against any liability that may be imposed on us as a result of this liability. However, we may become legally responsible for this liability as the successor to GMI’s business and lessee of the facility. We cannot assure you that we will not become responsible for this liability, or that GMI and its shareholder or their affiliates will have the capacity to indemnify us in the event we become responsible for this liability in whole or in part. Our responsibility for this liability in whole or in significant part could have a material adverse effect on our results of operations and financial position.

GMI was also charged in November 2010 by the Province of Ontario for causing or permitting an oil spill in Toronto which allegedly impaired a nearby creek. This matter was recently settled through a guilty plea on consent, with GMI paying a penalty of CAD \$93,755. A future charge and conviction under the same or other environmental statute in Ontario could result in the imposition of a minimum fine of CAD \$100,000 per day plus a 25% surcharge, up to a maximum of CAD \$10 million. We are not assuming this liability, and GMI and its shareholder and certain affiliates have agreed to indemnify us against any liability that may be imposed on us as a result of this liability. However, we may become legally responsible for this liability as the successor to GMI’s business and lessee of the facility. We cannot assure you that we will not become responsible for this liability, or that GMI and its shareholder or their affiliates will have the capacity to indemnify us in the event we become

responsible for this liability in whole or in part. Our responsibility for this liability in whole or in significant part could have a material adverse effect on our results of operations and financial position.

GMI is also the subject of further regulatory orders issued in June 2012 relating to sedimentation monitoring and control in the creek, rehabilitating the creek area that was diverted in 2011 as well as assessing, preventing, treating and controlling off-site groundwater and surface water discharges. To address these orders, GMI intends to implement a new surface water control, management and discharge system.

We are also subject to legal proceedings, claims and liabilities, such as workers-compensation proceedings, which arise in the ordinary course of business and are generally covered by insurance. In the opinion of management, the amount of ultimate liability with respect to such actions should not have a material adverse impact on our financial position or results of operations.

### **Our Corporate Information**

We are incorporated in Delaware and our corporate offices are located at One Westbrook Corporate Center, Suite 920, Westchester, Illinois 60154. Our telephone number is (630) 480-6413. Our website is [www.fenixparts.com](http://www.fenixparts.com). None of the information on our website or any other website identified herein is part of this prospectus or the registration statement of which it forms a part.

## MANAGEMENT

### Executive Officers, Directors and Key Employees

The following table sets forth certain information with respect to our executive officers, directors and key employees as of March 31, 2015.

| Name                                    | Age | Position   |
|---|-----|--|
| <b>Executive Officers and Directors</b> |     |  |
| Kent Robertson                          | 47  | President and Chief Executive Officer and a Director |
| Scott Pettit                            | 52  | Chief Financial Officer                              |
| David Gold(1)                           | 40  | Executive Vice President                             |
| Gary Beagell(2)(5)                      | 63  | Director   |
| Steven Dayton(2)(3)(5)                  | 56  | Director   |
| Richard Kogler(2)(3)(4)                 | 55  | Director   |
| Thomas O'Brien(2)(4)(5)                 | 61  | Director   |
| Frank ten Brink(2)(3)(4)                | 58  | Director   |

- (1) To be elected as Executive Vice President immediately prior to our listing on the NASDAQ Global Market.  
(2) To be elected as a director effective immediately prior to our listing on the NASDAQ Global Market.  
(3) To be appointed member of the Audit Committee.  
(4) To be appointed member of the Compensation Committee.  
(5) To be appointed member of the Nominating and Governance Committee.

### Board Composition

Our board of directors may establish the authorized number of directors from time to time by resolution. Our board of directors currently consists of one member, Kent Robertson. Prior to the completion of this offering, Messrs. Beagell, Dayton, Kogler, O'Brien and ten Brink will be elected as directors by the incumbent director, for a total of six directors.

### Executive Officers

*Kent Robertson* has been our President and Chief Executive Officer and a Director since our inception in January 2014. Since 2010, Mr. Robertson has been a director and interim Chief Executive Officer of Financial Recovery Group ("FRG"), a healthcare data analytics company. From 2001 until joining FRG, Mr. Robertson held senior leadership positions at Stericycle, a national reverse logistics and regulated waste management company. Mr. Robertson had more than 20 years of experience managing multi-line decentralized distribution and services businesses at Stericycle and at American Medical Disposal, Inc., a company he co-founded in 1990, which was acquired by Stericycle in 2001. Under Mr. Robertson's leadership, Stericycle successfully acquired and integrated over 70 acquisitions. Mr. Robertson holds a bachelor's degree in Economics from the University of Oklahoma. We believe that Mr. Robertson is qualified to serve on our board of directors because of his business experience in management and in acquisitions.

*Scott Pettit* has been our Chief Financial Officer since March 2014. Mr. Pettit has significant automotive industry, public company, acquisition and integration experience, including serving from 2007 to 2013 as a consultant to Insurance Auto Auctions, Inc. Mr. Pettit has also been President and Chief Operating Officer of Central Illinois Grain Inspection from January 2009 to present. From 2001 to 2007, Mr. Pettit served as Senior Vice President and Chief Financial Officer of Insurance Auto Auctions, Inc. Mr. Pettit has a Bachelor of Business Administration degree from University of Wisconsin-Madison and a Masters of Management from Kellogg Graduate School of Management at Northwestern University.

*David Gold* will become our Executive Vice President and President – Canadian Operations of our subsidiary, Fenix Parts Canada, Inc., upon the completion of this offering. From 2004 through 2014, Mr. Gold has served as President and Chief Executive Officer of Standard Auto Wreckers, Inc., an integrated recycler and reseller of OEM automotive parts and one of our Founding Companies. From 1990 through 2004, Mr. Gold served as a manager and a co-owner of Standard Auto Wreckers, Inc. Mr. Gold is a third-generation automobile recycler, and is the President-elect of the Automobile Recycling Association, an international automotive recycling trade association (the “ARA”).

## **Board Members**

*Gary Beagell* will be elected as a director effective prior to the closing of this offering. Mr. Beagell is the founder and Chief Executive Officer of Gary’s U-Pull It, one of our Founding Companies, established in 1979. Mr. Beagell has been a leader in the automotive recycling industry domestically and internationally for over 40 years. Mr. Beagell is a former President of the ARA, and has owned and operated multiple self-service automobile recycling centers throughout the U.S. Mr. Beagell is a pioneer in recycling technology, holds patents in automotive fluid management systems and has developed yard management software. We believe that Mr. Beagell is qualified to serve on our board of directors because of his experience and leadership in the automotive recycling industry.

*Steven Dayton* will be elected as a director effective prior to the closing of this offering. Mr. Dayton has been a partner in RVG Management and Development Company, a real property and commercial development and management company, since 2009. Mr. Dayton co-founded CODi, Inc. (“CODi”), a global manufacturer of computer cases and electronics accessories, in 1992. Prior to founding CODi, Mr. Dayton served as a technology consultant in the automotive aftermarket industry. Mr. Dayton currently serves as a Director at Centric Bank. Mr. Dayton holds a bachelor’s degree in Finance from Temple University. We believe that Mr. Dayton is qualified to serve on our board of directors because of his general business experience.

*Richard Kogler* will be elected as a director effective prior to the closing of this offering. Mr. Kogler served as an Executive Vice President and the Chief Operating Officer of Stericycle from January 1999 until December 31, 2014, when he became Senior Vice President, International. From 1995 until he joined Stericycle, Mr. Kogler served as Chief Operating Officer for American Disposal Services, Inc., a waste management company. Prior to his position at American Disposal, he spent 11 years with Waste Management, Inc. where he held a number of management positions prior to being promoted to Vice President of Operations. Mr. Kogler received a B.A. in Chemistry from St. Louis University. We believe that Mr. Kogler is qualified to serve on our board of directors because of his experience in operating businesses and integrating acquired companies.

*Thomas O’Brien* will be elected as a director effective prior to the closing of this offering. Mr. O’Brien was the Chief Executive Officer of Insurance Auto Auctions, Inc. (“IAA”), a subsidiary of KAR Auction Services, Inc. (“KAR”), from November 2000 until May 2014. Mr. O’Brien served as a director of IAA from 2001 until May 2007 and served as a director of KAR from May 2007 until June 2014. Mr. O’Brien also served as President of IAA from November 2000 to June 2011. Prior to joining IAA, Mr. O’Brien served as President of Thomas O’Brien & Associates, a management consulting firm, from 1999 to 2000, Executive Vice President of Safelite Glass Corporation from 1998 to 1999, Executive Vice President of Vistar, Inc., an automotive glass repair and replacement company, from 1996 to 1997 and President of U.S.A. Glass, Inc. from 1992 to 1996. Mr. O’Brien is also currently a director of CoreLogic, Inc., an information technology firm serving the financial services and real estate industries. Mr. O’Brien holds a bachelor’s degree in history from Northwestern University and a Masters of Management from the Kellogg Graduate School of Management at Northwestern University. We believe that Mr. O’Brien is qualified to serve on our board of directors because of his experience in the auto salvage industry.

*Frank ten Brink* will be elected as a director effective prior to the closing of this offering. Mr. ten Brink has been the Senior Vice President of Mergers and Acquisitions at Stericycle since August 1, 2014. He served as

Executive Vice President, Chief Financial Officer and Chief Administrative Officer of Stericycle from June 1997 until July 31, 2014. He has over 17 years of finance experience in high growth environments, mergers and acquisitions. Prior to joining Stericycle, he was Senior Vice President and Chief Financial Officer with Telular Corporation, a provider of wireless data and voice access services. Between 1991 and 1995, he was Vice President and Chief Financial Officer of Hexacomb Corporation. He serves as a director of Accelerate Diagnostics, Inc., a developer of automated diagnostics systems. Mr. ten Brink studied International Business at the Netherlands School of Business and received an M.B.A. in Finance from the University of Oregon. We believe that Mr. ten Brink is qualified to serve on our board of directors because of his experience in corporate finance and in acquiring and integrating acquired companies.

### **Director Independence**

We have applied to list our common stock on the NASDAQ Global Market in conjunction with this offering, and accordingly, we have used the definition of “independence” of the NASDAQ Stock Market to determine whether our directors are deemed to be independent. On the basis of that definition, we have determined that, upon becoming directors, Messrs. Dayton, Kogler, O’Brien and ten Brink will each be independent.

### **Future Additions to Executive Management**

Following completion of this offering, we plan to identify, recruit and add several persons to fill key positions in our management team as we seek to grow and develop our business. We will also seek to add substantially to our number of full-time employees.

### **Board Committees**

We have established three standing committees of our board of directors: an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each of the committees will report to the board of directors as they deem appropriate and as the board of directors may request. The expected composition, duties and responsibilities of these committees are set forth below. In the future, our board of directors may establish additional committees, as it deems appropriate, to assist it with its responsibilities.

#### *Audit Committee*

The Audit Committee assists the board of directors in fulfilling its oversight responsibilities relating to the integrity of our financial statements, the qualifications and independence of our independent accountants, the performance of our internal audit function, if any, and our independent accountants and our compliance with legal and regulatory requirements. In addition, the Audit Committee is responsible for reviewing and evaluating the effectiveness of our processes for assessing significant risk exposures and the measures that management has taken to minimize such risks. In carrying out these responsibilities, the Audit Committee is charged with, among other things: appointing, replacing, compensating, evaluating and overseeing our independent accountants; reviewing with our independent accountants the scope and results of their audit; approving all audit and permissible non-audit services to be performed by our independent accountants; discussing with management and our independent accountants the interim and annual consolidated financial statements that we file with the SEC; reviewing periodically with our counsel any legal and regulatory matters that may have a material adverse effect on our financial statements, operations, compliance policies and programs; and reviewing and approving procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

Upon completion of this offering, our Audit Committee will consist of Steven Dayton, Richard Kogler and Frank ten Brink. Our board of directors has determined that Messrs. Dayton, Kogler and ten Brink meet the definition of “independent director” for purposes of serving on an audit committee under applicable SEC and NASDAQ rules. In addition, Mr. ten Brink will qualify as our “audit committee financial expert,” as that term is



defined in the applicable SEC rules. The written charter for our Audit Committee will be available on our corporate website at [www.fenixparts.com](http://www.fenixparts.com) upon the completion of this offering. The information contained on our website is not part of this prospectus.

#### *Compensation Committee*

The Compensation Committee is responsible for determining the cash and equity compensation of our executive officers. The Compensation Committee is responsible for, among other things: reviewing the respective salaries of our executive officers in light of our goals and objectives relevant to each officer; determining appropriate cash bonuses, if any, for our executive officers; and granting stock options and other awards under our stock option plan to our executive officers and determining the terms, conditions, restrictions and limitations of the options and awards granted.

Upon completion of this offering, our Compensation Committee will consist of Richard Kogler, Thomas O'Brien and Frank ten Brink. Our board of directors has determined that Messrs. Kogler, O'Brien and ten Brink meet the definition of "independent director" for purposes of serving on a compensation committee under applicable SEC and NASDAQ rules. The written charter for our Compensation Committee will be available on our corporate website at [www.fenixparts.com](http://www.fenixparts.com) upon the completion of this offering. The information contained on our website does not constitute a part of this prospectus.

#### *Nominating and Governance Committee*

The Nominating and Governance Committee is responsible for developing and recommending to the board of directors criteria for identifying and evaluating candidates for directorships and making recommendations to the full board regarding candidates for election or reelection to the board of directors at each annual stockholders' meeting. In addition, the Nominating and Governance Committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations to the board of directors concerning corporate governance matters. The Nominating and Governance Committee is also responsible for making recommendations to the full board concerning the structure, composition and function of the board of directors and its committees.

Upon completion of this offering, our Nominating and Governance Committee will consist of Gary Beagell, Steven Dayton and Thomas O'Brien. Our board of directors has determined that Messrs. Dayton, and O'Brien meet the definition of "independent director" for purposes of serving on a nominating and governance committee under applicable SEC and NASDAQ rules, but Mr. Beagell does not. The SEC rules and the NASDAQ Global Market rules generally require all of the members of the Nominating and Governance Committee to meet the definition of "independent director" within one year of the date of the completion closing of this offering. We intend to comply with the phase-in of these independence requirements within the time specified. The written charter for our Nominating and Governance Committee will be available on our corporate website at [www.fenixparts.com](http://www.fenixparts.com) upon the completion of this offering. The information contained on our website does not constitute a part of this prospectus.

#### **Risk Oversight**

Our Audit Committee is responsible for overseeing our risk management process. The Audit Committee focuses on our general risk management strategy and the most significant risks facing us and ensures that appropriate risk mitigation strategies are implemented by management. The Audit Committee reports any significant issues to the board of directors as part of the board's general oversight responsibility. Our management is responsible for day-to-day risk management. This oversight includes identifying, evaluating and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels.

## **Leadership Structure of the Board of Directors**

We currently have not appointed a Chairman of the Board. Prior to the completion of this offering, our business activities have been limited to effecting the Combinations and completing this offering. As such, there is no meaningful role for a Chairman of the Board. Following the completion of this offering, we intend to elect a Chairman of the Board separate from our Chief Executive Officer. We believe that separating these positions will allow our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman of the Board to lead the board of directors in its fundamental role of providing advice to and oversight of management. Our board of directors recognizes the time, effort and energy that the Chief Executive Officer will be required to devote to his position in the current business environment, as well as the commitment required to serve as our Chairman, particularly as the board of directors' oversight responsibilities continue to grow. While our bylaws and corporate governance guidelines do not require the positions of Chairman and Chief Executive Officer to be separate, our board of directors believes that having separate positions is the appropriate leadership structure for us following the completion of this offering.

## **Compensation Committee Interlocks and Insider Participation**

No current or pending member of our board of directors or Compensation Committee serves as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or Compensation Committee.

## **Code of Ethics**

We have adopted a general code of ethics which applies to all of our directors, executive officers and employees, and have also adopted an additional code of ethics directed to certain of our executive officers and designated accounting personnel. Copies of these codes will be available on our corporate website [www.fenixparts.com](http://www.fenixparts.com) upon completion of this offering. The information contained on our website does not constitute a part of this prospectus.

## EXECUTIVE AND DIRECTOR COMPENSATION

### Director Compensation

Our board of directors is responsible for determining the cash and equity compensation of our directors, which will be as described below. Each director who is an employee of ours or of a subsidiary of ours will not receive any additional compensation for serving as a director. Each director who is not an employee of ours or of a subsidiary of ours (an “outside director”) will receive an option under our 2014 Stock Plan to purchase 40,000 shares of common stock upon his initial election to the board of directors and will also receive an option to purchase 10,000 shares of common stock at each subsequent annual meeting of stockholders at which he is re-elected a director. Each option grant to an outside director will be in the form of a nonstatutory stock option which will fully vest on the first anniversary of the grant date. The option will have a 10-year term and may be exercised at any time after it becomes vested and prior to its expiration. The exercise price per share of the option will be the closing price of a share of our common stock on the grant date, with the exception of the initial options for 40,000 shares to be granted to Messrs. Dayton, Kogler, O’Brien and ten Brink. Each of them will be elected a director as of the close of business on the day preceding the first day of trading of our common stock, and the exercise price per share of their initial options will be the public offering price of our stock. See “—2014 Stock Plan.”

In addition, each outside director will receive an annual cash fee based on the director’s board committee service, as set forth in the following table. A director who serves on more than one committee will receive a cash fee for service on each committee. Beginning with our first annual meeting following the closing of this offering, each outside director may elect to receive, in lieu of a cash fee, a number of options to purchase shares of our common stock equal to a multiple established by our board of directors (currently 4.0) of the directors’ annual cash compensation divided by the average closing price of our common stock during the period starting with the day of our last annual meeting and continuing through the day before our current annual meeting (or, in the case of our first annual meeting, the average price of our common stock during the period starting with the first day of trading of our common stock and continuing through the day before our first annual meeting).

|                                     | <u>Director Annual Cash Compensation</u> |                                 |
|-------------------------------------|--|---------------------------------|
|                                     | <u>As a<br/>Committee Member Only</u>    | <u>As a<br/>Committee Chair</u> |
| Audit Committee                     | \$7,500                                  | \$15,000                        |
| Compensation Committee              | \$5,000                                  | \$10,000                        |
| Nominating and Governance Committee | \$2,500                                  | \$5,000                         |

No director compensation was paid in 2014.

### Executive Compensation

#### *Summary Compensation Table*

The following table shows the total compensation paid or accrued during our last full fiscal year, which ended December 31, 2014, to our chief executive officer and our chief financial officer, who were our only two executive officers during the year:

| <u>Name and Principal Positions</u>                    | <u>Year</u> | <u>Salary</u> | <u>Total</u> |
|--|-------------|---------------|--------------|
| Kent Robertson . . . . .<br>Chief Executive Officer(1) | 2014        | \$87,500      | \$87,500     |
| Scott Pettit . . . . .<br>Chief Financial Officer(1)   | 2014        | \$87,500      | \$87,500     |

- (1) As described below, the salaries for Messrs. Robertson and Pettit have accrued beginning October 1, 2014, but will be paid only contingent upon the closing of this offering. Messrs. Robertson and Pettit will each have the option to receive his accrued but unpaid salary in the form of an incentive stock option in lieu of cash, on the terms described below.

Fenix was incorporated in January 2014 and has not conducted any operations other than those activities related to the acquisition of the Founding Companies and this offering. We anticipate that during 2015, the annualized base salaries of our Chief Executive Officer and our two most highly compensated executive officers other than our Chief Executive Officer will be \$350,000 for Mr. Robertson, \$350,000 for Mr. Pettit and \$250,000 for Mr. Gold. In addition to their base salaries, it is contemplated that these executive officers will be eligible to receive incentive compensation consisting of cash bonuses and awards of options or restricted stock under our 2014 Stock Plan. During the initial five-year term of Mr. Gold's employment agreement, he will receive a guaranteed annual bonus of 50% of his base salary with the opportunity to earn a bonus of up to 100% of his base salary, depending on the attainment of corporate and personal performance goals.

As part of Mr. Robertson's employment arrangement with us, as of the close of business on the day preceding the first day of trading of our common stock, he will receive an option under the 2014 Stock Plan to purchase 200,000 shares of common stock at an exercise price per share equal to our public offering price, or an award of restricted shares under the 2014 Stock Plan having the same value, or a combination of the two, as determined by the board of directors. As part of Mr. Pettit's employment arrangement with us, on the day preceding the first day of trading of our common stock, he will receive an option under the 2014 Stock Plan to purchase 150,000 shares of common stock at an exercise price per share equal to our public offering price, or an award of restricted shares under the 2014 Stock Plan having the same value, or a combination of the two, as determined by the board of directors. In addition, as compensation for services rendered to us in connection with this offering and the Combinations, we have accrued the base salaries of Mr. Robertson and Mr. Pettit beginning on October 1, 2014, and will pay the accrued amounts to them contingent upon and within 30 days after the closing of this offering and the Combinations. Each of them may elect, no later than 45 days prior to the closing of this offering, to receive his accrued but unpaid salary in the form of an incentive stock option for a number of shares equal to four times the amount of his accrued but unpaid salary divided by the public offering price of our common stock. In the event that this election is made, the option will be granted as of the close of business on the day preceding the first day of trading of our common stock, and the exercise price per share will be the public offering price. As part of Mr. Gold's employment arrangement with us, he will receive an option under the 2014 Stock Plan to purchase approximately 80,000 shares of common stock at an exercise price per share equal to the closing price on the date of grant, or an award of restricted shares under the 2014 Stock Plan having the same value, or a combination of the two, as determined by the board of directors. Any such options or restricted shares will vest in equal annual amounts over four years, and any such options will be exercisable for a period of ten years, subject to the terms of the 2014 Stock Plan. Mr. Gold's employment agreement will go into effect as of the closing of the Combinations and this offering, until which time he will continue to be employed by one of the Founding Companies.

No executive officer had any equity awards outstanding as of December 31, 2014.

## **2014 Stock Plan**

Our sole director adopted the 2014 Incentive Stock Plan (the "2014 Stock Plan" or "plan") on November 20, 2014, and our stockholders approved the 2014 Stock Plan on January 5, 2015.

The purpose of the 2014 Stock Plan is to recognize and reward selected officers, directors and employees for their efforts on the Company's behalf, to motivate them by appropriate incentives to contribute to the Company's attainment of its performance objectives, and to align their interests with those of the Company's other stockholders through compensation based on the performance of the Company's common stock.

### *Summary of Principal Terms*

The following summary describes the principal terms of the 2014 Stock Plan. The complete text of the plan appears as Exhibit 10.2 to the registration statement of which this prospectus forms a part.

*Types of Awards.* The plan permits the award of stock options, stock appreciation rights (“SARs”) (either alone or in tandem with stock options), shares of restricted stock and restricted stock units (“RSUs”).

*Number of Shares.* The plan authorizes a total of 2,750,000 shares of our common stock to be issued pursuant to awards under the plan.

In determining the shares available for awards under the plan, the shares for which stock options and SARs are granted count against this maximum on a 1-for-1 basis, and the shares for which restricted stock and RSU awards are granted count against this maximum on a 2-for-1 basis (so that each share for which a restricted stock or RSU award is granted reduces by two shares the number of shares available for which awards may be granted).

If a stock option or SAR lapses or expires unexercised or if a restricted stock or RSU award lapses, the number of shares in respect of which the stock option or SAR lapsed or expired, or twice the number of shares in respect of which the restricted stock or RSU award lapsed, is added back to the number of shares available for which awards may be granted. If an SAR or RSU is settled in cash, the number of shares in respect of such awards that are settled in cash will not be added back to the available number of shares available for grants of awards under the plan. If the exercise price of a stock option is paid by the delivery of shares, the number of shares issued upon exercise of the stock option, without netting the shares delivered in payment of the exercise price, shall be taken into account in determining the number of shares available for grants of awards under the plan.

In the event of a change in the number of outstanding shares of our common stock by reason of a stock dividend, stock split, recapitalization, reorganization or the like, the Committee (defined below) may, and in the case of a reverse stock split, the Committee shall, equitably adjust the following in order to prevent a dilution or enlargement of the benefits or potential benefits intended to be provided under the plan: (i) the number of shares for which awards may be granted under the plan, (ii) the maximum number of shares for which awards may be granted to any eligible person in a calendar year, (iii) the aggregate number of shares in respect of each outstanding award, and (iv) the exercise price of each outstanding stock option and SAR. The Committee may also make any other equitable adjustments that the Committee considers appropriate. Except in the case of a reverse stock split, adjustments shall be made in the Committee’s discretion, and its decisions shall be final and binding.

*Eligibility.* The plan authorizes awards to be made to our full-time and part-time employees (or of our subsidiaries (as defined in the plan)), our directors, and individuals serving as consultants to us or our subsidiaries, with the exception that incentive stock options may be granted only to employees. An eligible person who holds an award under the plan is sometimes referred to as a “participant”.

*Individual Limit on Awards.* In any calendar year, the maximum number of shares for which awards may be granted to any eligible person may not exceed 50,000 shares in the case of stock options and SARs and 50,000 shares in the case of restricted stock and RSU awards, in each case taking into account all similar types of grants and awards under other stock option and equity compensation plans that we may adopt in the future. The Committee has the authority to make exceptions to these limits.

*Term of Plan.* The 2014 Stock Plan has a 10-year term which began on January 5, 2015, the date it was approved by our stockholders. No award under the plan may be made after the plan’s expiration.

*Administration.* The plan is administered by a committee of the board of directors (the “Committee”). The Committee is required to consist of two or more directors, all of whom are (i) “non-employee directors” as

defined in Rule 16b-3 under the Exchange Act, (ii) “independent directors” under the applicable listing standards of the NASDAQ Global Market and (iii) “outside directors” under § 162(m) of the Internal Revenue Code. Unless the Board designates a different committee, the Compensation Committee of the Board will serve as the Committee (as long as all of the members of the Compensation Committee qualify).

Subject to the express terms of the plan, the Committee has the authority to select the recipients, number of shares and other terms and conditions of each award under the plan. The Committee also has the authority to interpret the plan, adopt, revise and rescind policies and procedures to administer the plan, and make all determinations required for the plan’s administration.

*Performance Goals.* The Committee may condition the vesting of any award under the plan on the attainment of one or more performance goals relating to the Company as a whole, a division or one of our subsidiaries, measured over a twelve month or longer period. Performance goals may differ among participants and from award to award. The performance goals that the Committee specifies may relate to: earnings per share; earnings before interest, taxes, depreciation and amortization; revenues; income from operations; return on invested capital; return on assets; internal rate of return; return on stockholders’ equity; and total return to stockholders.

#### *Stock Options*

Stock options granted under the plan may be either incentive stock options intended to satisfy the requirements of section 422 of the Internal Revenue Code (“ISOs”) or nonstatutory stock options (“NSOs”). A “nonstatutory” stock option is the generic term for a stock option that does not qualify for special treatment under the Internal Revenue Code relating to ISOs.

*Option Grants to Outside Directors.* The plan provides for automatic grants of stock options to outside directors. An outside director will receive an NSO to purchase 40,000 shares of our common stock upon his initial election to the board of directors and will also receive an NSO to purchase 10,000 shares of our common stock at each subsequent annual meeting of stockholders at which he is re-elected a director. Each option granted to an outside director will fully vest on the first anniversary of the grant date. The option will have a 10-year term and may be exercised at any time after it becomes vested and prior to its expiration. The exercise price per share of the option will be the closing price of a share of our common stock on the grant date, with the exception of the initial options for outside directors who are elected on the day preceding the first day of trading of our common stock. The exercise price per share of these initial options will be the public offering price of our stock.

*Term.* Except for options granted to outside directors, the Committee determines the term of each stock option at the time of the grant. The Committee may extend the expiration date of an option up to the last day of the option’s term when held by an employee whose employment terminates. Option grants to outside directors have (i) a term of 10 years in the case of automatic option grants and (ii) a term specified in the underlying award agreement in the case of discretionary option grants. No option may have a term of more than 10 years.

*Exercise Price.* The exercise price per share of each stock option may not be less than the closing price of a share of our common stock on the date that the option is granted. In the case of stock options granted before our common stock is publicly traded, the exercise price per share may not be less than the fair market value of a share of our common stock on the date of grant.

*Vesting.* Other than in the case of automatic option grants to outside directors (see “—Option Grants to Outside Directors”), the Committee specifies the time or times when each option becomes vested (i.e., exercisable). Vesting may be based on the holder’s satisfaction of specified service requirements, performance goals and/or other conditions. The Committee may accelerate the vesting of an option at any time. An employee’s option becomes fully vested if the employee’s employment terminates by reason of his or her death. If an employee’s employment terminates for any other reason (except in connection with a change in control, as described below) any unvested portion of the option will lapse unless otherwise provided by the Committee. The

underlying award agreements for options granted to outside directors include terms that address whether vesting may be accelerated, either in the event of death or for any other reason (except in connection with a change in control, as described below).

*Exercisability.* Once vested, an option remains exercisable for the term of the option, subject to early expiration in certain circumstances. If an employee's employment terminates for any reason other than the employee's death, each option that the employee holds expires as specified in the underlying award agreement, or if no expiration date is specified, 30 days after the employee's termination. If an employee's employment terminates by reason of his or her death, the option expires on the first anniversary of the employee's death. The Committee may extend the expiration date of an option up to the last day of the option's term in the case of an employee whose employment terminates. Options granted to outside directors expire as specified in the underlying award agreement.

*Manner of Exercise.* The holder of an option may exercise the vested portion of the option by giving written notice to the Committee, specifying the number of shares of common stock for which the option is being exercised, and tendering payment of the exercise price. The exercise price is payable in cash or, if permitted by the Committee, either in the underlying award agreement or at the time of exercise, by (i) delivering shares of our stock having a fair market value equal to the exercise price, (ii) directing us to withhold, from the shares otherwise issuable upon exercise of the option, shares of stock having a fair market value equal to the exercise price, (iii) an open-market broker-assisted sale pursuant to which we receive the portion of the sales proceeds equal to the exercise price, or (iv) any combination of these methods or any other method that the Committee authorizes.

*No Repricing.* Other than for capitalization adjustments or as approved by our stockholders, the exercise price per share of any stock option may not be reduced and the stock option may not be surrendered to us for cash or as consideration for the grant of a new stock option or SAR with a lower exercise price per share.

*Special Limitations on ISOs.* To the extent that the aggregate fair market value (determined in respect of each ISO on the basis of the fair market value of a share of our common stock on the ISO's grant date) of the underlying shares of all ISOs that become exercisable by an employee for the first time in any calendar year exceeds \$100,000, the options are treated as NSOs.

*Transferability.* No option may be transferred, assigned or pledged, except at death in accordance with the decedent's will or the applicable laws of intestacy, or as provided in the underlying award agreement or as the Committee otherwise permits, or if (i) the transferee is a revocable trust that the employee established for estate planning reasons (in respect of which the employee is treated as the owner for federal income tax purposes) or (ii) the transferee is the spouse of the employee or a child, step-child, grandchild, parent, sibling or child of a sibling of the employee (each an "eligible transferee"), a custodian for an eligible transferee under any Uniform Transfers to Minors Act or Uniform Gifts to Minors Act or a trust for the primary benefit of one or more eligible transferees. No option may be subject to execution, attachment or similar process.

#### *Stock Appreciation Rights*

A stock appreciation right entitles the holder to receive the appreciation in value over a specified period of the number of shares of our common stock for which the SAR is awarded. The holder receives in settlement of the SAR an amount equal to the excess of the fair market value of a share of our common stock on the date of exercise of the SAR over the exercise price of the SAR, multiplied by the number of shares being exercised. The Committee determines the vesting requirements, type of settlement and other terms of each SAR.

*Exercise Price.* The exercise price per share of each SAR may not be less than the closing price of a share of our common stock on the date that the SAR is granted.

*Stand-Alone or Tandem SAR.* An SAR may be granted on a stand-alone basis or in tandem with a related stock option. A tandem SAR entitles the participant to elect to exercise either the SAR or the related option as to all or any portion of the shares subject to the SAR and option. The exercise of a tandem SAR causes the automatic cancellation of its related option for the same number of shares, and the exercise, expiration or cancellation of the related option (other than by reason of the exercise of the tandem SAR) causes the automatic and immediate cancellation of the tandem SAR for the same number of shares.

*Manner of Exercise.* The holder of an SAR may exercise the vested portion of an SAR by giving written notice to the Committee, specifying the number of shares of common stock for which the SAR is being exercised. Unlike the case with a stock option, no out-of-pocket payment is required to exercise an SAR.

*No Repricing.* Other than for capitalization adjustments or as approved by our stockholders, the exercise price per share of any SAR may not be reduced and the SAR may not be surrendered to us for cash or as consideration for the grant of a new SAR or stock option with a lower exercise price per share.

*Settlement.* Upon exercise, an SAR may be settled in cash or in shares of our stock, or a combination of the two, in the Committee's discretion. Any settlement in cash will be made by us paying to the holder of the SAR an amount equal to the closing price of a share of our common stock on the date of exercise of the SAR less the exercise price. Any settlement in shares of our stock will be made by us delivering to the holder of the SAR shares of our stock having a value equal to the difference between the closing price of a share of our common stock on the date of exercise of the SAR and the exercise price.

*Similarity to Options.* Many of the same terms of the plan that apply to stock option grants apply as well to awards of SARs. See "Stock Options—Term, —Vesting, —Exercisability and —Transferability."

#### *Restricted Stock*

An award of restricted shares is an award of shares of our common stock subject to vesting requirements, restrictions on transfer and other conditions as the Committee determines.

*Vesting.* The Committee specifies the time or times when the restricted shares become vested (i.e., no longer subject to forfeiture). Vesting may be based on the satisfaction of specified service requirements, performance goals and other conditions. An employee's restricted shares become fully vested if the employee's employment terminates by reason of his or her death. The Committee may accelerate the vesting of the restricted shares at any time.

*Transferability.* Prior to vesting, restricted shares may not be transferred or pledged except as permitted by the Committee. After vesting, the shares may still remain subject to restrictions on transfer under applicable securities laws and any restrictions that the Committee imposes in the award agreement.

*Rights as Stockholder.* Subject to the vesting requirements, transfer restrictions and other conditions of the award, the recipient of an award of restricted shares has all of the rights of a stockholder in respect of the restricted shares, including all voting and dividend rights and other distribution rights with respect to shares of our common stock.

#### *Restricted Stock Units*

An RSU award is a contractual right that entitles the holder to receive one share of our common stock in the future. The Committee determines the vesting requirements, type of settlement and other terms of each restricted stock unit award.



*Vesting.* The Committee specifies the time or times when the RSUs become vested (i.e., no longer subject to forfeiture). Vesting may be based on the satisfaction of specified service requirements, performance goals and other conditions. An employee's RSUs become fully vested if the employee's employment terminates by reason of his or her death. The Committee may accelerate the vesting of the RSUs at any time.

*Settlement.* An RSU award may be settled in cash or in shares of our stock, or a combination of the two, in the Committee's discretion. Any settlement in cash will be made on the basis of the closing price of a share of our common stock on the date that the award becomes payable.

*Rights as Stockholder.* The holder of an RSU award does not have any rights as a stockholder in respect of the shares subject to the award until the award is settled in stock and those shares have been issued to the holder.

#### *Amendment and Termination*

Our board of directors may amend, suspend or terminate the 2014 Stock Plan at any time. Our stockholders are required to approve any amendment to the plan that would (i) increase the number of shares of our common stock for which ISOs may be granted under the plan, (ii) materially increase the number of shares of our common stock for which other types of awards may be made, (iii) permit any action that would be treated as a repricing of awards under applicable stock exchange rules or (iv) otherwise require stockholder approval under any applicable laws, regulations or stock exchange rules.

#### *Change of Control*

In the event of a "change of control" as defined in the 2014 Stock Plan, all outstanding stock options, SARs and RSU awards will become fully vested and exercisable and all restrictions on the shares underlying restricted stock awards will lapse.

#### *Withholding*

All awards under the 2014 Stock Plan are subject to all applicable withholding and we may withhold an amount sufficient to satisfy its withholding tax obligations, if any, in connection with any award under the plan. We may also defer making any payment or delivery of shares pursuant to the award unless and until the participant indemnifies the Company to its satisfaction in respect of its withholding obligation.

#### *Non-U.S. Jurisdictions*

The Committee may adopt, amend and terminate a supplement to the plan to permit employees in another country to receive awards under the supplement (on terms not inconsistent with the terms of awards under the plan) in compliance with that country's securities, tax and other laws.

### **Employment Agreements and Change in Control Arrangements**

With the exception of our Executive Vice President, David Gold, none of our executive officers have employment agreements. Kent Robertson, our Chief Executive Officer, and Scott Pettit, our Chief Financial Officer, have received and have agreed to the terms of employment offer letters, pursuant to which Mr. Robertson will receive base compensation of \$350,000 per year and Mr. Pettit will receive base compensation of \$350,000 per year. The term of Mr. Robertson's and Mr. Pettit's employment is one year, and can be renewed with the approval of the Board of Directors. Each of Messrs. Robertson and Pettit has entered into a noncompetition and confidentiality agreement that will be effective upon the closing of this offering, pursuant to which they have agreed they will not compete with our business, or solicit our customers or employees, for the period ending on the third anniversary of the date their employment with the Company terminates.

David Gold's employment agreement with Fenix Parts Canada, Inc. will become effective upon the closing of this offering and the Combinations. His employment agreement has an initial term of five years and is renewable for successive one-year renewal terms unless terminated as provided therein. Mr. Gold's base salary will be \$250,000 per year and he will be entitled to cash and stock based incentive compensation upon achievement of Company and individual performance goals established by our board of directors and Mr. Gold. As noted above, during his initial term, Mr. Gold will receive a guaranteed cash bonus of 50% of his base salary and he has been promised an initial equity award of options to purchase 80,000 shares of common stock or the equivalent in restricted shares or a combination thereof. See "—Executive Compensation." Mr. Gold's employment agreement contains no change of control arrangements. Upon termination of Mr. Gold's employment agreement, he will be subject to covenants of noncompetition, nonsolicitation and confidentiality. Mr. Gold will also be subject to covenants of non-competition, non solicitation and confidentiality pursuant to the Non-Competition and Confidentiality Agreement he will enter into as a condition to the closing of the Combination with Standard.

Under his employment agreement, if Fenix Parts Canada, Inc. terminates Mr. Gold's employment without cause, or if Mr. Gold resigns for good reason, as specified in the employment agreement, prior to the fifth anniversary of the agreement's effective date, Fenix Parts Canada, Inc. will provide Mr. Gold with the greater of severance pay required by the Ontario Employment Standards Act ("ESA") or continuation of his base salary through the fifth anniversary date of the effective date. If Fenix Parts Canada, Inc. terminates Mr. Gold's employment without cause, or if Mr. Gold resigns for good reason, on or after the fifth anniversary of the effective date, Fenix Parts Canada, Inc. will provide Mr. Gold with the greater of severance pay required by ESA or a lump sum payment equal to one month of base salary for every completed year of service since the commencement of the initial term of the employment agreement. In any of these situations Mr. Gold would get benefits continuation for the minimum period required by ESA.

In the event of a change in control, each outstanding option, as well as outstanding SARs and RSU awards, if any, under our 2014 Stock Plan will fully vest and become immediately exercisable.

## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

### Related Person Transactions

#### *Our Formation and Organization*

Fenix was formed and initially capitalized in January 2014 by a group of investors, including Ross Berner, Steven Colmar (through his company, Business Ventures Corp.), Craig Colmar, Scott Pettit and Kent Robertson (the “founders”), who collectively have acted as our co-founders and paid nominal cash consideration of \$0.001 per share for an aggregate of 1,800,000 shares of our common stock.

In March and April 2014, we issued and sold an aggregate of 402,000 shares of common stock to 13 persons for a purchase price of \$5.00 per share (the “First Bridge Offering”). See Notes 5 and 6 of the accompanying notes to Fenix’s consolidated financial statements included elsewhere in the prospectus for a description of such offering. Certain of our directors, executive officers and 5% stockholders, or persons related to our 5% stockholders, participated in the First Bridge Offering. The following table summarizes the amount of common stock purchased by each of our directors, executive officers and 5% stockholders or related persons in connection therewith.

| <u>Name</u>         | <u>Number of<br/>Shares Purchased</u> | <u>Aggregate<br/>Purchase Price</u> |
|---------------------|---------------------------------------|-------------------------------------|
| Steven Colmar       | 10,000                                | \$50,000                            |
| Berner Living Trust | 16,000                                | \$80,000                            |
| Steven Dayton       | 120,000                               | \$600,000                           |
| Scott Pettit        | 40,000                                | \$200,000                           |
| Kent Robertson      | 30,000                                | \$150,000                           |

Each of the individuals listed above was a 5% stockholder of the Company at the time of the First Bridge Offering. The Berner Living Trust is related to Ross Berner, a founder and 5% stockholder, by virtue of the fact that his father created the trust and his parents serve as trustees. Additionally, Mr. Robertson is our President and CEO, and Mr. Pettit is our CFO. Steven Dayton purchased his shares through Dayton Family Limited Partnership, which he controls.

Between September 2014 and April 20, 2015, we issued and sold an aggregate of 530,923 shares of common stock to 37 persons for a purchase price of \$6.50 per share (the “Second Bridge Offering”). See Notes 5 and 6 of the accompanying notes to Fenix’s consolidated financial statements included elsewhere in the prospectus for a description of such offering. Certain of our directors, executive officers and 5% stockholders participated in the Second Bridge Offering. The following table summarizes the amount of common stock purchased by each of our directors, executive officers and 5% stockholders in connection therewith.

| <u>Name</u>     | <u>Number of<br/>Shares Purchased</u> | <u>Aggregate<br/>Purchase Price</u> |
|-----------------|---------------------------------------|-------------------------------------|
| Steven Dayton   | 34,615.4                              | \$225,000                           |
| Richard Kogler  | 14,000.0                              | \$91,000                            |
| Thomas O’Brien  | 15,384.6                              | \$100,000                           |
| Frank ten Brink | 14,000.0                              | \$91,000                            |

Steven Dayton was a 5% stockholder at the time of his purchase in the Second Bridge Offering. Mr. Dayton purchased his shares through Dayton Family Limited Partnership, which he controls. Mr. ten Brink purchased his shares through the Franciscus J.M. ten Brink Trust, of which he is trustee. Each of Messrs. Kogler, O’Brien and ten Brink will be appointed a director prior to the closing of our initial public offering.

All share, per share and financial data in the above tables have been adjusted to give effect to the 2,000-for-1 common stock split, which will occur immediately prior to the closing of this offering.

The founders have agreed to transfer shares of our common stock owned by them to investors in the First Bridge Offering and the Second Bridge Offering having sufficient value to make up any deficiency between the value of such investors’ common stock at the IPO price and \$10.00 per share.

We have granted registration rights to purchasers of our common stock in the First Bridge Offering and Second Bridge Offering.

### **The Combinations with the Founding Companies**

*Although the following summarizes the material terms of the Combination Agreements, it does not purport to be complete in all respects and is subject to, and qualified in its entirety by, the full text of the Combination Agreements, a copy of each of which is filed as an exhibit to the registration statement of which this prospectus forms a part. Additionally, the following summary discusses the Combination Agreements in general terms and does not identify all the instances where one Combination Agreement may differ from another. Other than the amount of consideration to be received, the structural differences between the acquisitions of the US Founding Companies and Canadian Founding Companies, described below, and certain provisions described at the end of this section, all of the Combination Agreements are substantially similar.*

#### *General*

We have entered into Combination Agreements with the shareholders or equity interest holders of each Founding Company, consisting of eleven corporate entities conducting eight separate businesses. Concurrently with and conditioned upon the closing of this offering, we will close the transactions pursuant to these Combination Agreements and acquire all of the issued and outstanding shares of stock and other equity interests of each Founding Company organized in the United States, as listed below (the “US Founding Companies”):

#### The US Founding Companies

- Don’s Automotive Mall, Inc.\*
- Eiss Brothers, Inc.
- Gary’s U-Pull It, Inc.\*
- Green Oak Investments LLC dba GO Auto Recycling
- Horseheads Automotive Recycling, Inc.\*
- Jerry Brown, Ltd.
- Leesville Auto Wreckers, Inc.
- Standard Auto Wreckers, Inc.\*\*

Concurrently with and conditioned upon the closing of this offering, our wholly-owned Canadian subsidiary, Fenix Parts Canada, Inc., will acquire substantially all of the assets of each Founding Company organized in Canada, as listed below (the “Canadian Founding Companies”):

#### The Canadian Founding Companies

- End of Life Vehicles Inc. \*\*
- Goldy Metals Incorporated\*\*
- Goldy Metals (Ottawa) Incorporated\*\*

\* Collectively, the “Beagell Group”

\*\* Collectively, “Standard”

As a result, at the closing of this offering, all of the US Founding Companies will become wholly-owned subsidiaries of Fenix, and substantially all of the assets of all of the Canadian Founding Companies will be owned by our wholly-owned Canadian subsidiary. We collectively refer to the acquisitions of the US Founding Companies and the purchase of the assets of the Canadian Founding Companies as the “Combinations.”

We agreed on the consideration that we are paying in the Combinations in the course of arm's length negotiations with the shareholders or equity interest holders of each Founding Company. In determining and negotiating this consideration, we relied on the experience and judgment of our management and our evaluation of the potential synergies that could be achieved in combining the operations of the Founding Companies. We did not obtain independent valuations, appraisals or fairness opinions to support the consideration that we agreed to pay.

*Consideration to be Paid in the Combinations*

The consideration that we are paying in each Combination consists of cash, or cash and shares of our common stock or, in the case of the Canadian Founding Companies, cash and preferred shares of Fenix Parts Canada, Inc. that are exchangeable on a 1-for-1 basis for shares of our common stock (the "Exchangeable Preferred Shares"). Subject to certain adjustments of both components, the aggregate cash component of the consideration for all eleven Combinations, including certain amounts payable as bonuses to certain key employees and certain amounts payable to reimburse certain Founding Companies for pre-closing capital expenditures, will be approximately \$93.2 million, and the aggregate stock component will be 2,841,971 shares of our common stock in the case of the US Founding Companies and 1,197,000 Exchangeable Preferred Shares of Fenix Parts Canada, Inc. in the case of the Canadian Founding Companies. In addition, we will deliver promissory notes in the aggregate amount of \$200,000 to the equity interest holders of an affiliate of one of the US Founding Companies.

*Cash Consideration Adjustments.* The cash component of the consideration for each Combination is subject to certain adjustments. For each Founding Company other than Standard Auto Wreckers, Inc., the cash component of the Combination Consideration will be (i) reduced by the Founding Company's indebtedness as of closing, (ii) increased by the Founding Company's net cash and inventory as of closing and (iii) increased by the amount of the Founding Company's capital expenditures during the six months prior to closing. For Standard Auto Wreckers, Inc., the cash component of the Combination Consideration will be reduced by Standard Auto Wreckers, Inc.'s indebtedness as of closing. We estimate, based on December 31, 2014 balances, that the aggregate net adjustment for the cash portion of the Combination Consideration will be an increase of approximately \$6.7 million in the aggregate cash component of the Combination Consideration.

In addition to these adjustments, certain of the Combination Agreements include provisions for holdbacks, earnouts and other payments. See "—Holdbacks," "—Earnouts" and "—Other Payments."

*Stock Consideration Adjustment.* The stock component of the consideration for each Combination was negotiated on the basis that the public offering price for our common stock would be at least \$10.00 per share. If the public offering price is \$10.00 or more per share, there will not be any adjustment to the stock component of the consideration for each Combination.

If the public offering price is less than \$10.00 per share but \$9.00 or more per share, the number of shares of our common stock and Exchangeable Preferred Shares to be issued as the stock component of the consideration will generally be increased to the number of shares determined by (i) multiplying the number of shares otherwise to be issued by \$10.00 per share and (ii) dividing the result by the public offering price per share, generally rounding any resulting fractional share up to a whole share. To illustrate, if the number of shares otherwise to be issued is 1,000 and the public offering price is \$9.50 per share, the number of shares required to be issued will be 1,053  $((1,000 \text{ shares} \times \$10.00 \text{ per share}) \div \$9.50 \text{ per share})$ .

If the public offering price is less than \$9.00 per share, there will not be any further adjustment to the stock component of the Combination Consideration, and the number of shares to be issued will be the number that would be issued if the public offering price had been \$9.00 per share.

If the public offering price is less than \$8.00 per share, the shareholders or equity interest holders party to each Combination Agreement are not required to close the Combinations. See "—Summary of the Terms of the Combination Agreements—Closing Conditions."

In addition to these adjustments, certain of the Combination Agreements include provisions for the holdback of shares otherwise to be issued. See “—Holdbacks.”

*Fenix Parts Canada Exchangeable Preferred Shares.* The Exchangeable Preferred Shares of Fenix Parts Canada, Inc. to be issued to the Canadian Founding Companies will be substantially the voting equivalent of shares of our common stock. Each holder of Exchangeable Preferred Shares will receive, through a voting trust that will hold one share of our special voting stock authorized and issued solely for this purpose, the voting rights of the number of shares of our common stock for which the holder’s Exchangeable Preferred Shares may be exchanged.

A holder of Exchangeable Preferred Shares may exchange all or any part of the holder’s shares at any time for the same number of shares of our common stock. On or after December 31, 2019, Fenix Parts Canada, Inc. may redeem all or any part of a holder’s Exchangeable Preferred Shares by delivery to the holder of the same number of shares of our common stock. In the event of a redemption by Fenix Parts Canada, Inc. prior to December 31, 2033, the holder of the Exchangeable Preferred Shares to be redeemed may elect to receive cash in lieu of shares of our common stock for up to 35% of the value of the shares of our common stock otherwise to be delivered. In the event of a redemption by Fenix Parts Canada, Inc. after December 31, 2033, Fenix Parts Canada, Inc. may deliver in redemption to the holder of the Exchangeable Preferred Shares the same number of shares of our common stock, cash equal to the value of the shares of our common stock otherwise to be delivered, or any combination of the two methods of redemption.

*Consideration Summary.* The following table sets out the cash and stock components of the consideration to be paid to (i) the shareholders and equity interest holders of each US Founding Company and to (ii) the Canadian Founding Companies. The cash and stock consideration payable at closing are each allocated in the following table between the amount payable as the base combination consideration and additional amounts payable as contingent consideration, payable for an equity interest in an affiliate of one of the Founding Companies, or payable on account of recent capital expenditures that will inure to our benefit. In addition, the cash component of the Combination Consideration is subject to adjustment based on various factors (see “—Cash Consideration Adjustments”) and the stock component of the Combination Consideration is subject to adjustment based on the public offering price (see “—Stock Consideration Adjustment”). For purposes of the footnotes to this table, the term the “closing” refers to the closing of this offering and the Combinations.

| <u>Founding Company</u>                                  | <u>Cash Combination Consideration</u> |                     |                     | <u>Promissory Notes</u> | <u>Stock Combination Consideration</u> |                       |                  |
|--|---------------------------------------|---------------------|---------------------|-------------------------|--|-----------------------|------------------|
|  | <u>Base</u>                           | <u>Additional</u>   | <u>Total</u>        |                         | <u>Base (1)</u>                        | <u>Additional (1)</u> | <u>Total (1)</u> |
| <b><i>US Founding Companies</i></b>                      |                                       |                     |                     |                         |  |                       |                  |
| Don’s Automotive Mall, Inc. ....                         | \$ 9,253,000                          | —                   | \$ 9,253,000(2)     | —                       | 545,467                                | —                     | 545,467          |
| Eiss Brothers, Inc. ....                                 | 6,136,760                             | \$245,000(3)        | 6,381,760           | —                       | 263,004                                | 10,500(4)             | 273,504          |
| Gary’s U-Pull It, Inc. ....                              | 7,770,000                             | —                   | 7,770,000(5)        | —                       | 518,000                                | —                     | 518,000          |
| <b><i>Green Oak Investments LLC dba GO Auto</i></b>      |                                       |                     |                     |                         |  |                       |                  |
| Recycling ....   | 4,000,000                             | 250,000(6)          | 4,250,000           | \$ 200,000(6)           | 300,000                                | —                     | 300,000          |
| <b><i>Horseheads Automotive Recycling, Inc. ....</i></b> |                                       |                     |                     |                         |  |                       |                  |
|  | 2,640,000                             | —                   | 2,640,000           | —                       | 154,000                                | —                     | 154,000          |
| Jerry Brown, Ltd. ....                                   | 6,511,048                             | 2,415,000(7)        | 8,926,048(8)        | —                       | 600,000                                | —                     | 600,000          |
| <b><i>Leesville Auto Wreckers, Inc. ....</i></b>         |                                       |                     |                     |                         |  |                       |                  |
|  | 14,302,500(9)                         | —                   | 14,302,500          | —                       | 451,000(10)                            | —                     | 451,000          |
| <b><i>Standard Auto Wreckers, Inc.(11) ....</i></b>      |                                       |                     |                     |                         |  |                       |                  |
|  | 12,000,000                            | —                   | 12,000,000          | —                       | —                                      | —                     | —                |
| <b><i>Canadian Founding Companies(11)</i></b>            |                                       |                     |                     |                         |  |                       |                  |
| 2434861 Ontario Inc.(12) ..                              | —                                     | 3,350,000           | 3,350,000           | —                       | —                                      | —                     | —                |
| End of Life Vehicles Inc. ..                             | 600,000                               | —                   | 600,000             | —                       | —                                      | —                     | —                |
| <b><i>Goldy Metals Incorporated ....</i></b>             |                                       |                     |                     |                         |  |                       |                  |
|  | 12,850,000                            | 5,880,000(13)       | 18,730,000(14)      | —                       | 445,000                                | 252,000(15)           | 697,000          |
| <b><i>Goldy Metals (Ottawa) Incorporated ....</i></b>    |                                       |                     |                     |                         |  |                       |                  |
|  | 5,000,000                             | —                   | 5,000,000           | —                       | 500,000                                | —                     | 500,000          |
| <b>Total</b>   | <b>\$ 81,063,308</b>                  | <b>\$12,140,000</b> | <b>\$93,203,308</b> | <b>\$200,000</b>        | <b>3,776,471</b>                       | <b>252,500</b>        | <b>4,038,971</b> |

(1) These columns set out the number of shares of our common stock, or in the case of the Combinations with the Canadian Founding Companies, the number of Exchangeable Preferred Shares of Fenix Parts Canada, Inc., to be issued if the public offering price of our common stock is \$10.00 or more per share. If the public offering price is less than \$10.00 per share but \$9.00 or more per share, the number of shares of common stock and Exchangeable Preferred Shares to be issued for the stock component of the Combination Consideration will generally be increased to the number of shares determined by (i) multiplying the number of shares otherwise to be issued by \$10.00 per share and (ii) dividing the result by the public offering price per share, generally rounding any resulting fractional share up to a whole share. If the public offering price is less than \$9.00 per share, there will not be any further adjustment to the stock component of the Combination Consideration, and the number of shares to be issued will be the number that would be issued if the public offering price had been \$9.00 per share. See “—Stock Consideration Adjustment.”

(2) This amount does not include consulting payments to be paid to two shareholders of Don’s. A consulting payment in the amount of \$50,000 a year will be paid to each of Donald Beagell, Jr. and

Michael Colsten for each of the first three years following the closing of this offering and the Combinations. See “—Other Payments” and “—Related Party Consultant and Employment Agreements.”

- (3) An additional \$245,000 in cash will be deposited in escrow at the closing and will be paid to the shareholders of Eiss Brothers only if certain EBITDA targets are satisfied during the twelve-month period beginning with the month following the month of closing. See “—Holdbacks.”
- (4) An additional 10,500 shares (assuming a public offering price of \$10.00 or more per share) will be deposited in escrow at the closing and will be paid to the shareholders of Eiss Brothers only if certain EBITDA targets are satisfied during the twelve-month period beginning with the month following the month of closing. See “—Holdbacks.”
- (5) This amount does not include consulting payments to be paid to two shareholders of Gary’s. A consulting payment in the amount of \$150,000 a year will be paid to Gary Beagell for each of the first three years following the closing of this offering and the Combinations, and a consulting payment in the amount of \$75,000 a year will be paid to Linda Beagell for each of the first three years following the closing of this offering and the Combinations. See “—Other Payments” and “—Related Party Consultant and Employment Agreements.”
- (6) We have agreed to pay an additional \$450,000 for our purchase of a 5% membership interest in GO Pull-It, LLC, an affiliate of GO Auto, of which \$250,000 is payable in cash at closing and \$200,000 is payable in the form of two-year promissory notes payable in equal installments on the first and second anniversaries of the closing. See “—Other Payments.”
- (7) We have agreed to pay an additional \$2,415,000 in cash at closing as reimbursement to the shareholders of Jerry Brown for capital expenses in connection with a new building located on land that we will lease. See “—Other Payments.”
- (8) In addition to the cash amounts disclosed in the table above, the cash to be paid to the shareholders of Jerry Brown may be increased if (i) certain revenue targets are satisfied during the twelve-month period beginning with the month following the month of closing or (ii) certain EBITDA targets are satisfied in calendar year 2016. See “—Earnouts.” The cash amounts disclosed in the table above also do not include consulting payments to Gerald Brown, a former shareholder of Jerry Brown. A consulting payment in the amount of \$80,000 a year will be paid to Gerald Brown for each of the first fifteen years following the closing of this offering and the Combinations, subject to exceptions. See “—Other Payments.”
- (9) This amount includes \$2,575,000 to be paid to key Leesville employees at the closing as bonuses. See “—Other Payments.”
- (10) This amount includes 244,000 restricted shares of our common stock to be issued to key Leesville employees at the closing as retention bonuses (assuming a public offering price of \$10.00 or more). See “—Other Payments.”
- (11) Prior to closing, the same two shareholders between them directly or indirectly own all of the issued and outstanding shares of stock of Standard Auto Wreckers, Inc., each of the Canadian Founding Companies and 2434861 Ontario Inc.
- (12) At closing, we will contribute \$3,350,000 to our wholly owned subsidiary, Fenix Parts Canada, Inc., which will then pay \$3,350,000 to purchase the shares of 2434861 Ontario Inc., a special purpose, non-operating company that will hold \$3,350,000 in cash at closing. Following closing, we will cause 2434861 Ontario Inc. to transfer \$3,350,000 to Fenix Parts Canada, Inc., which in turn will transfer the same amount to us. We do not expect these transfers to incur any Canadian or United States income tax or to be subject to any withholding requirement. (2434861 Ontario Inc. appears in this table to aid the reader’s understanding regarding Combination Consideration, but it should not be viewed as a Founding Company).



- (13) An additional \$5,880,000 in cash or, at our option, in the form of a letter of credit under our credit facility, will be deposited in escrow and will be paid to the Canadian Founding Companies only if certain revenue targets are satisfied during the twelve-month period beginning with the month following the month of closing. See “—Holdbacks” and “Credit Facility.”
- (14) This amount does not include a salary payable to Kenneth Gold, the shareholder of Goldy Metals Incorporated. A salary in the amount of \$50,000 will be paid to Kenneth Gold during the first year following the closing of this offering and the Combinations. See “—Other Payments” and “—Related Party Consultant and Employment Agreements.”
- (15) An additional 252,000 Exchangeable Preferred Shares of Fenix Parts Canada, Inc. (assuming a public offering price of \$10.00 or more per share) will be deposited in escrow and will be paid to the Canadian Founding Companies only if certain revenue targets are satisfied during the twelve-month period beginning with the month following the month of closing. See “—Holdbacks.”

*Earnouts.* The Combination Agreement with Jerry Brown contains two earnout provisions. Each earnout is payable in cash if certain performance targets are achieved. Under the first earnout provision, if Jerry Brown’s revenues from specific types of sales (the “Selected Revenues”) for the twelve-month period beginning with the month following the month of the closing of this offering and the Combinations (the “Earnout Period”) are greater than Jerry Brown’s Selected Revenues for 2013, we will pay Jerry Brown’s shareholders an amount equal to seven times the excess, up to \$1,750,000. If Selected Revenues for the Earnout Period are equal to or less than Selected Revenues for 2013, we will not make any additional payments to Jerry Brown’s shareholders with respect to Selected Revenues.

Under the second earnout provision, if Jerry Brown’s EBITDA for 2016 exceeds \$1,753,000, we will pay Jerry Brown’s shareholders an amount equal to three times the excess. If Jerry Brown’s EBITDA for 2016 is equal to or less than \$1,753,000, we will not make any additional payment with respect to EBITDA.

*Other Payments.* We will pay additional cash to the Canadian Founding Companies for the inventory in excess of 500 scrap autos located at each of their two self-services facilities. The per-auto purchase price will be based on the average amount paid for autos during the thirty days prior to the closing of this offering and the Combinations.

We will enter into a construction reimbursement agreement with Jerry Brown’s shareholders under which we will fund \$2,415,000 for expenditures incurred in connection with new building construction, improvements, equipment, furniture and fixtures, which was completed in January, 2015. Additionally, we will pay to Jerry Brown’s shareholders an amount equal to the value of Jerry Brown’s new and aftermarket or “takeoff” inventory, the amount of which will be agreed to by the parties, but in no event more than \$550,000.

We will pay bonuses to certain key Leesville employees, which in the aggregate will consist of (i) \$2,575,000 in cash and (ii) 244,000 restricted shares of our common stock (or if the public offering price is less than \$10.00, a number of shares of our common stock equal to the quotient obtained by dividing \$2,440,000 by the greater of \$9.00 and the public offering price (rounding any fractional share upwards to a whole share)). The cash component will be paid at the closing of this offering and the Combinations. The restricted shares will be granted at the closing of this offering and the Combinations, but will vest twelve months after grant date.

We will pay consulting fees to certain shareholders and former shareholders of certain Founding Companies following the closing of this offering and the Combinations. A consulting payment in the amount of \$50,000 a year will be paid to each of Donald Beagell, Jr. and Michael Colsten, both of whom are shareholders of Don’s, for three years. A consulting payment in the amount of \$150,000 a year for Gary Beagell and \$75,000 a year for Linda Beagell, both of whom are shareholders of Gary’s, will be paid for three years. A consulting payment in the amount of \$80,000 a year will be paid to Gerald Brown, a former shareholder of Jerry Brown, for fifteen years, subject to exceptions set forth in his consulting agreement, as amended. A salary in the amount of \$50,000 will be paid to Kenneth Gold, the shareholder of Goldy Metals Incorporated, for one year.

GO Pull-It, LLC, a Florida limited liability company (“Go Pull-It”), is an affiliate of GO Auto that operates a self-service auto recycling business. At the closing of the Combinations and this offering, we will enter into a purchase and option agreement with the members of GO Pull-It under which we will (i) purchase 5% of the outstanding membership interests in GO Pull-It; (ii) receive an option to purchase all (but not less than all) of the remaining membership interests in GO Pull-It; and (iii) receive a right of first refusal to purchase the remaining membership interests in GO Pull-It in the event that GO Pull-It receives an offer from an unaffiliated third party to purchase GO Pull-It. We have agreed to pay \$450,000 for the 5% of GO Pull-It’s outstanding membership interests, \$250,000 of which will be paid in cash at closing and \$200,000 of which will be paid by delivery of two-year promissory notes. The call option may be exercised on or before December 31, 2016 for a purchase price of \$9,500,000. The call option may be exercised after December 31, 2016 through and including December 31, 2021 for a purchase price equal to a pro rata portion of GO Pull-It’s value, with value being equal to the product of (i) trailing six months annualized EBITDA, multiplied by (ii) seven. The right of first refusal terminates on December 31, 2021.

As part of the Combinations with the Canadian Founding Companies, Fenix Parts Canada, Inc. will purchase the outstanding shares of 2434861 Ontario Inc. at closing for \$3,350,000. 2434861 Ontario Inc. is a special purpose company that will hold \$3,350,000 in cash at the closing.

Shareholders of certain Founding Companies are also owners of entities that will serve as landlords for certain of our facilities following the closing of this offering and the Combinations. Some of these shareholders will continue to be associated with Fenix following the closing of this offering and the Combinations. As a result, such shareholders may directly or indirectly receive lease payments paid by us following the closing of this Offering and the Combinations. See “Business—Facilities” and “—Related Party Consideration in Connection with the Combinations.”

*Holdbacks.* The Combination Agreements for Eiss Brothers and the Canadian Founding Companies each provides for a holdback of Combination Consideration which will be payable only if certain performance hurdles are achieved.

The maximum amount of consideration that is subject to the holdback for Eiss Brothers is \$245,000 in cash plus 10,500 shares of our common stock (or if the public offering price is less than \$10.00 per share, a number of shares of our common stock equal to \$105,000 divided by the greater of the public offering price and \$9.00), each of which will be held in escrow upon the closing of the Combinations. If for the twelve-month period beginning with the month following the month of the closing of this offering and the Combinations (the “Holdback Period”), the EBITDA of Eiss Brothers is the same as or greater than Eiss Brothers’ EBITDA for 2013 (approximately \$484,000) plus \$50,000 (the “EBITDA Target”), Eiss Brothers shareholders will be entitled to receive the full amount of the \$245,000 in cash and all of the shares of our common stock held in escrow. If Eiss Brothers’ EBITDA for the Holdback Period is less than the EBITDA Target (the extent of such shortfall, the “Eiss Shortfall”), we will receive out of escrow (i) a cash distribution equal to the product determined by multiplying (A) an amount equal to seven times the Eiss Shortfall by (B) a fraction, the numerator of which is the amount of the cash held in escrow, and the denominator of which is the sum of the cash held in escrow plus the value of the shares of our common stock held in escrow at the per share public offering price, subject to exceptions; plus (ii) the same percentage of the earnings on the cash held in escrow as we receive in accordance with (i), above; plus (iii) a portion of the shares of our common stock held in escrow equal to the product determined by multiplying (A) an amount equal to seven times the Eiss Shortfall by (B) a fraction, the numerator of which is the value of the shares of our common stock held in escrow at the per share public offering price, and the denominator of which is the sum of the cash held in escrow plus the value at the per share public offering price, subject to exceptions, of the shares of our common stock held in escrow. The Eiss Brothers shareholders will be entitled to any amounts of cash and stock remaining in escrow after distributions are made to us.

The maximum amount of consideration that is subject to the holdback for the Canadian Founding Companies, in the aggregate, is \$5,880,000 in cash or, at our option, in the form of a letter of credit under the credit facility, plus 252,000 Exchangeable Preferred Shares (or if the public offering price is less than \$10.00 per

share, a number of Exchangeable Preferred Shares equal to \$2,520,000 divided by the greater of the public offering price and \$9.00), both of which will be held in escrow upon the closing of the Combinations. See “Credit Facility.” If, during the Holdback Period, the Canadian Founding Companies’ combined revenue from specific types of sales (for example, sales of tires, catalytic converters and scrap, among other types) (“Post-Closing Revenue”) is the same as or greater than the sum of combined revenue from the same types of sales for the twelve-month period ending with the month prior to the month of the closing of this offering and the Combinations (the “Prior Period”) plus \$1,200,000, Goldy Metals Incorporated will be entitled to receive the full amount of the \$5,880,000 in cash plus all of the Exchangeable Preferred Shares held in escrow. If Post-Closing Revenue is less than the sum of combined revenue from the same types of sales for the Prior Period plus \$1,200,000 (the extent of such shortfall, the “Canadian Shortfall”), Fenix Parts Canada, Inc. will receive out of escrow (i) a cash distribution equal to the product determined by multiplying (A) \$5,880,000 by (B) a fraction, the numerator of which is the amount of the Canadian Shortfall, and the denominator of which is \$1,200,000; plus (ii) the same percentage of the earnings on the cash held in escrow as it receives in accordance with (i), above; plus (iii) a portion of Exchangeable Preferred Shares held in escrow equal to the product determined by multiplying (A) the number of Exchangeable Preferred Shares held in escrow by (B) a fraction, the numerator of which is the amount of the Canadian Shortfall, and the denominator of which is \$1,200,000. Goldy Metals Incorporated will be entitled to any amounts of cash and Exchangeable Preferred Shares remaining in escrow after distributions are made to Fenix Parts Canada, Inc.

#### *Summary of the Terms of the Combination Agreements*

*Timing of Closing.* We expect that the Combinations will close concurrently with the consummation of this offering. Unless we close all of the Combinations, we will not close any of the Combinations and will not close this offering.

*Representations and Warranties.* Each Combination Agreement contains a number of representations and warranties made on the one hand by Fenix Parts, Inc. (and Fenix Parts Canada, Inc. in connection with the Combinations with the Canadian Founding Companies) and on the other hand by the shareholders or equity interest holders of the applicable Founding Company (and, in the case of the Canadian Founding Companies, the Canadian Founding Companies themselves). These representations and warranties were made as of the date of the Combination Agreement or, in some cases, as of a date specified in the representation, and may be qualified by reference to knowledge, materiality or schedules to the Combination Agreement disclosing exceptions to the representations and warranties. The content of the representations and warranties reflects the results of arms’ length negotiations between the parties regarding their contractual rights. The descriptions of the provisions below are made for the purpose of describing the terms of the Combination Agreements and not as an affirmation of the accuracy of such representations and warranties.

Each party made representations to the other including, among others, representations concerning due organization, authority, enforceability, capital stock, noncontravention and legal proceedings.

The shareholders (or equity interest holders) of the Founding Companies (and in the case of the Canadian Founding Companies, the Canadian Founding Companies themselves) made additional representations to Fenix Parts, Inc. (and to Fenix Parts Canada, Inc. in the case of the Canadian Founding Companies), including, among others, representations concerning title to assets, real property, personal property, intellectual property, computer hardware and software, inventory, accounts receivable, contracts, permits, undisclosed liabilities, taxes, employee benefit plans, compliance with ERISA, insurance, absence of changes, environmental matters, organized labor matters and certain business practices.

*Indemnification.* The shareholders (or equity interest holders) of each Founding Company (and in the case of the Canadian Founding Companies, the Canadian Founding Companies themselves) have generally agreed to indemnify us and hold us harmless, and we (and Fenix Parts Canada, Inc. in connection with the Combinations with the Canadian Founding Companies) have generally agreed to indemnify and hold each of them harmless, from losses relating to a breach by the indemnifying party of its representations and warranties or

covenants contained in the respective Combination Agreement, or the breach of or failure to perform any of its obligations relating to certain tax matters. Losses relating to a breach of a representation, warranty or covenant generally may be indemnified if asserted prior to the second anniversary of the closing date of this offering or prior to the third anniversary of the closing date for breaches by the shareholders of the Founding Companies or Canadian Founding Companies of certain tax or environmental representations. Indemnification claims relating to breaches of certain representations or warranties related to shareholder ownership or ownership of assets may generally be asserted at any time without limit.

The shareholders of Standard Auto Wreckers, Inc. have also agreed to indemnify us and hold us harmless from losses relating to any counterclaim in connection with its current lawsuit against underwriters at Lloyds of London pending in New York state courts (the “Lloyds of London Litigation”). Indemnification claims relating to the Lloyds of London Litigation may be asserted at any time without limit. The shareholders of the Canadian Founding Companies, as well as the Canadian Founding Companies themselves, have also agreed to indemnify and hold us and Fenix Parts Canada, Inc. harmless from losses resulting from any liability excluded from the asset purchases in such Combination (the “Excluded Liabilities”), among other things. Indemnification claims relating to the Excluded Liabilities may be asserted at any time without limit.

The obligation of the shareholders (or equity interest holders) of each Founding Company (and in the case of the Canadian Founding Companies, the Canadian Founding Companies themselves) to indemnify us is generally capped at 40% of the total value of the cash and stock consideration received by such shareholders (or Canadian Founding Company) in the particular Combination (the “combination purchase price”), except for certain claims for losses relating to any fraud or intentional misrepresentation, the Lloyds of London Litigation or any Excluded Liabilities, for which recovery is not capped. We will not be entitled to indemnification from the shareholders of any Founding Company or from any Canadian Founding Company unless the aggregate amount we are entitled to by the shareholders of that Founding Company or by the Canadian Founding Company exceeds 1% of the applicable combination purchase price. This threshold does not apply to any loss we incur relating to certain tax claims, any fraud or intentional misrepresentation, the Lloyds of London Litigation or any Excluded Liability. There is no threshold for any claim of indemnification by the shareholders of any Founding Company or by any Canadian Founding Company.

*Noncompetition Agreement.* Each of the Combination Agreements contains a closing condition that each shareholder (or equity interest holder) of the US Founding Companies (and, where appropriate, each of the Canadian Founding Companies) enter into an agreement with us restricting such shareholders’ or Canadian Founding Company’s ability to compete with us or solicit our employees for five years after the closing. Additionally, several of these Founding Company shareholders (or equity interest holders) will enter into employment or consulting agreements with us containing non-compete and non-solicitation covenants.

*Closing Conditions.* The obligations of Fenix Parts, Inc. (and in the case of the Combinations with the Canadian Founding Companies, Fenix Parts Canada, Inc.) and the shareholders (or equity interest holders) of each Founding Company (and in the case of the Combinations with the Canadian Founding Companies, the Canadian Founding Companies themselves) to complete a particular Combination are subject to the satisfaction or waiver of conditions including, among others:

- Conditions to all parties’ duty to complete the Combinations:
  - the accuracy as of the closing date of the representations and warranties made by the other parties in the Combination Agreement;
  - the other parties’ execution and delivery of all of the documents and instruments that they are required to execute and deliver or enter into prior to or at closing, and performance, compliance with or satisfaction in all material respects of the other obligations, agreements and conditions under the Combination Agreement that they are required to perform, comply with or satisfy at or prior to closing;

- the absence of any actual or threatened suit, action or other proceeding that challenges or seeks damages or other relief in connection with the Combination or that could have the effect of preventing, delaying, making illegal or otherwise interfering with the Combinations;
  - for Combinations with the US Founding Companies, with the exception of Standard Auto Wreckers, Inc., the receipt by the parties of the written opinion of Grant Thornton LLP to the effect that the exchange of the shareholders' shares in the particular US Founding Company for the consideration will qualify as a transaction meeting the requirements of Section 351 of the Internal Revenue Code; and
  - the closing of each other Combination shall have occurred or will occur contemporaneously with the closing of the Combination and this offering.
- Conditions to Fenix's duty to complete the combination:
    - each Founding Company has achieved a specified earnings target for the twelve months ended December 31, 2013, and is reasonably expected to do so for the twelve months ending December 31, 2014;
    - each Founding Company shall not have sustained a material adverse change; and
    - key personnel of each Founding Company shall have entered into employment agreements with Fenix Parts, Inc.
  - Additional conditions to the shareholders' duty to complete the Combination:
    - the public offering price shall be \$8.00 per share or higher.

*Termination of the Combination Agreements.* Each Combination Agreement may be terminated, under certain circumstances, prior to the closing of this offering, including:

- by either Fenix or the shareholders (or equity interest holders) of the Founding Company (and, in the case of the Canadian Founding Companies, the Canadian Founding Companies themselves) if a breach or default by the other party in the performance of any of its material obligations under the Combination Agreement occurs and is not cured within ten business days;
- by either Fenix or the shareholders (or equity interest holders) of the Founding Company (and, in the case of the Canadian Founding Companies, the Canadian Founding Companies themselves) if the other party fails to satisfy any closing condition by the Outside Date (as defined below), or the satisfaction of any closing condition becomes impossible;
- by either Fenix or the shareholders (or equity interest holders) of the Founding Company (and, in the case of the Canadian Founding Companies, the Canadian Founding Companies themselves) if this offering and the Combination with the Founding Company have not closed by May 15, 2015, subject to certain exceptions (the "Outside Date"); or
- by the written agreement of Fenix and the shareholders (or equity interest holders) of the Founding Company (and, in the case of the Canadian Founding Companies, the Canadian Founding Companies themselves).

No Combination Agreement provides for a termination fee for the benefit of any party thereto if such Combination Agreement is terminated by any party. There can be no assurance that the conditions to the closing of the Combinations will be satisfied or waived or that the Combination Agreements will not be terminated prior to the closing. However, if the Combinations are not completed, this offering will not be completed.

*Lock-Up Agreement.* Each of the Combination Agreements contains a closing condition that the shareholders of the Founding Company enter into Lock-Up Agreements restricting such shareholders' ability to transfer the shares of our common stock or the Exchangeable Preferred Shares they receive in the Combination, as applicable, subject to certain exceptions. These restrictions expire 180 days after the date of this prospectus.

*Registration Rights.* At the closing of this offering and the Combinations, Fenix and the shareholders of each US Founding Company (other than Standard Auto Wreckers, Inc.) will enter into registration rights agreements which provide piggyback registration rights to such shareholders. If, at any time prior to January 1, 2016, we propose to register any shares of our common stock, and the registration form to be used may be used for the registration of any shares of our common stock received in connection with the Combinations, we must provide notice of the registration to the US Founding Companies' shareholders. The US Founding Companies' shareholders shall be entitled to include the shares they received in connection with the Combinations in the registration unless we (or the underwriters, if the offering is an underwritten offering) determine that including in the registration the number of shares that the US Founding Companies' shareholders have requested will adversely affect the contemplated offering. If such determination is made, the number of such shares to be included in the registration will be reduced pro rata.

Additionally, at the closing of this offering and the Combinations, Fenix and each Canadian Founding Company (other than End of Life Vehicles Inc.) will enter into a registration rights agreement which provides piggyback registration rights to such Canadian Founding Companies. If, at any time during the one-year period beginning on the date on which such Canadian Founding Companies first receive Fenix common stock in exchange for Exchangeable Preferred Shares received in connection with the Combinations, we propose to register any shares of our common stock, and the registration form to be used may be used for the registration of any shares of our common stock received in exchange for such Exchangeable Preferred Shares, we must provide notice of the registration to such Canadian Founding Companies. Such Canadian Founding Companies shall be entitled to include the shares they received in exchange for such Exchangeable Preferred Shares in the registration unless we (or the underwriters, if the offering is an underwritten offering) determine that including in the registration the number of shares that such Canadian Founding Companies have requested will adversely affect the contemplated offering. If such determination is made, the number of such shares to be included in the registration will be reduced pro rata. See "Description of Capital Stock of Fenix—Authorized and Outstanding Capital Stock—Registration Rights Agreements."

*Related Party Consideration in Connection with the Combinations*

Individuals who are or will become our executive officers, directors, 5% stockholders or other related persons will receive the following consideration from the Combinations (i) for their interests in their respective Founding Company, subject to adjustments as described above, and (ii) in their respective capacities as lessors of real property we will lease following the completion of this offering and the Combinations. The "Minimum Number of Shares" column assumes a public offering price of \$10.00 per share or more. Amounts set forth in the "Rent Payments" column are for the aggregate base rental payments over the term of the relevant leases.

| <u>Related Person</u>            | <u>Combination Consideration</u> |                                 | <u>Rent Payments</u> |
|----------------------------------|----------------------------------|---------------------------------|----------------------|
|                                  | <u>Cash (before adjustments)</u> | <u>Minimum Number of Shares</u> |                      |
| Gary Beagell(1) . . . . .        | \$3,527,580                      | 235,191                         | \$1,447,527(2)       |
| Linda Beagell(3) . . . . .       | 3,527,580                        | 235,191                         | 1,447,527(4)         |
| Donald Beagell, Jr.(5) . . . . . | 4,888,668                        | 288,188                         | 3,989,228(6)         |
| David Gold(7) . . . . .          | 5,300,000                        | 500,000(8)                      | 8,198,000(9)         |
| Kenneth Gold(10) . . . . .       | 31,030,000                       | 697,000(11)                     | 3,041,250(12)        |
| Total . . . . .                  | <u>\$48,273,828</u>              | <u>1,955,570(13)</u>            | <u>\$18,123,541</u>  |

- (1) Gary Beagell will become a director prior to the closing of this offering. Gary Beagell will receive the cash and shares of our common stock indicated above as consideration for his interest in Gary's.
- (2) Gary Beagell owns a 50% membership interest in Beagell Properties, LLC, which is the landlord of the property at 13 Barlow Road, Binghamton, NY, which will be leased to Gary's following the closing of this offering. We have agreed to pay an aggregate of \$132,000 in rent over the five year term of the lease for this property. Gary Beagell's percentage interest in the aggregate rental payment is \$66,000. Beagell Properties, LLC is also the landlord of the property at 230-246 Colesville Road, Binghamton, NY, which will be leased to Gary's following the closing of this offering. We have agreed to pay an aggregate of \$2,763,055 in rent over the 15 year term of the lease for this property. Gary Beagell's percentage interest in the aggregate rental payment is \$1,381,527.
- (3) Linda Beagell is the spouse of Gary Beagell, who will become a director prior to the closing of this offering. Mrs. Beagell will receive the cash and shares of our common stock indicated above as consideration for her interest in Gary's.
- (4) Linda Beagell owns a 50% membership interest in Beagell Properties, LLC, which is the landlord of the property at 13 Barlow Road, Binghamton, NY, which will be leased to Gary's following the closing of this offering. We have agreed to pay an aggregate of \$132,000 in rent over the five year term of the lease for this property. Ms. Beagell's percentage interest in the aggregate rental payment is \$66,000. Beagell Properties, LLC is also the landlord of the property at 230-246 Colesville Road, Binghamton, NY, which will be leased to Gary's following the closing of this offering. We have agreed to pay an aggregate of \$2,763,055 in rent over the 15 year term of the lease for this property. Ms. Beagell's percentage interest in the aggregate rental payment is \$1,381,527.
- (5) Donald Beagell, Jr. is the brother of Gary Beagell, who will become one of our directors prior to the closing of this offering. Donald Beagell, Jr. will receive the cash and shares of our common stock indicated above as consideration for his interest in Don's.
- (6) Donald Beagell owns a 50% membership interest in D & B Holdings, LLC, which is the landlord of the property at 216 Colesville Road, Binghamton, NY, which will be leased to Don's following the closing of this offering. We have agreed to pay an aggregate of \$4,993,529 in rent over the 15 year term of the lease for this property. Mr. Beagell's interest in the aggregate rental payment is \$2,496,765. Mr. Beagell also owns a 67% interest in BBHC, LLC, which is the landlord of the property at 1245 Sleepy Hollow Road, Pennsburg, PA, which will be leased to Don's following the closing of this offering. We have agreed to pay an aggregate of \$1,836,891 in rent over the 15 year term of the lease for this property. Mr. Beagell's interest in the aggregate rental payment is \$1,230,717. Mr. Beagell also owns a 12.50% interest in Don's Independent Salvage Company, LLC, which is the landlord of the property at 1592 Sears Road, Elmira, NY, which will be leased to Horseheads following the closing of this offering. We have agreed to pay an aggregate of \$2,093,964 in rent over the 15 year term of the lease for this property. Mr. Beagell's interest in the aggregate rental payment is \$261,746.
- (7) David Gold will become an executive officer prior to the closing of this offering. David Gold will receive \$300,000 in cash by virtue of his 50% ownership of End of Life Vehicles Inc. He will receive \$5,000,000 in cash and beneficial ownership of 500,000 Exchangeable Preferred Shares by virtue of his 100% ownership of Goldy Metals (Ottawa) Incorporated.
- (8) Consists of Exchangeable Preferred Shares of Fenix Parts Canada, Inc.
- (9) David Gold is the sole shareholder of Standard Auto Wreckers (Port Hope) Inc., which is the landlord of the property at 260 Peter Street, Port Hope, Ontario, which will be leased to Fenix Parts Canada, Inc. following the closing of this offering. We have agreed to pay an aggregate of \$4,500,000 in rent over the 15 year term of the lease for this property. David Gold is also the sole shareholder of Standard Auto Wreckers (Cornwall) Inc., which is the landlord of the property at 4345 Northfield Road, Cornwall, Ontario, which will be leased to Fenix Parts Canada, Inc. following the closing of this offering. We have agreed to pay an aggregate of \$798,000 in rent over the 15 year term of the lease for this property. David Gold is also the sole shareholder

of Goldy Metals (Ottawa) Incorporated, which is the landlord of the property at 5402 Old Richmond Road, Ottawa, Ontario, which will be leased to Fenix Parts Canada, Inc. following the closing of this offering. We have agreed to pay an aggregate of \$2,900,000 in rent over the 15 year term of the lease for this property.

- (10) Kenneth Gold is the father of David Gold, who will become an executive officer of ours prior to the closing of this offering. Kenneth Gold will receive \$300,000 in cash by virtue of his 50% ownership of End of Life Vehicles Inc. He will receive \$12,000,000 in cash by virtue of his 100% indirect ownership of Standard Auto Wreckers, Inc. He will receive \$18,730,000 in cash and beneficial ownership of 697,000 Exchangeable Preferred Shares by virtue of his 100% ownership of Goldy Metals Incorporated.
- (11) Consists of Exchangeable Preferred Shares of Fenix Parts Canada, Inc.
- (12) Kenneth Gold is the sole shareholder of Goldy Metals Incorporated. Kenneth Gold and Goldy Metals Incorporated are the landlords of the property at as 1216 Sewells Road, Scarborough, Ontario which will be leased to Fenix Parts Canada, Inc. following the closing of this offering. We have agreed to pay an aggregate of \$1,341,250 in rent over the 15 year term of the lease for this property. Kenneth Gold is also the sole shareholder of Goldy Metals Holdings, Inc. Together, Goldy Metals Holdings, Inc. and Goldy Metals Incorporated own all of the stock of Delana Realty Inc. Delana Realty Inc. is the landlord of the property at 3800 Highland Avenue, Niagara Falls, NY, which will be leased to Fenix Parts Canada, Inc. following the closing of this offering. We have agreed to pay an aggregate of \$1,700,000 in rent over the 15 year term of the lease for this property.
- (13) Consists of an aggregate of 758,532 shares of our common stock and 1,197,000 Exchangeable Preferred Shares of Fenix Parts Canada, Inc.

#### *Related Party Consultant and Employment Agreements*

Following the closing of this offering and the Combinations, we will pay consulting fees and salaries to certain related parties. We will pay a consulting fee in the amount of \$50,000 a year to Donald Beagell, Jr. for each of the first three years following the closing of this offering and the Combinations. Donald Beagell, Jr. is the brother of Gary Beagell, who will become one of our directors prior to the closing of this offering. We will pay a consulting fee in the amount of \$150,000 a year to Gary Beagell for each of the first three years following the closing of this offering and the Combinations, and another consulting fee in the amount of \$75,000 a year to Linda Beagell, the wife of Gary Beagell, for each of the first three years following the closing of this offering and the Combinations. We will also pay a salary in the amount of \$50,000 to Kenneth Gold during the first year following the closing of this offering and the Combinations. Kenneth Gold is the father of David Gold, who will become an executive officer of ours prior to the closing of this offering.

#### **Policies and Procedures for Related Person Transactions**

Our board of directors has adopted a written related person policy to set forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we are to be a participant, the amount involved exceeds \$100,000 and a related person had or will have a direct or indirect material interest, including purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person.



## PRINCIPAL STOCKHOLDERS

The table below sets forth information regarding the projected beneficial ownership of our common stock immediately after the closing of this offering, by the following individuals or groups:

- each person or entity who is known by us to own beneficially more than 5% of our outstanding stock;
- each of our executive officers;
- each of our directors and nominees for director; and
- all of our directors, nominees for director and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the securities in question. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table below have sole voting and investment power with respect to all shares of our common stock held by them.

Shares of common stock issuable pursuant to a stock option, warrant or exchangeable share that is currently exercisable or exchangeable, or is exercisable or exchangeable within 60 days after the date of determination of ownership, are deemed to be outstanding and beneficially owned for purposes of computing the percentage ownership of the holder of the stock option, warrant or exchangeable share but are not treated as outstanding for purposes of computing the percentage ownership of any other person.

The applicable percentage ownership “Before the Offering” in the following table is based on 2,732,923 shares of our common stock outstanding as of April 20, 2015, and assumes a 2,000-for-1 common stock split that will occur immediately prior to the closing of this offering. The applicable percentage ownership “After the Offering” in the following table (i) includes the 11,000,000 shares of our common stock issued in this offering, (ii) assumes that the underwriters’ over-allotment option will not be exercised and (iii) includes 2,841,971 shares of our common stock to be issued in the Combinations with the US Founding Companies concurrently with the closing of this offering (assuming a public offering price of \$10.00 or more per share). No person holds any stock options, warrants or similar instruments currently exercisable or exercisable as of or within 60 days after the closing of this offering. Upon completion of this offering, the Canadian Founding Companies and their shareholders will collectively beneficially own 1,197,000 Exchangeable Preferred Shares (assuming a public offering price of \$10.00 or more per share) which, upon issuance, will be convertible at any time into shares of our common stock. Shares of our common stock issuable in exchange for Exchangeable Preferred Shares are deemed to be outstanding and beneficially owned for purposes of computing the percentage ownership of the beneficial owner of Exchangeable Preferred Shares but are not treated as outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the address for each shareholder in the following table is c/o Fenix Parts, Inc., One Westbrook Corporate Center, Suite 920, Westchester, Illinois 60154.

| <u>Name of Beneficial Owner</u>         | <u>Immediately Before Offering</u>         |   | <u>Immediately After Offering</u>          |   |
|---|--|---|--|---|
|   | <u>Number of Shares Beneficially Owned</u> | <u>Percentage of Shares Outstanding</u> | <u>Number of Shares Beneficially Owned</u> | <u>Percentage of Shares Outstanding</u> |
| <i>Executive Officers and Directors</i> |  |   |  |   |
| Kent Robertson(1) .....                 | 780,000                                    | 28.5%                                   | 780,000                                    | 4.7%                                    |
| Scott Pettit(2) .....                   | 240,000                                    | 8.8%                                    | 240,000                                    | 1.4%                                    |
| David Gold(3) .....                     | —  | —                                       | 500,000                                    | 2.9%                                    |

| Name of Beneficial Owner   | Immediately Before Offering         |                                  | Immediately After Offering          |                                  |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
|  | Number of Shares Beneficially Owned | Percentage of Shares Outstanding | Number of Shares Beneficially Owned | Percentage of Shares Outstanding |
| <b>Nominees for Director</b>   |                                     |                                  |                                     |                                  |
| Gary Beagell(4)  | —                                   | —                                | 470,382                             | 2.8%                             |
| Steven Dayton(5)   | 154,615.4                           | 5.7%                             | 154,615.4                           | *                                |
| Richard Kogler(6)  | 14,000                              | *                                | 14,000                              | *                                |
| Thomas O'Brien(7)  | 15,384.6                            | *                                | 15,384.6                            | *                                |
| Frank ten Brink(8)   | 14,000                              | *                                | 14,000                              | *                                |
| All executive officers, directors and nominees for director as a group (8 persons) | 1,218,000                           | 44.6%                            | 2,188,382                           | 12.8%                            |
| <b>Additional 5% Stockholders</b>  |                                     |                                  |                                     |                                  |
| Ross Berner(9)   | 458,000                             | 16.8%                            | 458,000                             | 2.8%                             |
| Steven Colmar(10)  | 310,000                             | 11.3%                            | 310,000                             | 1.9%                             |

\* Less than 1% of our outstanding shares of common stock.

- (1) Mr. Robertson is our President and Chief Executive Officer and our sole director. Consists of 780,000 shares of our common stock.
- (2) Mr. Pettit is our Chief Financial Officer. Consists of 240,000 shares of our common stock.
- (3) Mr. Gold will be appointed our Executive Vice President and the President of Fenix Parts Canada, Inc. prior to the closing of this offering. Consists of 500,000 Exchangeable Preferred Shares to be held by Goldy Metals (Ottawa) Incorporated following the closing of this offering and the Combinations, assuming a public offering price of \$10.00, the midpoint of the price range set forth on the cover page of this prospectus. Mr. Gold is the sole shareholder of Goldy Metals (Ottawa) Incorporated. Each Exchangeable Preferred Share is exchangeable for one share of our common stock at any time following the closing of this offering and the closing of the Combinations.
- (4) Mr. Beagell will be elected a director effective prior to the closing of this offering. Includes the 235,191 shares of our common stock Mr. Beagell will receive at the closing of this offering and the Combinations as part of the consideration for his interest in Gary's and the 235,191 shares of our common stock that his wife, Linda Beagell, will receive at the closing of this offering and the Combinations as part of the consideration for her interest in Gary's, in each case assuming a public offering price of \$10.00, the midpoint of the price range set forth on the cover page of this prospectus.
- (5) Mr. Dayton will be elected a director effective prior to the closing of the offering. Consists of 154,615.4 shares of common stock held by the Dayton Family Limited Partnership. Mr. Dayton is the sole member of the general partner of the Dayton Family Limited Partnership.
- (6) Mr. Kogler will be elected a director effective prior to the closing of this offering. Consists of 14,000 shares of our common stock.
- (7) Mr. O'Brien will be elected a director effective prior to the closing of this offering. Consists of 15,384.6 shares of our common stock.
- (8) Mr. ten Brink will be elected a director effective prior to the closing of this offering. Consists of 14,000 shares of our common stock held by the Franciscus J.M. ten Brink Trust, of which Mr. ten Brink is trustee.
- (9) Consists of 458,000 shares of our common stock held by Mr. Berner. Mr. Berner's business address is P. O. Box 475097, San Francisco CA 94147.
- (10) Consists of 300,000 shares of our common stock owned by Business Ventures Corp., a Texas corporation of which Mr. Colmar is the president and sole shareholder, and 10,000 shares of common stock held directly by Mr. Colmar. Mr. Colmar's business address is 1108 Lavaca Street, #110-247, Austin, Texas 78701.

## CREDIT FACILITY

On April 22, 2015, we signed a mandate letter with BMO Harris Bank N.A., as administrative agent for the financial institutions and other lenders who may participate, for a proposed \$35,000,000 senior secured credit facility on terms outlined in a term sheet attached to the mandate letter.

The mandate letter does not constitute a commitment to make the credit facility available to us, nor does it include all of the terms, conditions, covenants, representations, warranties and other provisions that would be included in the documents governing the credit facility. Rather it sets out the principal terms and conditions upon which BMO Harris Bank N.A. will pursue internal credit approval of the facility. The credit facility will be expressly contingent upon the completion of this offering and the completion of this offering is likewise contingent upon the execution of the credit facility.

The term sheet proposes a senior secured credit facility in the total amount of \$35,000,000. Of that amount, \$25,000,000 would be available as a revolving credit facility, allocated \$20,000,000 to us in U.S. Dollars, with a \$7,500,000 sublimit for letters of credit, and \$5,000,000 in either Canadian Dollars or U.S. Dollars, with a \$2,500,000 sublimit for letters of credit. The remaining \$10,000,000 would be available to us as term loans. We have the right from time to time, as long as no default is occurring, to request an increase in the amount of the revolving credit facility by up to an aggregate of \$20,000,000. Proceeds of the credit facility would be used for capital expenditures, working capital, permitted acquisitions, general corporate purposes and for certain fees and expenses associated with the closing of the credit facility and this offering. The term of the revolving credit facility and the term loan facility would be five years.

The credit facility would be secured by a first-priority perfected security interest in substantially all of our assets as well as all of the assets of our domestic subsidiaries, who would also guaranty our borrowings. In addition, we would be required to pledge all of the stock in our domestic subsidiaries as security and 66% of the stock of our direct, Canadian subsidiary, Fenix Parts Canada, Inc. (other than its exchangeable preferred shares).

Our U.S. borrowings under the credit facility would bear interest at fluctuating rates determined quarterly, at our election in advance for any applicable interest period, by reference to the “base rate” plus the applicable margin within the relevant range of margins provided in the term sheet. The base rate is the highest of (i) the rate BMO Harris Bank N.A. announces as its “prime rate,” (ii) 0.50% above the rate on overnight federal funds transactions or (iii) the London Interbank Offered Rate (LIBOR) for an interest period of one month plus 1.00%. The applicable margin is based on our total leverage ratio. The term sheet provides that the initial margin for interest rates on borrowings under the credit facility will be 2.00% on LIBOR loans and 1.00% on base rate loans.

Our Canadian borrowings under the credit facility would bear interest at fluctuating rates determined quarterly, at our election in advance for any applicable interest period, by reference to the “Canadian base rate” plus the applicable margin within the relevant range of margins provided in the term sheet. The Canadian base rate is the higher of (i) the rate the Bank of Montreal announces as its “reference rate,” or (ii) the Canadian Dollar Offered Rate (CDOR) for an interest period equal to the term of any applicable borrowing plus 0.50%. The applicable margin is based on our total leverage ratio. The term sheet provides that the initial margin for interest rates on borrowings under the credit facility will be 1.00% on base rate loans.

We anticipate that the credit agreement for the credit facility will contain customary events of default, including our failure to pay any principal, interest or other amount when due, our violation of certain of our affirmative covenants or any of our negative covenants or a breach of our representations and warranties and, in certain circumstances, a change of control. Upon the occurrence of an event of default, payment of our indebtedness may be accelerated and the lending commitments may be terminated.

## DESCRIPTION OF CAPITAL STOCK OF FENIX

### Authorized and Outstanding Capital Stock

As of April 20, 2015, our authorized capital stock consisted of 30,000,000 shares of common stock, \$0.001 par value per share, of which 1,366.4615 shares are issued and outstanding, held of record by 50 stockholders, one share of special voting stock, none of which is issued and outstanding, and 100,000 shares of preferred stock, none of which is issued and outstanding. Such issued and outstanding amounts do not reflect the 2,000-for-1 common stock split to occur immediately prior to this offering. Upon completion of this offering, there will be 16,574,894 shares of common stock outstanding (assuming a public offering price of \$10.00, the midpoint of the price range set forth on the cover page of this prospectus) and one share of special voting stock outstanding. No shares of preferred stock will be outstanding. The following description of our capital stock is only a summary and is subject to and qualified in its entirety by our amended and restated certificate of incorporation (our “certificate of incorporation”) and amended and restated bylaws (our “bylaws”), which are included as exhibits to the registration statement of which this prospectus forms a part, and by the applicable provisions of Delaware law.

#### *Common Stock*

Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders, including the election of directors. Such holders are not entitled to vote cumulatively for the election of directors. Holders of a majority of the shares of common stock may elect all of the directors standing for election. Subject to preferences that may be applicable to any outstanding preferred stock, common stockholders are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding, the common stockholders are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. Common stockholders have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock.

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business and do not anticipate paying any cash dividends in the foreseeable future.

#### *Special Voting Stock*

The single share of special voting stock will be entitled, when issued, to vote on any matter submitted to a vote of holders of our common stock a number of votes equal to the number of Exchangeable Preferred Shares of Fenix Parts Canada, Inc. issued to the shareholders of the Canadian Founding Companies. The share of special voting stock is intended to provide the shareholders of the Canadian Founding Companies the equivalent voting rights in Fenix common stock they would have received if the Combination Agreement for the Canadian Founding Companies had required us to issue shares of Fenix common stock instead of Exchangeable Preferred Shares.

The share of special voting stock will be held in a voting trust for the benefit of the shareholders of the Canadian Founding Companies, and the trustee of the voting trust will vote the share of special voting stock in accordance with the beneficiaries’ directions. Neither the holder of the share of special voting stock nor the beneficiaries of the share of special voting stock will be entitled to receive any dividends or other distributions that we may make in respect of shares of our common stock.

#### *Preferred Stock*

The board of directors is authorized, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the powers, preferences and rights of each series, which may be

greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of the common stock until the board of directors determines the specific rights of the holders of such preferred stock. However, the effects might include, among other things:

- impairing dividend rights of the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; and
- delaying or preventing a change in control of us without further action by the stockholders.

#### *Registration Rights Agreements*

At the closing of the offering, we will enter into registration rights agreements with certain of our stockholders. The following describes the rights granted pursuant such agreements.

*Piggyback Registration Rights.* If, at any time prior to January 1, 2016 (or, in certain cases, during the period beginning one year after Exchangeable Preferred Shares are exchanged for our common stock), we propose to register any shares of our common stock under the Securities Act, and the registration form to be used may be used for the registration of any shares of our common stock (i) issued and delivered as part of the Combination Consideration, (ii) issued in exchange for any Exchangeable Preferred Shares issued and delivered as part of the Combination Consideration and (iii) issued to investors in the First Bridge Offering and the Second Bridge Offering (collectively, the “Registrable Shares”), then we are required to give notice to all holders of Registrable Shares and provide them with the right to include their shares in the registration. Such piggyback registration rights are subject to certain exceptions, conditions and limitations, including, without limitation, pro rata reductions in the number of shares to be sold by holders of Registrable Shares.

*Expenses of Registration.* We are required to bear the registration expenses associated with any registration in accordance with the registration rights agreements, including the reasonable fees of one counsel chosen by the holders of a majority of the Registrable Shares included in the registration.

See “The Combinations with the Founding Companies—Summary of the Terms of the Combination Agreements—Registration Rights.”

#### **Warrants**

As of the date of this prospectus, no warrants to purchase shares of common stock were outstanding.

#### **Anti-Takeover Provisions**

Certain provisions of Delaware law and our certificate of incorporation and bylaws could make the following more difficult:

- the acquisition of us by means of a tender offer;
- acquisition of control of us by means of a proxy contest or otherwise; and
- the removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids, and are designed to encourage persons seeking to acquire control of us to negotiate with our board of directors. We believe that the benefits of increased protection against an unfriendly or

unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals. Among other things, negotiation of such proposals could result in an improvement of their terms.

*Delaware Anti-Takeover Law.* We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date the person became an interested stockholder, unless the “business combination” or the transaction in which the person became an interested stockholder is approved by our board of directors in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation’s voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

*Stockholder Meetings.* Under our certificate of incorporation and bylaws, only the board of directors, the chairman of the board, the chief executive officer and the president may call special meetings of stockholders.

*No Cumulative Voting.* Our certificate of incorporation and bylaws do not provide for cumulative voting in the election of directors.

*Undesignated Preferred Stock.* The authorization of undesignated preferred stock makes it possible for the board of directors without stockholder approval to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to obtain control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of us.

*Provisions in the Certificate of Incorporation.* The certificate of incorporation generally requires the affirmative vote of the holders of at least two-thirds of the outstanding voting stock in order to amend any provisions of the certificate of incorporation concerning, among other things:

- the required vote to amend the certificate of incorporation;
- management of the business by the board of directors;
- number of directors;
- removal and appointment of directors;
- director nominations by stockholders;
- personal liability of directors to us and our stockholders; and
- indemnification of our directors, officers, employees and agents.

#### **Limitations on Directors’ Liability and Indemnification**

Our certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for monetary damages for breach of their fiduciary duties as directors, except liability for any of the following:

- any breach of the director’s duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- payments of dividends or approval of stock repurchases or redemptions that are prohibited by Delaware law; or
- any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of incorporation and bylaws provide that we shall indemnify our directors, officers, employees and other agents to the fullest extent permitted by law. We believe that indemnification under our bylaws covers at least negligence and gross negligence on the part of indemnified parties. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether Delaware law would permit indemnification.

We have entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our certificate of incorporation and bylaws. These agreements, among other things, provide for indemnification of our directors and officers for expenses, judgments, fines, penalties and settlement amounts incurred by any such person in any action or proceeding arising out of such person's services as a director or officer or at our request.

We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers. There is no pending litigation or proceeding involving any of our directors, officers, employees or agents. We are not aware of any pending or threatened litigation or proceeding that might result in a claim for indemnification by a director, officer, employee or agent.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The telephone number of American Stock Transfer & Trust Company, LLC is 1-800-937-5449.

#### **Nasdaq Global Market Listing**

We have applied to list our common stock on the Nasdaq Global Market under the symbol "FENX."

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock, and there can be no assurance that a significant public market for the common stock will develop or be sustained after this offering. Future sales of substantial amounts of common stock, including shares issued upon exercise of outstanding options in the public market following this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through sale of our equity securities. As described below, no shares issued in connection with this offering to the selling owners of the Founding Companies as partial consideration for their shares or equity interests in the Founding Companies in connection with this offering will be available for sale immediately after this offering because of certain contractual restrictions on resale. Sales of substantial amounts of our common stock in the public market after the restrictions lapse, or the perception that such sales could occur, could adversely affect the prevailing market price and our ability to raise equity capital in the future.

### Sale of Restricted Shares

Based on the number of shares outstanding as of April 20, 2015, upon the closing of this offering and assuming (a) no exercise of the underwriters' over-allotment option and (b) no exchange of outstanding exchangeable shares, we will have an aggregate of 16,574,894 shares of common stock outstanding. Of these shares, all of the 11,000,000 shares of common stock to be sold in this offering, and any shares sold upon exercise of the underwriters' over-allotment option, will be freely tradable in the public market without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 under the Securities Act. In general, affiliates include our executive officers, directors and 10% stockholders.

Upon the closing of this offering, the remaining shares of our common stock will be "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which are summarized below.

### Lock-Up Agreements

In connection with this offering, we, our founders, our directors, our executive officers and holders of substantially all of our common stock have signed lock-up agreements agreeing, subject to certain exceptions, not to sell, transfer, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock during the period from the date of the lock-up agreement continuing through the date 180 days after the date of this prospectus, except with the prior written consent of BMO Capital Markets Corp. and Stifel, Nicolaus & Company, Incorporated.

Following the lock-up periods set forth in the agreements described above, and assuming that the representatives of the underwriters do not release any parties from these agreements, all of the shares of our common stock that are restricted securities or are held by our affiliates as of the date of this prospectus will be eligible for sale in the public market in compliance with Rule 144 under the Securities Act.

### Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, our affiliates who have beneficially owned the shares proposed to be sold for at least six months are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our common stock that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 166,000 shares immediately after this offering; or



- the average weekly trading volume of our common stock on the Nasdaq Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us.

In general, under Rule 144, as currently in effect, beginning 90 days after the date of this prospectus, a person who is not deemed to have been one of our affiliates for purposes of Rule 144 at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, including the holding period of any prior owner who was not an affiliate, is entitled to sell those shares in the public market (subject to the lock-up agreement referred to above, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner who was not an affiliate, then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreement referred to above, if applicable).

### **Rule 701**

Under Rule 701, each of our employees, officers, directors, consultants or advisors who purchased shares pursuant to a written compensatory plan or contract is eligible to resell these shares 90 days after the effective date of this offering in reliance upon Rule 144, but without compliance with specific restrictions. Rule 701 provides that our affiliates may sell their Rule 701 shares under Rule 144 without complying with the holding period requirement and that persons other than our affiliates may sell their shares in reliance on Rule 144 without complying with the holding period, public information, volume limitation or notice provisions of Rule 144.

### **Registration Statements**

We intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of common stock subject to options outstanding or reserved for issuance under our 2014 Stock Plan. We expect to file this registration statement as soon as practicable after this offering. However, none of the shares registered on Form S-8 will be eligible for resale until the expiration of the lock-up agreements to which they are subject. As of December 31, 2014, options to purchase a total of zero shares were outstanding and a total of 2,750,000 shares were reserved for future issuance under our 2014 Stock Plan.

## **MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS**

The following is a summary of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of our common stock by Non-U.S. Holders (defined below). This summary does not purport to be a complete analysis of all the potential tax considerations relevant to Non-U.S. Holders of our common stock. This summary is based upon the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), the Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change or differing interpretations at any time, possibly with retroactive effect.

This summary assumes that shares of our common stock are held as “capital assets” within the meaning of Section 1221 of the Internal Revenue Code. This summary does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular Non-U.S. Holders in light of their particular investment circumstances or status, nor does it address specific tax considerations that may be relevant to particular persons (including, for example, financial institutions, broker-dealers, insurance companies, partnerships or other pass-through entities, certain U.S. expatriates, tax-exempt organizations, pension plans, “controlled foreign corporations,” “passive foreign investment companies,” corporations that accumulate earnings to avoid U.S. federal income tax, persons in special situations, such as those who have elected to mark securities to market or those who hold common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment, or holders subject to the alternative minimum tax). In addition, except as explicitly addressed herein with respect to estate tax, this summary does not address estate and gift tax considerations or considerations under the tax laws of any state, local or non-U.S. jurisdiction.

For purposes of this summary, a “Non-U.S. Holder” means a beneficial owner of common stock that for U.S. federal income tax purposes is not treated as a partnership and is not:

- an individual who is a citizen or resident of the United States;
- a corporation or any other organization treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is included in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust, if (i) a U.S. court is able to exercise primary supervision over the trust’s administration and one or more U.S. persons have the authority to control all of the trust’s substantial decisions or (ii) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of persons treated as its partners for U.S. federal income tax purposes will generally depend upon the status of the partner and the activities of the partnership. Partnerships and other entities that are classified as partnerships for U.S. federal income tax purposes and persons holding our common stock through a partnership or other entity classified as a partnership for U.S. federal income tax purposes are urged to consult their own tax advisors.

There can be no assurance that the Internal Revenue Service (“IRS”) will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. federal income or estate tax consequences to a Non-U.S. Holder of the purchase, ownership or disposition of our common stock.

THIS SUMMARY IS NOT INTENDED TO BE TAX ADVICE. EACH NON-U.S. HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE U.S. FEDERAL INCOME AND ESTATE TAXATION, STATE, LOCAL AND NON-U.S. TAXATION AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK.

### **Distributions on Our Common Stock**

As discussed under “Dividend Policy” above, we do not currently expect to pay regular dividends on our common stock. If we do make a distribution of cash or property with respect to our common stock, any such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will constitute a return of capital and will first reduce the holder’s basis in our common stock, but not below zero. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in “—Gain on Sale, Exchange or Other Taxable Disposition of Our Common Stock.” Any such distribution would also be subject to the discussion below in “—Additional Withholding and Information Reporting Requirements.”

Dividends paid to a Non-U.S. Holder generally will be subject to withholding of U.S. federal income tax at a 30% rate unless such Non-U.S. Holder provides us or our agent, as the case may be, with the appropriate IRS Form W-8, such as:

- IRS Form W-8BEN or W-8BEN-E, as applicable (or successor form) certifying, under penalties of perjury, a reduction in the rate of withholding of tax under an applicable income tax treaty, or
- IRS Form W-8ECI (or successor form) certifying that a dividend paid on common stock is not subject to withholding of tax because it is effectively connected with a trade or business in the United States of the Non-U.S. Holder (in which case such dividend generally will be subject to regular graduated U.S. federal income tax rates as described below).

The certification requirement described above also may require a Non-U.S. Holder that provides an IRS form or that claims treaty benefits to provide its U.S. taxpayer identification number. Special certification and other requirements apply in the case of certain Non-U.S. Holders that are intermediaries or pass-through entities for U.S. federal income tax purposes.

Each Non-U.S. Holder is urged to consult its own tax advisor about the specific methods for satisfying these requirements. A claim for exemption will not be valid if the person receiving the applicable form has actual knowledge or reason to know that the statements on the form are false.

If dividends are effectively connected with a trade or business in the United States of a Non-U.S. Holder (and, if required by an applicable income tax treaty, attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States), the Non-U.S. Holder, although exempt from the withholding of tax described above (provided that the certifications described above are satisfied), generally will be subject to U.S. federal income tax on such dividends on a net income basis in the same manner as if it were a resident of the United States. In addition, if a Non-U.S. Holder is treated as a corporation for U.S. federal income tax purposes, the Non-U.S. Holder may be subject to an additional “branch profits tax” equal to 30% (unless reduced by an applicable income treaty) of its earnings and profits in respect of such effectively connected dividend income.

If a Non-U.S. Holder is eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty, the holder may obtain a refund or credit of any excess amount withheld by timely filing an appropriate claim for refund with the IRS.

## **Gain on Sale, Exchange or Other Taxable Disposition of Our Common Stock**

Subject to the discussion below in “—Additional Withholding and Information Reporting Requirements,” in general, a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding of tax on gain realized upon such holder’s sale, exchange or other taxable disposition of shares of our common stock unless (i) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met, (ii) we are or have been a “United States real property holding corporation,” as defined in the Internal Revenue Code (a “USRPHC”), at any time within the shorter of the five-year period preceding the disposition and the Non-U.S. Holder’s holding period in the shares of our common stock, and certain other requirements are met, or (iii) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which such Non-U.S. Holder’s capital gains allocable to U.S. sources (including gain, if any, realized on a disposition of our common stock) exceed capital losses allocable to U.S. sources during the taxable year of the disposition. If the third exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain on a net income basis in the same manner as if it were a resident of the United States, and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to any earnings and profits attributable to such gain at a rate of 30% (or at a reduced rate under an applicable income tax treaty).

Generally, a corporation is a USRPHC only if the fair market value of its U.S. real property interests (as defined in the Internal Revenue Code) equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance in this regard, we believe that we are not, and do not anticipate becoming, a USRPHC. Even if we are or become a USRPHC, a Non-U.S. Holder would not be subject to U.S. federal income tax on a sale, exchange or other taxable disposition of our common stock by reason of our status as a USRPHC so long as our common stock is “regularly traded on an established securities market” at any time during the calendar year in which the disposition occurs and such Non-U.S. Holder does not own and is not deemed to own (directly, indirectly or constructively) more than 5% of our common stock at any time during the shorter of the five-year period ending on the date of disposition and the holder’s holding period. However, no assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above. Each Non-U.S. Holder is urged to consult its own tax advisor about the possible consequences to them if we are, or were to become, a USRPHC.

## **Additional Withholding and Information Reporting Requirements**

Legislation enacted in March 2010 (commonly referred to as “FATCA”) generally imposes a 30% withholding tax on U.S. source dividends and, beginning January 1, 2017, on gross proceeds from the sale or other disposition of stock or property that is capable of producing U.S. source dividends paid to (i) a foreign financial institution (as defined in Section 1471(d)(4) of the Code), including where the foreign financial institution is not the beneficial owner of such payments, unless such foreign financial institution enters into a reporting agreement with the IRS to collect and disclose certain information regarding its U.S. account holders (including certain account holders that are foreign entities that have U.S. owners), complies with any laws and rules implementing FATCA under an applicable bilateral governmental agreement with respect to FATCA between the United States and the foreign financial institution’s jurisdiction of organization and/or is otherwise registered deemed compliant with FATCA and (ii) certain other non-U.S. entities unless the entity provides the payor with information regarding certain direct and indirect U.S. owners of the entity, or certifies that it has no such U.S. owners, and complies with certain other requirements. These new FATCA withholding rules apply

regardless of whether a payment would otherwise be exempt from the withholding of tax described above in respect of distributions on and dispositions of our common stock.

Each Non-U.S. Holder is urged to consult its own tax advisor about the possible impact of these rules on their investment in our common stock, and the entities through which they hold our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of this 30% withholding of tax under FATCA.

### **Backup Withholding and Information Reporting**

We must report annually to the IRS and to each Non-U.S. Holder the gross amount of the distributions on our common stock paid to the holder and the tax withheld, if any, with respect to the distributions. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the Non-U.S. Holder's country of residence, organization or incorporation.

Non-U.S. Holders may have to comply with specific certification procedures to establish that the holder is not a United States person (as defined in the Internal Revenue Code) in order to avoid backup withholding at the applicable rate, currently 28%, with respect to dividends on our common stock. Dividends paid to Non-U.S. Holders subject to withholding of U.S. federal income tax, as described above in "—Distributions on Our Common Stock," generally will be exempt from U.S. backup withholding.

Information reporting and backup withholding will generally apply to the proceeds of a disposition of our common stock by a Non-U.S. Holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a Non-U.S. Holder and satisfies certain other requirements, or otherwise establishes an exemption. Dispositions effected through a non-U.S. office of a U.S. broker or a non-U.S. broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Each Non-U.S. Holder is urged to consult its own tax advisor about the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available to the tax authorities of the country in which the Non-U.S. Holder resides or in which the Non-U.S. Holder is incorporated under the provisions of a specific treaty or agreement.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder can be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS.

### **Federal Estate Tax**

Common stock owned (or treated as owned) by an individual who is not a citizen or a resident of the United States (as defined for U.S. federal estate tax purposes) at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate or other tax treaty provides otherwise, and, therefore, may be subject to U.S. federal estate tax.

### **Medicare Contributions Tax**

A 3.8% tax is imposed on the net investment income (which includes dividends and gains recognized upon a disposition of stock) of certain individuals, trusts and estates with adjusted gross income in excess of certain thresholds. This tax is imposed on individuals, estates and trusts that are U.S. persons. The tax is expressly not imposed on nonresident aliens; however, estates and trusts that are Non-U.S. Holders are not expressly exempted from the tax. Therefore, each Non-U.S. Holder is urged to consult its own tax advisor about the application of this Medicare contribution tax in their particular situations.

## UNDERWRITING

BMO Capital Markets Corp. and Stifel, Nicolaus & Company, Incorporated are acting as the representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

| <u>Underwriter</u>   | <u>Number<br/>of Shares</u> |
|--|-----------------------------|
| BMO Capital Markets Corp. . . . .                                  |                             |
| Stifel, Nicolaus & Company, Incorporated . . . . .                 |                             |
| BB&T Capital Markets, a division of BB&T Securities, LLC . . . . . |                             |
| Barrington Research Associates, Inc. . . . .                       |                             |
| Total . . . . .  | 11,000,000                  |

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against specified liabilities, including some liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commissions and Discounts

The representatives have advised us that they propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$        per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$        per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their over-allotment options.

|   | <u>Per Share</u> | <u>Without<br/>Option</u> | <u>With Option</u> |
|---|------------------|---------------------------|--------------------|
| Public offering price . . . . .               | \$               | \$                        | \$                 |
| Underwriting discount . . . . .               | \$               | \$                        | \$                 |
| Proceeds, before expenses, to Fenix . . . . . | \$               | \$                        | \$                 |

The total expenses of the offering, not including the underwriting discount, are estimated at approximately \$1.1 million and are payable by us. We have also agreed to reimburse the underwriters for their legal fees in connection with the review by FINRA of the terms of this offering.

### **Over-Allotment Option**

We have granted an option to the underwriters to purchase up to 1,650,000 additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any over-allotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

### **No Sales of Similar Securities**

We, our founders, executive officers and directors and certain existing stockholders have agreed, subject to limited exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of BMO Capital Markets Corp. and Stifel, Nicolaus & Company, Incorporated. Specifically, we and these other persons have agreed, subject to certain limitations, not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- lend or otherwise dispose of or transfer any common stock;
- request or demand that we file a registration statement related to the common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

### **Quotation on the Nasdaq Global Market Listing**

We have applied to list our common stock for quotation on the Nasdaq Global Market under the symbol "FENX."

Before this offering, there has been no public market for our common stock. The public offering price was determined through negotiations among us and the representatives. In addition to prevailing market conditions, the factors considered in determining the public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us;
- our financial information;

- the history of the Founding Companies and the prospects for our Company;
- the history of, and the prospects for, the industry in which we compete;
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after this offering the shares will not trade in the public market at or above the public offering price. The underwriters do not expect to sell more than 5% of the shares being offered in this offering to accounts over which they exercise discretionary authority.

### **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

The underwriters may purchase and sell the common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares from the issuer in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. “Naked” short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of common shares made by the underwriters in the open market prior to the completion of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor the representatives make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.



## **Electronic Distribution**

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

## **Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to Fenix and to persons and entities with relationships with Fenix, for which they received or will receive customary fees and expenses. In particular, we have signed a mandate letter with BMO Harris Bank N.A., an affiliate of BMO Capital Markets Corp., in connection with a credit facility that will become effective concurrent with the closing of this offering. We expect to pay BMO Harris Bank N.A. customary fees in connection with such credit facility. See “Credit Facility.”

## **Notice to Prospective Investors in the European Economic Area**

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of shares described in this prospectus may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an “offer of securities to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the relevant member state.

The sellers of the shares have not authorized and do not authorize the making of any offer of shares through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the shares as contemplated in this prospectus. Accordingly, no purchaser of the shares, other than the underwriters, is authorized to make any further offer of the shares on behalf of the sellers or the underwriters.

## **Notice to Prospective Investors in the United Kingdom**

In the United Kingdom, this prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and/or (iii) other persons to whom it may lawfully be communicated (each such person being referred to as a “relevant person”). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any invitation, offer or agreement to subscribe, purchase or otherwise acquire securities described herein in the United Kingdom will be engaged in only with relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

## LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Johnson and Colmar, Bannockburn, Illinois. As of the date of this prospectus, certain individual attorneys of this firm beneficially own an aggregate of 50 shares of our common stock, which immediately prior to the closing of this offering will undergo a 2,000-for-1 common stock split, for a total of 100,000 shares of our common stock. Certain legal matters will be passed upon for the underwriters by Mayer Brown LLP, Chicago, Illinois.

## EXPERTS

The financial statements as of December 31, 2014 and for the period from January 2, 2014 (Inception) to December 31, 2014 of the consolidated Fenix Parts, Inc. in this prospectus have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

The financial statements as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 of the combined Beagell Group in this prospectus have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

The financial statements as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 of the combined Standard Auto Wreckers, Inc. and its three Canadian affiliates in this prospectus have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

The financial statements as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 of the each of Eiss Brothers, Inc., Green Oak Investments LLC dba GO Auto Recycling, Jerry Brown, Ltd. and Leesville Auto Wreckers, Inc. all in this prospectus have been so included in reliance on the respective reports of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. For further information with respect to us and our common stock, see the registration statement and the exhibits and schedules thereto. Any document we file may be read and copied at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. Our filings with the SEC are also available to the public from the SEC's Web site at <http://www.sec.gov>.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act and, accordingly, will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference rooms, and the website of the SEC referred to above.

**FENIX PARTS, INC.**  
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## UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The accompanying unaudited pro forma financial statements have been prepared in accordance with guidelines specified by Article 11 of Regulation S-X. Specifically, the accompanying unaudited pro forma balance sheet as of December 31, 2014, has been prepared as if this offering, the contemplated use of the estimated net proceeds therefrom and the combination of Fenix and eleven other corporate entities that conduct eight businesses (collectively, the “Transactions”) occurred on December 31, 2014, and include all adjustments that (i) are deemed to be directly attributable to the Transactions and (ii) are factually supportable. The accompanying unaudited pro forma statement of operations for the year ended December 31, 2014 has been prepared as if the Transactions occurred as of January 1, 2014, and include all adjustments that (a) are deemed to be directly attributable to the Transactions, (b) have a continuing impact on our financial statements, and (c) are factually supportable. Nonrecurring charges or credits and related income tax effects which may result directly from the Transactions and which may be included in the statement of operations within twelve months following the Transactions are not included in the pro forma financial statements.

The Transactions are more fully described in Note 2 hereto. The pro forma adjustments are based upon various estimates and assumptions that our management believes are reasonable and appropriate given the currently available information. Use of different estimates and judgments could yield different results.

The pro forma financial statements reflect business combinations under the acquisition method of accounting in accordance with applicable United States generally accepted accounting principles contained in ASC 805-10, *Business Combinations*. Pursuant to ASC 805-10, the total estimated purchase price for each combination as described in Note 3 is measured at the combination date and allocated to the fair value of net assets acquired. For purposes of these pro forma financial statements, those fair values have been estimated based on preliminary estimates and assumptions that can change materially as we complete the allocation process. Estimating of the fair values of certain tangible and identifiable intangible assets requires the use of significant estimates and assumptions, including future cash flows and appropriate discount rates. See Note 3 hereto for further description of the significant estimates and assumptions we used to determine the preliminary fair values of certain material assets acquired. Certain valuations are pending completion of analyses performed by independent valuation specialists. We expect to receive completed analyses from our independent valuation specialists and finalize our fair value determinations within three months of completing the Transactions.

The unaudited pro forma financial statements do not reflect any future operating efficiencies, associated cost savings or possible integration costs that may occur related to the combinations. Nor do they reflect incremental costs likely to result from being a public company.

The unaudited pro forma financial statements are included for informational purposes only and do not purport to reflect our results of operations or financial position that would have occurred had we operated as a public company or as a group of companies during the periods presented. The unaudited pro forma financial statements should not be relied upon as being indicative of our financial condition or results of operations had the Transactions occurred on the date assumed nor as a projection of our results of operations or financial position for any future period or date.

The unaudited pro forma financial statements should be read in conjunction with “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements and related notes of Fenix and of the Founding Companies all appearing elsewhere in this prospectus.

**Fenix Parts, Inc.**  
**UNAUDITED PRO FORMA BALANCE SHEET**  
**As of December 31, 2014**  
**(In thousands)**

|   | <b>Fenix<br/>Parts</b> | <b>Beagell<br/>Group</b> | <b>Standard</b> | <b>Other<br/>Founding<br/>Companies<br/>(Note 1)</b> | <b>Acquisition<br/>Adjustments<br/>(Note 4)</b> | <b>Subtotal</b> | <b>Offering<br/>Adjustments<br/>(Note 4)</b> | <b>Pro forma</b> |
|---|------------------------|--------------------------|-----------------|--|---|-----------------|--|------------------|
| <b>ASSETS</b>   |                        |                          |                 |  |   |                 |  |                  |
| Current assets:                                       |                        |                          |                 |  |   |                 |  |                  |
| Cash and cash equivalents                             | \$ 453                 | \$ 2,770                 | \$ 1,354        | \$ 1,778   | \$ (1,136) (b)                                  | \$ (906)        | \$ 11,196 (h)                                | \$ 10,290        |
| Restricted cash                                       | —                      | —                        | —               | —  | (6,125) (a)                                     | 6,125           | —  | 6,125            |
| Accounts receivable, net                              | —                      | 1,188                    | 931             | 2,749  | (4,141) (b)                                     | 727             | —  | 727              |
| Inventories   | —                      | 6,736                    | 11,090          | 15,585   | 8,779 (d)                                       | 42,190          | —  | 42,190           |
| Prepaid expenses and other current assets             | 396                    | 100                      | 292             | 458  | —   | 1,246           | (346) (h)                                    | 900              |
| Related party receivables                             | —                      | 333                      | 256             | —  | (589) (b)                                       | —               | —  | —                |
| Total current assets                                  | 849                    | 11,127                   | 13,923          | 20,570   | 2,913   | 49,382          | 10,850                                       | 60,232           |
| Property and equipment                                | —                      | 4,100                    | 7,689           | 9,105  | (8,687) (b)                                     | 14,820          | —  | 14,820           |
|   |                        |                          |                 |  | 2,613 (d)                                       |                 |  |                  |
| Cash surrender value of life insurance policies       | —                      | 594                      | —               | —  | —   | 594             | —  | 594              |
| Intangible assets                                     | —                      | —                        | —               | —  | 31,760 (d)                                      | 31,760          | —  | 31,760           |
| Goodwill  | —                      | 180                      | 363             | —  | 63,096 (d)                                      | 63,096          | —  | 63,096           |
|   |                        |                          |                 |  | (543) (b)                                       |                 |  |                  |
| Indemnification asset                                 | —                      | —                        | —               | —  | 4,145 (d)                                       | 4,145           | —  | 4,145            |
| Refundable purchase price consideration               | —                      | —                        | —               | —  | 1,610 (f)                                       | 1,610           | —  | 1,610            |
| Deferred income taxes                                 | —                      | —                        | 256             | —  | —   | 256             | —  | 256              |
| Other noncurrent assets                               | —                      | —                        | 34              | 227  | 397 (d)   | 658             | —  | 658              |
| Total assets  | \$ 849                 | \$16,001                 | \$22,265        | \$29,902   | \$ 97,304                                       | \$166,321       | \$ 10,850                                    | \$177,171        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b> |                        |                          |                 |  |   |                 |  |                  |
| Current liabilities:                                  |                        |                          |                 |  |   |                 |  |                  |
| Accounts payable                                      | \$ 1,673               | \$ 481                   | \$ 563          | \$ 1,205   | \$ (274) (b)                                    | \$ 3,648        | \$ —   | \$ 3,648         |
| Accrued expenses and other current liabilities        | 304                    | 1,009                    | 1,188           | 1,213  | (41) (b)  | 3,773           | —  | 3,773            |
|   |                        |                          |                 |  | 100 (e)   |                 |  |                  |
| Current portion of long-term debt                     | —                      | 68                       | —               | 335  | (403) (b)                                       | —               | —  | —                |
| Current portion of deferred warranty revenue          | —                      | 411                      | 180             | 396  | (987) (d)                                       | —               | —  | —                |
| Deferred income tax liabilities                       | —                      | —                        | 918             | 1,789  | —   | 2,707           | —  | 2,707            |
| Related party payables                                | —                      | —                        | 2,409           | 120  | (2,529) (b)                                     | —               | —  | —                |
| Total current liabilities                             | 1,977                  | 1,969                    | 5,258           | 5,058  | (4,134)   | 10,128          | —  | 10,128           |
| Deferred warranty revenue, net of current portion     | —                      | 11                       | 177             | 475  | (663) (d)                                       | —               | —  | —                |
| Long-term debt, less current portion                  | —                      | 62                       | —               | 3,106  | (3,168) (b)                                     | —               | —  | —                |
| Acquisition funding                                   | —                      | —                        | —               | —  | 90,389 (f)                                      | 90,389          | (90,389) (i)                                 | —                |
| Contingent consideration liability                    | —                      | —                        | —               | —  | 11,525 (f)                                      | 11,525          | —  | 11,525           |
| Reserve for uncertain tax positions                   | —                      | 1,969                    | 458             | 2,089  | —   | 4,516           | —  | 4,516            |
| Deferred income tax liabilities                       | —                      | —                        | 71              | 40   | 13,568 (d)                                      | 11,875          | —  | 11,875           |
|   |                        |                          |                 |  | (1,804) (e)                                     |                 |  |                  |
| Other noncurrent liabilities                          | —                      | —                        | —               | —  | 1,987 (f)                                       | 1,987           | —  | 1,987            |
| Total liabilities                                     | 1,977                  | 4,011                    | 5,964           | 10,768   | 107,700   | 130,420         | (90,389)                                     | 40,031           |
| Shareholders' equity (deficit):                       |                        |                          |                 |  |   |                 |  |                  |
| Fenix common stock                                    | —                      | —                        | —               | —  | 3 (f)   | 3               | 11 (j)                                       | 14               |
| Founding Companies' capital                           | —                      | 748                      | 5,058           | 1,116  | (6,922) (g)                                     | —               | —  | —                |
| Additional paid-in capital                            | 3,619                  | —                        | —               | —  | 25,872 (f)                                      | 29,491          | 101,228 (j)                                  | 130,719          |
|   |                        |                          |                 |  | (c)   |                 |  |                  |
| Retained earnings (accumulated deficit)               | (4,747)                | 8,972                    | 10,641          | 16,116   | (35,729) (g)                                    | (3,043)         | —  | (3,043)          |
|   |                        |                          |                 |  | 1,704 (e)                                       |                 |  |                  |
|   |                        |                          |                 |  | (c)   |                 |  |                  |
| Accumulated other comprehensive loss                  | —                      | —                        | (75)            | —  | 75 (g)  | —               | —  | —                |
| Controlling interests equity (deficit)                | (1,128)                | 9,720                    | 15,624          | 17,232   | (14,997)  | 26,451          | 101,239                                      | 127,690          |
| Noncontrolling interests equity                       | —                      | 2,270                    | 677             | 1,902  | (4,849) (g)                                     | 9,450           | —  | 9,450            |
|   |                        |                          |                 |  | 9,450 (f)                                       |                 |  |                  |
| Total shareholders' equity (deficit)                  | (1,128)                | 11,990                   | 16,301          | 19,134   | (10,396)  | 35,901          | 101,239                                      | 137,140          |
| Total liabilities and shareholders' equity (deficit)  | \$ 849                 | \$16,001                 | \$22,265        | \$29,902   | \$ 97,304                                       | \$166,321       | \$ 10,850                                    | \$177,171        |

See accompanying notes to unaudited pro forma financial statements.

**Fenix Parts, Inc.**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2014**  
**(Dollars in thousands, except per share data)**

|   | <u>Fenix<br/>Parts</u> | <u>Beagell<br/>Group</u> | <u>Standard</u> | <u>Other<br/>Founding<br/>Companies<br/>(Note 1)</u> | <u>Acquisition<br/>Adjustments<br/>(Note 5)</u> | <u>Subtotal</u>     | <u>Offering<br/>Adjustments<br/>(Note 5)</u> | <u>Pro<br/>forma</u>  |
|---|------------------------|--------------------------|-----------------|--|---|---------------------|--|-----------------------|
| Net revenues  | \$ —                   | \$30,598                 | \$31,126        | \$51,863   | \$(4,580) (k)                                   | \$ 108,216          | \$ —   | \$ 108,216            |
| Cost of goods sold  | —                      | 19,897                   | 19,717          | 36,152   | (791) (l)                                       | 71,186              | —  | 71,186                |
| Gross profit  | —                      | 10,701                   | 11,409          | 15,711   | (791)   | 37,030              | —  | 37,030                |
| Operating expenses  | 4,748                  | 8,308                    | 9,524           | 13,174   | 8,774 (m)                                       | 44,528              | — (r)  | 44,528                |
| Operating income (loss)                                       | (4,748)                | 2,393                    | 1,885           | 2,537  | (9,565)   | (7,498)             | —  | (7,498)               |
| Interest income (expense)                                     | 1                      | —                        | —               | (151)  | 312 (n)   | 162                 | —  | 162                   |
| Other income (expense)  | —                      | 297                      | 842             | (12)   | —   | 1,127               | —  | 1,127                 |
| Income (loss) before<br>income taxes                          | (4,747)                | 2,690                    | 2,727           | 2,374  | (9,253)   | (6,209)             | —  | (6,209)               |
| Provision (benefit) for<br>income taxes                       | —                      | 448                      | 684             | 500  | (3,991) (o)                                     | (2,359)             | — (r)  | (2,359)               |
| Net income (loss)   | (4,747)                | 2,242                    | 2,043           | 1,874  | (5,262)   | (3,850)             | —  | (3,850)               |
| Income attributable to<br>noncontrolling interests            | —                      | 625                      | 107             | 233  | (965) (p)                                       | —                   | —  | —                     |
| Net income (loss)<br>attributable to<br>controlling interests | <u>\$ (4,747)</u>      | <u>\$ 1,617</u>          | <u>\$ 1,936</u> | <u>\$ 1,641</u>                                      | <u>\$(4,297)</u>                                | <u>\$ (3,850)</u>   | <u>\$ —</u>                                  | <u>\$ (3,850)</u>     |
| Basic and diluted loss per<br>share                           | <u>\$(4,427.77)</u>    |                          |                 |  |   | <u>\$(1,322.23)</u> |  | <u>\$ (0.24) (t)</u>  |
| Basic and diluted weighted<br>average shares outstanding      | <u>1,072</u>           |                          |                 |  | <u>1,355 (q)</u>                                | <u>2,427</u>        | <u>15,851,044 (s)</u>                        | <u>15,853,471 (t)</u> |

See accompanying notes to unaudited pro forma financial statements.



**Fenix Parts, Inc.**  
**Notes to Unaudited Pro Forma Financial Statements**  
**(Dollars in thousands, except per share data)**

**(1) Basis of Presentation**

The unaudited pro forma financial statements present our financial position and results of operations as if the Transactions described in Note 2 occurred on December 31, 2014, for purposes of the pro forma balance sheet and on January 1, 2014, for purposes of the pro forma statement of operations. The unaudited pro forma balance sheet includes the actual financial position of Fenix Parts, Inc. (“Fenix”) and each of the Founding Companies (as defined below) as of December 31, 2014. Fenix was founded on January 2, 2014. As such, its actual operating results are included in the pro forma statement of operations only since its founding. The actual operating results of each Founding Company are included in the pro forma statement of operations for the full year presented. The pro forma financial statements also reflect the assumptions and adjustments described in Notes 3, 4 and 5.

The Founding Companies include Don Automotive Mall, Inc., Gary’s U-Pull It, Inc., Horseheads Automotive Recycling, Inc. (collectively, the “Beagell Group”); Standard Auto Wreckers Inc., End of Life Vehicles Inc., Goldy Metals Incorporated, Goldy Metals (Ottawa) Incorporated (collectively, “Standard”); and Eiss Brothers, Inc. (“Eiss Brothers”), Green Oak Investments LLC dba GO Auto Recycling (“GO Auto”), Jerry Brown, Ltd (“Jerry Brown”) and Leesville Auto Wreckers, Inc. (“Leesville” and collectively, the “Other Founding Companies”). For accounting and reporting purposes, Fenix has been identified as the accounting acquirer and Beagell Group and Standard have been identified as accounting co-predecessors to the Company.

Our significant accounting policies used in the preparation of our unaudited pro forma financial statements in accordance with United States generally accepted accounting principles are substantially the same as those of the Founding Companies.

**Fenix Parts, Inc.**  
**Notes to Unaudited Pro Forma Financial Statements**  
**(Dollars in thousands, except per share data)**

The following tables reflect the financial position and results of operations of the Other Founding Companies as of and for the year indicated below:

|   | As of December 31, 2014 |                |                |                |   |
|---|-------------------------|----------------|----------------|----------------|---|
|   | Eiss<br>Brothers        | GO<br>Auto     | Jerry<br>Brown | Leesville      | Total<br>Other<br>Founding<br>Companies |
| <b>ASSETS</b>                                     |                         |                |                |                |   |
| Current assets:                                   |                         |                |                |                |   |
| Cash and cash equivalents                         | \$ 633                  | \$ 109         | \$ 362         | \$ 674         | \$ 1,778                                |
| Accounts receivable, net                          | 753                     | 464            | 576            | 956            | 2,749                                   |
| Inventories                                       | 5,374                   | 1,395          | 4,574          | 4,242          | 15,585                                  |
| Prepaid expenses and other current assets         | 23                      | 92             | 39             | 304            | 458                                     |
| Total current assets                              | <u>6,783</u>            | <u>2,060</u>   | <u>5,551</u>   | <u>6,176</u>   | <u>20,570</u>                           |
| Property and equipment, net                       | 1,417                   | 2,061          | 4,288          | 1,339          | 9,105                                   |
| Other noncurrent assets                           | 135                     | —              | —              | 92             | 227                                     |
|   |                         | —              |                |                |   |
| Total assets                                      | <u>\$8,335</u>          | <u>\$4,121</u> | <u>\$9,839</u> | <u>\$7,607</u> | <u>\$29,902</u>                         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                         |                |                |                |   |
| Current liabilities:                              |                         |                |                |                |   |
| Accounts payable                                  | \$ 200                  | \$ 292         | \$ 530         | \$ 183         | 1,205                                   |
| Accrued expenses and other current liabilities    | 179                     | 331            | 388            | 315            | 1,213                                   |
| Current portion of long-term debt                 | 71                      | 44             | 220            | —              | 335                                     |
| Current portion of deferred warranty revenue      | 144                     | 210            | 42             | —              | 396                                     |
| Deferred income tax liabilities                   | —                       | —              | —              | 1,789          | 1,789                                   |
| Related party payables                            | —                       | 120            | —              | —              | 120                                     |
| Total current liabilities                         | <u>594</u>              | <u>997</u>     | <u>1,180</u>   | <u>2,287</u>   | <u>5,058</u>                            |
| Deferred warranty revenue, net of current portion | 171                     | 218            | 86             | —              | 475                                     |
| Long-term debt, less current portion              | 540                     | 883            | 1,483          | 200            | 3,106                                   |
| Reserve for uncertain tax positions               | —                       | —              | 1,811          | 278            | 2,089                                   |
| Deferred income tax liabilities                   | —                       | —              | —              | 40             | 40                                      |
| Total liabilities                                 | <u>1,305</u>            | <u>2,098</u>   | <u>4,560</u>   | <u>2,805</u>   | <u>10,768</u>                           |
| Shareholders' equity:                             |                         |                |                |                |   |
| Capital stock                                     | —                       | 790            | —              | —              | 790                                     |
| Additional paid-in capital                        | 39                      | —              | 94             | 193            | 326                                     |
| Retained earnings                                 | 6,471                   | 1,233          | 4,877          | 3,535          | 16,116                                  |
| Controlling interests equity                      | <u>6,510</u>            | <u>2,023</u>   | <u>4,971</u>   | <u>3,728</u>   | <u>17,232</u>                           |
| Noncontrolling interests equity                   | 520                     | —              | 308            | 1,074          | 1,902                                   |
| Total shareholders' equity                        | <u>7,030</u>            | <u>2,023</u>   | <u>5,279</u>   | <u>4,802</u>   | <u>19,134</u>                           |
| Total liabilities and shareholders' equity        | <u>\$8,335</u>          | <u>\$4,121</u> | <u>\$9,839</u> | <u>\$7,607</u> | <u>\$29,902</u>                         |

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|  | <b>For the Year Ended December 31, 2014</b> |                    |                        |                  |   |
|--|---|--------------------|------------------------|------------------|---|
|  | <b>Eiss<br/>Brothers</b>                    | <b>GO<br/>Auto</b> | <b>Jerry<br/>Brown</b> | <b>Leesville</b> | <b>Total<br/>Other<br/>Founding<br/>Companies</b> |
| Total revenues                                   | \$11,975                                    | \$9,984            | \$13,039               | \$16,865         | \$51,863  |
| Cost of goods sold                               | 8,838                                       | 6,603              | 8,119                  | 12,592           | 36,152  |
| Gross profit                                     | 3,137                                       | 3,381              | 4,920                  | 4,273            | 15,711  |
| Operating expenses                               | 2,294                                       | 3,043              | 4,331                  | 3,506            | 13,174  |
| Operating income                                 | 843   | 338                | 589                    | 767              | 2,537   |
| Interest expense                                 | (24)  | (55)               | (72)                   | —                | (151)   |
| Other income (expense)                           | (21)  | 6                  | 9                      | (6)              | (12)  |
| Income before income taxes                       | 798   | 289                | 526                    | 761              | 2,374   |
| Provision for income taxes                       | —   | —                  | 108                    | 392              | 500   |
| Net income                                       | 798   | 289                | 418                    | 369              | 1,874   |
| Income attributable to noncontrolling interests  | 15  | —                  | 144                    | 74               | 233   |
| Net income attributable to controlling interests | <u>\$ 783</u>                               | <u>\$ 289</u>      | <u>\$ 274</u>          | <u>\$ 295</u>    | <u>\$ 1,641</u>                                   |

**(2) Description of Transactions**

*Combinations*

Through November 2014, Fenix entered into agreements with the owners of each of the Founding Companies to combine their businesses (the “Combinations”). The aggregate consideration to be paid by Fenix in the Combinations, subject to adjustment and including, among other things, amounts held in escrow, amounts payable as bonuses and amounts payable for the reimbursement of certain capital expenditures by certain Founding Companies, consists of approximately \$93,203 in cash, approximately 2,841,971 shares of our common stock, assuming a public offering price of \$10.00 or more, and approximately 1,197,000 exchangeable preferred shares of our subsidiary, Fenix Parts Canada, Inc., assuming a public offering price of \$10.00 or more (collectively, the “Combination Consideration”). The cash portion of the Combination Consideration is generally subject to adjustment based upon the Founding Companies’ working capital on the closing date, capital expenditures during the six months preceding the closing of the Combinations and certain other factors. The stock portion of the Combination Consideration is subject to adjustment based on the public offering price in this offering. The Combination Consideration was determined by arms-length negotiations between Fenix and representatives of each Founding Company.

*Initial Public Offering:*

We are offering 11,000,000 shares of our common stock at an assumed per share price of \$10.00, the midpoint of the range set forth on the cover page of this prospectus. After deducting underwriting discounts and commissions and estimated other offering costs payable by us, we expect to receive net proceeds of \$101,585 in this offering. A substantial portion of these proceeds will be used to pay the cash portion of the Combination Consideration due at or near closing.

*Common Stock Split:*

Immediately prior to the closing of this offering, we will effect a 2,000-for-1 split of our common stock. The pro forma shares reflected in the following tables give effect to the stock split.

**Fenix Parts, Inc.**  
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**(3) Combination Consideration and Allocation**

The aggregate Combination Consideration to be paid by us to equity holders of the Founding Companies in the Combinations consists of the following:

|  |     | <u>Beagell<br/>Group</u> | <u>Standard</u> | <u>Eiss<br/>Brothers</u> | <u>Go<br/>Auto</u> | <u>Jerry<br/>Brown</u> | <u>Leesville</u> |
|--|-----|--------------------------|-----------------|--------------------------|--------------------|------------------------|------------------|
| Base Fenix share consideration           | (a) | \$12,175                 | \$ —            | \$2,630                  | \$3,000            | \$ 6,000               | \$ 2,070         |
| Base Fenix Canada share consideration    | (b) | —                        | 9,450           | —                        | —                  | —                      | —                |
| Base cash consideration                  | (c) | 19,663                   | 30,450          | 6,137                    | 4,000              | 6,511                  | 11,727           |
| Working capital and other adjustments    | (c) | 1,366                    | 200             | 767                      | 50                 | —                      | 273              |
| Incremental inventory payments           | (d) | —                        | 3,815           | —                        | —                  | 190                    | —                |
| Incremental capital expenditure payments | (e) | —                        | —               | —                        | —                  | 2,415                  | —                |
| Nonsubstantive consulting fee payments   | (f) | 890                      | 50              | —                        | —                  | 847                    | —                |
| Key employee cash bonuses                | (g) | —                        | —               | —                        | —                  | —                      | 2,575            |
| Incremental off market lease payments    | (h) | 1,950                    | (2,300)         | (720)                    | (140)              | (190)                  | (210)            |
| Investment in Founding Company affiliate | (i) | —                        | —               | —                        | 450                | —                      | —                |
| Contingent consideration                 | (j) | —                        | 8,101           | 338                      | —                  | 3,086                  | —                |
| Total Combination Consideration          |     | <u>\$36,044</u>          | <u>\$49,766</u> | <u>\$9,152</u>           | <u>\$7,360</u>     | <u>\$18,859</u>        | <u>\$16,435</u>  |

Of this aggregate Combination Consideration, \$90,389 is expected to be paid in cash on or near the closing date, \$37,950 represents stock consideration and \$9,277 represents discounted cash payments to be made up to 15 years after the Combinations.

- (a) For purposes of this table, the per share public offering price is assumed to be \$10.00, the midpoint of the price range set forth on the cover of this prospectus, which would result in 2,587,471 shares of Fenix common stock being issued as Combination Consideration. If the actual public offering price is \$9.00 or less per share, an aggregate 287,497 additional shares of Fenix common stock will be issued as Combination Consideration. A public offering price between \$10.00 and \$9.00 per share will result in a pro rata change in the number of Fenix common shares issued as Combination Consideration. The value of the shares issued as Combination Consideration will range, for example, between \$14,375 if the public offering price is \$5.00 per share and \$38,812 if the public offering price is \$15.00 per share. The difference in actual value from the aggregate \$25,875 shown in the table above will change shareholders' equity and goodwill by equal amounts in the pro forma balance sheet and have no impact on the pro forma statement of operations. The difference in the actual number of common shares issued compared to 2,587,471 will have a corresponding impact on pro forma earnings per share.
- (b) For purposes of this table, the per share public offering price is assumed to be \$10.00, the midpoint of the price range set forth on the cover of this prospectus, which will result in 945,000 exchangeable preferred shares of Fenix's subsidiary, Fenix Parts Canada, Inc. ("Exchangeable Preferred Shares") being issued as Combination Consideration. If the actual public offering price is \$9.00 or less per share, an aggregate 105,000 additional shares of Exchangeable Preferred Shares will be issued as Combination Consideration. A public offering price between \$10.00 and \$9.00 per share will result in pro rata change in the number of Exchangeable Preferred Shares issued as Combination Consideration. The value of the Exchangeable Preferred Shares issued as Combination Consideration will range, for example, between \$5,250 if the public offering price is \$5.00 per share and \$14,175 if the public offering price is \$15.00 per share. The difference in actual value from the aggregate \$9,450 shown in the table above will change shareholders' equity and goodwill by equal amounts in the pro forma balance sheet and have no impact on the pro forma statement of operations. The difference in the actual number of Exchangeable Preferred Shares issued compared to 945,000 will have a corresponding impact on pro forma earnings per share.

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- (c) The base cash component of the Combination Consideration for each Combination is subject to certain adjustments. For each Founding Company other than Standard Auto Wreckers, Inc., the cash component of the Combination Consideration will be (i) reduced by the Founding Company's indebtedness as of closing (although none is expected), (ii) increased by the Founding Company's cash and qualifying inventory as of closing and (iii) increased by the Founding Company's capital expenditures during the six months prior to closing. For Standard Auto Wreckers, Inc., the cash component of the Combination Consideration will be reduced by Standard Auto Wreckers, Inc.'s indebtedness as of closing (although none is expected). These estimated adjustments are based on the Founding Company balance sheets as of December 31, 2014. Any differences in actual cash, qualifying inventory, debt or capital expenditures as of and for the six months prior to the actual closing date will have a corresponding change to pro forma cash, inventory, debt and property and equipment and an aggregate equal offsetting impact on goodwill in the pro forma balance sheet and certain immaterial impacts on pro forma operating results (via, for example, differing pro forma depreciation expense).
- (d) Represents additional consideration for certain excess or specific inventories. This estimated adjustment is based on the Founding Company inventory listings as of December 31, 2014.
- (e) Represents a construction reimbursement for capital expenditures in connection with a new building located on land that we will lease.
- (f) Represents contractual payments to certain equity holders of the Founding Companies and their related parties over the next 1 to 15 years. These equity holders and their related parties will not be employed by us and are not expected to provide any substantive services to us.
- (g) Represents cash bonuses paid at closing to key employees for past service.
- (h) In conjunction with the Combinations, we entered into operating facility lease agreements with affiliates of the equity holders, generally variable interest entities that were consolidated into the Founding Companies prior to the Combinations but will not be consolidated by us after the Combinations. Based on preliminary independent valuations of the market rental rates compared to the actual rental rates for these properties, the excess or deficiency is reflected as additional Combination Consideration payable/refundable over the term of the related lease. The effect of discounting these payments at 10% is reflected in the amounts presented.
- (i) Represents the payment of \$250 in cash at closing and a \$200 promissory note payable over two years for a 5% membership interest in an affiliate of Go Auto. We also received an option to purchase the remaining 95% membership interest.
- (j) Represents the estimated fair value of contingent consideration arrangements with certain Founding Company equity holders. Under these arrangements, the equity holders can earn up to an aggregate of \$7,875 in cash, 10,500 shares of Fenix common stock and 252,000 Exchangeable Preferred Shares (both assuming a public offering price of \$10.00 or more) plus an uncapped amount of additional cash if certain EBITDA and revenue targets are met over the first or second year period after closing. The fair value is based on preliminary independent valuations considering our projections for the relevant Founding Companies, the respective target levels, the relative weighting of various future scenarios and a discount rate of approximately 4.7%.

Under the acquisition method of accounting, the total purchase price as shown in the table above was allocated to net tangible and intangible assets of the Founding Companies based on their estimated fair values. The allocations are preliminary and subject to change based upon finalization of management's valuation analysis. Pursuant to the Combination agreements, the equity owners of the Founding Companies or their affiliates have indemnified us for certain matters, including reimbursement of certain payments by us related to

**Fenix Parts, Inc.**  
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any of the Founding Companies' uncertain income tax positions existing at or prior to the Combination date. The table below summarizes the purchase price allocation of the assets acquired and liabilities assumed as if the Combinations occurred on December 31, 2014:

|   | <u>Beagell<br/>Group</u> | <u>Standard</u> | <u>Eiss<br/>Brothers</u> | <u>Go<br/>Auto</u> | <u>Jerry<br/>Brown</u> | <u>Leesville</u> | <u>Total</u>     |
|---|--------------------------|-----------------|--------------------------|--------------------|------------------------|------------------|------------------|
| Combination Consideration   | \$36,044                 | \$49,766        | \$ 9,152                 | \$ 7,360           | \$18,859               | \$16,435         | \$137,616        |
| Historical net assets   | 11,990                   | 16,301          | 7,030                    | 2,023              | 5,279                  | 4,802            | 47,425           |
| Net assets not acquired/assumed                                   | 3,449                    | 1,693           | 1,001                    | 1,257              | (685)                  | 1,966            | 8,681            |
| Revaluation adjustments:  |                          |                 |                          |                    |                        |                  |                  |
| Inventories (i)   | 1,428                    | 4,995           | 854                      | 126                | 1,376                  | —                | 8,779            |
| Property and equipment (ii)                                       | 2,578                    | 31              | (231)                    | 29                 | (72)                   | 278              | 2,613            |
| Intangible assets (iii)   | 8,950                    | 7,810           | 1,820                    | 3,490              | 3,450                  | 6,240            | 31,760           |
| Indemnification asset (iv)  | 1,969                    | 87              | —                        | —                  | 1,811                  | 278              | 4,145            |
| Equity interest in and option to acquire<br>Go Auto affiliate (v) | —                        | —               | —                        | 397                | —                      | —                | 397              |
| Deferred extended warranty revenue (vi)                           | 422                      | 357             | 314                      | 429                | 128                    | —                | 1,650            |
| Deferred income taxes (vii)                                       | (4,991)                  | (1,534)         | (1,135)                  | (1,548)            | (1,883)                | (2,477)          | (13,568)         |
| Resulting goodwill  | <u>\$17,147</u>          | <u>\$23,412</u> | <u>\$ 1,501</u>          | <u>\$ 3,671</u>    | <u>\$ 8,085</u>        | <u>\$ 9,280</u>  | <u>\$ 63,096</u> |

- (i) Inventory was marked up to 90% of its estimated selling price representing the inventory's cost and estimated related profit margin. Selling costs and related profit margin were estimated at all Founding Companies to be 10%. The acquired inventory is expected to be sold within 18 months. We do not expect our estimates of 90% and 10% to materially change based on the inventories that we actually acquire on the Combination date.
- (ii) Assumptions for property and equipment valuation, which are based on cost and market approaches, are primarily data from industry databases and dealers on current costs of new equipment and information about the useful lives and age of the equipment. The remaining useful life of property and equipment was determined based on historical experience using such assets and varies from 3-20 years depending on the Founding Company and nature of the assets. Our independent valuation specialist is assisting us in determining the final valuation of the property and equipment we acquire on the Combination date. Any change in the valuation resulting from our independent valuation specialist's finalization of its analysis cannot be determined at this point. All property and equipment will be depreciated using the straight-line method.
- (iii) The table below summarizes the aggregate intangible assets acquired:

|                          | <u>Amount</u>   | <u>Weighted<br/>average<br/>life (years)</u> | <u>Amortization<br/>method</u> | <u>Year ended<br/>December 31, 2014<br/>Amortization</u> |
|--------------------------|-----------------|--|--------------------------------|--|
| Trade names              | \$ 5,090        | 5  | Straight line                  | \$1,018  |
| Customer relationships   | 24,430          | 15   | Accelerated                    | 1,629  |
| Covenants not to compete | 2,240           | 5  | Straight line                  | 448  |
|                          | <u>\$31,760</u> |  |                                | <u>\$3,095</u>   |

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The fair value of trade names and customer relationships are based on a number of significant assumptions. Trade names are valued using a “relief from royalty” method, which models cash savings from owning intangible assets as compared to paying a third party for their use. Descriptions of the inputs into this method, and the estimates or ranges of these inputs used for all of the Combinations are as follows:

|   |             |
|---|-------------|
| Compound annual revenue growth rate over term of use . . . . .              | 3%-7.9%     |
| Percentage of revenue attributable to trade name in forecast year . . . . . | 20%-100%    |
| Royalty rate . . . . .  | 2%          |
| Discount rate . . . . .   | 12.5%-14%   |
| Tax rate . . . . .  | 38.6%-40.9% |

The expected useful life of trade names is based on our planned timeframe for using the existing trade names we will purchase in the Combinations. We expect to amortize such trade names using the straight-line method as no other method of amortization is more representative of our usage of these assets.

Customer relationships are valued using an income approach called the multi-period excess earnings method, a form of discounted cash flow that estimates revenues and cash flows derived from the use of the intangible asset and then deducts portions of the cash flow that can be attributed to supporting assets, such as other intangible assets or property and equipment, that contributed to the generation of the cash flows to arrive at cash flows attributable solely to the intangible asset being valued.

Descriptions of the inputs into this method, and the estimates or ranges of these inputs used for all of the Combinations are as follows:

|  |             |
|--|-------------|
| Compound annual revenue growth rate in forecast period . . . . . | 2.1%-3.8%   |
| Annual customer attrition rate . . . . .                         | 10%         |
| Gross margin in forecast period . . . . .                        | 31.8%-47.5% |
| Contributory asset charges as a percentage of revenue . . . . .  | 0.1%-3.4%   |
| Discount rate . . . . .  | 13.5%-16.0% |
| Tax rate . . . . .   | 38.6%-40.9% |

The expected useful life of customer relationships is established as 15 years, which is the period over which these assets are expected to reasonably contribute to future cash flows. We expect to amortize such customer relationships using an accelerated method that reflects a greater relative contribution to future cash flows in the earlier years of the assets’ useful lives.

Our independent valuation specialist is assisting us in determining the final valuation of each of the intangible assets described above. Any change in the valuation resulting from our independent valuation specialist’s finalization of its analysis cannot be determined at this point.

- (iv) We may recover amounts from the shareholders of the Founding Companies if we are required to make certain income tax or other payments as defined in the relevant Combination agreements after the Combinations. The indemnification asset above represents the same amount reflected as liabilities for such matters in the pro forma balance sheet and will be adjusted going forward as new information becomes available in regards to such liabilities.
- (v) The Combination agreement between us and GO Auto contains a provision giving us a 5% ownership of Go Pull-It LLC, an entity under common control with Go Auto, and the right to purchase the remaining 95% of Go Pull-It LLC for either a fixed price through the end of 2016 or, after that, a price based on a formula that is primarily dependent on the EBITDA of Go Pull-It LLC. The amount

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reflected above for the purchase right is based on a business valuation of Go Pull-It LLC, which inputs include but are not limited to, revenue growth, gross margin, operating expenses, income tax rate, working capital and property and equipment requirements, and an appropriate discount rate.

- (vi) The Founding Companies have amounts recorded in their historical balance sheets that relate to extended warranties sold by the companies. Amounts received from customers related to these warranties was deferred and amortized into revenues on a straight-line basis over the contractual term of the warranty or five years for lifetime warranties. However, based on historical experience of the Founding Companies, we do not expect to pay any appreciable costs to fulfill these warranty obligations and, as such, have eliminated the historical deferred extended warranty revenue balance.
- (vii) We expect to record deferred income taxes relating to the difference between financial reporting and tax bases of assets and liabilities acquired in the Combinations in nontaxable transactions. This adjustment also includes the elimination of historical deferred income taxes of Founding Companies acquired in taxable transactions.

The revaluation adjustments described above could change materially as we finalize our assessment of the allocation and the fair value of the net tangible and intangible assets we acquired, some of which are dependent on the completion of valuations being performed by independent valuation specialists.

**(4) Unaudited Pro forma Balance Sheet Adjustments**

*Acquisition Adjustments:*

- (a) Represents a reclassification of available cash to cash held in escrow as security for potential cash contingent consideration payments.
- (b) Represents the following aggregate elimination of net assets not acquired or assumed in the Combinations, including net assets of variable interest entities (“VIEs”) that were not included in the Combinations:

|  |                 |
|--|-----------------|
| Cash   | \$ 1,136        |
| Accounts receivable and other current assets | 4,141           |
| Related party receivables                    | 589             |
| Property and equipment                       | 8,687           |
| Goodwill                                     | 543             |
| Accounts payable—related party payables      | (274)           |
| Accrued expenses                             | (41)            |
| Current portion of long-term debt            | (403)           |
| Related party payables                       | (2,529)         |
| Long-term debt, less current portion         | <u>(3,168)</u>  |
| Total  | <u>\$ 8,681</u> |

- (c) Represents expenses for shares transferred from the founders to investors in the First and Second Bridge offerings as of December 31, 2014 and the related income tax effect. At a per share offering price of \$10.00, there is no expense or tax benefit because no shares are assumed to be transferred.
- (d) Represents the aggregate adjustments to reflect acquired net assets at their estimated fair values (see Note (3) above).
- (e) Represents Combination-related transaction costs to be incurred after December 31, 2014 (\$100) and the income tax benefit realized upon the reversal of Fenix’s valuation allowance (\$1,804) due to the deferred income tax liabilities resulting from the Combination.



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- (f) Represents the Combination Consideration as more fully described in Note 3 above and summarized below:

|   |                  |
|---|------------------|
| Fenix common stock  | \$ 25,875        |
| Exchangeable Preferred Shares                             | 9,450            |
| Cash paid at closing                                      | 90,389           |
| Accrued nonsubstantive consulting fees                    | 1,787            |
| Net refundable consideration related to off market leases | (1,610)          |
| Note payable related to GO Auto affiliate                 | 200              |
| Fair value of contingent consideration                    | <u>11,525</u>    |
| Total   | <u>\$137,616</u> |

- (g) Represents the elimination of the Founding Companies' historical shareholders' equity.

*Offering Adjustments:*

- (h) Represents \$101,585 of net cash proceeds from this offering at a public offering price of \$10.00 per share (the midpoint of the price range set forth on the cover of this prospectus) after deducting underwriting discounts and commissions and estimated related offering expenses, of which \$346 were incurred as of December 31, 2014, less \$90,389 of cash used to fund the cash portion of the Combination Consideration to be paid at closing.
- (i) Represents cash used to fund the portion of the Combination Consideration to be paid at closing.
- (j) Represents net cash proceeds from this offering at a public offering price of \$10.00 per share (the midpoint of the price range on the cover of this prospectus) after deducting underwriting discounts and commissions and estimated related offering costs.

**(5) Unaudited Pro forma Statement of Operations Adjustments**

*Acquisition Adjustments:*

- (k) Represents the aggregate elimination of sales and costs of sales between Founding Companies.
- (l) Represents adjustment to extended warranty contracts revenues due to the fair value adjustment to deferred extended warranty revenues upon the Combinations described in Note (3). The amounts represent the reversal of all extended warranty revenue recognized in the historical statement of operations as such revenues were earned by the Founding Companies.
- (m) Represents the following aggregate adjustments:

|   | <u>Year ended<br/>December 31, 2014</u> |
|---|---|
| Incremental intangible asset amortization                   | \$3,095                                 |
| Incremental depreciation on acquired property and equipment | 572                                     |
| For property not acquired:                                  |   |
| Elimination of historical depreciation                      | (121)                                   |
| Rent expense on property under new operating leases         | 2,077                                   |
| Change in fair value of contingent consideration            | 446                                     |
| Elimination of historical Combination transaction costs     | (260)                                   |
| Compensation related to Leesville share bonuses (i)         | 2,440                                   |
| Executive compensation (ii)                                 | <u>525</u>                              |
|   | <u>\$8,774</u>                          |

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- (i) Certain employees will receive 244,000 shares of our restricted common shares (assuming a public offering price of \$10.00 or more) at closing as a bonus; however, these shares will be forfeited over to Leesville’s equity holder if the key employee is terminated within one year of the Combination. As such, the estimated fair value of these shares will be reflected as additional compensation expense after the Combinations.
- (ii) Represents compensation expense related to the October 2014 employment agreements for our Chief Executive Officer and Chief Financial Officer, assuming that base salaries in the agreements were in effect for the full year ended December 31, 2014.
- (n) Represents the following aggregate adjustments:

|   | <u>Year ended<br/>December 31, 2014</u> |
|---|---|
| Elimination of historical interest expense on indebtedness not assumed in the Combinations  | \$151                                   |
| Net interest (expense) income related to deferred Combination Consideration payments embedded in off market leases with Founding Company affiliates (10%) | <u>161</u><br><u>\$312</u>              |

- (o) Represents an adjustment to historical income tax expense to result in an estimated pro forma effective tax rate of 38.0%.
- (p) Represents the elimination of noncontrolling interests in VIEs no longer consolidated. Certain of the Founding Companies’ consolidated VIEs leased property to them. The Founding Companies had no ownership in these VIEs and when they were consolidated all of the income of the VIEs was classified as being attributable to noncontrolling interests. After the Combinations, we will not be the primary beneficiary of these leasing entities and therefore will not consolidate them. This adjustment eliminates the noncontrolling interests from the pro forma statement of operations relating to all of the consolidated VIEs of the Founding Companies before the Combinations.
- (q) Represents the shares of Fenix common stock to be issued as part of the Combination Consideration.

The unaudited pro forma statement of operations does not include the cost of goods sold impact of the adjustment of Combination date inventories to fair value nor any Combination-related transaction costs as neither are considered to have a continuing impact on the company.

*Offering Adjustments:*

- (r) Represents investor expense related to make whole provisions whereby certain of our shareholders are contractually required to deliver Fenix common shares to other of our shareholders if the offering price per share in this offering is below \$10.00. The amount equals the number of shares required to be transferred times the public offering price of \$10.00 per share (the midpoint of the price range set forth on the cover of this prospectus) for Fenix common shares issued through December 31, 2014. As the assumed offering price is not less than \$10.00 per share, no Company expense or related income tax benefit are reflected on a pro forma basis. At per share offering prices below \$10.00, no adjustment would be reflected in the pro forma statement of operations because such an adjustment would not have a continuing impact on our financial statements.
- (s) Represents the common shares assumed to be issued by us in this offering (11,000,000) and the aggregate impact of a 2,000-for-1 common stock split (4,851,044).

**Fenix Parts, Inc.**  
**Notes to Unaudited Pro Forma Financial Statements**  
**(Dollars in thousands, except per share data)**

*Earnings per share*

- (i) The following table shows the calculation of pro forma earnings per share for the year ended December 31, 2014:

|  | <u>Year ended December 31, 2014</u> |                              |                   |
|--|-------------------------------------|------------------------------|-------------------|
|  | <u>Fenix<br/>Parts</u>              | <u>Post<br/>Combinations</u> | <u>Post IPO</u>   |
| Net loss   | \$ (4,747)                          | \$ (3,850)                   | \$ (3,850)        |
| Net loss allocable to Fenix Canada preferred stock (i) | —                                   | (641)                        | (75)              |
| Net loss allocable to common stock                     | \$ (4,747)                          | \$ (3,209)                   | \$ (3,775)        |
| Weighted average common shares outstanding             | <u>2,144,000</u>                    | <u>4,853,471</u>             | <u>15,853,471</u> |
| Basic and Diluted loss per share, post-split basis     | <u>\$ (2.21)</u>                    | <u>\$ (0.66)</u>             | <u>\$ (0.24)</u>  |

|   | <u>Year ended December 31, 2014</u> |                              |                             |
|---|-------------------------------------|------------------------------|-----------------------------|
|   | <u>Pre-split<br/>basis</u>          | <u>Split<br/>2,000-for-1</u> | <u>Post-split<br/>basis</u> |
| Weighted average common shares outstanding: |                                     |                              |                             |
| Historical basis                            | 1,072                               | 2,000                        | 2,144,000                   |
| Issued in Combinations                      | 1,294                               | 2,000                        | 2,587,471                   |
| Leesville employee shares                   | 61                                  | 2,000                        | 122,000                     |
| Subtotal                                    | <u>2,427</u>                        |                              | <u>4,853,471</u>            |
| Issued in Initial Public Offering           | <u>N/A</u>                          |                              | <u>11,000,000</u>           |
| Pro forma                                   | <u>N/A</u>                          |                              | <u>15,853,471</u>           |

- (i) Represents the loss allocable to holders of Fenix Canada's Exchangeable Preferred Stock as if such shares participated in Fenix's loss since the beginning of the year.

## **Report of Independent Registered Public Accounting Firm**

The Shareholders and Board of Directors  
Fenix Parts, Inc.  
Miami, Florida

We have audited the accompanying consolidated balance sheet of Fenix Parts, Inc. as of December 31, 2014 and the related consolidated statements of operations, shareholders' deficit, and cash flows for the period from January 2, 2014 (inception) to December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fenix Parts, Inc. at December 31, 2014, and the results of its operations and its cash flows for the period from January 2, 2014 (inception) to December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Company is expected to acquire several businesses, contingent upon the completion of an initial public offering of its common stock.

/s/ BDO USA, LLP

Chicago, Illinois  
March 25, 2015

**Fenix Parts, Inc.**  
**CONSOLIDATED BALANCE SHEET**  
**As of December 31, 2014**

**ASSETS**

**CURRENT ASSETS**

|                               |                          |
|-------------------------------|--------------------------|
| Cash and cash equivalents     | \$ 453,047               |
| Deferred stock offering costs | 346,369                  |
| Deposit                       | <u>50,000</u>            |
| Total current assets          | <u>849,416</u>           |
| <b>TOTAL ASSETS</b>           | <b><u>\$ 849,416</u></b> |

**LIABILITIES AND SHAREHOLDERS' DEFICIT**

**LIABILITIES**

|  |                  |
|--|------------------|
| Accounts payable                               | \$ 1,673,259     |
| Accrued expenses and other current liabilities | <u>303,731</u>   |
| Total liabilities                              | <u>1,976,990</u> |

**COMMITMENTS AND CONTINGENCIES**

**SHAREHOLDERS' DEFICIT**

|  |                          |
|--|--------------------------|
| Common stock, \$0.001 par value; 30,000,000 shares authorized; 1,215 shares issued and outstanding | —                        |
| Additional paid-in capital   | 3,619,000                |
| Accumulated deficit  | <u>(4,746,574)</u>       |
| Total shareholders' deficit  | <u>(1,127,574)</u>       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>   | <b><u>\$ 849,416</u></b> |

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

**Fenix Parts, Inc.**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Period from January 2, 2014 (Inception) to December 31, 2014**

|   |               |
|---|---------------|
| Net revenues  | \$ —          |
| Cost of goods sold                                    | —             |
|   | <hr/>         |
| Gross profit  | —             |
| Operating expenses                                    | 4,747,116     |
|   | <hr/>         |
| Loss from operations                                  | (4,747,116)   |
| Other income  | 543           |
|   | <hr/>         |
| Loss before income tax expense                        | (4,746,574)   |
| Income tax expense                                    | —             |
|   | <hr/>         |
| Net loss  | \$(4,746,574) |
|   | <hr/>         |
| Basic and diluted loss per share                      | \$ (4,427.77) |
|   | <hr/>         |
| Weighted average basic and diluted shares outstanding | 1,072         |
|   | <hr/>         |

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

**Fenix Parts, Inc.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT**  
**For the Period from January 2, 2014 (Inception) to December 31, 2014**

|                              | <u>Common Stock</u> |               | <u>Additional<br/>paid-in<br/>capital</u> | <u>Accumulated<br/>deficit</u> | <u>Total<br/>shareholders'<br/>deficit</u> |
|------------------------------|---------------------|---------------|---|--------------------------------|--|
|                              | <u>Shares</u>       | <u>Amount</u> |   |                                |  |
| Balance at January 2, 2014   | —                   | \$—           | \$ —                                      | \$ —                           | \$ —                                       |
| Shareholder contributions    | 1,215               | —             | 3,619,000                                 | —                              | 3,619,000                                  |
| Net loss                     | —                   | —             | —   | (4,746,574)                    | (4,746,574)                                |
| Balance at December 31, 2014 | <u>1,215</u>        | <u>\$—</u>    | <u>\$3,619,000</u>                        | <u>\$(4,746,574)</u>           | <u>\$(1,127,574)</u>                       |

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

**Fenix Parts, Inc.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Period from January 2, 2014 (Inception) to December 31, 2014**

|  |                          |
|--|--------------------------|
| Cash flows from operating activities                                       |                          |
| Net loss   | \$(4,746,574)            |
| Adjustments to reconcile net loss to net cash used in operating activities |                          |
| Change in assets and liabilities   |                          |
| Deferred stock offering costs  | (346,369)                |
| Deposit  | (50,000)                 |
| Accounts payable   | 1,673,259                |
| Accrued expenses and other current liabilities                             | <u>303,731</u>           |
| Net cash used in operating activities                                      | (3,165,953)              |
| Cash flows from financing activities                                       |                          |
| Proceeds of issuance of common stock                                       | <u>3,619,000</u>         |
| Net cash provided by financing activities                                  | <u>3,619,000</u>         |
| Increase in cash and cash equivalents                                      | 453,047                  |
| Cash and cash equivalents, beginning of period                             | <u>—</u>                 |
| Cash and cash equivalents, end of period                                   | <u><u>\$ 453,047</u></u> |

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



**Fenix Parts, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Business and Liquidity**

Fenix Parts, Inc. (“Fenix”) was founded on January 2, 2014 to acquire and combine companies in the automobile recycling and resale industry. Fenix Parts Canada, Inc. (“Fenix Canada”), a wholly-owned subsidiary of Fenix, was established on September 24, 2014 primarily to facilitate the acquisition and combination of companies in the automobile recycling and resale industry in Canada. Through November 2014, and as amended to extend the closing conditions through May 15, 2015, Fenix and Fenix Canada (collectively, the “Company”) have entered into Combination Agreements to acquire (the “Combinations”) eleven corporate entities that operate eight businesses (the “Founding Companies”). The closing of the transactions subject to these agreements is contingent upon, among other things, the closing of a future initial public offering (“IPO”).

Pursuant to the Combination Agreements, the aggregate consideration to be paid by the Company in the Combinations subject to adjustment and including, among other things, amounts held in escrow, amounts payable as bonuses and amounts payable for the reimbursement of certain capital expenditures by certain Founding Companies, consists of approximately \$93.2 million in cash, approximately 2.8 million shares of Fenix common stock and approximately 1.2 million exchangeable preferred shares of Fenix Canada (collectively, the “Combination Consideration”). The cash portion of the Combination Consideration is generally subject to adjustment based upon the Founding Companies’ working capital on the closing date, capital expenditures during the six months preceding the closing of the Combinations and certain other factors. The share portion of the Combination Consideration is expressed in the number of shares subsequent to a planned 2,000-for-1 common stock split to occur immediately before the completion of the IPO. Such share consideration is also subject to adjustment based on the public offering price per share in the IPO.

The Company intends to raise the cash portion of the Combination Consideration in its IPO as well as additional funding for installment payments on certain indebtedness expected to be incurred in the Combinations and for general corporate purposes.

The Company, subsequent to the Combinations, will be in the business of auto recycling, which is the recovery and resale of original equipment manufacturer (“OEM”) and aftermarket parts, components and systems, such as engines, transmissions, radiators, trunks, lamps and seats (referred to as “products”) reclaimed from damaged, totaled or low value vehicles. The Company will purchase its vehicles primarily at auto salvage auctions. Upon receipt of vehicles, the Company will inventory and then dismantle the vehicles and sell the recycled components. The Company’s customers will include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers. The Company will also generate a portion of its revenue from the sale as scrap of the unusable parts and materials and from the sale of extended warranty contracts.

For the period from inception to December 31, 2014, the Company incurred net losses of \$4.7 million. The Company has raised \$3.6 million of capital from private equity offerings from inception to December 31, 2014 and used approximately \$3.2 million of that capital in its operations. As the Company continues to incur additional costs as described in Note 3, it will likely need to secure additional financing to fund such costs prior to the completion of the planned IPO. There can be no assurances that such financing will be available at terms acceptable to the Company or at all. Absent such additional financing, if needed, management may be unable to execute its plans to complete the IPO and the Combinations.

Through September 30, 2014, the Company’s chief executive and chief financial officers were not taking salaries and no compensation expense has been recorded related to services provided by these employees through that date. Pursuant to letter arrangements, these executives’ salaries were accrued beginning October 1, 2014, but will be paid only contingent upon the closing of the IPO. Each executive will have the option to receive his accrued but unpaid salary in the form of an incentive stock option in lieu of cash.

**Fenix Parts, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany transactions and balances between the Company’s entities have been eliminated in consolidation.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash equivalents. The majority of cash and cash equivalents are maintained with major financial institutions.

*Deferred Stock Offering Costs*

Through December 31, 2014, the Company incurred approximately \$346,000 of legal, accounting and other costs directly related to its planned IPO. Such costs will be applied against the gross proceeds from the IPO upon its closing.

*Income Taxes*

Income taxes are accounted for under the asset and liability method where deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax basis and for tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include historical cumulative losses, the forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company’s effective tax rate on future earnings.

The Company recognizes the benefits of uncertain tax positions taken or expected to be taken in tax returns in the provision for income taxes only for those positions that are more likely than not to be realized. The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating

**Fenix Parts, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. As of December 31, 2014, the Company has not identified any uncertain tax positions. The Company's policy is to include interest and penalties associated with income tax obligations in income tax expense.

*Foreign Currency*

The functional currency of Fenix Canada is expected to be the Canadian dollar, although as of December 31, 2014, Fenix Canada had no assets, liabilities or operating activities.

*Advertising Expenses*

Advertising costs are expensed as incurred and included in operating expenses in the accompanying consolidated statement of operations. Advertising expenses were approximately \$18,000 for the period from January 2, 2014 (inception) to December 31, 2014.

*Earnings (Loss) Per Share*

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average common shares outstanding during the period. Diluted earnings (loss) per share would include the impact of outstanding common share equivalents as if those equivalents were exercised or converted into common shares if such assumed exercise or conversion were dilutive. As of December 31, 2014, the Company had no outstanding common stock equivalents and, as such, diluted earnings (loss) per share is equal to basic earnings (loss) per share.

*Recent Accounting Pronouncements*

In August 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, to address financial reporting considerations about an entity's ability to continue as a going concern. As a result, management will be required to determine every interim and annual period whether conditions or events exist that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued (or are available to be issued, if applicable). ASU 2014-15 is effective for annual periods ending after December 15, 2016 and for interim periods within annual periods beginning after December 15, 2016. The Company does not expect that the application of this ASU to materially impact its consolidated financial statements and related disclosures.

**Note 3. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities as of December 31, 2014, consist of following:

|  |                  |
|--|------------------|
| Employee wages                                       | \$ 175,000       |
| Accounting, consulting and legal fees                | 48,431           |
| Other  | <u>80,300</u>    |
| Total accrued expenses and other current liabilities | <u>\$303,731</u> |

As described in Note 1, through December 31, 2014, the Company's has focused on arranging for the completion of an IPO and the acquisition of eight businesses. As part of that process, and as provided for in the Combination Agreements, the Company is obligated to fund accounting, auditing and various other costs associated with the Founding Companies' efforts to provide historical audited financial statements and to meet other requirements associated with the IPO. The majority of the Company's operating expenses and accrued expenses and other current liabilities relate to these activities.

**Fenix Parts, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4. Income Taxes**

The Company recorded no tax expense or benefit for the period from January 2, 2014 (inception) to December 31, 2014. At the federal statutory rate of 34%, the Company's \$4.7 million loss for the period from January 2, 2014 (inception) to December 31, 2014 would have created a federal tax benefit of approximately \$1.6 million and a state tax benefit, net of federal impact, of approximately \$0.3 million. A full valuation allowance was established primarily because the uncertainty of the Company's future prospects results in it being more likely than not that deferred income tax assets will not be realized.

**Note 5. Common Stock**

Fenix was formed and initially capitalized in January 2014 by a group of investors, including its chief executive and chief financial officers, who paid nominal cash consideration for an aggregate of 900 shares of Fenix common stock. In March and April 2014, Fenix issued and sold an aggregate of 201 shares of common stock for a purchase price of \$10,000 per share. In September 2014, Fenix issued and sold an aggregate of 59 shares of common stock for a purchase price of \$15,000 per share. In November and December 2014, Fenix issued and sold an aggregate of 55 shares of common stock for a purchase price of approximately \$13,000 per share. See Note 6 for further information.

The agreements that relate to the common stock sales subsequent to January 2014 include provisions that obligate the holders of the common stock issued in January 2014 to compensate the investors in the later sales if the IPO price of Fenix common stock is less than \$10.00 per share (post-stock split). If the IPO price is less than \$10.00 per share, the initial investors must transfer an adequate number of their shares to the later investors equal in value to the aggregate difference between \$10.00 per share (post-stock split) and the IPO price on each Fenix share owned by those later investors. Common stock holders were also granted registration rights.

The stock component of the consideration for each Combination was negotiated on the basis that the public offering price for Fenix's common stock would be at least \$10.00 per share. If the public offering price is \$10.00 or more per share, there will not be any adjustment to the stock component of the consideration for each Combination. If the public offering price is less than \$10.00 per share but \$9.00 or more per share, the number of shares of Fenix's common stock and Exchangeable Preferred Shares to be issued for the stock component of the consideration will generally be increased to the number of shares determined by (i) multiplying the number of shares otherwise to be issued by \$10.00 per share and (ii) dividing the result by the public offering price per share, generally rounding any resulting fractional share up to a whole share. If the public offering price is less than \$9.00 per share, there will not be any further adjustment to the stock component of the Combination consideration, and the number of share to be issued will be the number that would be issued if the public offering price had been \$9.00 per share.

**Note 6. Subsequent Events**

In January 2015, the Company issued approximately 9 additional shares of its common stock to certain investors for no cash consideration in order to effectively convert their \$15,000 per share investments to \$13,000 per share investments. Such issuances resulted in a charge to the Company's earnings in 2015 of approximately \$118,000.

From January through March 25, 2015, the Company issued 130 shares of common stock for a purchase price of \$13,000 per share.

**Fenix Parts, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In January 2015, the Company's shareholders approved the adoption of the 2014 Stock Plan under which the Company will have the opportunity to grant various forms of equity awards to its officers, directors and employees.

The Company plans to effect a 2,000-for-1 common stock split immediately before the closing of the planned IPO. At such time, all share and per share information presented in the Company's consolidated financial statements will be adjusted to retroactively reflect the common stock split.

The Company has evaluated subsequent events through March 25, 2015, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

## **Report of Independent Registered Public Accounting Firm**

The Shareholders  
The Beagell Group  
Binghamton, New York

We have audited the accompanying combined balance sheets of the Beagell Group (entities under common control as described in Note 1) as of December 31, 2014 and 2013 and the related combined statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These combined financial statements are the responsibility of the Beagell Group's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. The Beagell Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Beagell Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Beagell Group at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Beagell Group is expected to be acquired by an unrelated party.

/s/ BDO USA, LLP

Chicago, Illinois  
March 25, 2015

**Beagell Group**  
**COMBINED BALANCE SHEETS**  
**As of December 31, 2014 and 2013**

|   | <u>2014</u>                | <u>2013</u>                |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>                                   |                            |                            |
| <b>CURRENT ASSETS</b>                           |                            |                            |
| Cash and cash equivalents                       | \$ 2,769,876               | \$ 1,719,740               |
| Accounts receivable, net of allowance           | 1,188,214                  | 1,241,482                  |
| Inventories                                     | 6,736,469                  | 5,845,472                  |
| Prepaid expenses and other current assets       | 99,402                     | 90,989                     |
| Related party receivables                       | 333,270                    | 294,400                    |
| Total current assets                            | <u>11,127,231</u>          | <u>9,192,083</u>           |
| <b>PROPERTY AND EQUIPMENT</b>                   |                            |                            |
| Land  | 731,959                    | 731,959                    |
| Land improvements                               | 187,183                    | 187,183                    |
| Buildings                                       | 1,564,293                  | 1,564,293                  |
| Vehicles  | 2,136,646                  | 2,196,632                  |
| Machinery and equipment                         | 5,177,043                  | 5,942,554                  |
| Leasehold improvements                          | 973,179                    | 876,924                    |
| Office furniture and fixtures                   | 323,712                    | 309,532                    |
| Accumulated depreciation and amortization       | <u>(6,993,860)</u>         | <u>(7,055,152)</u>         |
| Property and equipment, net                     | <u>4,100,155</u>           | <u>4,753,925</u>           |
| <b>OTHER NON-CURRENT ASSETS</b>                 |                            |                            |
| Cash surrender value of life insurance policies | 593,671                    | 538,159                    |
| Goodwill  | <u>180,000</u>             | <u>180,000</u>             |
| Total other non-current assets                  | <u>773,671</u>             | <u>718,159</u>             |
| <b>TOTAL ASSETS</b>                             | <u><u>\$16,001,057</u></u> | <u><u>\$14,664,167</u></u> |

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

**Beagell Group**  
**COMBINED BALANCE SHEETS - CONTINUED**  
**As of December 31, 2014 and 2013**

|   | <u>2014</u>         | <u>2013</u>         |
|---|---------------------|---------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                     |                     |
| <b>CURRENT LIABILITIES</b>                        |                     |                     |
| Accounts payable                                  | \$ 480,949          | \$ 333,551          |
| Accrued expenses and other current liabilities    | 1,009,147           | 821,691             |
| Deferred warranty revenue – current               | 410,673             | 170,545             |
| Current portion of long-term debt                 | 68,196              | 7,004               |
| Short-term note payable                           | —                   | 120,675             |
| Total current liabilities                         | <u>1,968,965</u>    | <u>1,453,466</u>    |
| <b>NON-CURRENT LIABILITIES</b>                    |                     |                     |
| Deferred warranty revenue - long-term             | 10,656              | 12,038              |
| Long-term debt, net of current portion            | 62,118              | 596                 |
| Reserve for uncertain tax positions               | 1,969,055           | 1,551,513           |
| Total non-current liabilities                     | <u>2,041,829</u>    | <u>1,564,147</u>    |
| Total liabilities                                 | <u>4,010,794</u>    | <u>3,017,613</u>    |
| <b>COMMITMENTS AND CONTINGENCIES</b>              |                     |                     |
| <b>SHAREHOLDERS' EQUITY</b>                       |                     |                     |
| Common stock, no par value                        | —                   | —                   |
| Additional paid-in capital                        | 748,493             | 727,973             |
| Retained earnings                                 | 8,971,722           | 8,578,003           |
| Total Beagell Group shareholders' equity          | <u>9,720,215</u>    | <u>9,305,976</u>    |
| Noncontrolling interest                           | 2,270,048           | 2,340,578           |
| Total shareholders' equity                        | <u>11,990,263</u>   | <u>11,646,554</u>   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <u>\$16,001,057</u> | <u>\$14,664,167</u> |

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



**Beagell Group**  
**COMBINED STATEMENTS OF OPERATIONS**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | <u>2014</u>         | <u>2013</u>       | <u>2012</u>         |
|--|---------------------|-------------------|---------------------|
| Net revenues                                       | \$30,597,756        | \$30,660,989      | \$31,636,770        |
| Cost of goods sold                                 | <u>19,896,923</u>   | <u>19,651,964</u> | <u>19,926,940</u>   |
| Gross profit                                       | 10,700,833          | 11,009,025        | 11,709,830          |
| Operating expenses                                 | <u>8,307,750</u>    | <u>9,257,628</u>  | <u>9,648,570</u>    |
| Income from operations                             | 2,393,083           | 1,751,397         | 2,061,260           |
| Interest expense                                   | (144)               | —                 | (10,378)            |
| Other income (expense)                             | <u>297,226</u>      | <u>(55,201)</u>   | <u>47,689</u>       |
| Income before income tax expense                   | 2,690,165           | 1,696,196         | 2,098,571           |
| Income tax expense                                 | <u>447,694</u>      | <u>279,377</u>    | <u>405,714</u>      |
| <b>NET INCOME</b>                                  | 2,242,471           | 1,416,819         | 1,692,857           |
| Net income attributable to noncontrolling interest | <u>625,470</u>      | <u>558,252</u>    | <u>363,638</u>      |
| <b>NET INCOME ATTRIBUTABLE TO BEAGELL GROUP</b>    | <u>\$ 1,617,001</u> | <u>\$ 858,567</u> | <u>\$ 1,329,219</u> |

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

**Beagell Group**  
**COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the years ended December 31, 2014, 2013 and 2012**

|                              | <u>Common stock</u> |               | <u>Additional<br/>paid-in<br/>capital</u> | <u>Retained<br/>earnings</u> | <u>Noncontrolling<br/>interest</u> | <u>Total<br/>shareholders'<br/>equity</u> |
|------------------------------|---------------------|---------------|---|------------------------------|------------------------------------|---|
|                              | <u>Shares</u>       | <u>Amount</u> |   |                              |                                    |   |
| Balance at January 1, 2012   | 3,388               | \$—           | \$686,933                                 | \$11,038,436                 | \$1,874,945                        | \$13,600,314                              |
| Net income                   | —                   | —             | —   | 1,329,219                    | 363,638                            | 1,692,857                                 |
| Shareholder contributions    | 12                  | —             | 20,520                                    | —                            | 213,000                            | 233,520                                   |
| Shareholder distributions    | —                   | —             | —   | (2,555,967)                  | (293,840)                          | (2,849,807)                               |
| Balance at December 31, 2012 | 3,400               | —             | 707,453                                   | 9,811,688                    | 2,157,743                          | 12,676,884                                |
| Net income                   | —                   | —             | —   | 858,567                      | 558,252                            | 1,416,819                                 |
| Shareholder contributions    | 12                  | —             | 20,520                                    | —                            | —                                  | 20,520                                    |
| Shareholder distributions    | —                   | —             | —   | (2,092,252)                  | (375,417)                          | (2,467,669)                               |
| Balance at December 31, 2013 | 3,412               | —             | 727,973                                   | 8,578,003                    | 2,340,578                          | 11,646,554                                |
| Net income                   | —                   | —             | —   | 1,617,001                    | 625,470                            | 2,242,471                                 |
| Shareholder contributions    | 12                  | —             | 20,520                                    | —                            | —                                  | 20,520                                    |
| Shareholder distributions    | —                   | —             | —   | (1,223,282)                  | (696,000)                          | (1,919,282)                               |
| Balance at December 31, 2014 | <u>3,424</u>        | <u>\$—</u>    | <u>\$748,493</u>                          | <u>\$ 8,971,722</u>          | <u>\$2,270,048</u>                 | <u>\$11,990,263</u>                       |

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

**Beagell Group**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|---------------------|
| Cash flows from operating activities   |                     |                     |                     |
| Net income   | \$ 2,242,471        | \$ 1,416,819        | \$ 1,692,857        |
| Adjustments to reconcile net income to net cash provided by operating activities |                     |                     |                     |
| Depreciation and amortization expense  | 853,358             | 862,939             | 881,412             |
| (Gain) loss on disposal of property and equipment                                | (325,841)           | 42,092              | (70,576)            |
| Provision for uncertain tax positions  | 417,542             | 264,643             | 379,669             |
| Change in assets and liabilities   |                     |                     |                     |
| Accounts receivable  | 53,268              | (78,079)            | 305,097             |
| Inventories  | (890,997)           | 220,114             | (526,272)           |
| Prepaid expenses and other current assets  | (8,413)             | 8,909               | (23,493)            |
| Account payable  | 147,398             | (123,341)           | (73,612)            |
| Accrued expenses and other liabilities   | 187,457             | (18,978)            | (186,002)           |
| Deferred warranty revenue  | 238,746             | 13,626              | 120,311             |
| Net cash provided by operating activities  | <u>2,914,989</u>    | <u>2,608,744</u>    | <u>2,499,391</u>    |
| Cash flows from investing activities   |                     |                     |                     |
| Proceeds from disposal of property and equipment                                 | 454,804             | 26,856              | 128,853             |
| Premium payments on life insurance policies                                      | (55,512)            | (70,803)            | (38,478)            |
| Issuance of related party receivables  | (38,870)            | (42,329)            | (27,351)            |
| Capital expenditures   | <u>(328,553)</u>    | <u>(180,807)</u>    | <u>(1,384,736)</u>  |
| Net cash provided by (used in) investing activities                              | <u>31,869</u>       | <u>(267,083)</u>    | <u>(1,321,712)</u>  |
| Cash flows from financing activities   |                     |                     |                     |
| Payments of debt   | (133,957)           | (63,850)            | (352,019)           |
| Proceeds from debt   | 135,997             | 120,675             | 384,289             |
| Shareholder contributions  | 20,520              | 20,520              | 233,520             |
| Shareholder distributions  | <u>(1,919,282)</u>  | <u>(2,467,669)</u>  | <u>(2,849,807)</u>  |
| Net cash used in financing activities  | <u>(1,896,722)</u>  | <u>(2,390,324)</u>  | <u>(2,584,017)</u>  |
| Increase (decrease) in cash and cash equivalents                                 | 1,050,136           | (48,662)            | (1,406,338)         |
| Cash and cash equivalents, beginning of year                                     | <u>1,719,740</u>    | <u>1,768,402</u>    | <u>3,174,740</u>    |
| Cash and cash equivalents, end of year   | <u>\$ 2,769,876</u> | <u>\$ 1,719,740</u> | <u>\$ 1,768,402</u> |
| Supplemental cash flow disclosures   |                     |                     |                     |
| Cash paid for  |                     |                     |                     |
| Income taxes   | <u>\$ 32,371</u>    | <u>\$ 7,455</u>     | <u>\$ 27,903</u>    |
| Interest   | <u>\$ —</u>         | <u>\$ —</u>         | <u>\$ 10,378</u>    |

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

**Beagell Group**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 1. Nature of Operations**

The Beagell Group (the “Company”) includes three commonly-controlled companies: Don’s Automotive Mall, Inc. (“Don’s”), Gary’s U-Pull It, Inc. (“Gary’s”) and Horseheads Automotive Recycling, Inc. (“Horseheads”). The Company’s primary business is auto recycling, which is the recovery and resale of original equipment manufacturer (“OEM”) and aftermarket parts, components and systems, such as engines, transmissions, radiators, trunks, lamps and seats (referred to as “products”) reclaimed from damaged, totaled or low value vehicles. The Company purchases its vehicles primarily at auto salvage auctions. Upon receipt of vehicles, the Company inventories and then either a) dismantles the vehicles and sells the recycled components at its full-service facilities or b) allows retail customers to directly dismantle, recover and purchase recycled parts at its self-service facilities. In addition, the Company purchases recycled OEM and related products from third parties for resale and distribution to its customers. The Company’s customers include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers. The Company also generates a portion of revenue from the sale of scrap of the unusable parts and materials and from the sale of extended warranties.

Don’s sells recycled OEM products through its two full-service dismantling and distribution facilities located in Binghamton, New York and Pennsburg, Pennsylvania. Gary’s and Horseheads sell recycled OEM products through their self-service facilities in Binghamton and Elmira, New York, respectively. Each of the three commonly-controlled companies is a New York corporation.

The shareholders of each of the commonly-controlled companies entered into agreements during August 2014, which were subsequently amended to extend the closing conditions through May 15, 2015, with Fenix Parts, Inc. (“Fenix”) under which Fenix will acquire 100% of their common stock for cash and Fenix common stock, contingent on, among other things, the closing of an initial public offering of Fenix common stock. The acquisition will not include the capital stock of any of the Lessors (as defined below).

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany transactions and balances between the Company’s three entities have been eliminated in combination. The combined Company represents a single reportable segment.

The combined financial statements include the accounts of D&B Holdings, LLC and BBHC, LLC - the lessors of the premises from which Don’s operates, Beagell Properties, LLC - the lessor of the premises from which Gary’s operates, and Don’s Independent Salvage Company, LLC - the lessor of the premises from which Horseheads operates (collectively, “the Lessors”). Each of the Lessors are substantially owned by the Company’s shareholders. The Company has determined that each of the Lessors are variable interest entities because the holders of the equity investment at risk in these entities do not have the obligation to absorb their expected losses or receive their residual returns. Furthermore, the Company has determined that it is the primary beneficiary of each Lessor because the Company has the power to direct the activities that most significantly impact the Lessors’ economic performance, namely the operation and maintenance of the significant assets of the Lessors. Accordingly, and pursuant to consolidation requirements under GAAP, the Company consolidates the Lessors. All intercompany transactions are eliminated in consolidation. All of the Lessors operating results are attributable to the noncontrolling interests in the Company’s combined statements of operations and all of their shareholders’ equity is reported separately from the Company’s shareholders’ equity in the Company’s combined balance sheets and combined statements of shareholders’ equity.

**Beagell Group**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

*Use of Estimates*

The preparation of the Company's combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the combined financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue Recognition*

The Company recognizes revenue from the sale of vehicle replacement products and scrap when they are shipped or picked up by the customers and ownership has transferred, subject to an allowance for estimated returns and discounts that management estimates based upon historical information. Management analyzes historical returns (often pursuant to standard warranties on the sold products) and allowances activity by comparing the items returned to the original invoice amounts and dates. The Company uses this information to project future returns and allowances on products sold. If actual returns and allowances deviate from the Company's historical experience, there could be an impact on its operating results in the period of occurrence. The Company has recorded a reserve for estimated returns and discounts of approximately \$99,000 and \$148,000 at December 31, 2014, and 2013, respectively, within accrued expenses and other current liabilities.

The Company presents taxes assessed by governmental authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenue on the combined statements of operations and are shown as a current liability on the combined balance sheets until remitted. Revenue also includes amounts billed to customers for shipping and handling.

Revenue from the sale of separately priced extended warranty contracts is reported as deferred revenue and recognized ratably over the term of the contracts. Revenue from such extended warranty contracts was approximately \$351,000, \$280,000 and \$108,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Cost of Goods Sold*

Cost of goods sold primarily includes a) amounts paid for the purchase of vehicles, scrap, parts for resale and related products, b) related auction, storage and towing fees, and c) other costs of procurement and dismantling, primarily labor and overhead allocable to dismantling operations.

*Operating Expenses*

Operating expenses are primarily comprised of a) salaries and benefits of employees that are not related to the procurement and dismantling of vehicles, b) facility costs such as rent, utilities, insurance, repairs and taxes not allocated to dismantling operations, c) selling and marketing costs, d) costs to distribute the Company's products and scrap and e) other general and administrative costs.

*Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Beagell Group**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

*Accounts Receivable and Allowance for Doubtful Accounts*

In the normal course of business, the Company extends credit to customers after a review of each customer's credit history. The Company recorded a reserve for uncollectible accounts of approximately \$12,000 and \$1,000 as of December 31, 2014 and 2013, respectively. The reserve is based upon management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable and historical experience. Receivables are written off once collection efforts have been exhausted. Recoveries of accounts receivable previously written off are recorded when received.

*Reclassifications*

Reclassifications have been made to conform to the current period presentation. The reclassifications have no impact on net income.

*Concentrations*

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The majority of cash and cash equivalents are maintained with several major financial institutions. The Company maintains its cash in bank deposit accounts which, at times, may exceed the insurance limits of the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts. Concentrations of credit risk with respect to accounts receivable are limited because a large number of customers make up the Company's customer base. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

The Company primarily obtains its recycled OEM and related products from damaged, totaled or low value vehicles purchased at salvage auto auctions. For 2014, 2013 and 2012, substantially all of the vehicles purchased by the Company for dismantling were acquired at auctions run by two salvage auto auction companies.

Revenue derived from one of the Company's customers accounted for 14%, 12% and 14% of combined revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

*Inventories*

Inventories consist entirely of recycled OEM and aftermarket products, including car hulls and other materials that will be sold as scrap. Inventory costs are established based upon the price the Company pays for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling vehicles. After dismantling, the cost assigned to the salvaged parts and scrap is determined using the average cost of sales percentage at the Company and applying that percentage to the Company's inventory at expected selling prices. The average cost to sales percentage is derived from the Company's historical vehicle profitability for salvage vehicles purchased at auction or procured from other sources. With respect to self-service inventories, costs are established by calculating the average sales price per vehicle, including its scrap value and part value, applied to the total vehicles on-hand.

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

*Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the useful life of an asset are capitalized. As property and equipment are sold or retired, the applicable cost and

**Beagell Group**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss thereon is recognized. Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives. Depreciation and amortization expense totaled approximately \$853,000, \$863,000 and \$881,000 for the years ended December 31, 2014, 2013 and 2012, respectively. Approximately \$1,426,000 and \$1,458,000 of property and equipment, net of accumulated depreciation and amortization, was held by the Lessors as of December 31, 2014 and 2013, respectively.

Estimated useful lives are as follows:

|                               |  |
|-------------------------------|--|
| Land improvements             | 15 years                                 |
| Buildings                     | 39 years                                 |
| Vehicles                      | 5 years                                  |
| Machinery and equipment       | 3-10 years                               |
| Leasehold improvements        | 10-15 years or term of lease, if shorter |
| Office furniture and fixtures | 7 years                                  |

The Company evaluates the recoverability of the carrying amount of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable based on an analysis of undiscounted cash flows. There were no such events or changes in the years ended December 31, 2014, 2013 or 2012.

*Cash Surrender Value of Life Insurance Policies*

The Company pays the premiums for whole life insurance policies for certain shareholders and key employees. If the Company is the named beneficiary on the policy, it records the premium payments as expenses offset by the increase in cash surrender value of the related policy. If the Company is not the named beneficiary, the premiums are recorded as related party receivables until recouped from the shareholder or employee. As of December 31, 2014 and 2013, the Company had cash surrender value balances of approximately \$594,000 and \$538,000, respectively, and related party receivables of approximately \$333,000 and \$294,000, respectively. The related party receivables have no stated repayment provisions.

*Goodwill*

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. The Company is required to perform an annual impairment review, and more frequently under certain circumstances. Under the qualitative goodwill impairment assessment standard, management evaluates whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If it is determined that it is more likely than not, the Company proceeds with the next step of the impairment test, which compares the fair value of the reporting unit to its carrying value. If the Company determines through the impairment process that goodwill has been impaired, the Company will record the impairment charge in its results of operations. The Company has elected to perform its annual evaluation of impairment as of December 31. There were no impairment charges related to goodwill during the years ended December 31, 2014, 2013 and 2012.

*Income Taxes*

Each of the three commonly-controlled companies has elected to operate under Subchapter S of the Internal Revenue Code. Accordingly, the shareholders report their share of the Company's federal and most state's taxable income or loss on their respective individual income tax returns. The Lessors are taxed as partnerships and therefore no provision for federal and state corporate taxes are recorded for the Lessors.

**Beagell Group**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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

*Advertising Expenses*

Advertising costs are expensed as incurred and included in operating expenses in the accompanying combined statements of operations. Advertising expenses were approximately \$395,000, \$449,000 and \$520,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Fair Value Measurements*

Fair value of financial assets and liabilities are defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company is required to classify fair value measurements in one of the following categories:

- Level 1 - inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 - inputs are defined as unobservable inputs for the assets or liabilities. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Certain assets and liabilities are required to be recorded at fair value on either a recurring or non-recurring basis; however, the Company has no assets or liabilities that require recurring fair value measurements. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company's debt is carried at cost and approximates fair value due to its variable or fixed interest rates, which are consistent with the interest rates in the market.

The Company may be required, on a non-recurring basis, to adjust the carrying value of the Company's property and equipment and goodwill. When necessary, these valuations are determined by the Company using



**Beagell Group**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

Level 3 inputs. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence that impairment may exist. There have been no indicators of impairment during 2014, 2013 or 2012.

*Recent Accounting Pronouncements*

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which amends FASB Accounting Standards Codification (“ASC”) Topic 205, *Presentation of Financial Statements*, and FASB ASC Topic 360, *Property, Plant, and Equipment*. This standard amends the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective on a prospective basis for annual periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. The Company expects to adopt this standard on a prospective basis beginning January 1, 2015. Adoption is not expected to have a material impact on the Company’s combined financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The guidance in this update supersedes nearly all existing revenue recognition guidance under U.S. GAAP and creates a single, principle-based revenue recognition framework that is codified in a new FASB ASC Topic 606. The core principle of this guidance is for the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new revenue standard is effective for public entities’ annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early adoption is not permitted. The new standard allows for either full retrospective or modified retrospective adoption. The Company is currently evaluating the transition method that will be elected and the potential effects of the adoption of the new standard on the Company combined financial statements.

In August 2014, the FASB issued ASU No. 2014-15 which amends ASC Topic 205, *Presentation of Financial Statements*, to describe management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. This guidance will be effective for the Company’s fiscal year ended December 31, 2016. The Company does not expect adoption of this ASU to have a material impact on its combined financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which modifies the evaluation of VIEs, and affects the consolidation analysis of reporting entities involved with VIEs. This guidance for public entities is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the impact of adopting the new standard.

**Beagell Group**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 3. Accrued Expenses and Other Current Liabilities**

The components of accrued expenses and other current liabilities are as follows:

|  | <u>December 31,</u> |                  |
|--|---------------------|------------------|
|  | <u>2014</u>         | <u>2013</u>      |
| Accrued salaries and employee benefits | \$ 615,558          | \$561,939        |
| Reserve for returns and discounts      | 99,454              | 147,580          |
| Accrued legal fees                     | 135,659             | —                |
| Sales taxes payable                    | 18,812              | 48,004           |
| Other liabilities                      | 139,664             | 64,168           |
|  | <u>\$1,009,147</u>  | <u>\$821,691</u> |

**Note 4. Debt**

During 2013, the Company borrowed \$120,675 from two of its shareholders. The loan did not bear interest and was paid in full in June 2014.

In December 2014, the Company entered into a 2-year non-interest bearing loan, secured by the underlying equipment. Additionally, the Company has two other loans secured by certain equipment purchased with the related proceeds. These loans do not bear interest and are not subject to any financial covenants. Outstanding balances were approximately \$130,000 and \$8,000 as of December 31, 2014 and 2013, respectively. The aggregate annual future principal payments are approximately \$68,000 in 2015 and \$62,000 in 2016.

The Company has a line of credit with a financial institution which provides for a maximum borrowing of \$500,000, of which no amounts were outstanding as of December 31, 2014 and 2013. Interest on borrowings is to be calculated at 0.5% above the prime rate, which was 3.25% at December 31, 2014 and 2013. The facility expires in December 2015.

The Company has a letter of credit facility with a financial institution in the amount of \$30,000 at December 31, 2014 and 2013. The letter of credit supports an insurance policy. The facility expires in December 2015.

**Note 5. Commitments and Contingencies**

*Operating Lease*

The Company was obligated under a non-cancelable operating lease for corporate office space, warehouse and distribution facilities. Through mid-2014, the facilities were owned by certain shareholders of the Company, at which time they were contributed at minimal value to one of the Lessors. Rental expense for the operating lease was approximately \$72,000 for the year ended December 31, 2014 and \$144,000 during each of the years ended December 31, 2013 and 2012.

*Environmental and Related Contingencies*

The Company is subject to a variety of environmental and pollution control laws and regulations incident to the ordinary course of business. The Company currently expects that the resolution of any potential contingencies arising from compliance with these laws and regulations will not materially affect the Company's financial position, results of operations or cash flows.

**Beagell Group**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 6. Income Taxes**

Each of the Company's commonly-controlled entities described in Note 2 have elected to operate under Subchapter S of the Internal Revenue Code. The Company's primary uncertain tax position arises from uncertainties regarding the continued qualifications of one of the entities for that Subchapter S election. It is reasonably possible that the amount of benefits from this uncertain tax position will significantly increase or decrease in the next twelve months; however, no estimate of the range of the amount of the increase or decrease can be readily made.

A reconciliation of the beginning and ending amount of reserves for uncertain tax positions is as follows:

|  | <u>2014</u>        | <u>2013</u>        | <u>2012</u>        |
|--|--------------------|--------------------|--------------------|
| Balance at January 1   | \$1,199,458        | \$1,018,846        | \$ 731,306         |
| Additions based on tax positions related to the current year | <u>396,757</u>     | <u>180,612</u>     | <u>287,540</u>     |
| Balance at December 31                                       | <u>\$1,592,215</u> | <u>\$1,199,458</u> | <u>\$1,018,846</u> |

In addition to the uncertain tax positions included in the table above, the Company has other uncertain tax positions related to the timing of certain deductions for income tax purposes. The related basis differences caused by this timing of deductions for income tax purposes and the timing of expense recognition for financial reporting purposes are reported by the Company's equity holders. However, interest and penalties are separately recorded for all uncertain tax positions as part of income tax expense and amounted to approximately \$24,000, \$84,000 and \$92,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The Company had accumulated interest and penalties of approximately \$377,000 and \$353,000 as of December 31, 2014 and 2013, respectively, which are included in the reserve for uncertain tax positions on the combined balance sheets.

The Company is generally no longer subject to examination in primary tax jurisdictions for tax years through 2011. The Company is not currently subject to any audits or examinations.

**Note 7. Employee Benefit Plans**

The Company provides a defined contribution plan covering eligible employees, which includes a matching contribution. Matching Company contributions to this plan were approximately \$430,000, \$392,000 and \$372,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

**Note 8. Common Stock**

The capital structure of the combined entities as of December 31, 2014, is as follows:

|             | <u>Common shares, no par value</u> |               | <u>Additional paid-in capital</u> |
|-------------|------------------------------------|---------------|-----------------------------------|
|             | <u>Authorized</u>                  | <u>Issued</u> |                                   |
| Don's       | 5,000                              | 1,200         | \$524,005                         |
| Gary's      | 3,000                              | 2,104         | 184,488                           |
| Horsehead's | 200                                | 120           | <u>40,000</u>                     |
|             |                                    |               | <u>\$748,493</u>                  |

In each of 2014, 2013 and 2012, the shareholders of Gary's contributed \$20,520 for an additional 12 shares of common stock.

**Note 9. Subsequent Events**

The Company has evaluated subsequent events through March 25, 2015, which is the date the combined financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these combined financial statements.

## Report of Independent Registered Public Accounting Firm

The Shareholders  
Standard  
Toronto, Ontario

We have audited the accompanying combined balance sheets of Standard (entities under common control as described in Note 1) as of December 31, 2014 and 2013 and the related combined statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These combined financial statements are the responsibility of Standard's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. Standard is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Standard's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Standard at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Standard is expected to be acquired by an unrelated party.

/s/ BDO USA, LLP

Chicago, Illinois  
March 25, 2015

**Standard**  
**COMBINED BALANCE SHEETS**  
**As of December 31, 2014 and 2013**

|  | <u>2014</u>                | <u>2013</u>                |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| <b>CURRENT ASSETS</b>                                    |                            |                            |
| Cash and cash equivalents                                | \$ 1,354,155               | \$ 1,901,613               |
| Accounts receivable, net of allowance                    | 930,903                    | 1,291,561                  |
| Inventories  | 11,090,360                 | 10,542,985                 |
| Prepaid expenses and other current assets                | 291,782                    | 212,595                    |
| Related party receivables                                | 255,698                    | 212,430                    |
| Total current assets                                     | <u>13,922,898</u>          | <u>14,161,184</u>          |
| <b>PROPERTY AND EQUIPMENT</b>                            |                            |                            |
| Land and improvements                                    | 1,316,143                  | 1,000,681                  |
| Buildings and improvements                               | 3,099,557                  | 1,923,534                  |
| Office equipment   | 1,393,020                  | 1,392,037                  |
| Vehicles, trailers and yard equipment                    | 6,056,322                  | 6,095,725                  |
| Leasehold improvements                                   | 1,164,617                  | 875,681                    |
| Accumulated depreciation and amortization                | (5,340,370)                | (5,287,455)                |
| Property and equipment, net                              | <u>7,689,289</u>           | <u>6,000,203</u>           |
| <b>OTHER NON-CURRENT ASSETS</b>                          |                            |                            |
| Goodwill   | 363,373                    | 394,990                    |
| Deferred income taxes                                    | 256,287                    | 83,120                     |
| Other non-current assets                                 | 33,394                     | 30,064                     |
| Total non-current assets                                 | <u>653,054</u>             | <u>508,174</u>             |
| <b>TOTAL ASSETS</b>                                      | <u><u>\$22,265,241</u></u> | <u><u>\$20,669,561</u></u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>              |                            |                            |
| <b>CURRENT LIABILITIES</b>                               |                            |                            |
| Accounts payable   | \$ 563,045                 | \$ 536,373                 |
| Accrued expenses and other current liabilities           | 1,187,723                  | 2,103,373                  |
| Deferred warranty revenue                                | 179,832                    | 240,632                    |
| Deferred income taxes                                    | 918,004                    | 1,161,319                  |
| Related party payables                                   | 2,409,277                  | 524,965                    |
| Total current liabilities                                | <u>5,257,881</u>           | <u>4,566,662</u>           |
| <b>DEFERRED INCOME TAXES</b>                             | 70,668                     | 70,668                     |
| <b>DEFERRED WARRANTY REVENUE, NET OF CURRENT PORTION</b> | 176,610                    | 219,981                    |
| <b>RESERVE FOR UNCERTAIN TAX POSITIONS</b>               | 458,425                    | 325,926                    |
| Total liabilities  | <u>5,963,584</u>           | <u>5,183,237</u>           |
| <b>COMMITMENTS AND CONTINGENCIES</b>                     |                            |                            |
| <b>SHAREHOLDERS' EQUITY</b>                              |                            |                            |
| Common stock, no par value                               | —                          | —                          |
| Additional paid-in capital                               | 5,058,040                  | 5,058,040                  |
| Retained earnings  | 10,641,250                 | 8,881,011                  |
| Accumulated other comprehensive income (loss)            | (75,129)                   | 904,609                    |
| Total Standard shareholders' equity                      | <u>15,624,161</u>          | <u>14,843,660</u>          |
| Noncontrolling interest                                  | 677,496                    | 642,664                    |
| Total shareholders' equity                               | <u>16,301,657</u>          | <u>15,486,324</u>          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>        | <u><u>\$22,265,241</u></u> | <u><u>\$20,669,561</u></u> |

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

**Standard**  
**COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | <u>2014</u>         | <u>2013</u>         | <u>2012</u>       |
|--|---------------------|---------------------|-------------------|
| Net revenues . . . . .   | \$31,126,456        | \$31,737,800        | \$31,036,982      |
| Cost of goods sold . . . . .   | <u>19,717,339</u>   | <u>19,713,472</u>   | <u>20,242,794</u> |
| Gross profit . . . . .   | 11,409,117          | 12,024,328          | 10,794,188        |
| Operating expenses . . . . .   | <u>9,524,510</u>    | <u>11,602,249</u>   | <u>10,377,259</u> |
| Income from operations . . . . .                                     | 1,884,607           | 422,079             | 416,929           |
| Other income (expense) . . . . .                                     | <u>842,509</u>      | <u>30,647</u>       | <u>(660)</u>      |
| Income before income tax provision . . . . .                         | 2,727,116           | 452,726             | 416,269           |
| Income tax provision . . . . .                                       | <u>(683,683)</u>    | <u>(171,800)</u>    | <u>(111,715)</u>  |
| Net income . . . . .   | 2,043,433           | 280,926             | 304,554           |
| Net income attributable to noncontrolling interest . . . . .         | <u>107,282</u>      | <u>68,455</u>       | <u>60,687</u>     |
| Net income attributable to Standard . . . . .                        | <u>\$ 1,936,151</u> | <u>\$ 212,471</u>   | <u>\$ 243,867</u> |
| Net income . . . . .   | \$ 2,043,433        | \$ 280,926          | \$ 304,554        |
| Foreign currency translation adjustments . . . . .                   | <u>(982,425)</u>    | <u>(697,552)</u>    | <u>196,199</u>    |
| Net comprehensive income (loss) . . . . .                            | 1,061,008           | (416,626)           | 500,753           |
| Net comprehensive income attributable to noncontrolling interest . . | <u>104,595</u>      | <u>68,455</u>       | <u>60,687</u>     |
| Net comprehensive income (loss) attributable to Standard . . . . .   | <u>\$ 956,413</u>   | <u>\$ (485,081)</u> | <u>\$ 440,066</u> |

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

**Standard**  
**COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | Common stock  |            | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Noncontrolling<br>interest | Total<br>shareholders'<br>equity |
|--|---------------|------------|----------------------------------|----------------------|--|----------------------------|----------------------------------|
|  | Shares        | Amount     |                                  |                      |  |                            |                                  |
| Balance at January 1,                                |               |            |                                  |                      |  |                            |                                  |
| 2012 .....   | 10,400        | \$—        | \$4,208,559                      | \$ 8,424,673         | \$1,405,962  | \$513,522                  | \$14,552,716                     |
| Net income .....                                     | —             | —          | —                                | 243,867              | —  | 60,687                     | 304,554                          |
| Foreign currency<br>translation<br>adjustments ..... | —             | —          | —                                | —                    | 196,199  | —                          | 196,199                          |
| Balance at December 31,                              |               |            |                                  |                      |  |                            |                                  |
| 2012 .....   | 10,400        | —          | 4,208,559                        | 8,668,540            | 1,602,161  | 574,209                    | 15,053,469                       |
| Net income .....                                     | —             | —          | —                                | 282,234              | —  | (1,308)                    | 280,926                          |
| Shareholder<br>contributions .....                   | —             | —          | 600,608                          | —                    | —  | —                          | 600,608                          |
| Capitalization of Goldy<br>Metals Ottawa .....       | 100           | —          | 248,873                          | —                    | —  | —                          | 248,873                          |
| Foreign currency<br>translation<br>adjustments ..... | —             | —          | —                                | —                    | (697,552)  | —                          | (697,552)                        |
| Balance at December 31,                              |               |            |                                  |                      |  |                            |                                  |
| 2013 .....   | 10,500        | —          | 5,058,040                        | 8,950,774            | 904,609  | 572,901                    | 15,486,324                       |
| Net income .....                                     | —             | —          | —                                | 1,936,151            | —  | 107,282                    | 2,043,433                        |
| Shareholder<br>distributions .....                   | —             | —          | —                                | (245,675)            | —  | —                          | (245,675)                        |
| Foreign currency<br>translation<br>adjustments ..... | —             | —          | —                                | —                    | (979,738)  | (2,687)                    | (982,425)                        |
| Balance at December 31,                              |               |            |                                  |                      |  |                            |                                  |
| 2014 .....   | <u>10,500</u> | <u>\$—</u> | <u>\$5,058,040</u>               | <u>\$10,641,250</u>  | <u>\$ (75,129)</u>                                     | <u>\$677,496</u>           | <u>\$16,301,657</u>              |

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

**Standard**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | <u>2014</u>         | <u>2013</u>         | <u>2012</u>        |
|--|---------------------|---------------------|--------------------|
| Cash flows from operating activities:  |                     |                     |                    |
| Net income .....   | \$ 2,043,433        | \$ 280,926          | \$ 304,554         |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities |                     |                     |                    |
| Depreciation and amortization expense .....  | 682,263             | 917,945             | 735,762            |
| Deferred income tax benefit .....  | (325,789)           | (510,272)           | (698,538)          |
| Provision for uncertain tax positions .....  | (235,888)           | 153,291             | 100,859            |
| (Gain) loss on disposal of property and equipment .....                                    | —                   | (16,816)            | 5,303              |
| Gain on fire .....   | (758,481)           | —                   | —                  |
| Insurance proceeds .....   | 1,505,371           | —                   | —                  |
| Change in assets and liabilities   |                     |                     |                    |
| Accounts receivable .....  | 402,620             | 23,629              | 41,175             |
| Inventories .....  | (2,173,347)         | (468,042)           | 1,295,391          |
| Prepaid expenses and other current assets .....  | 29,306              | (123,663)           | 338,531            |
| Accounts payable .....   | 38,864              | 127,914             | (151,218)          |
| Accrued expenses and other current liabilities .....                                       | 1,058,278           | 465,270             | (219,206)          |
| Net cash provided by (used in) operating activities .....                                  | <u>2,266,630</u>    | <u>(850,182)</u>    | <u>1,752,613</u>   |
| Cash flows from investing activities   |                     |                     |                    |
| Capital expenditures .....   | (3,274,519)         | (891,724)           | (131,808)          |
| Insurance proceeds .....   | 1,091,262           |                     |                    |
| Business acquisition, net of cash acquired .....   | —                   | (2,931,000)         | —                  |
| Net cash used in investing activities .....  | <u>(2,183,257)</u>  | <u>(3,822,724)</u>  | <u>(131,808)</u>   |
| Cash flows from financing activities   |                     |                     |                    |
| Capitalization of Goldy Metals Ottawa .....  | —                   | 248,873             | —                  |
| Shareholder distributions .....  | (245,675)           | —                   | —                  |
| Net cash provided by financing activities .....  | <u>(245,675)</u>    | <u>248,873</u>      | <u>—</u>           |
| Effect of foreign exchange fluctuations on cash .....                                      | <u>(385,155)</u>    | <u>(430,389)</u>    | <u>46,894</u>      |
| Net (decrease) increase in cash and cash equivalents .....                                 | (547,458)           | (3,154,058)         | 1,667,699          |
| Cash and cash equivalents, beginning of year .....   | <u>1,901,613</u>    | <u>5,055,671</u>    | <u>3,387,972</u>   |
| Cash and cash equivalents, end of year .....   | <u>\$ 1,354,155</u> | <u>\$ 1,901,613</u> | <u>\$5,055,671</u> |
| Supplemental cash flow disclosure  |                     |                     |                    |
| Cash paid for income taxes .....   | <u>\$ 657,513</u>   | <u>\$ 815,733</u>   | <u>\$ 238,209</u>  |

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



**Standard**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 1. Nature of Operations**

Standard (the “Company”) includes four commonly-controlled companies: Standard Auto Wreckers, Inc. (“Standard Auto”), End of Life Vehicles Inc. (“End of Life Vehicles”), Goldy Metals (Ottawa) Incorporated (“Goldy Metals Ottawa”) and Goldy Metals Incorporated (“Goldy Metals Toronto”). The Company’s primary business is auto recycling, which is the recovery and resale of original equipment manufacturer (“OEM”) and aftermarket parts, components and systems, such as engines, transmissions, radiators, trunks, lights and seats (referred to as “products”) reclaimed from damaged, totaled or low value vehicles. The Company purchases its vehicles primarily at auto salvage auctions. Upon receipt of vehicles, the Company inventories and then a) dismantles the vehicles and sells the recycled components at its full-service facilities or b) allows retail customers to directly dismantle, recover and purchase recycled parts at its self-service facilities. In addition, the Company purchases recycled OEM parts and related products from third parties for resale and distribution to its customers. The Company’s customers include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers. The Company also generates a portion of revenue from the sale as scrap of the unusable parts and materials and from the sale of extended warranty contracts.

Standard Auto is incorporated in New York, End of Life Vehicles, Goldy Metals Ottawa and Goldy Metals Toronto all operate in Canada and are incorporated in the Province of Ontario. Collectively, the Company has three full-service dismantling and distribution facilities located in Niagara Falls, New York; Port Hope, Ontario; and Ottawa, Ontario. The Ottawa facility runs a self-service operation adjacent to its full-service operations and Goldy Metals Toronto has a second self-service operation in Scarborough, Ontario. End of Life Vehicles is a website based solution for individuals to arrange for an environmentally responsible disposal of their vehicle.

The shareholders of each of the commonly-controlled companies have entered into agreements with Fenix Parts, Inc. (“Fenix”) under which Fenix will acquire their respective capital stock or substantially all of their net assets for cash and preferred shares of Fenix’s Canadian subsidiary, contingent on, among other things, the closing of an initial public offering of Fenix common stock. The acquisition will not include the capital stock of Dalana Realty, Port Hope or Cornwall (all as defined below).

**Note 2. Summary of Significant Accounting Policies**

*Basis of Preparation*

The combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany transactions and balances between the Company’s four entities have been eliminated in combination. The combined Company represents a single reportable segment.

The combined financial statements include the accounts of Dalana Realty, Inc. (“Dalana Realty”), the lessor of the premises from which Standard Auto operates. Dalana Realty and Standard Auto share common ownership. In April 2014, Standard Auto Wreckers (Port Hope), Inc. (“Port Hope”), an Ontario corporation, was formed by one of the Company’s shareholders to hold new property to be used as a full-service dismantling and distribution facility in Port Hope, Ontario, to replace the Goldy Metals Toronto’s full-service operations in Scarborough which were not restarted after a fire at the facility in March 2014. The combined financial statements also include the accounts of Port Hope.

The Company has determined Dalana Realty and Port Hope are variable interest entities (“VIEs”) because the holders of the equity investment at risk do not have the obligation to absorb its expected losses or receive its residual returns. Furthermore, the Company has determined it is the primary beneficiary of the VIEs because the Company has the power to direct the activities that most significantly impact Dalana Realty’s and Port Hope’s

**Standard**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

economic performance, namely the operations and maintenance of the significant assets of the VIEs. Accordingly, and pursuant to consolidation requirements under GAAP, the Company consolidates Dalana Realty and Port Hope. All intercompany transactions are eliminated in consolidation, and the VIE's operating results are attributable to the noncontrolling interest in the Company's combined statements of operations and all of its shareholder's equity is reported separately from the Company's shareholders' equity in the Company's combined balance sheets and statements of shareholders' equity.

*Foreign Currency*

The assets and liabilities of End of Life Vehicles, Goldy Metals Ottawa, Goldy Metals Toronto and Port Hope, whose functional currency is the Canadian dollar, are translated into US dollars at period-end exchange rates prior to combination. Income and expense items are translated at the average rates of exchange prevailing during the period. The adjustments resulting from translating the Company's financial statements are reflected as a component of accumulated other comprehensive income within shareholders' equity. Foreign currency transaction gains and losses are recognized in net earnings based on differences between foreign exchange rates on the transaction date and the settlement date. Transaction gains (losses) were \$2,200, \$9,300 and (\$5,900) in 2014, 2013 and 2012, respectively, and are included in operating expenses on the consolidated statements of operations.

*Use of Estimates*

The preparation of the Company's combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue Recognition*

The Company recognizes revenue from the sale of vehicle replacement products and scrap when they are shipped or picked up by the customers and ownership has transferred, subject to an allowance for estimated returns and discounts that management estimates based upon historical information. Management analyzes historical returns (often pursuant to standard warranties on the sold products) and allowances activity by comparing the items to the original invoice amounts and dates. The Company uses this information to project future returns and allowances on products sold. If actual returns and allowances deviate significantly from the Company's historical experience, there could be an impact on its operating results in the period of occurrence. The Company has recorded a reserve for estimated returns and discounts of approximately \$85,000 and \$249,000 at December 31, 2014 and 2013, respectively, within accrued expenses and other current liabilities.

The Company presents taxes assessed by governmental authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenue on the combined statements of operations and are shown as current liabilities on the combined balance sheets until remitted. Revenue also includes amounts billed to customers for shipping and handling.

Revenue from the sale of separately priced extended warranty contracts is reported as deferred revenue and recognized ratably over the term of the contracts or over five years for life-time warranties. Revenue from such extended warranty contracts was approximately \$412,000, \$371,000 and \$465,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

**Standard**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

Net revenues of approximately \$26,914,000, \$26,958,000 and \$25,913,000 were reported by the Company's Canadian entities for the years ended December 31, 2014, 2013 and 2012, respectively.

*Cost of Goods Sold*

Cost of goods sold primarily includes a) amounts paid for the purchase of vehicles and parts for resale, b) related auction, storage and towing fees, and c) other costs of procurement and dismantling, primarily labor and overhead allocable to dismantling operations.

*Operating Expenses*

Operating expenses are primarily comprised of a) salaries and benefits of employees that are not related to the procurement and dismantling of vehicles, b) facility costs such as rent, utilities, insurance, repairs and taxes not allocated to dismantling operations, c) selling and marketing costs, d) costs to distribute products and scrap and e) other general and administrative costs.

*Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Accounts Receivable and Allowance for Doubtful Accounts*

In the normal course of business, the Company extends credit to customers after a review of each customer's credit history. The Company recorded a reserve for uncollectible accounts of approximately \$113,000 and \$19,000 at December 31, 2014 and 2013, respectively. The reserve is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable and historical experience. Receivables are written off once collections efforts have been exhausted. Recoveries of accounts receivable previously written off are recorded when received.

*Reclassifications*

Reclassifications of prior period amounts have been made to conform to the current period presentation. The reclassifications have no impact on net income.

*Concentrations*

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The majority of cash and cash equivalents are maintained with major financial institutions. The Company maintains its cash in bank deposit accounts which, at times, may exceed the insurance limits of the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts. Concentrations of credit risk with respect to accounts receivable are limited because a large number of customers make up the Company's customer base. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

The Company obtains its recycled OEM and related products from damaged, totaled or low value vehicles purchased at salvage auto auctions. For 2014, 2013 and 2012, substantially all of the vehicles purchased by the Company for dismantling were acquired at auctions run by two salvage auto auction companies.

**Standard**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

*Inventories*

Inventories consist entirely of recycled OEM and aftermarket products, including car hulls and other materials that will be sold as scrap. Inventory costs are established based upon the price the Company pays for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling vehicles. After dismantling, the cost assigned to the salvage parts and scrap is determined using the average cost to sales percentage at the Company and applying that percentage to the Company's inventory at expected selling prices. The average cost to sales percentage is derived from the Company's historical vehicle profitability for salvage vehicles purchased at auction or procured from other sources.

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

*Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged against operations as incurred. Renewals and betterments that materially extend the useful life of an asset are capitalized. As property and equipment are sold or retired, the applicable cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss thereon is recognized. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives. Depreciation and amortization totaled approximately \$682,000, \$918,000 and \$736,000 for the years ended December 31, 2014, 2013 and 2012, respectively. Approximately \$2,370,000 and \$455,000 of property and equipment, net of accumulated depreciation and amortization, was held by Dalana Realty and Port Hope as of December 31, 2014 and 2013, respectively. Approximately \$6,878,000 and \$5,015,000 of property and equipment, net of accumulated depreciation and amortization, was held by the Company's Canadian entities as of December 31, 2014 and 2013, respectively.

Estimated useful lives are as follows:

|                                       |   |
|---------------------------------------|---|
| Buildings                             | 39 years                                  |
| Building and Land improvements        | 15 years                                  |
| Office equipment                      | 3 - 10 years                              |
| Vehicles, trailers and yard equipment | 5 - 10 years                              |
| Leasehold improvements                | 10 -15 years or life of lease, if shorter |

The Company evaluates the recoverability of the carrying amount of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable based on an analysis of undiscounted cash flows. There were no such events or changes in the years ended December 31, 2014, 2013 or 2012.

*Goodwill*

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. The Company is required to perform an annual impairment review, and more frequently under certain circumstances. Under the qualitative goodwill impairment assessment standard, management evaluates whether it is more likely than not that the fair value of the reporting unit is less

**Standard**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

than its carrying value. If it is determined that it is more likely than not, the Company proceeds with the next step of the impairment test, which compares the fair value of the reporting unit to its carrying value. If the Company determines through the impairment process that goodwill has been impaired, the Company will record the impairment charge in its results of operations. The Company has elected to perform its annual evaluation of impairment as of December 31. There were no impairment charges related to goodwill during the years ended December 31, 2014 and 2013.

*Income Taxes*

Income taxes are accounted for under the asset and liability method where deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax basis and for tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include historical cumulative losses, the forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

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

*Advertising Expenses*

Advertising costs are expensed as incurred and included in operating expenses in the accompanying combined statements of operations. Advertising expenses were approximately \$399,000, \$319,000 and \$272,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Fair Value Measurements*

Fair value of financial assets and liabilities are defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company is required to classify fair value measurements in one of the following categories:

- Level 1—inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

## Standard

### NOTES TO COMBINED FINANCIAL STATEMENTS

- Level 2—inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3—inputs are defined as unobservable inputs for the assets or liabilities. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Certain assets and liabilities are required to be recorded at fair value on either a recurring or non-recurring basis; however, the Company has no assets or liabilities that require recurring fair value measurements. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company's combined financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company's debt and related party receivables are carried at cost which approximates fair value due to their variable or fixed interest rates, which are consistent with the interest rates in the market.

The Company may be required, on a non-recurring basis, to adjust the carrying value of its property and equipment or goodwill. When necessary, these valuations may be determined by the Company using Level 3 inputs. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence that impairment may exist. There have been no indicators of impairment during 2014, 2013 or 2012.

#### *Recent Adopted Accounting Pronouncements*

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, which amends FASB Accounting Standards Codification ("ASC") Topic 205, *Presentation of Financial Statements*, and FASB ASC Topic 360, *Property, Plant, and Equipment*. This standard amends the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective on a prospective basis for annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. The Company expects to adopt this standard on a prospective basis beginning January 1, 2015. Adoption is not expected to have a material impact on the Company's combined financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The guidance in this update supersedes nearly all existing revenue recognition guidance under U.S. GAAP and creates a single, principle-based revenue recognition framework that is codified in a new FASB ASC Topic 606. The core principle of this guidance is for the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new revenue standard is

## Standard

### NOTES TO COMBINED FINANCIAL STATEMENTS

effective for nonpublic entities' annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early adoption is not permitted. The new standard allows for either full retrospective or modified retrospective adoption. The Company is currently evaluating the transition method that will be elected and the potential effects of the adoption of the new standard on the Company's combined financial statements.

In August 2014, the FASB issued ASU No. 2014-15, which amends ASC Topic 205, *Presentation of Financial Statements*, to describe management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This guidance will be effective for the Company's fiscal year ended December 31, 2016. The Company does not expect adoption of this ASU to have a material impact on its combined financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which modifies the evaluation of VIEs, and affects the consolidation analysis of reporting entities involved with VIEs. This guidance for public entities is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the impact of adopting the new standard.

#### Note 3. Business Combinations

In March 2013, Goldy Metals Ottawa acquired certain operations of Union Auto Parts (1997) Ltd. ("Union Auto"), an unrelated party, for a purchase price of CAD \$2.91 million (or approximately US\$2.93 million). Other than approximately \$200,000 of certain inventories, the acquired net assets included approximately \$2.24 million of land, buildings and equipment and no liabilities, resulting in approximately \$488,000 of deductible goodwill. Goldy Metals Ottawa did not incur material transaction expenses related to this acquisition. Goldy Metals Ottawa acquired Union Auto to obtain a strategically attractive location in Ottawa, Ontario and to complement other Standard operations. Since the acquisition date, goodwill decreased in U.S. dollars by \$32,000 and \$93,000 during 2014 and 2013, respectively, due to foreign currency translation adjustments.

In August 2013, one of the Company's shareholders formed Standard Auto Wreckers (Cornwall) Inc. ("Cornwall"), an Ontario corporation, to acquire property located in Cornwall, Ontario to allow for future expansion of the Goldy Metals Ottawa operations.

#### Note 4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 31, 2014 and 2013, consisted of the following:

|   | December 31,       |                    |
|---|--------------------|--------------------|
|   | 2014               | 2013               |
| Accrued salaries and employee costs . . . . . | \$ 140,860         | \$ 142,859         |
| Reserve for returns and discounts . . . . .   | 84,615             | 248,667            |
| Income taxes payable . . . . .                | 443,377            | 325,370            |
| Management fees payable . . . . .             | —                  | 981,593            |
| Other liabilities . . . . .                   | 518,871            | 404,884            |
|   | <u>\$1,187,723</u> | <u>\$2,103,373</u> |

**Standard  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 5. Commitments and Contingencies**

*Leases*

Goldy Metals Toronto pays rent to one of the shareholders under a month to month lease agreement. Lease expense under this operating lease was approximately \$65,000, \$70,000, and 72,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

Port Hope leases office space to multiple tenants for aggregate annual rent of approximately \$60,000. These leases range from terms of one to three years.

*Litigation and Related Contingencies*

The Company is subject to a variety of environmental and pollution control laws and regulations incident to the ordinary course of business. As of December 31, 2013 the Company had approximately CAD \$94,000 accrued related to an environmental matter for causing or permitting an oil spill which polluted a nearby creek at the Goldy Metals Toronto location. This CAD \$94,000 settlement was paid in 2014. The Company currently expects that the resolution of any other contingencies arising from compliance with these laws and regulations will not materially affect its combined financial position, results of operations or cash flows.

The Province of Ontario has filed a civil lawsuit against Goldy Metals Toronto and the owner of the land on which the facility is located claiming damages of CAD \$10.5 million plus pre- and post-judgment interest and court costs, for alleged historical and spill-related contamination and property encroachment damage. The lawsuit is currently in the pre-discovery stage and no accrual has been recorded.

**Note 6. Income Taxes**

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

|                            | <u>Year ended December 31,</u> |                   |                   |
|----------------------------|--------------------------------|-------------------|-------------------|
|                            | <u>2014</u>                    | <u>2013</u>       | <u>2012</u>       |
| Current                    |                                |                   |                   |
| Domestic .....             | \$ 472,865                     | \$ 336,960        | \$ 274,723        |
| Foreign .....              | 536,607                        | 345,112           | 535,530           |
| Total current .....        | 1,009,472                      | 682,072           | 810,253           |
| Deferred                   |                                |                   |                   |
| Domestic .....             | (352,963)                      | (342,880)         | (593,312)         |
| Foreign .....              | 27,174                         | (167,392)         | (105,226)         |
| Total deferred .....       | (325,789)                      | (510,272)         | (698,538)         |
| Income tax provision ..... | <u>\$ 683,683</u>              | <u>\$ 171,800</u> | <u>\$ 111,715</u> |

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

|                | <u>Year ended December 31,</u> |                   |                   |
|----------------|--------------------------------|-------------------|-------------------|
|                | <u>2014</u>                    | <u>2013</u>       | <u>2012</u>       |
| Domestic ..... | \$ (313,050)                   | \$(409,567)       | \$(1,086,799)     |
| Foreign .....  | 3,040,167                      | 862,293           | 1,503,070         |
|                | <u>\$2,727,117</u>             | <u>\$ 452,726</u> | <u>\$ 416,269</u> |



**Standard**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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

|   | <u>Year ended December 31,</u> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <u>2014</u>                    | <u>2013</u> | <u>2012</u> |
| U.S. federal statutory rate .....                                     | 34%                            | 34%         | 34%         |
| State income taxes, net of state credits and federal tax impact ..... | 0                              | 4           | 4           |
| Impact of foreign tax rates .....                                     | (8)                            | (26)        | (19)        |
| Changes in uncertain tax positions .....                              | 11                             | 34          | 22          |
| Other, net .....  | <u>(12)</u>                    | <u>(8)</u>  | <u>(16)</u> |
| Effective tax rate .....  | <u>25%</u>                     | <u>38%</u>  | <u>25%</u>  |

The significant components of the Company's deferred tax assets and liabilities are as follows:

|  | <u>December 31,</u> |                       |
|--|---------------------|-----------------------|
|  | <u>2014</u>         | <u>2013</u>           |
| Deferred tax assets                    |                     |                       |
| Accrued expenses and reserves .....    | \$ 54,550           | \$ 267,925            |
| Goodwill .....                         | 257,452             | 305,004               |
| Net operating loss carryforwards ..... | 156,873             | 76,471                |
| State tax credits .....                | <u>33,026</u>       | <u>39,475</u>         |
| Total deferred tax assets .....        | 501,901             | 688,875               |
| Deferred tax liabilities               |                     |                       |
| Inventories .....                      | (612,467)           | (1,429,243)           |
| Property and equipment .....           | (158,037)           | (408,499)             |
| Other .....                            | <u>(463,782)</u>    | <u>—</u>              |
| Total deferred tax liabilities .....   | <u>(1,234,286)</u>  | <u>(1,837,742)</u>    |
| Net deferred tax liability .....       | <u>\$ (732,385)</u> | <u>\$ (1,148,867)</u> |

Deferred tax assets and liabilities are reflected on the combined balance sheets as follows:

|  | <u>December 31,</u> |             |
|--|---------------------|-------------|
|  | <u>2014</u>         | <u>2013</u> |
| Non-current deferred tax assets .....      | \$ 256,287          | \$ 83,120   |
| Current deferred tax liabilities .....     | (918,004)           | (1,161,319) |
| Non-current deferred tax liabilities ..... | (70,668)            | (70,668)    |

There are net operating loss carryforwards for foreign jurisdictions which result in tax benefits of approximately \$592,000 and \$289,000 at December 31, 2014 and, 2013, respectively. The net operating loss carryforwards expire by 2033, while most tax credit carryforwards have no expiration. Realization of these deferred tax assets is dependent on the generation of sufficient taxable income prior to the expiration dates. Based on historical and projected operating results, management believes that it is more likely than not that earnings will be sufficient to realize the deferred tax assets for which valuation allowances have not been provided. While management expects to realize the deferred tax assets, net of valuation allowances, changes in estimates of future taxable income or in tax laws may alter this expectation.

**Standard**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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

|  | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|--|------------------|------------------|------------------|
| Balance at January 1 . . . . .                       | \$142,340        | \$119,403        | \$ 72,002        |
| Additions for tax positions of prior years . . . . . | (1,341)          | 22,937           | 47,401           |
| Balance at December 31 . . . . .                     | <u>\$140,999</u> | <u>\$142,340</u> | <u>\$119,403</u> |

The Company’s uncertain tax positions include positions related to the timing of certain deductions for income tax purposes. The related basis differences caused by this timing of deductions for income tax purposes and the timing of expense recognition for financial reporting purposes are reflected in the Company’s deferred income tax liabilities. However, interest and penalties are separately recorded for all uncertain tax positions as part of income tax expense and amounted to approximately \$135,000, \$130,000 and \$53,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The Company had accumulated interest and penalties of approximately \$317,000 and \$184,000 as of December 31, 2014 and 2013, respectively, which are included in the reserve for uncertain tax positions on the combined balance sheets.

The Company is generally no longer subject to examination in the Company’s primary tax jurisdictions for tax years through 2011. The Company is not currently subject to any audits or examination.

**Note 7. Related-Party Transactions**

The Company had related party payables of approximately \$2,409,000 and \$525,000 at December 31, 2014 and 2013, respectively. These amounts are due to Goldy Metals Holdings, Inc., the majority owner of Dalana Realty, for funds advanced to Dalana Realty and to the primary owner of Port Hope for funds advanced for working capital needs, are payable on demand and bear no interest.

The Company had related-party receivables of approximately \$256,000 at December 31, 2014. This amount consists of a loan receivable from Goldy Metals Holdings, Inc. of approximately \$109,000, a loan receivable of approximately \$104,000 from 1321 Erie Rd., a related party through common ownership, and certain advances to shareholders and other related entities of approximately \$43,000. The Company has related party receivables of approximately \$212,000 at December 31, 2013. This amount consists of a loan receivable from Goldy Metals Holdings, Inc. of approximately \$96,000, a loan receivable of approximately \$97,000 from 1321 Erie Rd., a related party through common ownership, and certain advances to shareholders and other related entities of approximately \$19,000. These receivables represent advances from the Company to pay various operating expenses of the related parties and are due on demand. None of the receivables bears interest, with the exception of the 1321 Erie Road note which has a fixed rate of 2.5% per annum.

The Company pays management fees to two shareholders. There is no formal agreement, and the amount paid each year is largely discretionary. Management fees were approximately \$ —, \$1,020,000 and \$1,050,000 for the years ended December 31, 2014, 2013 and 2012, respectively, and are included in operating expenses in the combined statements of operations. A portion of management fees due to these shareholders (approximately \$601,000) was converted into Goldy Metals Toronto’s shareholders equity in 2013.

The Company leases one of its Goldy Metals Toronto facilities from a shareholder on a month-to-month basis. Rent is paid at the rate of approximately \$6,000 per month and no amounts were payable at December 31, 2014 or 2013.

**Standard**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 8. Gain on Fire**

On March 3, 2014, a fire occurred at the Goldy Metals Toronto facility located in Scarborough, Ontario. The fire destroyed the dismantling facility and a substantial portion of the location’s inventory. The Company received approximately \$2,597,000 in insurance proceeds and recognized a \$758,000 gain within other income as a result of the settlement of lost inventory, damaged buildings and other miscellaneous items from the fire. The Company is in the process of finalizing the insurance claim and does not anticipate significant additional recovery.

**Note 9. Common Stock**

The capital structure of the combined entities as of December 31, 2014 and 2013, as follows:

|                                | <u>Common stock, no par value</u> |               | <u>Additional Paid-in Capital</u> |
|--------------------------------|-----------------------------------|---------------|-----------------------------------|
|                                | <u>Authorized</u>                 | <u>Issued</u> |                                   |
| Standard Auto . . . . .        | 1,000                             | 200           | \$1,427,429                       |
| End of Life Vehicles . . . . . | unlimited                         | 200           | 20                                |
| Goldy Metals Ottawa . . . . .  | unlimited                         | 100           | 248,873                           |
| Goldy Metals Toronto . . . . . | unlimited                         | 10,000        | <u>3,374,418</u>                  |
|                                |                                   |               | <u>\$5,058,040</u>                |

As described in Note 7, in 2013, the shareholders of Goldy Metals Toronto converted approximately \$601,000 of amounts due to them into additional paid-in capital with no common stock issued.

**Note 10. Subsequent Events**

The Company has evaluated subsequent events through March 25, 2015, which is the date the consolidated financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

## Independent Auditor's Report

The Shareholders  
Eiss Brothers, Inc.  
Watertown, New York

We have audited the accompanying consolidated financial statements of Eiss Brothers, Inc., which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eiss Brothers, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

As described in Note 1, the Company is expected to be acquired by an unrelated party.

/s/ BDO USA, LLP

Chicago, Illinois  
March 25, 2015

**Eiss Brothers, Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2014 and 2013**

|  | <u>2014</u>                | <u>2013</u>                |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| <b>CURRENT ASSETS</b>  |                            |                            |
| Cash and cash equivalents  | \$ 633,483                 | \$ 351,874                 |
| Accounts receivable, net of allowance  | 752,609                    | 576,028                    |
| Inventories  | 5,374,372                  | 5,368,739                  |
| Other current assets   | 23,052                     | 20,000                     |
| Total current assets   | <u>6,783,516</u>           | <u>6,316,641</u>           |
| <b>PROPERTY AND EQUIPMENT</b>  |                            |                            |
| Land   | 67,162                     | 67,162                     |
| Buildings and improvements   | 1,552,760                  | 1,552,760                  |
| Equipment  | 940,779                    | 762,093                    |
| Vehicles   | 228,776                    | 228,776                    |
| Accumulated depreciation   | (1,372,919)                | (1,270,406)                |
| Property and equipment, net  | <u>1,416,558</u>           | <u>1,340,385</u>           |
| <b>NON-CURRENT ASSETS</b>  |                            |                            |
| Shareholder note receivable  | 117,058                    | 144,173                    |
| Other non-current assets   | 17,506                     | 18,279                     |
| <b>TOTAL ASSETS</b>  | <u><u>\$ 8,334,638</u></u> | <u><u>\$ 7,819,478</u></u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                            |                            |
| <b>LIABILITIES</b>   |                            |                            |
| Accounts payable   | \$ 200,020                 | \$ 139,375                 |
| Accrued expenses and other current liabilities   | 178,947                    | 178,890                    |
| Current portion of deferred warranty revenue   | 143,313                    | 92,710                     |
| Current portion of long-term debt  | 71,280                     | 75,250                     |
| Total current liabilities  | 593,560                    | 486,225                    |
| <b>DEFERRED WARRANTY REVENUE, NET OF CURRENT PORTION</b>   | 170,808                    | 182,742                    |
| <b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>  | 540,359                    | 516,303                    |
| Total liabilities  | <u>1,304,727</u>           | <u>1,185,270</u>           |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                            |                            |
| <b>SHAREHOLDERS' EQUITY</b>  |                            |                            |
| Common stock, no par value; 300 shares authorized, issued and outstanding as of December 31, 2014 and 2013 | —                          | —                          |
| Additional paid-in capital   | 38,515                     | 38,515                     |
| Retained earnings  | 6,471,168                  | 6,090,072                  |
| Total Eiss Brothers, Inc. shareholders' equity   | 6,509,683                  | 6,128,587                  |
| Noncontrolling interest  | 520,228                    | 505,621                    |
| Total shareholders' equity   | <u>7,029,911</u>           | <u>6,634,208</u>           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <u><u>\$ 8,334,638</u></u> | <u><u>\$ 7,819,478</u></u> |

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

**Eiss Brothers, Inc.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | <u>2014</u>       | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|-------------------|
| Net revenues                                       | \$11,974,642      | \$10,022,320      | \$9,053,626       |
| Cost of goods sold                                 | <u>8,837,835</u>  | <u>7,253,257</u>  | <u>6,199,941</u>  |
| Gross profit                                       | 3,136,807         | 2,769,063         | 2,853,685         |
| Operating expenses                                 | <u>2,294,035</u>  | <u>2,420,368</u>  | <u>2,582,406</u>  |
| Income from operations                             | 842,772           | 348,695           | 271,279           |
| Interest expense                                   | (23,943)          | (23,782)          | (40,312)          |
| Other (expense)/income, net                        | <u>(21,018)</u>   | <u>23,235</u>     | <u>13,947</u>     |
| Net income   | 797,811           | 348,148           | 244,914           |
| Net income attributable to noncontrolling interest | <u>14,607</u>     | <u>16,672</u>     | <u>11,099</u>     |
| Net income attributable to Eiss Brothers, Inc.     | <u>\$ 783,204</u> | <u>\$ 331,476</u> | <u>\$ 233,815</u> |

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

**Eiss Brothers, Inc.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the years ended December 31, 2014, 2013 and 2012**

|                              | <u>Common stock</u> |               | <u>Additional<br/>paid-in<br/>capital</u> | <u>Retained<br/>earnings</u> | <u>Non<br/>controlling<br/>interest</u> | <u>Total<br/>shareholders'<br/>equity</u> |
|------------------------------|---------------------|---------------|---|------------------------------|---|---|
|                              | <u>Shares</u>       | <u>Amount</u> |   |                              |   |   |
| Balance at January 1, 2012   | 300                 | \$—           | \$38,515                                  | \$5,794,991                  | \$477,850                               | \$6,311,356                               |
| Shareholder distributions    | —                   | —             | —   | (188,154)                    | —                                       | (188,154)                                 |
| Net income                   | —                   | —             | —   | 233,815                      | 11,099                                  | 244,914                                   |
| Balance at December 31, 2012 | 300                 | —             | 38,515                                    | 5,840,652                    | 488,949                                 | 6,368,116                                 |
| Shareholder distributions    | —                   | —             | —   | (82,056)                     | —                                       | (82,056)                                  |
| Net income                   | —                   | —             | —   | 331,476                      | 16,672                                  | 348,148                                   |
| Balance at December 31, 2013 | 300                 | —             | 38,515                                    | 6,090,072                    | 505,621                                 | 6,634,208                                 |
| Shareholder distributions    | —                   | —             | —   | (402,108)                    | —                                       | (402,108)                                 |
| Net income                   | —                   | —             | —   | 783,204                      | 14,607                                  | 797,811                                   |
| Balance at December 31, 2014 | <u>300</u>          | <u>\$—</u>    | <u>\$38,515</u>                           | <u>\$6,471,168</u>           | <u>\$520,228</u>                        | <u>\$7,029,911</u>                        |

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

**Eiss Brothers, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | <u>2014</u>       | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|-------------------|
| Cash flows from operating activities   |                   |                   |                   |
| Net income   | \$ 797,811        | \$ 348,148        | \$ 244,914        |
| Adjustments to reconcile net income to net cash provided by operating activities |                   |                   |                   |
| Depreciation expense   | 102,513           | 111,727           | 106,005           |
| Gain on disposal of equipment  | —                 | —                 | (500)             |
| Change in assets and liabilities   |                   |                   |                   |
| Accounts receivable  | (176,581)         | (82,578)          | 84,278            |
| Inventories  | (5,633)           | 44,570            | (301,825)         |
| Other current assets   | (3,052)           | —                 | —                 |
| Other non-current assets   | 773               | 1,818             | 2,298             |
| Account payable  | 60,645            | (24,097)          | 7,880             |
| Accrued expenses and other current liabilities                                   | 57                | (11,673)          | (27,663)          |
| Deferred warranty revenue  | 38,669            | 7,081             | 39,530            |
| Net cash provided by operating activities  | <u>815,202</u>    | <u>394,996</u>    | <u>154,917</u>    |
| Cash flows from investing activities   |                   |                   |                   |
| Capital expenditures   | (178,686)         | (4,640)           | (31,770)          |
| Proceeds from the sale of equipment  | —                 | —                 | 3,918             |
| Loan to shareholder  | —                 | —                 | (155,000)         |
| Payments on shareholder loan   | 27,115            | 6,938             | 3,889             |
| Net cash provided by (used in) investing activities                              | <u>(151,571)</u>  | <u>2,298</u>      | <u>(178,963)</u>  |
| Cash flows from financing activities   |                   |                   |                   |
| Payments of long term debt   | (96,032)          | (114,783)         | (77,667)          |
| Proceeds from long-term debt   | 116,118           | —                 | 155,000           |
| Shareholder distributions  | (402,108)         | (82,056)          | (188,154)         |
| Net cash used in financing activities  | <u>(382,022)</u>  | <u>(196,839)</u>  | <u>(110,821)</u>  |
| Increase (decrease) in cash and cash equivalents                                 | 281,609           | 200,455           | (134,867)         |
| Cash and cash equivalents, beginning of year                                     | 351,874           | 151,419           | 286,286           |
| Cash and cash equivalents, end of year   | <u>\$ 633,483</u> | <u>\$ 351,874</u> | <u>\$ 151,419</u> |
| Supplemental cash flow disclosure  |                   |                   |                   |
| Cash paid for interest   | <u>\$ 23,943</u>  | <u>\$ 23,782</u>  | <u>\$ 40,312</u>  |

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



**Eiss Brothers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Nature of Operations**

Eiss Brothers, Inc. (the “Company”), a New York corporation, engages primarily in auto recycling, which is the recovery and resale of original equipment manufacturer (“OEM”) and aftermarket parts, components and systems, such as engines, transmissions, door assemblies, trunk lids, lights and fenders (referred to as “products”) reclaimed from damaged, totaled or low value vehicles. The Company purchases its vehicles primarily at auto salvage auctions. Upon receipt of vehicles, the Company inventories and then dismantles the vehicles and sells the recycled components. In addition, the Company purchases recycled OEM and related products from third parties for resale and distribution to its customers. The Company’s customers include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers. The Company also generates a portion of its revenue from the sale as scrap of the unusable parts and materials and from the sale of extended warranty contracts. The Company operates a full service recycling facility in Watertown, New York.

The shareholders of the Company have entered into an agreement dated August 11, 2014, which was subsequently amended to extend the closing conditions through May 15, 2015, with Fenix Parts, Inc. (“Fenix”) under which Fenix will acquire 100% of the Company’s shares for cash and Fenix common stock, contingent upon, among other things, the closing of an initial public offering of that common stock. The acquisition will not include the capital stock of Eiss Brothers Partnership (“EBP”).

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The consolidated financial statements include the accounts of EBP, the lessor of the premises from which the Company operates. EBP is wholly-owned by all of the Company’s shareholders. The Company has determined that EBP is a variable interest entity because the holders of the equity investment at risk in EBP do not have the obligation to absorb its expected losses or receive its residual returns. Furthermore, the Company has determined that it is EBP’s primary beneficiary because the Company has the power to direct the activities that most significantly impact EBP’s economic performance, namely the operation and maintenance of the significant assets of EBP. Accordingly, and pursuant to consolidation requirements under GAAP, the Company consolidates EBP. All intercompany transactions are eliminated in consolidation. All of EBP’s operating results are attributable to the noncontrolling interest in the Company’s consolidated statements of operations and all of its shareholders’ equity is reported separately from the Company’s shareholders’ equity in the Company’s consolidated balance sheets and consolidated statements of shareholders’ equity.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue Recognition*

The Company recognizes revenue from the sale of vehicle replacement products and scrap when they are shipped or picked up by the customers and ownership has transferred, subject to an allowance for estimated returns and discounts that management estimates based upon historical information. Management analyzes historical returns (often pursuant to standard warranties on the sold products) and allowances activity by comparing the items returned to the original invoice amounts and dates. The Company uses this information to

**Eiss Brothers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

project future returns and allowances on products sold. If actual returns and allowances deviate significantly from the Company's historical experience, there could be an impact on its operating results in the period of occurrence. The Company has recorded a reserve for estimated returns and discounts of approximately \$104,000 and \$139,000 at December 31, 2014 and 2013, respectively, within accrued expenses and other current liabilities.

The Company presents taxes assessed by government authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenue on the consolidated statements of operations and are shown within accrued expenses and other current liabilities on the consolidated balance sheet until remitted. Revenue also includes amounts billed to customers for shipping and handling.

Revenue from the sale of separately priced extended warranty contracts is reported as deferred revenue and recognized ratably over the term of the contracts, or over five years for life-time warranties. Revenue from such extended warranty contracts was approximately \$154,000, \$174,000 and \$128,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Cost of Goods Sold*

Cost of goods sold primarily includes a) amounts paid for the purchase of vehicles and parts for resale, b) related auction, storage and towing fees, and c) other costs of procurement and dismantling, primarily labor and overhead allocable to dismantling operations.

*Operating Expenses*

Operating expenses are primarily comprised of a) salaries and benefits of employees that are not related to the procurement and dismantling of vehicles, b) facility costs such as rent, utilities, insurance, repairs and taxes not allocated to dismantling operations, c) selling and marketing costs, d) costs to distribute products and scrap and e) other general and administrative costs.

*Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Accounts Receivable and Allowance for Doubtful Accounts*

In the normal course of business, the Company extends credit to customers after a review of each customer's credit history. The Company recorded a reserve for uncollectible accounts of approximately \$9,000 and \$12,000 at December 31, 2014 and 2013, respectively. The reserve is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable and historical experience. Receivables are written off once collections efforts have been exhausted. Recoveries of accounts receivable previously written off are recorded when received.

*Concentrations*

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The majority of cash and cash equivalents are maintained with several major financial institutions. From time to time, the Company's cash balances may exceed Federal Deposit Insurance Corporation limits. Concentrations of credit risk with respect to accounts receivable are limited because a large number of customers make up the Company's customer base. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

**Eiss Brothers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company primarily obtains its recycled OEM and related products from damaged, totaled or low value vehicles purchased at salvage auto auctions. For 2014, 2013 and 2012, substantially all of the vehicles purchased by the Company for dismantling were acquired at auctions run by two salvage auto auction companies.

*Inventories*

Inventories consist entirely of recycled OEM and aftermarket products, including car hulls and other materials that will be sold as scrap. Inventory costs are established based upon the price the Company pays for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling vehicles. After dismantling, the cost assigned to the salvage parts and scrap is determined using the average cost to sales percentage at the Company and applying that percentage to the Company's inventory at expected selling prices. The average cost to sales percentage is derived from the Company's historical vehicle profitability for salvage vehicles purchased at auction or procured from other sources.

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

*Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged against operations as incurred. Renewals and betterments that materially extend the useful life of an asset are capitalized. As property and equipment are sold or retired, the applicable cost and accumulated depreciation are removed from the accounts and the resulting gain or loss thereon is recognized. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Depreciation totaled approximately \$103,000, \$112,000 and \$106,000 for the years ended December 31, 2014, 2013 and 2012, respectively. Approximately \$853,000 and \$880,000 of property, net of accumulated depreciation, was held by EBP as of December 31, 2014 and 2013, respectively.

Estimated useful lives are as follows:

|                       |              |
|-----------------------|--------------|
| Buildings             | 39 years     |
| Building improvements | 15 years     |
| Equipment             | 3 - 10 years |
| Vehicles              | 5 years      |

The Company evaluates the recoverability of the carrying amount of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable based on an analysis of undiscounted cash flows. There were no such events or changes in the years ended December 31, 2014, 2013 or 2012.

*Income Taxes*

The Company has elected to operate under Subchapter S of the Internal Revenue Code. EBP is taxed as a partnership. Accordingly, the shareholders report their share of the Company's federal and most state taxable income or loss on their respective individual income tax returns.

The Company recognizes the benefits of uncertain tax positions taken or expected to be taken in tax returns in the provision for income taxes only for those positions that are more likely than not to be realized. The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to

**Eiss Brothers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. The Company had no unrecognized tax benefits as of December 31, 2014 or 2013, is generally no longer subject to examination in its primary tax jurisdictions for tax years through 2011 and is not currently subject to any audits or examinations. Should any interest or penalties accrue on uncertain tax positions, the Company would record them as income tax expense.

*Advertising Expenses*

Advertising costs are expensed as incurred and included in operating expenses in the accompanying consolidated statements of operations. Advertising expenses were approximately \$6,000, \$11,000 and \$18,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Fair Value Measurements*

Fair value of financial assets and liabilities are defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company is required to classify fair value measurements in one of the following categories:

- Level 1 - inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 - inputs are defined as unobservable inputs for the assets or liabilities. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Certain assets and liabilities are required to be recorded at fair value on either a recurring or non-recurring basis; however, the Company has no assets or liabilities that require recurring fair value measurements. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses that are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company's debt and shareholder note receivable are carried at cost which approximates fair value due to their variable or fixed interest rates, which are consistent with the interest rates in the market.

The Company may be required, on a non-recurring basis, to adjust the carrying value of its property and equipment. When necessary, these valuations may be determined by the Company using Level 3 inputs. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. There have been no indicators of impairment during 2014, 2013 or 2012.

**Eiss Brothers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Recent Accounting Pronouncements*

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, which amends FASB Accounting Standards Codification (“ASC”) Topic 205, *Presentation of Financial Statements*, and FASB ASC Topic 360, *Property, Plant, and Equipment*. This standard amends the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective on a prospective basis for annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. The Company expects to adopt this standard on a prospective basis beginning January 1, 2015. Adoption is not expected to have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The guidance in this update supersedes nearly all existing revenue recognition guidance under U.S. GAAP and creates a single, principle-based revenue recognition framework that is codified in a new FASB ASC Topic 606. The core principle of this guidance is for the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new revenue standard is effective for nonpublic entities’ annual reporting periods beginning after December 15, 2017. Early adoption is permitted but only for annual reporting periods beginning after December 15, 2016. The new standard allows for either full retrospective or modified retrospective adoption. The Company is currently evaluating the transition method that will be elected and the potential effects of the adoption of the new standard on the Company’s consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15 which amends ASC Topic 205, *Presentation of Financial Statements*, to describe management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. This guidance will be effective for the Company’s fiscal year ended December 31, 2016. The Company does not expect adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which modifies the evaluation of variable interest entities (“VIEs”), and affects the consolidation analysis of reporting entities involved with VIEs. This guidance for nonpublic entities is effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 31, 2017, with early adoption permitted. The Company is currently evaluating the impact of adopting the new standard.

**Note 3. Long-term Debt**

The following table presents the Company’s long-term debt as of December 31, 2014 and 2013:

|  | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|
| Mortgage loan                          | \$375,251        | \$418,105        |
| Term loan                              | 125,508          | 144,173          |
| Notes payable                          | 110,880          | 29,275           |
| Total long-term debt                   | <u>611,639</u>   | <u>591,553</u>   |
| Less current portion                   | <u>71,280</u>    | <u>75,250</u>    |
| Long-term debt, net of current portion | <u>\$540,359</u> | <u>\$516,303</u> |

**Eiss Brothers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The mortgage loan is a 15 year loan held by EBP, with an original amount of \$587,000, entered into in October 2007 with a maturity date in December 2022. The loan had a fixed interest rate of 7.50% through November 2012 and now has a floating rate of 3.00 points over the 5-year Treasury bill rate fixed at each five year anniversary of the mortgage. This variable rate was 3.63% at December 31, 2014 and 2013. Principal and interest are payable monthly. The mortgage loan is secured by the property held by EBP.

The term loan is a 15 year loan that was entered into in May 2012 with an original amount borrowed of \$155,000 and a maturity date in May 2027. The loan bears interest at a fixed rate of 5.75% through May 2017, and after that at a floating rate of 3.00 points over the weekly average yield on the 5-year Treasury bill rate at each five year anniversary date of the mortgage. This variable rate was 3.63% at December 31, 2014 and 2013. Principal and interest are payable monthly. The loan is secured by the assets of the Company.

Notes payable consist of the following:

- a five year term loan, with an original amount of \$116,118, for a piece of equipment entered into in September 2014, which bears interest at a fixed rate of 4.50% through September 2019. Principal and interest are paid monthly. The loan is secured by the equipment.
- a six year term loan, with an original amount of \$54,472, for a piece of equipment entered into in January 2009, which bears interest at a fixed rate of 6.25% through February 2015. Principal and interest are paid monthly. The loan is secured by the equipment.
- a five year term loan, with an original amount of \$74,600, for a piece of equipment entered into in October 2009, which bears interest at a fixed rate of 4.99% through October 2014. Principal and interest are paid monthly. The loan is secured by the equipment.
- a five year term loan, with an original amount of \$82,750, for a piece of equipment entered into in September 2009, which bears interest at a fixed rate of 5.25% through September 2014. Principal and interest are paid monthly. The loan is secured by the equipment.

None of the long-term debt described above contained financial covenants as of December 31, 2014 and 2013.

The aggregate annual principal payments for the next five years and thereafter of long-term debt at December 31, 2014 are summarized as follows:

| <u>Year ended December 31,</u> |                  |
|--------------------------------|------------------|
| 2015                           | \$ 71,280        |
| 2016                           | 74,289           |
| 2017                           | 77,429           |
| 2018                           | 80,706           |
| 2019                           | 77,609           |
| Thereafter                     | <u>230,326</u>   |
| Total                          | <u>\$611,639</u> |

*Line of Credit*

The Company has a line of credit with Watertown Savings Bank which requires renewal in September 2015. The line has a borrowing capacity of \$100,000. Interest on any outstanding balance was payable monthly at a fixed rate of 6.00% through November 2012, and at a floating rate of prime plus 0.50% through December 31, 2014 (effective rate of 3.75% at December 31, 2014). There were no amounts outstanding on this line of credit as of December 31, 2014 and 2013.

**Eiss Brothers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4. Commitments and Contingencies**

*Operating Leases*

Rental expense for operating leases was approximately \$3,000, \$7,000 and \$3,000 during the years ended December 31, 2014, 2013 and 2012, respectively. Future minimum lease commitments under operating leases are insignificant.

*Environmental and Related Contingencies*

The Company is subject to a variety of environmental and pollution control laws and regulations incident to the ordinary course of business. The Company currently expects that the resolution of any potential contingencies arising from compliance with these laws and regulations will not materially affect the Company's financial position, results of operations or cash flows.

**Note 5. Shareholder Note Receivable**

In 2012, after borrowing an equal amount of funds under the term loan described in Note 3, the Company loaned one of its shareholders \$155,000 in the form of a note receivable. Interest on the note is fixed at 5.75%, and, along with the principal, is payable annually through maturity in May 2027. The total outstanding balance on the note, including current portion included in other current assets, was approximately \$126,000 and \$144,000 at December 31, 2014 and 2013, respectively. Interest income was approximately \$8,000, \$7,000 and \$8,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

**Note 6. Employee Benefit Plan**

The Company provides a defined contribution plan covering eligible employees, which includes a matching contribution. Matching Company contributions to this plan were approximately \$30,000, \$31,000 and \$28,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

**Note 7. Subsequent Events**

The Company has evaluated subsequent events through March 25, 2015, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

## **Independent Auditor's Report**

The Shareholders  
Green Oak Investments LLC  
Jacksonville, Florida

We have audited the accompanying financial statements of Green Oak Investments LLC d/b/a GO Auto Recycling, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations, members' interest, and cash flows for each of the three years in the period ended December 31, 2014, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Oak Investments LLC as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

As described in Note 1, the Company is expected to be acquired by an unrelated party.

/s/ BDO USA, LLP

Chicago, Illinois  
March 25, 2015



**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**BALANCE SHEETS**  
**As of December 31, 2014 and 2013**

|   | <u>2014</u>               | <u>2013</u>               |
|---|---------------------------|---------------------------|
| <b>ASSETS</b>   |                           |                           |
| <b>CURRENT ASSETS</b>   |                           |                           |
| Cash and cash equivalents   | \$ 108,858                | \$ 296,200                |
| Accounts receivable, net of allowance                                   | 463,874                   | 450,071                   |
| Inventories   | 1,395,561                 | 982,214                   |
| Prepaid expenses and other current assets                               | 91,861                    | 34,193                    |
| Related party advances  | —                         | 79,464                    |
| Total current assets  | <u>2,060,154</u>          | <u>1,842,142</u>          |
| <b>PROPERTY AND EQUIPMENT</b>   |                           |                           |
| Land and improvements   | 1,722,848                 | 1,710,000                 |
| Buildings   | 160,205                   | 160,205                   |
| Equipment   | 217,946                   | 161,605                   |
| Trucks and trailers   | 79,306                    | 29,288                    |
| Accumulated depreciation  | <u>(119,727)</u>          | <u>(82,125)</u>           |
| Property and equipment, net   | <u>2,060,578</u>          | <u>1,978,973</u>          |
| <b>TOTAL ASSETS</b>   | <u><u>\$4,120,732</u></u> | <u><u>\$3,821,115</u></u> |
| <b>LIABILITIES AND MEMBERS' INTEREST</b>                                |                           |                           |
| <b>LIABILITIES</b>  |                           |                           |
| Accounts payable  | \$ 292,149                | \$ 335,808                |
| Accrued expenses and other current liabilities                          | 330,999                   | 141,305                   |
| Current portion of deferred warranty revenue                            | 210,283                   | 112,179                   |
| Current portion of long-term debt (including related party)             | 43,970                    | 164,365                   |
| Related party line of credit  | 120,000                   | 115,000                   |
| Line of credit  | —                         | 40,000                    |
| Total current liabilities   | <u>997,401</u>            | <u>908,657</u>            |
| <b>DEFERRED WARRANTY REVENUE, NET OF CURRENT PORTION</b>                | 217,793                   | 119,377                   |
| <b>LONG-TERM DEBT (INCLUDING RELATED PARTY), NET OF CURRENT PORTION</b> | <u>882,612</u>            | <u>859,482</u>            |
| Total liabilities   | <u>2,097,806</u>          | <u>1,887,516</u>          |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                    |                           |                           |
| <b>MEMBERS' INTEREST</b>  |                           |                           |
| Members' interest   | 790,000                   | 790,000                   |
| Retained earnings   | <u>1,232,926</u>          | <u>1,143,599</u>          |
| Total members' interest   | <u>2,022,926</u>          | <u>1,933,599</u>          |
| <b>TOTAL LIABILITIES AND MEMBERS' INTEREST</b>                          | <u><u>\$4,120,732</u></u> | <u><u>\$3,821,115</u></u> |

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

**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**STATEMENTS OF OPERATIONS**  
**For the years ended December 31, 2014, 2013 and 2012**

|                        | <u>2014</u>       | <u>2013</u>      | <u>2012</u>      |
|------------------------|-------------------|------------------|------------------|
| Net revenues           | \$9,983,589       | \$8,022,063      | \$5,507,268      |
| Cost of goods sold     | <u>6,603,015</u>  | <u>5,586,623</u> | <u>3,777,559</u> |
| Gross profit           | 3,380,574         | 2,435,440        | 1,729,709        |
| Operating expenses     | <u>3,042,609</u>  | <u>2,302,613</u> | <u>1,627,550</u> |
| Income from operations | 337,965           | 132,827          | 102,159          |
| Interest expense       | (54,904)          | (60,017)         | (60,853)         |
| Other income (expense) | <u>6,266</u>      | <u>10,890</u>    | <u>(1,666)</u>   |
| <b>NET INCOME</b>      | <u>\$ 289,327</u> | <u>\$ 83,700</u> | <u>\$ 39,640</u> |

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

**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**STATEMENTS OF MEMBERS' INTEREST**  
**For the years ended December 31, 2014, 2013 and 2012**

|                              | <u>Members'<br/>interest</u> | <u>Retained<br/>earnings</u> | <u>Total<br/>members'<br/>interest</u> |
|------------------------------|------------------------------|------------------------------|--|
| Balance at January 1, 2012   | \$790,000                    | \$1,020,259                  | \$1,810,259                            |
| Net income                   | <u>—</u>                     | <u>39,640</u>                | <u>39,640</u>                          |
| Balance at December 31, 2012 | 790,000                      | 1,059,899                    | 1,849,899                              |
| Net income                   | <u>—</u>                     | <u>83,700</u>                | <u>83,700</u>                          |
| Balance at December 31, 2013 | 790,000                      | 1,143,599                    | 1,933,599                              |
| Net income                   | <u>—</u>                     | <u>289,327</u>               | <u>289,327</u>                         |
| Members' distributions       | <u>—</u>                     | <u>(200,000)</u>             | <u>(200,000)</u>                       |
| Balance at December 31, 2014 | <u>\$790,000</u>             | <u>\$1,232,926</u>           | <u>\$2,022,926</u>                     |

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

**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | <u>2014</u>       | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|-------------------|
| Cash flows from operating activities   |                   |                   |                   |
| Net income   | \$ 289,327        | \$ 83,700         | \$ 39,640         |
| Adjustments to reconcile net income to net cash provided by operating activities |                   |                   |                   |
| Depreciation expense   | 37,603            | 27,448            | 25,572            |
| Change in assets and liabilities   |                   |                   |                   |
| Accounts receivable  | (13,804)          | (162,430)         | (102,258)         |
| Inventories  | (413,347)         | 114,854           | (45,855)          |
| Prepaid expenses and other current assets  | (57,668)          | (34,099)          | (94)              |
| Related party advances   | 79,464            | (79,464)          | —                 |
| Account payable  | (43,659)          | 185,990           | 59,294            |
| Accrued expenses and other current liabilities                                   | 189,694           | 23,966            | 41,159            |
| Deferred warranty revenue  | 196,521           | 135,181           | 39,461            |
| Net cash provided by operating activities  | <u>264,131</u>    | <u>295,146</u>    | <u>56,919</u>     |
| Cash flows from investing activities   |                   |                   |                   |
| Capital expenditures   | <u>(119,208)</u>  | <u>(34,000)</u>   | <u>(68,810)</u>   |
| Net cash used in investing activities  | <u>(119,208)</u>  | <u>(34,000)</u>   | <u>(68,810)</u>   |
| Cash flows from financing activities   |                   |                   |                   |
| Payments of debt   | (160,280)         | (201,339)         | (175,539)         |
| Proceeds of debt   | 28,015            | 120,352           | 215,453           |
| Members' distributions   | <u>(200,000)</u>  | <u>—</u>          | <u>—</u>          |
| Net cash (used in) provided by financing activities                              | <u>(332,265)</u>  | <u>(80,987)</u>   | <u>39,914</u>     |
| (Decrease) increase in cash and cash equivalents                                 | (187,342)         | 180,159           | 28,023            |
| Cash and cash equivalents, beginning of year                                     | <u>296,200</u>    | <u>116,041</u>    | <u>88,018</u>     |
| Cash and cash equivalents, end of year   | <u>\$ 108,858</u> | <u>\$ 296,200</u> | <u>\$ 116,041</u> |
| Supplemental cash flow disclosures:  |                   |                   |                   |
| Cash paid for interest   | <u>\$ 48,293</u>  | <u>\$ 55,626</u>  | <u>\$ 62,274</u>  |

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

**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Nature of Operations**

Green Oak Investments LLC d/b/a GO Auto Recycling (the “Company”), a Delaware corporation, engages primarily in auto recycling, which is the recovery and resale of original equipment manufacturer (“OEM”) and aftermarket parts, components and systems, such as engines, transmissions, door assemblies, trunk lids, lights and fenders (referred to as “products”) reclaimed from damaged, totaled or low value vehicles. The Company purchases its vehicles primarily at auto salvage auctions. Upon receipt of vehicles, the Company inventories and then dismantles the vehicles and sells the recycled components. In addition, the Company purchases recycled OEM and related products from third parties for resale and distribution to its customers. The Company’s customers include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers. The Company also generates a portion of its revenue from the sale as scrap of the unusable parts and materials and from the sale of extended warranty contracts. The Company operates a full-service recycling facility in Jacksonville, Florida.

The members of the Company have entered into an agreement dated August 14, 2014, which was subsequently amended to extend the closing conditions through May 15, 2015, with Fenix Parts, Inc. (“Fenix”) under which Fenix will acquire 100% of the Company’s members’ interest for cash and Fenix common stock, contingent upon, among other things, the closing of an initial public offering of that common stock. As part of the agreement, Fenix also will acquire a 5% ownership interest in GO Pull-It LLC (“LLC”), a related party described in Note 6, and an option to acquire the remaining 95% of the LLC by January 2022.

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue Recognition*

The Company recognizes revenue from the sale of vehicle replacement products and scrap when they are shipped or picked up by the customers and ownership has transferred, subject to an allowance for estimated returns and discounts that management estimates based upon historical information. Management analyzes historical returns (often pursuant to standard warranties on the sold products) and allowances activity by comparing the items returned to the original invoice amounts and dates. The Company uses this information to project future returns and allowances on products sold. If actual returns and allowances deviate significantly from the Company’s historical experience, there could be an impact on its operating results in the period of occurrence. The Company has recorded a reserve for estimated returns and discounts of approximately \$107,000 and \$75,000 at December 31, 2014 and 2013, respectively, within accrued expenses and other current liabilities.

The Company presents taxes assessed by governmental authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenue on the statements of operations and are shown as a current liability on the balance sheets until remitted. Revenue also includes amounts billed to customers for shipping and handling.

**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**NOTES TO FINANCIAL STATEMENTS**

Revenue from the sale of separately priced extended warranty contracts is reported as deferred revenue and recognized ratably over the term of the contracts. Revenue from such extended warranty contracts was approximately \$178,000, \$67,000 and \$16,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Cost of Goods Sold*

Cost of goods sold primarily includes a) amounts paid for the purchase of vehicles and parts for resale, b) related auction, storage and towing fees, and c) other cost of procurement and dismantling, primarily labor and overhead allocable to dismantling operations.

*Operating Expenses*

Operating expenses are primarily comprised of a) salaries and benefits of employees that are not related to the procurement and dismantling of vehicles, b) facility costs such as rent, utilities, insurance, repairs and taxes not allocated to dismantling operations, c) selling and marketing costs, d) costs to distribute products and scrap and e) other general and administrative costs.

*Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Accounts Receivable and Allowance for Doubtful Accounts*

In the normal course of business, the Company extends credit to customers after a review of each customer's credit history. The Company recorded a reserve for uncollectible accounts of approximately \$35,000 and \$23,000 at December 31, 2014 and 2013, respectively. The reserve is based upon the aging of the accounts receivable, the Company's assessment of the collectability of specific customer accounts and historical experience. Receivables are written off once collection efforts have been exhausted, and recoveries of accounts receivable previously written off are recorded when received.

*Reclassifications*

Reclassifications of prior period amounts have been made to conform to the current period presentation. The reclassifications have no impact on net income.

*Concentrations*

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The majority of cash and cash equivalents are maintained with major financial institutions. From time to time, the Company's cash balances may exceed Federal Deposit Insurance Corporation limits. Concentrations of credit risk with respect to accounts receivable are limited because a large number of customers make up the Company's customer base. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

The Company primarily obtains its recycled OEM and related products from damaged, totaled or low value vehicles purchased at salvage auto auctions. For 2014, 2013 and 2012, substantially all of the vehicles purchased by the Company for dismantling were acquired at auctions run by two salvage auto auction companies.

**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**NOTES TO FINANCIAL STATEMENTS**

*Inventories*

Inventories consist entirely of recycled OEM and aftermarket products, including car hulls and other materials that will be sold as scrap. Inventory costs are established based upon the price the Company pays for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling vehicles. After dismantling, the cost assigned to the salvaged parts and scrap is determined using the average cost of sales percentage at the Company and applying that percentage to the Company's inventory at expected selling prices. The average cost to sales percentage is derived from the Company's historical vehicle profitability for salvage vehicles purchased at auction or procured from other sources.

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

*Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged against operations as incurred. Renewals and betterments that materially extend the useful life of an asset are capitalized. As property and equipment are sold or retired, the applicable cost and accumulated depreciation are removed from the accounts and the resulting gain or loss thereon is recognized. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Depreciation totaled approximately \$38,000, \$27,000 and \$26,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

Estimated useful lives are as follows:

|                     |          |
|---------------------|----------|
| Buildings           | 39 years |
| Equipment           | 10 years |
| Computer servers    | 5 years  |
| Trucks and trailers | 5 years  |

The Company evaluates the recoverability of the carrying amount of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable based on an analysis of undiscounted cash flows. There were no such events or changes in the years ended December 31, 2014, 2013 or 2012.

*Income Taxes*

The Company has elected to be taxed as a partnership under the Internal Revenue Code. Accordingly, the members' report their share of the Company's federal and state taxable income or loss on their respective individual income tax returns.

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

**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**NOTES TO FINANCIAL STATEMENTS**

actual outcomes. The Company has no unrecognized tax benefits as of December 31, 2014 or 2013. The Company is generally no longer subject to examination in its primary tax jurisdictions for tax years through 2011 and is not currently subject to any audits or examinations. Should any interest or penalties accrue on uncertain tax positions, the Company would record such expense in income tax expense.

*Advertising Expenses*

Advertising costs are expensed as incurred and included in operating expenses in the accompanying statements of operations. Advertising expenses were approximately \$20,000, \$22,000 and \$14,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Fair Value Measurements*

Fair value of financial assets and liabilities are defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company is required to classify fair value measurements in one of the following categories:

- Level 1 - inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 - inputs are defined as unobservable inputs for the assets or liabilities. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Certain assets and liabilities are required to be recorded at fair value on either a recurring or non-recurring basis; however, the Company has no assets or liabilities that require recurring fair value measurements. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company's debt is carried at cost and approximates fair value due to its variable or fixed interest rates, which are consistent with the interest rates in the market.

The Company may be required, on a non-recurring basis, to adjust the carrying value of its property and equipment. When necessary, these valuations are determined by the Company using Level 3 inputs. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence that impairment may exist. There have been no indicators of impairment during 2014, 2013 or 2012.

*Recent Accounting Pronouncements*

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, which amends FASB Accounting Standards Codification ("ASC") Topic 205,



**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**NOTES TO FINANCIAL STATEMENTS**

*Presentation of Financial Statements*, and FASB ASC Topic 360, *Property, Plant, and Equipment*. This standard amends the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective on a prospective basis for annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. The Company expects to adopt this standard on a prospective basis beginning January 1, 2015. Adoption is not expected to have a material impact on the Company’s financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The guidance in this update supersedes nearly all existing revenue recognition guidance under U.S. GAAP and creates a single, principle-based revenue recognition framework that is codified in a new FASB ASC Topic 606. The core principle of this guidance is for the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new revenue standard is effective for nonpublic entities’ annual reporting periods beginning after December 15, 2017. Early adoption is permitted but only for annual reporting periods beginning after December 15, 2016. The new standard allows for either full retrospective or modified retrospective adoption. The Company is currently evaluating the transition method that will be elected and the potential effects of the adoption of the new standard on the Company’s financial statements.

In August 2014, the FASB issued ASU No. 2014-15 which amends ASC Topic 205, *Presentations of Financial Statements*, to describe management’s responsibility to evaluate whether there is substantial doubt about an organizations ability to continue as a going concern and to provide related footnote disclosures. This guidance will be effective for the Company’s year ended December 31, 2016. The Company does not expect adoption of this ASU to have a material impact on its financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which modifies the evaluation of variable interest entities (“VIEs”), and affects the consolidation analysis of reporting entities involved with VIEs. This guidance for nonpublic entities is effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 31, 2017, with early adoption permitted. The Company is currently evaluating the impact of adopting the new standard.

**Note 3. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities as of December 31, 2014 and 2013, consist of the following:

|  | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|
| Deferred revenue, non-warranty                       | \$ 54,150        | \$ —             |
| Reserve for sales returns                            | 106,499          | 75,474           |
| Accrued salaries                                     | 63,233           | 27,499           |
| Accrued property taxes                               | 20,922           | 19,431           |
| Accrued interest                                     | 13,788           | 8,091            |
| Accrued other  | 72,407           | 10,810           |
| Total accrued expenses and other current liabilities | <u>\$330,999</u> | <u>\$141,305</u> |

**Green Oak Investments LLC d/b/a GO Auto Recycling**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Debt**

The following table presents the Company's debt as of December 31, 2014 and 2013:

|  | <u>2014</u>      | <u>2013</u>       |
|--|------------------|-------------------|
| Related party mortgage                 | \$894,344        | \$ 927,905        |
| Synovus Bank equipment loans           | 32,238           | 95,942            |
| Total debt                             | 926,582          | 1,023,847         |
| Less current portion                   | 43,970           | 164,365           |
| Long-term debt, net of current portion | <u>\$882,612</u> | <u>\$ 859,482</u> |

See Note 6 for a description of the related party mortgage.

During 2014, the Company satisfied three of its 5-year term equipment loans, and entered into one new 5-year term equipment loan at a fixed rate of 4.75%, secured by the underlying equipment. At December 31, 2013, the Synovus Bank equipment loans included four 5-year term loans used to fund the purchase of several different vehicles and equipment. The four loans bore interest at fixed rates of 4.15% or 4.50%, were due in 2018 with monthly installments of principal and interest and were secured by the underlying vehicles and equipment. These loans were further secured by personal guarantees of two of the members of the Company. Three of these loans were entered into on behalf of, and then advanced to, the related party described in Note 6. The vehicles and equipment underlying such loans are recorded on the related party's financial statements.

The Company also has a revolving line of credit with Synovus Bank which was established on June 7, 2012 and provides for a maximum borrowing of \$200,000 and expires on June 7, 2017. Future advances are at the lender's discretion. The line of credit bears interest at a fixed annual rate of 5.0% until the index rate changes as defined in the credit agreement. This line of credit is secured by the accounts receivable and inventories of the Company, and is further secured by personal guarantees of two of the members of the Company. The balance of the Synovus Bank line of credit outstanding at December 31, 2014 and 2013 was \$0 and \$40,000, respectively.

The aggregate annual principal payments for the next five years and thereafter under the Company's debt at December 31, 2014, are summarized as follows:

| <u>Years</u> |                  |
|--------------|------------------|
| 2015         | \$ 43,970        |
| 2016         | 46,174           |
| 2017         | 47,562           |
| 2018         | 45,992           |
| 2019         | 43,931           |
| Thereafter   | <u>698,953</u>   |
| Total        | <u>\$926,582</u> |

**Note 5. Commitments and Contingencies**

*Environmental and Related Contingencies*

The Company is subject to a variety of environmental and pollution control laws and regulations incident to the ordinary course of business. The Company currently expects that the resolution of any potential contingencies arising from compliance with these laws and regulations will not materially affect the Company's financial position, results of operations or cash flows.

**Green Oak Investments LLC dba GO Auto Recycling**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Related-party Transactions**

*GO Pull-It LLC*

GO Pull-It LLC (“LLC”) was organized in 2012 by the owners of the Company and operates a self-service auto parts business. The Company has no direct ownership or voting rights in LLC. The Company has determined that LLC is a VIE as it has required subordinated financial support for its operations, including the Company’s loans and guarantee described below. However, the Company has no other business activities with LLC and its loans and guarantee are significantly smaller than the amount of equity, loans and guarantees made directly by certain of the Company’s members who are also the majority members of LLC. Accordingly, the Company determined that certain of the members of the Company and LLC were more closely related to LLC than was the Company itself. As such, the Company does not deem itself to be the primary beneficiary of LLC and does not consolidate LLC.

In 2013, after borrowing an equal amount of funds under the term loans described in Note 4, the Company loaned approximately \$79,000 to LLC. Interest on the notes was at fixed rates of 4.15% or 4.50%, and, along with the principal, was payable monthly through 2018. The notes were satisfied in 2014. Additionally, the Company guarantees another LLC note payable with outstanding balances of \$53,000 and \$66,000 (both unaudited) at December 31, 2014 and 2013, respectively. The Company does not expect to incur any losses under this guarantee.

During 2014 and 2013, the Company had sales of \$238,000 and \$48,000, respectively, to LLC and the Company had purchases of \$47,000 and \$4,000, respectively, from LLC. At December 31, 2014 and 2013, the Company had a receivable of \$30,000 and \$29,000, respectively, from LLC which was included within accounts receivable. At December 31, 2014 and 2013, the Company owed \$2,000 and \$9,000, respectively, to LLC which was included within accounts payable.

*Mervis Industries (“Mervis”)*

Mervis indirectly owns a significant portion of the Company. In addition to the below debt, the Company paid fees of approximately \$30,000, \$15,000 and \$0 to Mervis for accounting and other services in 2014, 2013 and 2012, respectively.

The mortgage due to Mervis is a term loan due in monthly installments of \$6,600 with 5.0% annual fixed interest, due through August 2031. The loan is secured by the underlying property. Interest expense on this debt was approximately \$46,000, \$47,000 and \$49,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

The Company also has a line of credit with Mervis. The line has a borrowing capacity of \$200,000 and is due on demand. The balance of the related party line of credit outstanding at December 31, 2014 and 2013 was \$120,000 and \$115,000, respectively. The line is unsecured and does not have any covenants. Interest expense on this debt was approximately \$6,000, \$5,200 and \$10,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

**Note 7. Subsequent Events**

The Company has evaluated subsequent events through March 25, 2015, which is the date the consolidated financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

## Independent Auditor's Report

The Shareholders  
Jerry Brown, Ltd.  
Queensbury, New York

We have audited the accompanying consolidated financial statements of Jerry Brown, Ltd., which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jerry Brown, Ltd. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

As described in Note 1, the Company is expected to be acquired by an unrelated party.

/s/ BDO USA, LLP

Chicago, Illinois  
March 25, 2015

**Jerry Brown, Ltd.**  
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2014 and 2013**

|   | <u>2014</u>                | <u>2013</u>                |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>                             |                            |                            |
| <b>CURRENT ASSETS</b>                     |                            |                            |
| Cash and cash equivalents                 | \$ 362,343                 | \$ 302,712                 |
| Accounts receivable, net of allowance     | 575,795                    | 546,171                    |
| Inventories                               | 4,574,440                  | 4,906,073                  |
| Income tax receivable                     | —                          | 16,732                     |
| Prepaid expenses and other current assets | 39,087                     | 62,686                     |
| Total current assets                      | <u>5,551,665</u>           | <u>5,834,374</u>           |
| <b>PROPERTY AND EQUIPMENT</b>             |                            |                            |
| Land                                      | 341,176                    | 341,176                    |
| Land improvements                         | 682,405                    | 447,008                    |
| Buildings                                 | 2,549,882                  | 1,883,823                  |
| Vehicles                                  | 692,867                    | 756,059                    |
| Machinery and equipment                   | 1,096,745                  | 868,546                    |
| Computer equipment                        | 115,541                    | 194,977                    |
| Leasehold improvements                    | 399,991                    | 399,992                    |
| Office furniture and fixtures             | 737,492                    | 472,761                    |
| Accumulated depreciation and amortization | <u>(2,328,435)</u>         | <u>(2,138,265)</u>         |
| Property and equipment, net               | <u>4,287,664</u>           | <u>3,226,077</u>           |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 9,839,329</u></u> | <u><u>\$ 9,060,451</u></u> |

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

**Jerry Brown, Ltd.**  
**CONSOLIDATED BALANCE SHEETS - CONTINUED**  
**As of December 31, 2014 and 2013**

|   | <u>2014</u>               | <u>2013</u>               |
|---|---------------------------|---------------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                           |                           |
| <b>LIABILITIES</b>  |                           |                           |
| Accounts payable  | \$ 530,532                | \$ 596,942                |
| Accrued expenses and other current liabilities  | 387,602                   | 275,467                   |
| Deferred warranty revenue - current   | 42,297                    | 91,574                    |
| Current portion of long-term debt   | 219,695                   | 185,960                   |
| Total current liabilities   | <u>1,180,126</u>          | <u>1,149,943</u>          |
| <b>NON-CURRENT LIABILITIES</b>  |                           |                           |
| Reserve for uncertain tax positions   | 1,811,305                 | 1,711,899                 |
| Deferred warranty revenue, net of current portion   | 85,991                    | 37,620                    |
| Long-term debt, net of current portion  | 1,482,883                 | 1,078,891                 |
| Total non-current liabilities   | <u>3,380,179</u>          | <u>2,828,410</u>          |
| Total liabilities   | <u>4,560,305</u>          | <u>3,978,353</u>          |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |                           |                           |
| <b>SHAREHOLDERS' EQUITY</b>   |                           |                           |
| Common stock, no par value; 200 shares authorized, issued and<br>outstanding as of December 31, 2014 and 2013 | —                         | —                         |
| Additional paid-in capital  | 94,453                    | 94,453                    |
| Retained earnings   | 4,876,453                 | 4,662,063                 |
| Total Jerry Brown, Ltd. shareholders' equity  | <u>4,970,906</u>          | <u>4,756,516</u>          |
| Noncontrolling interests  | 308,118                   | 325,582                   |
| Total shareholders' equity  | <u>5,279,024</u>          | <u>5,082,098</u>          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <u><u>\$9,839,329</u></u> | <u><u>\$9,060,451</u></u> |

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

**Jerry Brown, Ltd.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the years ended December 31, 2014, 2013 and 2012**

|   | <u>2014</u>       | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|-------------------|
| Net revenues  | \$13,038,919      | \$12,083,569      | \$10,651,946      |
| Cost of goods sold                                      | <u>8,118,953</u>  | <u>7,718,522</u>  | <u>6,615,213</u>  |
| Gross profit  | 4,919,966         | 4,365,047         | 4,036,733         |
| Operating expenses                                      | <u>4,330,588</u>  | <u>3,645,423</u>  | <u>3,746,766</u>  |
| Income from operations                                  | 589,378           | 719,624           | 289,967           |
| Interest expense, net                                   | (71,604)          | (23,239)          | (12,715)          |
| Other income  | <u>9,262</u>      | <u>6,060</u>      | <u>9,183</u>      |
| Income before income tax provision                      | 527,036           | 702,445           | 286,435           |
| Income tax provision                                    | <u>108,110</u>    | <u>63,799</u>     | <u>153,708</u>    |
| Net income  | 418,926           | 638,646           | 132,727           |
| Net income attributable to the noncontrolling interests | <u>144,536</u>    | <u>137,880</u>    | <u>19,018</u>     |
| Net income attributable to Jerry Brown, Ltd.            | <u>\$ 274,390</u> | <u>\$ 500,766</u> | <u>\$ 113,709</u> |

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

**Jerry Brown, Ltd.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the years ended December 31, 2014, and 2013 and 2012**

|                                       | Common stock |        | Additional<br>paid-in<br>capital | Retained<br>earnings | Noncontrolling<br>interests | Total<br>shareholders'<br>equity |
|---------------------------------------|--------------|--------|----------------------------------|----------------------|-----------------------------|----------------------------------|
|                                       | Shares       | Amount |                                  |                      |                             |                                  |
| Balance at January 1, 2012            | 200          | \$—    | \$94,453                         | \$4,047,588          | \$ 149,286                  | \$4,291,327                      |
| Net income                            | —            | —      | —                                | 113,709              | 19,018                      | 132,727                          |
| Balance at December 31, 2012          | 200          | —      | 94,453                           | 4,161,297            | 168,304                     | 4,424,054                        |
| Net income                            | —            | —      | —                                | 500,766              | 137,880                     | 638,646                          |
| Capitalization of JBAP Properties LLC | —            | —      | —                                | —                    | 19,398                      | 19,398                           |
| Balance at December 31, 2013          | 200          | —      | 94,453                           | 4,662,063            | 325,582                     | 5,082,098                        |
| Net income                            | —            | —      | —                                | 274,390              | 144,536                     | 418,926                          |
| Distributions to shareholders         | —            | —      | —                                | (60,000)             | (162,000)                   | (222,000)                        |
| Balance at December 31, 2014          | 200          | \$—    | \$94,453                         | \$4,876,453          | \$ 308,118                  | \$5,279,024                      |

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



**Jerry Brown, Ltd.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2014, 2013 and 2012**

|  | <u>2014</u>        | <u>2013</u>        | <u>2012</u>       |
|--|--------------------|--------------------|-------------------|
| Cash flows from operating activities   |                    |                    |                   |
| Net income   | \$ 418,926         | \$ 638,646         | \$ 132,727        |
| Adjustments to reconcile net income to net cash provided by operating activities |                    |                    |                   |
| Depreciation expense   | 365,480            | 305,137            | 292,374           |
| Gain on disposal of equipment  | (9,262)            | (14,585)           | (17,345)          |
| Deferred income tax (benefit)  | —                  | (1,597,603)        | (10,500)          |
| Provision for uncertain tax positions  | 99,406             | 1,658,401          | 53,498            |
| Change in assets and liabilities   |                    |                    |                   |
| Accounts receivable  | (29,624)           | (15,517)           | 72,890            |
| Inventories  | 331,633            | (541,038)          | (8,240)           |
| Prepaid expenses and other current assets  | 23,599             | (7,006)            | (11,387)          |
| Income tax receivable  | 16,732             | 42,078             | (58,810)          |
| Account payable  | (66,410)           | 244,789            | 77,308            |
| Accrued expenses and other current liabilities                                   | 112,135            | (176,381)          | (2,258)           |
| Deferred warranty revenue  | (906)              | (4,368)            | (57,290)          |
| Net cash provided by operating activities  | <u>1,261,709</u>   | <u>532,553</u>     | <u>462,967</u>    |
| Cash flows from investing activities   |                    |                    |                   |
| Proceeds from disposal of equipment  | 14,651             | 69,553             | 46,372            |
| Capital expenditures   | <u>(1,432,462)</u> | <u>(1,395,056)</u> | <u>(311,993)</u>  |
| Net cash used in investing activities  | <u>(1,417,811)</u> | <u>(1,325,503)</u> | <u>(265,621)</u>  |
| Cash flows from financing activities   |                    |                    |                   |
| Notes payable payments   | (238,087)          | (876,708)          | (213,097)         |
| Notes payable borrowings   | 675,820            | 1,721,000          | 34,041            |
| Distributions to shareholders  | (222,000)          | —                  | —                 |
| Capitalization of JBAP Properties LLC  | —                  | 19,398             | —                 |
| Net cash provided by (used in) financing activities                              | <u>215,733</u>     | <u>863,690</u>     | <u>(179,056)</u>  |
| Increase in cash and cash equivalents  | 59,631             | 70,740             | 18,290            |
| Cash and cash equivalents, beginning of year                                     | 302,712            | 231,972            | 213,682           |
| Cash and cash equivalents, end of year   | <u>\$ 362,343</u>  | <u>\$ 302,712</u>  | <u>\$ 231,972</u> |
| Supplemental cash flow disclosures   |                    |                    |                   |
| Cash paid for  |                    |                    |                   |
| Interest   | <u>\$ 75,127</u>   | <u>\$ 26,828</u>   | <u>\$ 26,950</u>  |
| Income taxes   | <u>\$ 2,250</u>    | <u>\$ 1,500</u>    | <u>\$ 169,520</u> |

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

**Jerry Brown, Ltd.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Nature of Operations**

Jerry Brown, Ltd. (the “Company”), a New York corporation, engages primarily in auto recycling, which is the recovery and resale of original equipment manufacturer (“OEM”) and aftermarket parts, components and systems, such as engines, transmissions, door assemblies, trunk lids, lights and fenders, (referred to as “products”) reclaimed from damaged, totaled or low value vehicles. The Company purchases its vehicles primarily at auto salvage auctions. Upon receipt of vehicles, the Company inventories the vehicles then dismantles and sells the recycled components. In addition, the Company purchases recycled OEM parts, new parts and related products from third parties for resale and distribution to its customers. The Company’s customers include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers. The Company also generates a portion of revenue from the scrap sales of the unusable parts and materials and from the sale of extended warranty contracts. The Company operates a full-service recycling facility in Queensbury, New York.

The shareholders of the Company have entered into an agreement dated September 30, 2014, which was subsequently amended to extend the closing conditions through May 15, 2015, with Fenix Parts, Inc. (“Fenix”) under which Fenix will acquire 100% of the Company’s shares for cash and Fenix common stock, contingent upon, among other things, the closing of an initial public offering of that common stock. The acquisition will not include the capital stock of the LLCs (as defined below).

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The consolidated financial statements include the accounts of SBLB Properties, LLC, SBLB Properties II, LLC, and JBAP Properties LLC (collectively the “LLCs”), the lessors of the premises from which the Company operates. The LLCs are wholly-owned by all of the Company’s shareholders. The Company has determined that the LLCs are variable interest entities because the holders of the equity investment at risk in these three entities do not have the obligation to absorb their expected losses or receive their residual returns. Furthermore, the Company has determined that it is the primary beneficiary of each of the LLCs because the Company has the power to direct the activities that most significantly impact the economic performance of these entities, namely the operation and maintenance of the assets of these entities, which are leased to the Company. Accordingly, and pursuant to consolidation requirements under GAAP, the Company consolidates each of the LLCs. All intercompany transactions are eliminated in consolidation. All of the LLC’s operating results are attributable to the noncontrolling interests in the Company’s consolidated statements of operations and all of their shareholders’ equity is reported separately from the Company’s shareholders’ equity in the Company’s consolidated balance sheets and statements of shareholders’ equity.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue Recognition*

The Company recognizes revenue from the sale of vehicle replacement products and scrap when they are shipped or picked up by the customers and ownership has transferred, subject to an allowance for estimated

**Jerry Brown, Ltd.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

returns and discounts that management estimates based upon historical information. Management analyzes historical returns (often pursuant to standard warranties on sold products) and allowances activity by comparing the items returned to the original invoice amounts and dates. The Company uses this information to project future returns and allowances on products sold. If actual returns and allowances deviate significantly from the Company's historical experience, there could be an impact on its operating results in the period of occurrence. The Company has recorded a reserve for estimated returns and discounts of approximately \$57,000 and \$139,000 at December 31, 2014 and 2013, respectively, within accrued expenses and other current liabilities.

The Company presents taxes assessed by government authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenue on the consolidated statements of operations and are shown as a current liability on the consolidated balance sheet until remitted. Revenue also includes amounts billed to customers for shipping and handling.

Revenue from the sale of separately priced extended warranty contracts is reported as deferred revenue and recognized ratably over the term of the contracts or over five years for life time warranties. Revenue from such extended warranty contracts was approximately \$153,000, \$155,000 and \$157,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Cost of Goods Sold*

Cost of goods sold primarily includes a) amounts paid for the purchases of vehicles and parts for resale, b) auction, storage and towing fees, and c) other costs of procurement and dismantling, primarily labor and overhead allocable to dismantling operations.

*Operating Expenses*

Operating expenses are primarily comprised of a) of salaries and benefits of employees that are not related to the procurement and dismantling of vehicles, b) facility costs such as rent, utilities, insurance, repairs and taxes not allocated to dismantling operations, c) selling and marketing costs, d) costs to distribute the Company's products and scrap and e) other general and administrative costs.

*Cash Equivalents*

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

*Accounts Receivable and Allowance for Doubtful Accounts*

In the normal course of business, the Company extends credit to customers after a review of each customer's credit history. The Company recorded a reserve for uncollectible accounts of approximately \$20,000 and \$32,000 at December 31, 2014 and 2013, respectively. The reserve is based upon the aging of the accounts receivable, the Company's assessment of the collectability of specific customer accounts and historical experience. Receivables are written off once collection efforts have been exhausted. Recoveries of accounts receivable previously written off are recorded when received.

*Reclassifications*

Certain prior period amounts have been reclassified to conform to the current period presentation. The reclassifications have no impact on net income.

**Jerry Brown, Ltd.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Concentrations*

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The majority of cash and cash equivalents are maintained with a major financial institution. Concentrations of credit risk with respect to accounts receivable are limited because a large number of customers make up the Company's customer base. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

The Company obtains its recycled OEM and related products from damaged, totaled or low value vehicles purchased at salvage auto auctions. For 2014, 2013, and 2012, substantially all of the vehicles purchased by the Company for dismantling were acquired at auctions run by two major salvage auto auction companies.

*Inventories*

Inventories consist entirely of recycled OEM and aftermarket products, including car hulls and other materials that will be sold as scrap. Inventory costs are established based upon the price the Company pays for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling vehicles. After dismantling, the cost assigned to the salvaged parts and scrap is determined using the average cost to sales percentage at the Company and applying that percentage to the Company's inventory at expected selling prices. The average cost to sales percentage is derived from the Company's historical vehicle profitability for salvage vehicles purchased at auction or procured from other sources.

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

*Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized. As property and equipment are sold or retired, the applicable cost and accumulated depreciation are removed from the accounts and any resulting gain or loss thereon is recognized. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Depreciation totaled approximately \$365,000, \$305,000 and \$292,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

Approximately \$353,000 of property and equipment, net of accumulated depreciation, was held by the LLCs as of December 31, 2014 and 2013, respectively.

Estimated useful lives are as follows:

|                               |  |
|-------------------------------|--|
| Land improvements             | 15 years                                 |
| Buildings                     | 39 years                                 |
| Vehicles                      | 5 years                                  |
| Machinery and equipment       | 10 years                                 |
| Computer equipment            | 3-5 years                                |
| Office furniture and fixtures | 7 years                                  |
| Leasehold improvements        | 10-15 years or life of lease, if shorter |

The Company evaluates the recoverability of the carrying amount of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable based on an analysis of undiscounted cash flows. There were no such events or changes in the years ended December 31, 2014, 2013 or 2012.

**Jerry Brown, Ltd.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Income Taxes*

Through December 31, 2012, the Company's income taxes were accounted for under the asset and liability method whereby deferred income tax assets and liabilities were recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax basis and for tax credit carry forwards. Deferred tax assets and liabilities were measured using the enacted tax rate expected to apply to taxable income in the years in which those temporary differences were expected to be recovered or settled. A valuation allowance was provided for deferred tax assets if it was more likely than not that they would expire before the Company was able to realize their benefit.

Effective January 1, 2013, the Company elected to operate under Subchapter S of the Internal Revenue Code. Accordingly, after that date, the shareholders and the LLC owners report their share of the Company's federal and most state's taxable income or loss on their respective individual income tax returns. Deferred income taxes as of that date, which were a net liability of approximately \$1,598,000 (primarily consisting of inventory basis differences), were eliminated and reflected as an income tax benefit in the consolidated statement of operations for the year ended December 31, 2013.

The Company recognizes the benefits of uncertain tax positions taken or expected to be taken in tax returns in the provision for income taxes only for those positions that are more likely than not to be realized. The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. The Company is generally no longer subject to examination in its primary tax jurisdictions for tax years through 2011 and is not currently subject to any audits or examinations. Interest and penalties accrued on uncertain tax positions are recorded in income tax expense.

*Advertising Expenses*

Advertising costs are expensed as incurred and included in operating expenses in the accompanying consolidated statements of operations. Advertising expenses were approximately \$128,000, \$176,000 and \$121,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

*Fair Value Measurements*

Fair value of financial assets and liabilities are defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company is required to classify fair value measurements in one of the following categories:

- Level 1 - inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 - inputs are defined as unobservable inputs for the assets or liabilities. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

**Jerry Brown, Ltd.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Certain assets and liabilities are required to be recorded at fair value on either a recurring or non-recurring basis; however, the Company has no assets or liabilities that require recurring fair value measurements. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company's consolidated financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company's debt is carried at cost and approximates fair value due to its variable or fixed interest rates, which are consistent with the interest rates in the market.

The Company may be required, on a non-recurring basis, to adjust the carrying value of the Company's property and equipment. When necessary, these valuations may be determined by the Company using Level 3 inputs. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence that impairment may exist. There have been no indicators of impairment during 2014, 2013 or 2012.

*Recent Accounting Pronouncements*

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, which amends FASB Accounting Standards Codification ("ASC") Topic 205, *Presentation of Financial Statements* and FASB ASC Topic 360, *Property, Plant, and Equipment*. This standard amends the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective on a prospective basis for annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. The Company expects to adopt this standard on a prospective basis beginning January 1, 2015. Adoption is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The guidance in this update supersedes nearly all existing revenue recognition guidance under U.S. GAAP and creates a single, principle-based revenue recognition framework that is codified in a new FASB ASC Topic 606. The core principle of this guidance is for the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new revenue standard is effective for nonpublic entities' annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but only for annual reporting periods beginning after December 15, 2016. The new standard allows for either full retrospective or modified retrospective adoption. The Company is currently evaluating the transition method that will be elected and the potential effects of the adoption of the new standard on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, which amends ASC Topic 205, *Presentation of Financial Statements*, to describe management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This guidance will be effective for the Company's year ending December 31, 2016. The Company does not expect adoption of this ASU to have a material impact on its consolidated financial statements.

**Jerry Brown, Ltd.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which modifies the evaluation of variable interest entities (“VIEs”), and affects the consolidation analysis of reporting entities involved with VIEs. This guidance for nonpublic entities is effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 31, 2017, with early adoption permitted. The guidance for public entities is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company is currently evaluating the impact of adopting the new standard.

**Note 3. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities as of December 31, 2014 and 2013 consist of following:

|  | <u>Year ended December 31,</u> |                  |
|--|--------------------------------|------------------|
|  | <u>2014</u>                    | <u>2013</u>      |
| Compensation   | \$325,367                      | \$120,209        |
| Accrued sales and use taxes payables                 | 5,715                          | 16,069           |
| Sales returns, discounts & allowances reserve        | 56,520                         | 139,189          |
| Other  | —                              | —                |
| Total accrued expenses and other current liabilities | <u>\$387,602</u>               | <u>\$275,467</u> |

**Note 4. Long-term Debt**

The following table presents the Company’s long-term debt as of December 31, 2014 and 2013:

|  | <u>As of December 31,</u> |                    |
|--|---------------------------|--------------------|
|  | <u>2014</u>               | <u>2013</u>        |
| Adirondack Trust Company - vehicle and equipment | \$ 83,014                 | \$ 167,684         |
| Adirondack Trust Company - building              | 1,570,976                 | 1,048,579          |
| Related-party loan                               | 48,588                    | 48,588             |
| Total debt                                       | 1,702,578                 | 1,264,851          |
| Less current portion                             | 219,695                   | 185,960            |
| Long-term debt, net of current portion           | <u>\$1,482,883</u>        | <u>\$1,078,891</u> |

The Adirondack Trust Company vehicle and equipment loans include five loans with terms from three to five years used to fund the purchase of several different vehicles and equipment between 2010 and 2013. The five loans bear interest at annual fixed rates ranging from 4.25% to 5.8%, with a weighted average of 5.1%, mature between 2015 and 2017 with monthly installments of principal and interest and are secured by the underlying vehicles and equipment.

The Adirondack Trust Company building loan is a 10 year term loan with an original amount of \$1,675,000 used towards the construction of a new warehouse. The note was entered into on September 11, 2013 and bears interest at an annual fixed rate of 4.25% until October 11, 2018 and then at a rate equal to the lender’s Base Lending Rate (currently 4.25%) until September 11, 2023. The first six monthly payments commenced on October 11, 2013 and consisted of interest only. Thereafter, principal and interest are paid monthly through September 11, 2023. The loan is secured by the underlying building.

**Jerry Brown, Ltd.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Related party loan is a loan with an original amount of \$48,588 used towards general funds of the business. The note was entered into prior to January 1, 2012 and bore interest at an annual fixed rate of 10.0% with no set term or maturity date. Interest was paid annually in the amount of \$4,859. The note was fully paid in February 2015.

The aggregate annual principal payments for the next five years and thereafter under the Company long-term debt at December 31, 2014 are as follows:

|            |                    |
|------------|--------------------|
| 2015       | \$ 219,695         |
| 2016       | 187,192            |
| 2017       | 172,222            |
| 2018       | 178,440            |
| 2019       | 186,173            |
| Thereafter | <u>758,856</u>     |
| Total      | <u>\$1,702,578</u> |

*Line of Credit*

On September 11, 2013, the Company entered into a line of credit with The Adirondack Trust Company, with an initial borrowing capacity of \$300,000. Interest on any outstanding balance is payable monthly at a variable rate based on Prime (3.25% at December 31, 2014). No balance was outstanding at December 31, 2014 or 2013.

**Note 5. Commitments and Contingencies**

*Environmental and Related Contingencies*

The Company is subject to a variety of environmental and pollution control laws and regulations incident to the ordinary course of business. The Company currently expects that the resolution of any potential contingencies arising from compliance with these laws and regulation will not materially affect the Company's financial position, results of operations or cash flows.

**Note 6. Income Taxes**

The income tax provision (benefit) consists of the following components:

|                      | <u>Year ended December 31,</u> |                    |                  |
|----------------------|--------------------------------|--------------------|------------------|
|                      | <u>2014</u>                    | <u>2013</u>        | <u>2012</u>      |
| Current              |                                |                    |                  |
| Federal              | \$ 99,406                      | \$ 1,559,985       | \$150,695        |
| State                | 8,704                          | 101,417            | 13,513           |
| Total current        | <u>108,110</u>                 | <u>1,661,402</u>   | <u>164,208</u>   |
| Deferred             |                                |                    |                  |
| Federal              | —                              | (1,454,337)        | (9,624)          |
| State                | —                              | (143,266)          | (876)            |
| Total deferred       | <u>—</u>                       | <u>(1,597,603)</u> | <u>(10,500)</u>  |
| Income tax provision | <u>\$108,110</u>               | <u>\$ 63,799</u>   | <u>\$153,708</u> |



**Jerry Brown, Ltd.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

|   | <u>Year ended December 31,</u> |              |               |
|---|--------------------------------|--------------|---------------|
|   | <u>2014</u>                    | <u>2013</u>  | <u>2012</u>   |
| U.S. federal statutory rate                                     | — %                            | — %          | 34.00%        |
| State income taxes, net of state credits and federal tax impact | —                              | —            | 3.18          |
| Non-deductible expenses   | —                              | —            | 1.17          |
| Change in uncertain tax positions                               | 20.50                          | 236.52       | 17.57         |
| Change in income tax status                                     | —                              | (227.43)     | —             |
| Income from pass through entities                               | —                              | —            | (2.26)        |
| Effective income tax rate                                       | <u>20.50%</u>                  | <u>9.08%</u> | <u>53.66%</u> |

The Company has a liability for uncertain tax positions taken on its tax return as a C corporation in 2011 and 2012 related to accounting methods. It is possible that the amount of such benefits will significantly increase or decrease in the next twelve months. However, no estimate of the range of the amount of the increase or decrease can be made. A reconciliation of the beginning and ending amount of gross uncertain tax positions is as follows:

|  | <u>2014</u>        | <u>2013</u>        | <u>2012</u> |
|--|--------------------|--------------------|-------------|
| Balance at January 1   | \$1,570,736        | \$ —               | \$—         |
| Additions based on tax positions related to the current year | —                  | 1,570,736          | —           |
| Balance at December 31                                       | <u>\$1,570,736</u> | <u>\$1,570,736</u> | <u>\$—</u>  |

The Company's uncertain tax positions include positions related to the timing of certain deductions for income tax purposes. The related basis differences caused by this timing of deductions for income tax purposes and the timing of expense recognition for financial reporting purposes are reflected in the Company's deferred income tax liabilities. However, interest and penalties are separately recorded for these uncertain tax positions as part of income tax expense and amounted to approximately \$99,000, \$88,000 and \$53,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The Company had accumulated interest and penalties of approximately \$240,000 and \$141,000 as of December 31, 2014 and 2013, respectively, which is included in the reserve for uncertain tax positions on the consolidated balance sheets.

**Note 7. Employee Benefit Plan**

The Company provides a retirement plan for the benefit of substantially all of its employees that includes a 401(k) provision which allows employees to contribute and defer taxes on a portion of their compensation. The plan has a provision which requires non-elective Company contributions in the amount of 3% of the covered compensation of plan participants. For the years ended December 31, 2014, 2013 and 2012, the Company's non-elective contributions were approximately \$346,000, \$132,000 and \$98,000, respectively.

**Note 8. Related-party Transactions**

In 2014 and 2013, the Company paid \$70,000 to a family member of the owners for consulting services. Additionally, in 2012, the Company paid this same individual \$194,000 in rent for a property owned by an LLC in 2014 and 2013. Such amounts are recorded in net income attributable to the non-controlling interests in the consolidated statements of operations.

**Note 9. Subsequent Events**

The Company has evaluated subsequent events through March 25, 2015, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

## **Independent Auditor's Report**

The Shareholder  
Leesville Auto Wreckers, Inc.  
Rahway, New Jersey

We have audited the accompanying consolidated financial statements of Leesville Auto Wreckers, Inc., which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Leesville Auto Wreckers, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

As described in Note 1, the Company is expected to be acquired by an unrelated party.

/s/ BDO USA, LLP

Chicago, Illinois  
March 25, 2015

**Leesville Auto Wreckers, Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2014 and 2013**

|   | <u>2014</u>                | <u>2013</u>                |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>                             |                            |                            |
| <b>CURRENT ASSETS</b>                     |                            |                            |
| Cash and cash equivalents                 | \$ 673,527                 | \$ 269,458                 |
| Accounts receivable, net of allowance     | 955,595                    | 732,489                    |
| Inventories                               | 4,242,094                  | 3,848,685                  |
| Income taxes receivable                   | —                          | 12,163                     |
| Prepaid expenses and other current assets | 304,911                    | 256,125                    |
| Total current assets                      | <u>6,176,127</u>           | <u>5,118,920</u>           |
| <b>PROPERTY AND EQUIPMENT</b>             |                            |                            |
| Land                                      | 625,084                    | 621,771                    |
| Land improvements                         | 261,476                    | 261,475                    |
| Building and improvements                 | 605,638                    | 593,140                    |
| Vehicles                                  | 306,390                    | 264,805                    |
| Machinery and equipment                   | 519,059                    | 519,058                    |
| Leasehold improvements                    | 285,636                    | 275,597                    |
| Computer equipment                        | 83,601                     | 83,602                     |
| Office furniture and fixtures             | 9,479                      | 9,479                      |
| Accumulated depreciation and amortization | <u>(1,356,701)</u>         | <u>(1,219,374)</u>         |
| Property and equipment, net               | <u>1,339,662</u>           | <u>1,409,553</u>           |
| <b>NON-CURRENT ASSETS</b>                 |                            |                            |
| Other non-current assets                  | <u>91,711</u>              | <u>83,226</u>              |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 7,607,500</u></u> | <u><u>\$ 6,611,699</u></u> |

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

**Leesville Auto Wreckers, Inc.**  
**CONSOLIDATED BALANCE SHEETS - CONTINUED**  
**As of December 31, 2014 and 2013**

|   | <u>2014</u>               | <u>2013</u>               |
|---|---------------------------|---------------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                           |                           |
| <b>CURRENT LIABILITIES</b>  |                           |                           |
| Accounts payable  | \$ 183,086                | \$ 207,991                |
| Accrued expenses and other current liabilities  | 289,289                   | 281,793                   |
| Income taxes payable  | 26,218                    | 3,207                     |
| Deferred income tax liability   | <u>1,788,571</u>          | <u>1,527,715</u>          |
| Total current liabilities   | 2,287,164                 | 2,020,706                 |
| <b>NON-CURRENT LIABILITIES</b>  |                           |                           |
| Long-term debt  | 200,000                   | 200,000                   |
| Deferred income tax liability   | 39,777                    | 72,928                    |
| Reserve for uncertain tax positions   | <u>278,363</u>            | <u>152,996</u>            |
| Total non-current liabilities   | <u>518,140</u>            | <u>425,924</u>            |
| Total liabilities   | <u>2,805,304</u>          | <u>2,446,630</u>          |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |                           |                           |
| <b>SHAREHOLDERS' EQUITY</b>   |                           |                           |
| Common stock, no par value, 1,000 shares authorized, 500 shares issued and outstanding as of December 31, 2014 and 2013 | —                         | —                         |
| Additional paid-in-capital  | 193,435                   | 193,435                   |
| Retained earnings   | <u>3,534,698</u>          | <u>2,919,324</u>          |
| Total Leesville Auto Wreckers, Inc. shareholders' equity  | 3,728,133                 | 3,112,759                 |
| Noncontrolling interest   | <u>1,074,063</u>          | <u>1,052,310</u>          |
| Total shareholders' equity  | <u>4,802,196</u>          | <u>4,165,069</u>          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <u><u>\$7,607,500</u></u> | <u><u>\$6,611,699</u></u> |

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

**Leesville Auto Wreckers, Inc.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the years ended December 31, 2014, 2013 and 2012**

|   | <u>2014</u>       | <u>2013</u>        | <u>2012</u>         |
|---|-------------------|--------------------|---------------------|
| Net revenues  | \$16,864,697      | \$18,201,706       | \$16,966,515        |
| Cost of goods sold  | 12,591,561        | 13,163,945         | 12,672,845          |
| Gross profit  | 4,273,136         | 5,037,761          | 4,293,670           |
| Operating expenses  | 3,506,568         | 4,819,107          | 4,476,293           |
| Income (loss) from operations                                   | 766,568           | 218,654            | (182,623)           |
| Other expense   | (5,879)           | (2,859)            | (8,094)             |
| Income (loss) before income tax expense (benefit)               | 760,689           | 215,795            | (190,717)           |
| Income tax expense (benefit)                                    | 392,115           | 142,797            | (42,276)            |
| Net income (loss)   | 368,574           | 72,998             | (148,441)           |
| Net income attributable to noncontrolling interest              | 73,761            | 161,030            | 19,082              |
| Net income (loss) attributable to Leesville Auto Wreckers, Inc. | <u>\$ 294,813</u> | <u>\$ (88,032)</u> | <u>\$ (167,523)</u> |

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

**Leesville Auto Wreckers, Inc.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the years ended December 31, 2014, 2013 and 2012**

|                              | <u>Common stock</u> |               | <u>Additional<br/>paid-in<br/>capital</u> | <u>Retained<br/>earnings</u> | <u>Noncontrolling<br/>interest</u> | <u>Total<br/>shareholders'<br/>equity</u> |
|------------------------------|---------------------|---------------|---|------------------------------|------------------------------------|---|
|                              | <u>Shares</u>       | <u>Amount</u> |   |                              |                                    |   |
| Balance at January 1, 2012   | 500                 | \$—           | \$193,435                                 | \$3,225,099                  | \$ 678,257                         | \$4,096,791                               |
| Net (loss) income            | —                   | —             | —   | (167,523)                    | 19,082                             | (148,441)                                 |
| Shareholder contributions    | —                   | —             | —   | —                            | 30,147                             | 30,147                                    |
| Shareholder distributions    | —                   | —             | —   | (24,369)                     | —                                  | (24,369)                                  |
| Balance at December 31, 2012 | 500                 | —             | 193,435                                   | 3,033,207                    | 727,486                            | 3,954,128                                 |
| Net (loss) income            | —                   | —             | —   | (88,032)                     | 161,030                            | 72,998                                    |
| Shareholder contributions    | —                   | —             | —   | —                            | 163,794                            | 163,794                                   |
| Shareholder distributions    | —                   | —             | —   | (25,851)                     | —                                  | (25,851)                                  |
| Balance at December 31, 2013 | 500                 | —             | 193,435                                   | 2,919,324                    | 1,052,310                          | 4,165,069                                 |
| Net income                   | —                   | —             | —   | 294,813                      | 73,761                             | 368,574                                   |
| Shareholder contributions    | —                   | —             | —   | 336,791                      | 51,992                             | 388,783                                   |
| Shareholder distributions    | —                   | —             | —   | (16,230)                     | (104,000)                          | (120,230)                                 |
| Balance at December 31, 2014 | 500                 | \$—           | \$193,435                                 | \$3,534,698                  | \$1,074,063                        | \$4,802,196                               |

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

**Leesville Auto Wreckers, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2014, 2013 and 2012**

|   | <u>2014</u>       | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|-------------------|
| Cash flows from operating activities  |                   |                   |                   |
| Net income (loss)   | \$ 368,574        | \$ 72,998         | \$(148,441)       |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities |                   |                   |                   |
| Depreciation and amortization expense   | 137,326           | 138,237           | 104,789           |
| Deferred income tax expense (benefit)   | 227,707           | 3,386             | (76,000)          |
| Provision for uncertain income tax benefits   | 125,367           | 115,863           | 9,958             |
| Change in assets and liabilities:   |                   |                   |                   |
| Accounts receivable   | (223,106)         | 193,726           | (156,303)         |
| Inventories   | (393,409)         | (123,553)         | 206,500           |
| Income taxes receivable   | 12,163            | 8,649             | (20,812)          |
| Prepaid expenses and other current assets   | (48,786)          | (48,978)          | (8,185)           |
| Other non-current assets  | (8,485)           | (83,216)          | 1,045             |
| Accounts payable  | (24,905)          | 11,966            | 3,544             |
| Income taxes payable  | (23,011)          | (1,106)           | 4,313             |
| Accrued expenses and other current liabilities  | 53,516            | (20,426)          | 147,040           |
| Net cash provided by operating activities   | <u>202,951</u>    | <u>267,546</u>    | <u>67,448</u>     |
| Cash flows from investing activities:   |                   |                   |                   |
| Capital expenditures  | <u>(67,435)</u>   | <u>(552,690)</u>  | <u>(126,702)</u>  |
| Net cash used in investing activities   | <u>(67,435)</u>   | <u>(552,690)</u>  | <u>(126,702)</u>  |
| Cash flows from financing activities:   |                   |                   |                   |
| Note payable borrowings   | —                 | 200,000           | —                 |
| Note payable payments   | —                 | —                 | (5,915)           |
| Shareholder contributions   | 388,783           | 163,794           | 30,147            |
| Shareholder distributions   | <u>(120,230)</u>  | <u>(25,851)</u>   | <u>(24,369)</u>   |
| Net cash (used in) provided by financing activities                                     | <u>268,553</u>    | <u>337,943</u>    | <u>(137)</u>      |
| Increase (decrease) in cash and cash equivalents  | 404,069           | 52,799            | (59,391)          |
| Cash and cash equivalents, beginning of year  | <u>269,458</u>    | <u>216,659</u>    | <u>276,050</u>    |
| Cash and cash equivalents, end of year  | <u>\$ 673,527</u> | <u>\$ 269,458</u> | <u>\$ 216,659</u> |
| Supplemental cash flow disclosure   |                   |                   |                   |
| Cash paid for   |                   |                   |                   |
| Income taxes  | <u>\$ 18,420</u>  | <u>\$ 22,091</u>  | <u>\$ 16,254</u>  |
| Interest  | <u>\$ 6,000</u>   | <u>\$ 1,147</u>   | <u>\$ —</u>       |

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

**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Nature of Operations**

Leesville Auto Wreckers, Inc. (the “Company”), a New Jersey corporation, engages primarily in auto recycling, which is the recovery and resale of original equipment manufacturer (“OEM”) and aftermarket parts, components and systems, such as engines, transmissions, door assemblies, truck lids, lights and fenders, (referred to as “products”) reclaimed from damaged, totaled or low value vehicles. The Company also sells used cars and motorcycles. The Company purchases its vehicles primarily at auto salvage auctions. Upon receipt of vehicles, the Company inventories the vehicles then dismantles and sells the recycled components. In addition, the Company purchases recycled OEM and related products from third parties for resale and distribution to its customers. The Company’s customers include collision repair shops (body shops), mechanical repair shops, auto dealerships and individual retail customers. The Company also generates a portion of revenue from scrap sales of the unusable parts and materials. The Company operates a full-service recycling facility in Rahway, New Jersey.

The shareholder of the Company entered into an agreement dated August 18, 2014, which was subsequently amended to extend the closing conditions through May 15, 2015, with Fenix Parts, Inc. (“Fenix”) under which Fenix will acquire 100% of the Company’s shares for cash and Fenix common stock, contingent on, among other things, the closing of an initial public offering of that common stock. Fenix will not acquire the equity interests of any of the Loki-Lot I, LLC, PPP Group, LLC, Loki-Lott II, LLC, and Gin-Jac, Inc. (collectively, the “Lessors”).

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The consolidated financial statements include the accounts of the Lessors of the premises from which the Company operates. The Lessors are owned by the Company’s shareholder and an employee. The Company has determined that each Lessor is a variable interest entity because the holders of the equity investment at risk in the Lessors do not have the obligation to absorb their expected losses or receive their residual returns. Furthermore, the Company has determined that it is the primary beneficiary of each Lessor because the Company has the power to direct the activities that most significantly impact each Lessor’s economic performance, namely the operation and maintenance of the significant assets of each Lessor, and the Company has the obligation to absorb losses or rights to receive benefits from the Lessors that could potentially be significant to the Lessors. Accordingly, and pursuant to consolidation requirements under GAAP, the Company consolidates each Lessor. All intercompany transactions are eliminated in consolidation. All of the Lessors’ operating results are attributable to the noncontrolling interests in the Company’s consolidated statements of operations and all of their shareholders’ equity is presented separately from the Company’s shareholder’s equity in the Company’s consolidated balance sheets and statements of shareholders’ equity.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Revenue Recognition*

The Company recognizes revenue from the sale of vehicle replacement products and scrap, and the sale of used cars and motorcycles when they are shipped or picked up by the customers and ownership has transferred, subject to an allowance for estimated returns and discounts that management estimates based upon historical information. Management analyzes historical returns (often pursuant to standard warranties on the sold products) and allowances activity by comparing the items returned to the original invoice amounts and dates. The Company uses this information to project future returns and allowances on products sold. If actual returns and allowances deviate significantly from the Company's historical experience, there could be an impact on its operating results in the period of occurrence. The Company has recorded a reserve for estimated returns and discounts of approximately \$60,000 and \$95,000 at December 31, 2014 and 2013, respectively, within accrued expenses and other current liabilities.

The Company presents taxes assessed by government authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenue on the consolidated statement of operations and are shown as current liabilities on the consolidated balance sheets until remitted. Revenue also includes amounts billed to customers for shipping and handling.

*Cost of Goods Sold*

Cost of goods sold primarily includes a) amounts paid for the purchase of vehicles and parts for resale, b) related auction, storage and towing fees, and c) other cost of procurement and dismantling, primarily labor and overhead allocable to dismantling operations, or in the case of motorcycle and car sales, to preparing the vehicles for sale.

*Operating Expenses*

Operating expenses are primarily comprised of a) salaries and benefits of employees that are not related to the procurement, dismantling and/or preparation of vehicles for sale, b) facility costs such as rent, utilities, insurance, repairs and taxes not allocated to dismantling operations, c) selling and marketing costs, d) costs to distribute the Company's products and scrap, and e) other general and administrative costs.

*Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Accounts Receivable and Allowance for Doubtful Accounts*

In the normal course of business, the Company extends credit to customers after a review of each customer's credit history. The Company recorded a reserve for uncollectible accounts of approximately \$34,000 and \$41,000 at December 31, 2014 and 2013, respectively. The reserve is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable and historical experience. Receivables are written off once collection efforts have been exhausted. Recoveries of accounts receivable previously written off are recorded when received.

*Reclassifications*

Reclassifications of prior period amounts have been made to conform to the current period presentation. The reclassifications have no impact on net income.

**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Concentrations*

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The majority of cash and cash equivalents are maintained with several major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of customers make up the Company's customer base. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

The Company primarily obtains its recycled OEM and related products from damaged, totaled or low value vehicles purchased at salvage auto auctions. For 2014, 2013 and 2012, substantially all of the vehicles purchased by the Company for dismantling were acquired at auctions run by two salvage auto auction companies.

*Inventories*

Inventories consist of recycled OEM and aftermarket products, including car hulls and other materials that will be sold as scrap, as well as used cars and motorcycles for resale. Inventory costs for recycled OEM parts are established based upon the price the Company pays for a vehicle, including auction, storage and towing fees, as well as expenditures for buying and dismantling vehicles. After dismantling, the cost assigned to the salvaged parts and scrap is determined using the average cost of sales percentage at the Company and applying that percentage to the Company's inventory at expected selling prices. The average cost to sales percentage is derived from the Company's historical vehicle profitability for salvage vehicles purchased at auction or procured from other sources. Inventory costs for used cars and motorcycles for resale are established based on historical cost plus any applicable labor and overhead.

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

Inventories consist of the following:

|  | <b>December 31,</b> |                    |
|--|---------------------|--------------------|
|  | <b>2014</b>         | <b>2013</b>        |
| Recycled OEM parts, related products and scrap | \$3,503,585         | \$3,138,930        |
| Used cars and motorcycles                      | 738,509             | 709,755            |
|  | <u>\$4,242,094</u>  | <u>\$3,848,685</u> |

*Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the useful life of an asset are capitalized. As property and equipment are sold or retired, the applicable cost and accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss thereon is recognized. Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives or, the case of leasehold improvements, the term of the related lease or reasonably assured renewal periods, if shorter. Depreciation and amortization expense totaled approximately \$137,000, \$138,000 and \$105,000 for the years ended December 31, 2014, 2013 and 2012, respectively. Approximately \$926,000 and \$919,000 of property and equipment, net of accumulated depreciation, was held by the Lessors as of December 31, 2014 and 2013, respectively.

**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Estimated useful lives are as follows:

|                                |  |
|--------------------------------|--|
| Land and building improvements | 15 years                                 |
| Buildings                      | 39 years                                 |
| Vehicles                       | 5 years                                  |
| Machinery and equipment        | 10 years                                 |
| Leasehold improvements         | 10-15 years or life of lease, if shorter |
| Computer equipment             | 3 years                                  |
| Office furniture and fixtures  | 7 years                                  |

The Company evaluates the recoverability of the carrying amount of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable based on an analysis of undiscounted cash flows. There were no such events or changes in the years ended December 31, 2014, 2013 or 2012.

*Income Taxes*

Except for certain of the Lessors that are limited liability companies, income taxes are accounted for under the asset and liability method where deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax basis and for tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets and adjusts the valuation allowance, if necessary. The factors used to assess the likelihood of realization include historical cumulative losses, the forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

For those Lessors structured as limited liability companies, income or loss is reported by the entities' owners and no income tax expense or benefit is recognized in the consolidated statements of operations.

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

*Advertising Expenses*

Advertising costs, which are expensed as incurred, were approximately \$37,000, \$32,000 and \$41,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Fair Value Measurements*

Fair value of financial assets and liabilities are defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company is required to classify fair value measurements in one of the following categories:

- Level 1 - inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 - inputs are defined as unobservable inputs for the assets or liabilities. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Certain assets and liabilities are required to be recorded at fair value on either a recurring or non-recurring basis; however, the Company has no assets or liabilities that require recurring fair value measurements. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company's debt is carried at cost and approximates fair value due to its fixed interest rates, which are consistent with the interest rates in the market.

The Company may be required, on a non-recurring basis, to adjust the carrying value of the Company's property and equipment. When necessary, these valuations are determined by the Company using Level 3 inputs. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence that impairment may exist. There have been no indicators of impairment during 2014 or 2013.

*Recent Accounting Pronouncements*

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, which amends FASB Accounting Standards Codification ("ASC") Topic 205, *Presentation of Financial Statements*, and FASB ASC Topic 360, *Property, Plant, and Equipment*. This standard amends the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective on a prospective basis for annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. The Company expects to adopt this standard on a prospective basis beginning January 1, 2015. Adoption is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The guidance in this update supersedes nearly all existing revenue recognition guidance under U.S. GAAP and creates a single, principle-based revenue recognition framework that is codified in a new FASB ASC Topic 606. The core principle of this guidance is for the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for those

**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new revenue standard is effective for nonpublic entities' annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but only for annual reporting periods beginning after December 15, 2016. The new standard allows for either full retrospective or modified retrospective adoption. The Company is currently evaluating the transition method that will be elected and the potential effects of the adoption of the new standard on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, which amends ASC Topic 205, *Presentation of Financial Statements*, to describe management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This guidance will be effective for the Company's year ending December 31, 2016. The Company does not expect adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which modifies the evaluation of variable interest entities ("VIEs"), and affects the consolidation analysis of reporting entities involved with VIEs. This guidance for nonpublic entities is effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 31, 2017, with early adoption permitted. The Company is currently evaluating the impact of adopting the new standard.

**Note 3. Debt**

The Company's long-term debt consists of a \$200,000 note payable entered into by one of the Lessors in October 2013. Interest only is due annually beginning in October 2014 and the entire principal is due in October 2018. The interest rate on the note is fixed at 3% for the term of the note. Proceeds from the note were used to partially finance the purchase of land and a building. The note is collateralized by the land and building.

In June 2011, the Company entered into a commercial line of credit with a borrowing base of \$1,500,000 (the "line of credit") and a maturity date of August 5, 2015. All obligations under the line of credit are secured by a first-priority lien on substantially all of the Company's assets. Interest under the line of credit will be charged on the principal amount outstanding from time to time at prime. As of December 31, 2014, there have been no borrowings against this line of credit.

**Note 4. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets as of December 31, 2014 and 2013, consist of following:

|   | <u>2014</u>      | <u>2013</u>      |
|---|------------------|------------------|
| Prepaid insurance                               | \$249,689        | \$248,522        |
| Deposits and other                              | 41,695           | 5,510            |
| Prepaid taxes                                   | 13,527           | —                |
| Prepaid license fees                            | —                | 2,093            |
| Total prepaid expenses and other current assets | <u>\$304,911</u> | <u>\$256,125</u> |

**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 5. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities as of December 31, 2014 and 2013, consist of following:

|  | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|
| Employee salaries and benefits payable               | \$160,112        | \$178,366        |
| Reserve for returns, discounts and allowances        | 59,558           | 95,000           |
| Other  | 69,619           | 8,427            |
| Total accrued expenses and other current liabilities | <u>\$289,289</u> | <u>\$281,793</u> |

**Note 6. Commitments and Contingencies**

*Operating Lease*

One of the Lessors is obligated under a noncancelable operating lease for land, as well as various other equipment leases. The future minimum lease commitments under these leases at December 31, 2014, are as follows:

| Years ending December 31:     |                  |
|-------------------------------|------------------|
| 2015                          | \$ 19,500        |
| 2016                          | 24,000           |
| 2017                          | 24,000           |
| 2018                          | 24,000           |
| 2019                          | 24,000           |
| Thereafter                    | <u>18,000</u>    |
| Future minimum lease payments | <u>\$133,500</u> |

Rental expense was approximately \$18,000 during each of the years ended December 31, 2014, 2013 and 2012.

*Environmental and Related Contingencies*

The Company is subject to a variety of environmental and pollution control laws and regulations incident to the ordinary course of business. The Company currently expects that the resolution of any potential contingencies arising from compliance with these laws and regulations will not materially affect the Company's financial position, results of operations or cash flows.

**Note 7. Income Taxes**

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

|   | <u>For the year ended December 31,</u> |                  |                   |
|---|--|------------------|-------------------|
|   | <u>2014</u>                            | <u>2013</u>      | <u>2012</u>       |
| Current                                     |  |                  |                   |
| Federal                                     | \$134,341                              | \$116,358        | \$ 26,201         |
| State                                       | 30,067                                 | 23,053           | 7,523             |
| Total current income tax expense            | <u>164,408</u>                         | <u>139,411</u>   | <u>33,724</u>     |
| Deferred                                    |  |                  |                   |
| Federal                                     | 193,842                                | 2,882            | (64,697)          |
| State                                       | 33,865                                 | 504              | (11,303)          |
| Total deferred income tax expense (benefit) | <u>227,707</u>                         | <u>3,386</u>     | <u>(76,000)</u>   |
| Income tax expense (benefit)                | <u>\$392,115</u>                       | <u>\$142,797</u> | <u>\$(42,276)</u> |

**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

|   | <u>For the year ended December 31,</u> |               |                 |
|---|--|---------------|-----------------|
|   | <u>2014</u>                            | <u>2013</u>   | <u>2012</u>     |
| U.S. federal statutory rate                                     | 34.00%                                 | 34.00%        | (34.00)%        |
| State income taxes, net of state credits and federal tax impact | 7.91                                   | 10.21         | (1.73)          |
| Non-deductible expenses   | 0.34                                   | 3.05          | 3.49            |
| Unrecognized income tax benefits                                | 14.03                                  | 45.47         | 16.63           |
| Taxes related to income from pass-through entities              | (2.97)                                 | (25.37)       | (3.40)          |
| Other, net  | (1.77)                                 | (1.19)        | (3.16)          |
| Effective income tax rate                                       | <u>51.54%</u>                          | <u>66.17%</u> | <u>(22.17)%</u> |

The significant components of the Company's deferred income tax assets and liabilities are as follows:

|                                       | <u>December 31,</u>  |                      |
|---------------------------------------|----------------------|----------------------|
|                                       | <u>2014</u>          | <u>2013</u>          |
| Deferred income tax assets            |                      |                      |
| Accrued expenses and reserves         | \$ 37,068            | \$ 54,318            |
| Total deferred income tax assets      | 37,068               | 54,318               |
| Deferred income tax liabilities       |                      |                      |
| Property and equipment                | (39,777)             | (72,928)             |
| Inventories                           | (1,330,980)          | (1,173,853)          |
| Accounts receivable                   | (394,945)            | (308,932)            |
| Prepaid insurance                     | (99,714)             | (99,248)             |
| Total deferred income tax liabilities | <u>(1,865,416)</u>   | <u>(1,654,961)</u>   |
| Net deferred income tax liability     | <u>\$(1,828,348)</u> | <u>\$(1,600,643)</u> |

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

|   | <u>2014</u>     | <u>2013</u>     |
|---|-----------------|-----------------|
| Balance at January 1                        | \$33,971        | \$ —            |
| Additions for tax positions of current year | —               | 33,971          |
| Balance at December 31                      | <u>\$33,971</u> | <u>\$33,971</u> |

The Company's uncertain tax positions include positions related to the timing of certain deductions for income tax purposes. The related basis differences caused by this timing of deductions for income tax purposes and the timing of expense recognition for financial reporting purposes are reflected in the Company's deferred income tax liabilities. However, interest and penalties are separately recorded for these uncertain tax positions as part of income tax expense and amounted to \$125,367 and \$81,892 for the years ended December 31, 2014 and 2013, respectively. The Company had accumulated interest and penalties of \$244,392 and \$119,025 as of December 31, 2014 and 2013, respectively, which along with the gross unrecognized tax benefits is reported as the reserve for uncertain tax positions on the consolidated balance sheets.

The Company is generally no longer subject to examination in primary tax jurisdictions for tax years through 2011. The Company is not currently subject to any audits or examinations.

**Leesville Auto Wreckers, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 8. Related Party Transactions**

In addition to the Lessors, the Company's shareholder, sometimes along with a Company employee, wholly or partially own other entities with which the Company or the Lessors have had transactions. In one case, \$500,000 of cash was loaned by the Company to one of these other entities in January 2013 and repaid, with no interest, during 2013. In several instances, the shareholder used distributions from one or more of these other entities to fund contributions into one or more of the Lessors. During the years ended December 31, 2014, 2013 and 2012, such contributions amounted to \$51,992, \$163,794 and \$30,147, respectively. In certain cases, the Company has determined that these other entities are variable interest entities and the Company or the Lessors have variable interests in such entities. However, in each case, the Company determined that other variable interest holders in those other entities had more power to direct the activities of those other entities that most significantly impact their economic performance or were more closely related to them. As such, these other entities are not consolidated with the Company.

Additionally, the Company leases certain computer equipment and software from one of these other entities on a month-to-month basis. Related rental expense was approximately \$24,000 for each of the years ended December 31, 2014, 2013 and 2012. Some of the Lessors lease real estate to some of these other entities on a month-to-month basis. Related rental income, included in net revenues on the consolidated statements of operations, was approximately \$15,000, \$105,000 and \$15,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The Company also sells inventory to one of these other entities. Related net revenues were approximately \$86,000, \$236,000 and \$110,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The aggregate amounts due to or from the Company and these other entities were immaterial at each of December 31, 2014 and 2013.

**Note 9. Employee Benefit Plan**

The Company provides a defined contribution plan covering eligible employees, which includes a matching contribution. The matching Company contributions to this plan were approximately \$160,000, \$171,000 and \$147,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

**Note 10. Subsequent Events**

The Company has evaluated subsequent events through March 25, 2015, which is the date the consolidated financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.



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**11,000,000 Shares**



**Fenix Parts, Inc.**

**Common Stock**

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PRELIMINARY PROSPECTUS

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**BMO CAPITAL MARKETS  
STIFEL  
BB&T CAPITAL MARKETS  
BARRINGTON RESEARCH**

Through and including \_\_\_\_\_, 2015 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.

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## PART II

### INFORMATION NOT REQUIRED IN PROSPECTUS

#### Item 13. *Other Expenses of Issuance and Distribution*

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by Fenix Parts, Inc. in connection with the sale and distribution of common stock being registered. All amounts are estimates except the SEC registration fee and the Financial Industry Regulatory Authority (“FINRA”) filing fee.

|   |                  |
|---|------------------|
| SEC registration fee .....              | \$ 16,170        |
| FINRA filing fee .....                  | 21,373           |
| Nasdaq Global Market listing fee .....  | 125,000          |
| Blue Sky fees and expenses .....        | 5,000            |
| Printing and engraving costs .....      | 300,000          |
| Legal fees and expenses .....           | 250,000          |
| Accounting fees and expenses .....      | 300,000          |
| Transfer Agent and Registrar fees ..... | 6,750            |
| Miscellaneous expenses .....            | 36,707           |
| Total .....                             | <u>1,061,000</u> |

\* To be completed by amendment.

#### Item 14. *Indemnification of Directors and Officers*

The Registrant is governed by the Delaware General Corporation Law, as the same exists or may hereafter be amended (the “General Corporation Law”). Section 145 of the General Corporation Law (“Section 145”) provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnification may include expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation’s best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. Section 145 also provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of such corporation, under the same conditions, except that such indemnification is limited to expenses (including attorneys’ fees) actually and reasonably incurred by such person, and except that no indemnification is permitted without judicial approval if such person is adjudged to be liable to such corporation. Where an officer or director of a corporation is successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to above, or any claim, issue or matter therein, the corporation must indemnify that person against the expenses (including attorneys’ fees) which such officer or director actually and reasonably incurred in connection therewith.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability

asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would otherwise have the power to indemnify such person against such liability under Section 145.

The Registrant's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws provide that the Registrant will indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Registrant or any predecessor of the Registrant, or serves or served at any other corporation, partnership, joint venture, trust or other enterprise as a director, officer, employee or agent at the request of the Registrant or any predecessor of the Registrant.

The Registrant's Amended and Restated Bylaws provide for mandatory indemnification to the fullest extent permitted by General Corporation Law against all expenses (including attorney's fees), judgments, fines, ERISA excise taxes or penalties and amounts paid in settlements.

The Registrant's Amended and Restated Certificate of Incorporation eliminates the liability of a director of the registrant to the fullest extent under applicable law. Pursuant to Section 102(b)(7) of the General Corporation Law, a corporation may eliminate the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liabilities arising (i) from any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) from acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law, or (iv) from any transaction from which the director derived an improper personal benefit.

The Registrant's directors and executive officers are covered by insurance maintained by the Registrant against specified liabilities for actions taken in their capacities as such, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). In addition, the Registrant has entered into contracts with its directors and executive officers providing indemnification of such directors and executive officers by the Registrant to the fullest extent permitted by law, subject to certain limited exceptions.

The proposed form of underwriting agreement to be filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the underwriters of the Registrant and its officers and directors, and by the Registrant of the underwriters, for certain liabilities arising under the Securities Act or otherwise in connection with this offering.

#### **Item 15. *Recent Sales of Unregistered Securities***

The following is a summary of the Registrant's transactions within the last three years, involving sales of the Registrant's securities that were not registered under the Securities Act:

(a) On January 2, 2014, the Registrant issued and sold an aggregate of 900 shares of common stock to its five founders at a purchase price of \$0.10 per share paid in cash. Such shares will undergo a 2,000-for-1 stock split immediately prior to the closing of this offering.

(b) In March and April 2014, the Registrant issued and sold an aggregate of 201 shares of common stock to 13 persons, including three of its founders, at a purchase price of \$10,000 per share paid in cash. Such shares will undergo a 2,000-for-1 stock split immediately prior to the closing of this offering.

(c) Between September 2014 and April 20, 2015, the Registrant issued and sold an aggregate of 265.4615 shares of common stock to 37 persons, at a purchase price of \$13,000 per share paid in cash. Such shares will undergo a 2,000-for-1 stock split immediately prior to the closing of this offering.

Except as indicated above, none of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and the Registrant believes that each transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 pursuant to compensatory benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients in such transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients either received adequate information about the Registrant or had access, through their relationships with the Registrant, to such information.

**Item 16. Exhibits and Financial Statement Schedules****(a) Exhibits**

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 1.1*                  | Form of Underwriting Agreement.   |
| 3.1†                  | Certificate of Incorporation of the Registrant.   |
| 3.2†                  | Amended and Restated Certificate of Incorporation of the Registrant.  |
| 3.3†                  | Bylaws of the Registrant.   |
| 3.4                   | Proposed Amended and Restated Bylaws of the Registrant.   |
| 4.1*                  | Form of the Registrant's Common Stock Certificate.  |
| 4.2†                  | Certificate of Incorporation of Fenix Parts Canada, Inc.  |
| 4.3†                  | Form of Registration Rights Agreement among the stockholders of each US Founding Company (other than Standard Auto Wreckers, Inc.) and the Registrant.  |
| 4.4†                  | Form of Registration Rights Agreement among the Registrant, Goldy Metals Incorporated and Goldy Metals (Ottawa) Incorporated.   |
| 4.5*                  | Registration Rights Agreement among the Registrant and the persons named therein.   |
| 5.1*                  | Opinion of Johnson and Colmar.  |
| 10.1#†                | Form of Indemnification Agreement between the Registrant and each of its directors and officers.  |
| 10.2#†                | 2014 Incentive Stock Plan.  |
| 10.3#                 | Form of Option Agreement.   |
| 10.4#†                | Offer Letter and noncompetition agreement dated November 3, 2014 with W. Kent Robertson, Chief Executive Officer of the Registrant.   |
| 10.5#†                | Offer Letter and noncompetition agreement dated November 3, 2014 with Scott Pettit, Chief Financial Officer of the Registrant.  |
| 10.6#†                | Form of Employment Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant and David Gold, Executive Vice President of the Registrant. (See Exhibit C to Exhibit 10.15.)   |
| 10.7#†                | Form of employment side letter between the Registrant and David Gold.   |
| 10.8†                 | Combination Agreement dated as of August 27, 2014 among the Registrant, Donald Beagell, Jr., Cynthia Howard, Gregory Beagell, Michael Colsten and Don's Automotive Mall, Inc.   |
| 10.9†                 | Combination Agreement dated as of August 11, 2014 among the Registrant, Mark Eiss, John Eiss, Timothy Eiss and Eiss Brothers, Inc.  |
| 10.10†                | Combination Agreement dated as of August 26, 2014 among the Registrant, Gary A. Beagell, Linda Beagell, Steve Barkwell and Gary's U-Pull It, Inc.   |
| 10.11†                | Combination Agreement dated as of August 14, 2014 among the Registrant, Brian Shell, Jason Finley, Adam Mervis, Mervis 2006, LLC, Michael Stanley and Green Oak Investments LLC dba GO Auto Recycling.  |
| 10.12†                | Combination Agreement dated as of August 27, 2014 among the Registrant, Bonita Beagell, Cynthia Howard, Gregory Beagell, Randy Howard, Michael Colsten, Leatrice Colsten, Darcy Beagell, Jessica Phillips and Horseheads Automotive Recycling, Inc. |
| 10.13†                | Combination Agreement dated as of September 30, 2014 among the Registrant, Larry Brown, Stephen Brown and Jerry Brown, Ltd.   |
| 10.14†                | Combination Agreement dated as of August 18, 2014 among the Registrant, John J. Brennan and Leesville Auto Wreckers, Inc.   |

- 10.15† Combination Agreement dated as of September 24, 2014 among the Registrant, David A. Gold, Kenneth L. Gold, Goldy Metals Incorporated, Goldy Metals Holdings Inc. and Standard Auto Wreckers, Inc.
- 10.16† Amended and Restated Combination Agreement dated as of November 10, 2014 among the Registrant, Fenix Parts Canada, Inc., David A. Gold, Kenneth L. Gold, Goldy Metals Incorporated, End of Life Vehicles Inc., Goldy Metals (Ottawa) Incorporated and 2434861 Ontario Inc.
- 10.17† Form of Exchange Agreement between the Registrant and Fenix Parts Canada, Inc. (See Exhibit I to Exhibit 10.16.)
- 10.18† Form of Voting and Exchange Trust Agreement among the Registrant, Fenix Parts Canada, Inc. and as Trustee. (See Exhibit A to Exhibit I to Exhibit 10.16.)
- 10.19† Form of Lease Agreement between the Don’s Automotive Mall, Inc., a subsidiary of the Registrant, and D & B Holdings, LLC, for the Registrant’s facility located at 216 Colesville Road, Binghamton, New York. (See Exhibit I-1 to Exhibit 10.8.)
- 10.20† Form of Lease Agreement between Gary’s U-Pull It, Inc., a subsidiary of the Registrant, and Beagell Properties, LLC for the Registrant’s facility located at 13 Barlow Road, Binghamton, New York. (See Exhibit G-2 to Exhibit 10.10.)
- 10.21† Form of Lease Agreement between Green Oak Investments LLC dba GO Auto Recycling, a subsidiary of the Registrant, and New Kings LLC, 2014, for the Registrant’s facility located at 12270 New Kings Road, Jacksonville, Florida. (See Exhibit F to Exhibit 10.11.)
- 10.22† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Dalana Realty, Inc., for the Registrant’s facility located at 3800 Highland Avenue, Niagara Falls, New York. (See Exhibit A to Exhibit 10.15.)
- 10.23† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Goldy Metals (Ottawa) Incorporated, for the Registrant’s facility located at 5402 Old Richmond Road, Ottawa, Ontario. (See Exhibit H-2 to Exhibit 10.16.)
- 10.24† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Standard Auto Wreckers (Cornwall), Inc. for the Registrant’s facility located at 4345 Northfield Road, Ottawa (Cornwall), Ontario. (See Exhibit H-1 to Exhibit 10.16.)
- 10.25† Form of Lease Agreement between Don’s Automotive Mall, Inc., a subsidiary of the Registrant, and BBHC, LLC, for the Registrant’s facility located at 1245 Sleepy Hollow Road, Pennsburg, Pennsylvania. (See Exhibit I-2 to Exhibit 10.8.)
- 10.26† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Standard Auto Wreckers (Port Hope) Inc., for the Registrant’s facility located at 260 Peter Street, Port Hope, Ontario. (See Exhibit H-4 to Exhibit 10.16.)
- 10.27† Form of Lease Agreement between Jerry Brown, Ltd., a subsidiary of the Registrant, and JBAP Properties, LLC, SBLB Properties, LLC and SBLB Properties II, LLC., for the Registrant’s facility located at 26 Lower Warren Street, Queensbury, New York. (See Exhibit G to Exhibit 10.13.)
- 10.28† Form of Lease Agreement between the Registrant and Loki-Lot I, LLC, for the Registrant’s facility located at 391 E. Inman Avenue, Rahway, New Jersey. (See Exhibit G-2 to Exhibit 10.14.)
- 10.29† Form of Lease Agreement between the Registrant and PPP Group, LLC, for the Registrant’s facility located at 63 Adele Street, Rahway, New Jersey. (See Exhibit G-4 to Exhibit 10.14.)

- 10.30† Form of Lease Agreement between the Registrant and Loki-Lot II, LLC, for the Registrant’s facility located at 20 Leesville Avenue, Rahway (Avenel), New Jersey. (See Exhibit G-3 to Exhibit 10.14.)
- 10.31† Form of Lease Agreement between the Registrant and Gin-Jac, Inc., for the Registrant’s facility located at 186 Leesville Avenue, Rahway (Avenel), New Jersey. (See Exhibit G-1 to Exhibit 10.14.)
- 10.32† Form of Lease Agreement between Eiss Brothers, Inc., a subsidiary of the Registrant, and Mark Eiss, John Eiss and Tim Eiss, for the Registrant’s facility located at 28250 St. Rte. 37, Watertown, New York. (See Exhibit G to Exhibit 10.9.)
- 10.33† Form of Lease Agreement between Gary’s U-Pull It, Inc., a subsidiary of the Registrant, and Beagell Properties, LLC, for the Registrant’s facility located at 230-246 Colesville Road, Binghamton, New York. (See Exhibit G-1 to Exhibit 10.10.)
- 10.34† Form of Lease Agreement between Horseheads Automotive Recycling, Inc., a subsidiary of the Registrant, and Don’s Independent Salvage Company, LLC, for the Registrant’s facility located at 1592 Sears Road, Elmira, New York. (See Exhibit F to Exhibit 10.12.)
- 10.35† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Kenneth L. Gold and Goldy Metals Incorporated, for the Registrant’s facility located at 1216 Sewells Road, Scarborough, Ontario. (See Exhibit H-3 to Exhibit 10.16.)
- 10.36† First Amendment dated as of March 4, 2015, to Combination Agreement dated as of August 27, 2014 among the Registrant, Donald Beagell, Jr., Cynthia Howard, Gregory Beagell, Michael Colsten and Don’s Automotive Mall, Inc.
- 10.37† First Amendment dated as of March 5, 2015, to Combination Agreement dated as of August 11, 2014 among the Registrant, Mark Eiss, John Eiss, Timothy Eiss and Eiss Brothers, Inc.
- 10.38† First Amendment dated as of March 6, 2015, to Combination Agreement dated as of August 26, 2014 among the Registrant, Gary A. Beagell, Linda Beagell, Steve Barkwell and Gary’s U-Pull It, Inc.
- 10.39† First Amendment dated as of February 26, 2015, to Combination Agreement dated as of August 14, 2014 among the Registrant, Brian Shell, Jason Finley, Adam Mervis, Mervis 2006, LLC, Michael Stanley and Green Oak Investments LLC dba GO Auto Recycling.
- 10.40† First Amendment dated as of March 4, 2015, to Combination Agreement dated as of August 27, 2014 among the Registrant, Bonita Beagell, Cynthia Howard, Gregory Beagell, Randy Howard, Michael Colsten, Leatrice Colsten, Darcy Beagell, Jessica Phillips and Horseheads Automotive Recycling, Inc.
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- 10.43† First Amendment dated as of February 26, 2015, to Combination Agreement dated as of September 24, 2014 among the Registrant, David A. Gold, Kenneth L. Gold, Goldy Metals Incorporated, Goldy Metals Holdings Inc. and Standard Auto Wreckers Inc.
- 10.44† First Amendment dated as of February 26, 2015, to Amended and Restated Combination Agreement dated as of November 10, 2014 among the Registrant, Fenix Parts Canada, Inc., David A. Gold, Kenneth L. Gold, Goldy Metals Incorporated, End of Life Vehicles Inc., Goldy Metals (Ottawa) Incorporated and 2434861 Ontario Inc.

|        |   |
|--------|---|
| 10.45† | Lease Agreement dated March 1, 2015 between W&D Leasing, LLC and Don's Automotive Mall, Inc. for the Registrant's transfer hub located at 650 Conklin Road, Conklin, New York.                    |
| 10.46† | Sublease dated April 22, 2015 between Bio-Medical Applications of Illinois, Inc. and the Registrant for the Registrant's office located at One Westbrook Corporate Center, Westchester, Illinois. |
| 10.47  | Form of Escrow Agreement among Fenix Parts Canada, Inc., Goldy Metals Incorporated and CST Trust Company (See Exhibit B to Exhibit 10.16.)  |
| 23.1   | Consent of BDO USA, LLP.  |
| 23.2*  | Consent of Johnson and Colmar (contained in Exhibit 5.1).   |
| 24.1†  | Power of Attorney (included on the signature page hereto).  |
| 99.1†  | Consent of Nominee for Director (Beagell).  |
| 99.2†  | Consent of Nominee for Director (Dayton).   |
| 99.3†  | Consent of Nominee for Director (Kogler).   |
| 99.4†  | Consent of Nominee for Director (O'Brien).  |
| 99.5†  | Consent of Nominee for Director (ten Brink).  |

\* To be filed by amendment.

# Management contract or compensatory plan or arrangement.

† Previously filed

**(b) Financial Statement Schedules**

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

**Item 17. Undertakings**

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission ("SEC") such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.



(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on the 1st day of May 2015.

FENIX PARTS, INC.

By: /s/ W. Kent Robertson  
W. Kent Robertson  
President and Chief Executive Officer

## POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated below.

| <u>Signature</u>                                  | <u>Title</u>   | <u>Date</u> |
|---|--|-------------|
| <u>/s/ W. Kent Robertson</u><br>W. Kent Robertson | President, Chief Executive Officer and<br>Director (principal executive officer) | May 1, 2015 |
| <u>/s/ Scott Pettit</u><br>Scott Pettit           | Chief Financial Officer (principal<br>financial and accounting officer)          | May 1, 2015 |

## EXHIBIT INDEX

| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 1.1*                      | Form of Underwriting Agreement.   |
| 3.1†                      | Certificate of Incorporation of the Registrant.   |
| 3.2†                      | Amended and Restated Certificate of Incorporation of the Registrant.  |
| 3.3†                      | Bylaws of the Registrant.   |
| 3.4                       | Proposed Amended and Restated Bylaws of the Registrant.   |
| 4.1*                      | Form of the Registrant's Common Stock Certificate.  |
| 4.2†                      | Certificate of Incorporation of Fenix Parts Canada, Inc.  |
| 4.3†                      | Form of Registration Rights Agreement among the stockholders of each US Founding Company (other than Standard Auto Wreckers, Inc.) and the Registrant.  |
| 4.4†                      | Form of Registration Rights Agreement among the Registrant, Goldy Metals Incorporated and Goldy Metals (Ottawa) Incorporated.   |
| 4.5*                      | Registration Rights Agreement among the Registrant and the persons named therein.   |
| 5.1*                      | Opinion of Johnson and Colmar.  |
| 10.1#†                    | Form of Indemnification Agreement between the Registrant and each of its directors and officers.  |
| 10.2#†                    | 2014 Incentive Stock Plan.  |
| 10.3#                     | Form of Option Agreement.   |
| 10.4#†                    | Offer Letter and noncompetition agreement dated November 3, 2014 with W. Kent Robertson, Chief Executive Officer of the Registrant.   |
| 10.5#†                    | Offer Letter and noncompetition agreement dated November 3, 2014 with Scott Pettit, Chief Financial Officer of the Registrant.  |
| 10.6#†                    | Form of Employment Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant and David Gold, Executive Vice President of the Registrant. (See Exhibit C to Exhibit 10.16.)   |
| 10.7#†                    | Form of employment side letter dated between the Registrant and David Gold.   |
| 10.8†                     | Combination Agreement dated as of August 27, 2014 among the Registrant, Donald Beagell, Jr., Cynthia Howard, Gregory Beagell, Michael Colsten and Don's Automotive Mall, Inc.   |
| 10.9†                     | Combination Agreement dated as of August 11, 2014 among the Registrant, Mark Eiss, John Eiss, Timothy Eiss and Eiss Brothers, Inc.  |
| 10.10†                    | Combination Agreement dated as of August 26, 2014 among the Registrant, Gary A. Beagell, Linda Beagell, Steve Barkwell and Gary's U-Pull It, Inc.   |
| 10.11†                    | Combination Agreement dated as of August 14, 2014 among the Registrant, Brian Shell, Jason Finley, Adam Mervis, Mervis 2006, LLC, Michael Stanley and Green Oak Investments LLC dba GO Auto Recycling.  |
| 10.12†                    | Combination Agreement dated as of August 27, 2014 among the Registrant, Bonita Beagell, Cynthia Howard, Gregory Beagell, Randy Howard, Michael Colsten, Leatrice Colsten, Darcy Beagell, Jessica Phillips and Horseheads Automotive Recycling, Inc. |
| 10.13†                    | Combination Agreement dated as of September 30, 2014 among the Registrant, Larry Brown, Stephen Brown and Jerry Brown, Ltd.   |
| 10.14†                    | Combination Agreement dated as of August 18, 2014 among the Registrant, John J. Brennan and Leesville Auto Wreckers, Inc.   |

- 10.15† Combination Agreement dated as of September 24, 2014 among the Registrant, David A. Gold, Kenneth L. Gold, Goldy Metals Incorporated, Goldy Metals Holdings Inc. and Standard Auto Wreckers, Inc.
- 10.16† Amended and Restated Combination Agreement dated as of November 10, 2014 among the Registrant, Fenix Parts Canada, Inc., David A. Gold, Kenneth L. Gold, Goldy Metals Incorporated, End of Life Vehicles Inc., Goldy Metals (Ottawa) Incorporated and 2434861 Ontario Inc.
- 10.17† Form of Exchange Agreement between the Registrant and Fenix Parts Canada, Inc. (See Exhibit I to Exhibit 10.16.)
- 10.18† Form of Voting and Exchange Trust Agreement among the Registrant, Fenix Parts Canada, Inc. and as Trustee. (See Exhibit A to Exhibit I to Exhibit 10.16.)
- 10.19† Form of Lease Agreement between the Don's Automotive Mall, Inc., a subsidiary of the Registrant, and D & B Holdings, LLC, for the Registrant's facility located at 216 Colesville Road, Binghamton, New York. (See Exhibit I-1 to Exhibit 10.8.)
- 10.20† Form of Lease Agreement between Gary's U-Pull It, Inc., a subsidiary of the Registrant, and Beagell Properties, LLC for the Registrant's facility located at 13 Barlow Road, Binghamton, New York. (See Exhibit G-2 to Exhibit 10.10.)
- 10.21† Form of Lease Agreement between Green Oak Investments LLC dba GO Auto Recycling, a subsidiary of the Registrant, and New Kings LLC, 2014, for the Registrant's facility located at 12270 New Kings Road, Jacksonville, Florida. (See Exhibit F to Exhibit 10.11.)
- 10.22† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Dalana Realty, Inc., for the Registrant's facility located at 3800 Highland Avenue, Niagara Falls, New York. (See Exhibit A to Exhibit 10.15.)
- 10.23† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Goldy Metals (Ottawa) Incorporated, for the Registrant's facility located at 5402 Old Richmond Road, Ottawa, Ontario. (See Exhibit H-2 to Exhibit 10.16.)
- 10.24† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Standard Auto Wreckers (Cornwall), Inc. for the Registrant's facility located at 4345 Northfield Road, Ottawa (Cornwall), Ontario. (See Exhibit H-1 to Exhibit 10.16.)
- 10.25† Form of Lease Agreement between Don's Automotive Mall, Inc., a subsidiary of the Registrant, and BBHC, LLC, for the Registrant's facility located at 1245 Sleepy Hollow Road, Pennsburg, Pennsylvania. (See Exhibit I-2 to Exhibit 10.8.)
- 10.26† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Standard Auto Wreckers (Port Hope) Inc., for the Registrant's facility located at 260 Peter Street, Port Hope, Ontario. (See Exhibit H-4 to Exhibit 10.16.)
- 10.27† Form of Lease Agreement between Jerry Brown, Ltd., a subsidiary of the Registrant, and JBAP Properties, LLC, SBLB Properties, LLC and SBLB Properties II, LLC., for the Registrant's facility located at 26 Lower Warren Street, Queensbury, New York. (See Exhibit G to Exhibit 10.13.)
- 10.28† Form of Lease Agreement between the Registrant and Loki-Lot I, LLC, for the Registrant's facility located at 391 E. Inman Avenue, Rahway, New Jersey. (See Exhibit G-2 to Exhibit 10.14.)
- 10.29† Form of Lease Agreement between the Registrant and PPP Group, LLC, for the Registrant's facility located at 63 Adele Street, Rahway, New Jersey. (See Exhibit G-4 to Exhibit 10.14.)
- 10.30† Form of Lease Agreement between the Registrant and Loki-Lot II, LLC, for the Registrant's facility located at 20 Leesville Avenue, Rahway (Avenel), New Jersey. (See Exhibit G-3 to Exhibit 10.14.)
- 10.31† Form of Lease Agreement between the Registrant and Gin-Jac, Inc., for the Registrant's facility located at 186 Leesville Avenue, Rahway (Avenel), New Jersey. (See Exhibit G-1 to Exhibit 10.14.)

- 10.32† Form of Lease Agreement between Eiss Brothers, Inc., a subsidiary of the Registrant, and Mark Eiss, John Eiss and Tim Eiss, for the Registrant's facility located at 28250 St. Rte. 37, Watertown, New York. (See Exhibit G to Exhibit 10.9.)
- 10.33† Form of Lease Agreement between Gary's U-Pull It, Inc., a subsidiary of the Registrant, and Beagell Properties, LLC, for the Registrant's facility located at 230-246 Colesville Road, Binghamton, New York. (See Exhibit G-1 to Exhibit 10.10.)
- 10.34† Form of Lease Agreement between Horseheads Automotive Recycling, Inc., a subsidiary of the Registrant, and Don's Independent Salvage Company, LLC, for the Registrant's facility located at 1592 Sears Road, Elmira, New York. (See Exhibit F to Exhibit 10.12.)
- 10.35† Form of Lease Agreement between Fenix Parts Canada, Inc., a subsidiary of the Registrant, and Kenneth L. Gold and Goldy Metals Incorporated, for the Registrant's facility located at 1216 Sewells Road, Scarborough, Ontario. (See Exhibit H-3 to Exhibit 10.16.)
- 10.36† First Amendment dated as of March 4, 2015, to Combination Agreement dated as of August 27, 2014 among the Registrant, Donald Beagell, Jr., Cynthia Howard, Gregory Beagell, Michael Colsten and Don's Automotive Mall, Inc.
- 10.37† First Amendment dated as of March 5, 2015, to Combination Agreement dated as of August 11, 2014 among the Registrant, Mark Eiss, John Eiss, Timothy Eiss and Eiss Brothers, Inc.
- 10.38† First Amendment dated as of March 6, 2015, to Combination Agreement dated as of August 26, 2014 among the Registrant, Gary A. Beagell, Linda Beagell, Steve Barkwell and Gary's U-Pull It, Inc.
- 10.39† First Amendment dated as of February 26, 2015, to Combination Agreement dated as of August 14, 2014 among the Registrant, Brian Shell, Jason Finley, Adam Mervis, Mervis 2006, LLC, Michael Stanley and Green Oak Investments LLC dba GO Auto Recycling.
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- 23.1 Consent of BDO USA, LLP.
- 23.2\* Consent of Johnson and Colmar (contained in Exhibit 5.1).
- 24.1† Power of Attorney (included on the signature page hereto).
- 99.1† Consent of Nominee for Director (Beagell).

- 99.2† Consent of Nominee for Director (Dayton).
- 99.3† Consent of Nominee for Director (Kogler).
- 99.4† Consent of Nominee for Director (O'Brien).
- 99.5† Consent of Nominee for Director (ten Brink).

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\* To be filed by amendment.

# Management contract or compensatory plan or arrangement.

† Previously filed

**Amended and Restated Bylaws of  
Fenix Parts, Inc.**

**Article 1  
Offices**

**1.1 Registered Office**

The Corporation's registered office in the State of Delaware shall be located at 1209 Orange Street, Wilmington, Delaware 19801 (New Castle County), and its registered agent shall be The Corporation Trust Company. The Corporation's registered office and registered agent may be changed at any time by the board of directors.

**1.2 Other Offices**

The Corporation may also have other offices, either within or outside the State of Delaware, as the board of directors determines or as the Corporation's business requires.

**Article 2  
Stockholders**

**2.1 Annual Meeting**

An annual meeting of stockholders for the election of directors and the transaction of any other business which properly comes before the meeting shall be held between March 31 and October 31 of each year, on the date fixed by the board of directors.

**2.2 Business at Annual Meetings of Stockholders**

(a) At an annual meeting of the stockholders, only such nominations for director will be made and only such other business will be conducted as will have been properly brought before the meeting. To be properly brought before an annual meeting, nominations and other business must be: either (1) proposed by or at the direction of the board of directors, either pursuant to the Corporation's notice of the meeting in compliance with Section 2.5 of these Bylaws or otherwise; or (2) proposed to be brought before the meeting by any stockholder of record (i) who is entitled to vote at the meeting, (ii) who gives timely notice of the proposed business in compliance with this Section 2.2, and (iii) who is a stockholder of record at the time of giving notice. In addition, for any business to be properly brought before an annual meeting by a stockholder, the business must be a proper matter for stockholder action.

(b) To be timely, a stockholder's notice of proposed business must be addressed to the secretary of the Corporation and received at the Corporation's principal executive offices no later than the close of business on the 90th day, and no earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting of stockholders. If, however, the date of the annual meeting is more than 30 days before or after the first anniversary, the stockholder's notice must be received no later than the close of business on the 90th day, and no earlier than the 120th day, prior to the annual meeting.

(c) The stockholder's notice to the secretary shall include, for each item of business that the stockholder proposes to bring before the annual meeting, a brief description of the business and the reasons for conducting the business at the annual meeting. The stockholder's notice shall also include the stockholder's name and address as they appear on the Corporation's books, the name and address of the of the beneficial owner, if any, on whose behalf the stockholder is acting and the number of shares of the Corporation's stock beneficially owned by the beneficial owner, and a statement of any interest of the stockholder or beneficial owner in the business proposed to be brought before the meeting. If such notice pertains to the nomination of directors, as to each person whom the stockholder proposes to nominate for election or reelection as a director, the notice shall include all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934 ("Regulation 14A"), and such person's written consent to serve as a director if elected.

(d) The chairman of the annual meeting shall have the power to determine whether any business was not properly brought before the annual meeting in accordance with the procedures in this Section 2.2. If the chairman determines that any business was not properly brought before the meeting, the chairman shall inform the meeting that the business was not brought properly before the meeting and that the business may not be transacted.

### **2.3 Special Meetings**

A special meeting of stockholders may be called for any purpose or purposes by the chairman of the board or the president and chief executive officer, or by the secretary of the Corporation at the direction of the board of directors. The business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of the meeting.

### **2.4 Place of Meetings**

Meetings of stockholders shall be held at the place designated by the board of directors, which may be within or outside the State of Delaware. If the Board does not designate a place, the place shall be the Corporation's principal office.

### **2.5 Notice of Meetings**

Written notice of each meeting of stockholders shall be given to all stockholders entitled to vote at the meeting at least 10 but not more than 60 days prior to the meeting (unless otherwise provided by law). The notice shall state the date, place and time of the meeting, and in the case of a special meeting of stockholders, the purpose or purposes for which the meeting is called. If mailed, the notice shall be considered given when deposited in the United States mail, proper postage prepaid, directed to the stockholder at his address as it appears on the Corporation's records. If electronically transmitted, the notice shall be considered given as provided in Section 2.13.

### **2.6 Quorum**

The holders of a majority of the shares entitled to vote at a meeting of stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting, except as otherwise provided by law or by the Corporation's certificate of incorporation.



## **2.7 Voting**

Each holder of common stock shall be entitled to one vote for each share of common stock that he holds of record. The holder of Special Voting Stock shall be entitled to vote on all matters submitted to a vote of the holders of common stock, voting together with the holders of common stock as a single class. The holder of the one share of Special Voting Stock shall be entitled to cast on any such matter a number of votes equal to the number of exchangeable preferred shares of Fenix Parts Canada, Inc., a Canadian corporation, which (i) are outstanding as of the record date for such annual or special meeting of stockholders or written consent of the stockholders and (ii) are not owned of record or beneficially by the Corporation or any subsidiary or affiliate of the Corporation. When a quorum is present at any meeting of stockholders, the affirmative vote of holders of a majority of the shares present in person or represented by proxy, entitled to vote on a matter and voting shall decide the matter, except as provided in Section 3.2, Section 8.2, or when a different vote is required by law or by the Corporation's certificate of incorporation.

## **2.8 Proxies**

Each stockholder entitled to vote at a meeting of stockholders, or to consent to corporate action without a meeting, may authorize another person to act for him by proxy authorized by an instrument in writing or by electronic transmission and delivered to the secretary of the Corporation prior to or at the time of the meeting or other action. No proxy may be voted or acted on more than three years after its date, unless the appointment expressly provides for a longer period. A stockholder may revoke his appointment of a proxy by an instrument in writing or by electronic transmission delivered to the secretary of the Corporation, by a subsequent appointment or by attendance at the meeting and voting in person. Any electronic submission pursuant to this section must either set forth or be submitted with information from which the Corporation can determine that such electronic transmission was authorized by the stockholder.

## **2.9 Voting List**

At least 10 days before every meeting of stockholders, the secretary of the Corporation shall prepare a complete alphabetical list of the stockholders entitled to vote at the meeting, showing the address of each stockholder and the number of shares registered in his name. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. This list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting; or (ii) during ordinary business hours, at the Corporation's principal place of business. The list also shall be produced and kept open during the meeting of stockholders and may be inspected by any stockholder who is present.

## **2.10 Inspectors**

The board of directors shall appoint in advance of any meeting of stockholders one or more inspectors to act at the meeting. If no inspector appointed is able to act at the meeting, the chairman of the meeting shall appoint one or more inspectors. Each inspector shall take and sign an oath faithfully to carry out the duties of inspector with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares outstanding and the voting power of

each, determine the shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, determine (and retain for a reasonable period a record of) the disposition of any challenges made to any determination of the inspectors, and certify their determination of the number of shares represented at the meeting and their count of all votes and ballots.

### **2.11 Adjournments**

Any meeting of stockholders may be adjourned to another time or place by the holders of a majority of the shares present or represented by proxy at the meeting and entitled to vote, even though less than a quorum. Notice need not be given of the adjourned meeting if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than 30 days or, after the adjournment, a new record date is fixed for the adjourned meeting. The Corporation may transact any business at the adjourned meeting which might have been transacted at the original meeting.

### **2.12 Action by Consent**

Any action which may be taken at a meeting of stockholders may be taken without a meeting (and without prior notice) if a consent or consents in writing, setting forth the action taken, are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote were present and voted. An electronic transmission consenting to an action to be taken shall be deemed to be written, signed and dated for the purposes of this section, provided that it either sets forth or is delivered with information from which the Corporation can determine that such electronic transmission was authorized by the stockholder or proxy holder (or their authorized agents) and the date on which it was transmitted. Prompt notice of the taking of any corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented.

### **2.13 Notice to Stockholders by Electronic Transmission**

(a) Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under any provision of the Delaware General Corporation Law (the “DGCL”), the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked if (1) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent and (2) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

(b) Notice given pursuant to subsection (a) of this section shall be deemed given: (1) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (i) such posting and

(ii) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

### **Article 3 Directors**

#### **3.1 General Powers**

The Corporation's business and affairs shall be managed by or under the direction of a board of directors, which may exercise all of the powers of the Corporation except as otherwise provided by law or by the Corporation's certificate of incorporation.

#### **3.2 Number and Term of Office**

The number of directors constituting the board of directors shall be seven. The number of directors may be changed by a resolution of the board of directors or the stockholders, but if changed, no decrease in the number of directors shall affect the term of any incumbent. Directors shall be elected at the annual meeting of stockholders. Each director shall be elected by the vote of a majority of the votes cast in respect of the director's election, with the exception that if the number of nominees for election exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares present in person or represented by proxy and entitled to vote on the election of directors. For purposes of this section 3.2, a "majority of the votes cast" means that the number of shares voted "for" the director's election exceeds the number of shares voted "against" the director's election. If an incumbent director is not re-elected, the director shall tender his resignation to the board of directors. The Nominating and Governance Committee shall make a recommendation to the Board whether to accept or reject the director's resignation or whether other action should be taken. The Board shall act on the Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of certification of the election results. The director who tendered his resignation shall not participate in Committee's deliberations (if he is a member of the Committee) or in the Board's decision. Each director shall hold office until his successor is elected or until his earlier death, resignation or removal. Despite the expiration of a director's term, the director shall continue to serve in office until the next meeting of stockholders at which directors are elected. Directors need not be stockholders of the Corporation.

#### **3.3 Regular Meetings**

Regular meetings of the board of directors shall be held, at least once each fiscal quarter, at the times and places determined by the board of directors. Notice of a regular meeting of the board of directors need not be given (except to a director who was absent when the determination of the time and place was made).

#### **3.4 Special Meetings**

Special meetings of the board of directors may be held at any time at the call of the chairman of the board, the president, the lead director (if applicable) or any two directors. Special meetings shall be held at the Corporation's principal office unless the board of directors designates a different location.

### **3.5 Notice of Special Meetings**

Written notice of a special meeting of the board of directors shall be given to each director at his business address by the secretary of the Corporation, or by the officer or one of the directors calling the meeting, by personal delivery, electronic transmission, overnight courier service or mail at least 48 hours prior to the meeting. The notice shall state the time and place of the meeting but need not specify the purpose of the meeting.

### **3.6 Quorum**

A majority of the total number of directors shall constitute a quorum to transact business at all meetings of the board of directors. In the absence of quorum at any meeting, a majority of the directors present may adjourn the meeting without further notice other than announcement of the time and place of the adjourned meeting.

### **3.7 Participation by Telephone**

A director or member of any committee designated by the board of directors may participate in any meeting of the board of directors or of such committee by conference telephone or similar communications equipment which enables all persons participating in the meeting to hear one another, and participation in this manner shall constitute presence in person at the meeting.

### **3.8 Voting**

The vote of a majority of the directors present at any meeting of the board of directors at which a quorum is present shall be the act of the board of directors, unless the vote of a greater number is required by the Corporation's certificate of incorporation.

### **3.9 Resignation**

A director may resign at any time by written notice to the Corporation at its principal office or to the chairman of the board, president or secretary. Unless otherwise specified in the director's notice, his resignation shall be effective on receipt by the Corporation or designated officer.

### **3.10 Removal**

Any director may be removed, for cause, at any special meeting of stockholders called for that purpose, by the affirmative vote of holders of a majority of the shares then entitled to vote at an election of directors.

### **3.11 Vacancies**

Any vacancy in the board of directors created by a director's resignation, death or removal, or any vacancy arising because of an increase in the number of directors may be filled by the incumbent directors. A director elected to fill a vacancy shall hold office for the balance of the term for which he was elected.

### **3.12 Compensation**

The board of directors may establish reasonable fees to be paid to directors for their services, and may also authorize the payment of their expenses, if any, reasonably incurred in attending meetings of the board of directors.

### **3.13 Committees**

The board of directors, by resolution passed by a majority of the whole Board, may create one or more committees (for example, a Compensation Committee or an Audit Committee) of two or more directors to serve at the Board's pleasure. The board of directors may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member of the committee at any meeting of the committee. To the extent provided in the resolution creating each committee, and subject to the limitations imposed by law, the committee shall have and may exercise all of the powers and authority of the board of directors in respect of matters within the scope of the committee's authority. Unless the resolution creating any committee specifies a greater number, a majority of the members of the committee shall constitute a quorum, and a majority of a quorum shall be necessary for committee action. Subject to the direction of the board of directors, each committee shall determine the time and place of its meetings and establish appropriate rules to govern its activities.

### **3.14 Action by Consent**

Any action which may be taken at a meeting of the board of directors or of any committee of the board of directors may be taken without a meeting (and without prior notice) if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writings or electronic transmissions, setting forth the actions taken, are filed with minutes of proceedings of the board of directors or the committee.

### **3.15 Lead Director**

If the Corporation's president and chief executive officer, or any other officer or employee of the Corporation, is serving as the chairman of the board, the board may appoint an outside director as the lead director, and if appointed, the lead director will have the qualifications and duties described in this Section 3.15.

The lead director shall be independent under the listing standards of the National Association of Securities Dealers, Inc., and shall serve at the board's pleasure until the next election of directors by the stockholders. The lead director shall: working with the chairman of the board, coordinate the scheduling and agenda of board meetings and the preparation and distribution of agenda materials; preside when the board meets in executive session or otherwise in the absence of the chairman of the board; call special meetings of the board when he considers appropriate; oversee the scope, quality and timeliness of the flow of information from the Corporation's management to the board; and serve as an independent point of contact for stockholders wishing to communicate with the board other than through the chairman of the board.

## **Article 4 Officers**

### **4.1 Principal Officers**

The principal officers of the Corporation shall consist of a president and chief executive officer, chief financial officer, and secretary, and if the board of directors considers it advisable, a chief operating officer. The board of directors may elect a chairman of the board from among the directors and may appoint such other officers and assistant officers, including one or more vice presidents, assistant treasurers and assistant secretaries as the board considers advisable. More than one office may be held by the same person.

### **4.2 Election and Term of Office**

The president and chief executive officer, chief financial officer, secretary, and chief operating officer (if one is elected) shall be elected annually by the board of directors at the first meeting of the board of directors following the annual meeting of stockholders. A chairman of the board and other officers may be elected or appointed at this meeting or at any other meeting. Each officer shall hold office until his successor is elected and qualified or until his earlier death, resignation or removal. The election or appointment of an officer shall not of itself create any contract rights.

### **4.3 Resignation**

An officer may resign at any time by written notice to the Corporation at its principal office or to the chairman of the board, president or secretary. Unless otherwise specified in the officer's notice, his resignation shall be effective on receipt by the Corporation or designated officer.

### **4.4 Removal**

Any officer may be removed by the board of directors, with or without cause, whenever in its judgment the officer's removal would serve the Corporation's best interests. Unless the board of directors determines otherwise, no officer who is removed shall have any right to compensation as an officer for any period following his removal except as provided in an authorized contract with the Corporation.

### **4.5 Vacancies**

The board of directors may fill a vacancy in any office occurring for any reason or may leave any vacant office unfilled other than the offices of president, Treasurer or secretary.

### **4.6 Chairman of the Board**

The chairman of the board, if one is elected, shall confer with the president on matters of general policy affecting the day- to-day management of the Corporation's business and have such other powers and duties as the board of directors assigns. The chairman of the board shall preside at all meetings of the board of directors.

### **4.7 President and Chief Executive Officer**

The president and chief executive officer shall be the Corporation's chief executive officer and, subject to the direction of the board of directors and such supervisory powers, if any, that the board may give to the chairman of the board, shall have general charge of the Corporation's business and day-to-day management. He shall also supervise the Corporation's other officers and see that all resolutions and orders of the board of directors are carried into effect. He shall preside at all meetings

of the stockholders and, in the absence of the chairman of the board or if one is not elected, at all meetings of the board of directors. In general, the president shall have the powers and duties usually vested in the office of president of a corporation and such other powers and duties as the board of directors assigns.

#### **4.8 Chief Operating Officer**

The chief operating officer of the Corporation shall be responsible, under the president's direction, for overseeing the Corporation's day-to-day business operations. The chief operating officer shall have the powers and duties usually vested in the office of chief operating officer of a corporation and such other powers and duties as the president or the board of directors assigns.

#### **4.9 Chief Financial Officer**

The chief financial officer of the Corporation shall be responsible, under the president's direction, for all financial and accounting matters, including custody of the Corporation's funds and securities and responsibility for depositing, investing and disbursing the Corporation's funds. The chief financial officer shall have the powers and duties usually vested in the office of chief financial officer of a corporation and such other powers and duties as the president or board of directors assigns.

#### **4.10 Vice Presidents**

The vice president, if one is appointed, or, if there is more than one, the vice presidents, shall assist the president as he directs in the management of the Corporation's business and the implementation of resolutions and orders of the board of directors. If there is more than one vice president, the board of directors may give them titles that are descriptive of their respective functions or indicative of their relative seniority. In the event of the absence or inability to act of the president, the vice president, or if there is more than one, the vice presidents in the order of their seniority as indicated by their titles or as otherwise determined by the board of directors, shall perform the duties of president. The vice president or vice presidents shall also have such other powers and duties as the president or board of directors assigns.

#### **4.11 Secretary**

The secretary shall have the powers and duties usually vested in the office of secretary of a corporation, including custody of the Corporation's corporate records and responsibility for sending all notices to stockholders and directors required by law or by these Bylaws and recording all proceedings of meetings of the stockholders and the directors. The secretary shall have authority to certify copies of these Bylaws, resolutions of the stockholders and directors and other documents of the Corporation as true and correct and shall also such other powers and duties as the president or board of directors assigns.

#### **4.12 Assistant Officers**

The assistant treasurer and the assistant secretary (or if more than one is appointed, the assistant treasurers and assistant secretaries in the order determined by the board of directors) shall perform the duties of the treasurer or secretary, as the case may be, in the event of his absence or inability to act. Each assistant treasurer or assistant secretary shall also have such powers and duties as the president or board of directors assigns.

#### **4.13 Salaries**

Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as the board of directors determines. No officer shall be prevented from receiving a salary by reason of the fact that he is also a director.

### **Article 5 Indemnification**

#### **5.1 Third Party Suits**

The Corporation shall indemnify each person who was or is made a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Corporation (a “proceeding”) by reason of the fact that he, or the person of whom he is the legal representative, is or was a director or officer of the Corporation or, while a director or officer, is or was serving at the Corporation’s request as a director, officer, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, against all expenses (including attorneys’ fees), judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement that he reasonably incurs in connection with the proceeding, to the fullest extent authorized by the DGCL, as it now exists and as it may be amended (but in the case of any amendment, only to the extent that the amendment authorizes the Corporation to provide broader indemnification rights than were permitted prior to the amendment).

#### **5.2 Derivative Suits**

The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys’ fees) that he reasonably incurs in connection with the defense or settlement of such action or suit to the fullest extent authorized by the DGCL, as it now exists and as it may be amended (but in the case of any amendment, only to the extent that the amendment authorizes the Corporation to provide broader indemnification rights than were permitted prior to the amendment).

#### **5.3 Suits Initiated by Director or Officer**

Notwithstanding Sections 5.1 and 5.2, and except with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any director or officer seeking indemnity in connection with a proceeding initiated by such director or officer only if such proceeding was authorized or approved by the board of directors.



#### **5.4 Survival of Indemnification**

The right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his heirs and legal representatives.

#### **5.5 Expenses Payable in Advance**

The right to indemnification shall include the right to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition. Payment of such expenses shall be made, however, only upon delivery of an undertaking by the director or officer to repay all amounts advanced if it is ultimately determined that he is not entitled to indemnification under this Article (or otherwise).

#### **5.6 Non-Exclusivity of Indemnification**

The right to indemnification under this Article shall not be exclusive of any other rights that a director or officer may have by law, under the corporation's certificate of incorporation, these Bylaws or any contract or by vote of the stockholders or disinterested directors or otherwise.

#### **5.7 Indemnification of Employees and Agents**

The Corporation, by action of its board of directors, may provide indemnification to its employees and agents with the same scope and effect as the indemnification provided to its directors and officers in this Article.

#### **5.8 Insurance**

The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee or agent of the Corporation or is or was serving at the Corporation's request as a director, officer, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, whether or not the Corporation would have the power to indemnify such person against such liability under this Article 5 or the General Corporation Law of the State of Delaware.

### **Article 6 Stock**

#### **6.1 Stock Certificates**

The shares of the Corporation shall be represented by certificates. The board of directors may provide by resolution that some or all of the Corporation's stock shall be uncertificated shares, but any such resolution shall not apply to any shares represented by a certificate until the certificate is surrendered to the Corporation. In any case, every holder of stock represented by certificates, and upon request every holder of uncertificated shares, shall be entitled to a certificate representing the number of shares registered in his name. Each certificate shall be signed by or in the name of the Corporation by the chairman of the board or the president or a vice president and by the secretary or an assistant secretary. Any or all of the signatures on the certificate may be a facsimile. If any officer, transfer agent or registrar who has signed a certificate, or whose facsimile signature has been placed

upon a certificate, ceases to serve before the certificate is issued, the certificate may be issued with the same effect as if the officer, transfer agent or registrar were still serving at the time of issuance. All certificates shall be in the form prescribed by the board of directors, and shall be consecutively numbered or otherwise identified. The name and post office address of the person to whom the shares represented by the certificate are issued, with the number of shares and date of issuance, shall be entered on the Corporation's stock transfer books.

## **6.2 Endorsements**

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Corporation's certificate of incorporation, these Bylaws, applicable securities laws or an agreement between the Corporation and any number of stockholders shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement that the shares of stock represented by the certificate are subject to the restriction.

## **6.3 Transfers**

Shares of stock of the Corporation may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, with such proof of authority or authenticity of signature as may be required by rules and regulations adopted by the board of directors. Whenever any transfer of shares is made for collateral security and not absolutely, it shall be so expressed in the entry in the Corporation's stock transfer books if, when the certificate is presented for transfer, both the transferor and the transferee request the Corporation to do so.

## **6.4 Lost Certificates**

The Corporation may issue a new certificate of stock in place of any certificate previously issued which is alleged to have been lost, stolen or destroyed on such terms and conditions as the board of directors may prescribe, including presentation of reasonable evidence of such loss, theft or destruction and such bond or other indemnity as the board of directors requires for the protection of the Corporation and its transfer agent.

## **6.5 Stockholders of Record**

Except as may be otherwise required by law, the Corporation shall be entitled to treat the holder of record of any shares of its stock as shown on its stock transfer records as the owner of those shares for all purposes, including the payment of dividends and the right to vote, until the shares have been transferred on the Corporation's stock transfer records in accordance with these Bylaws, regardless of any intervening transfer, pledge or other disposition of the shares.

## **6.6 Record Date**

The board of directors may fix a date in advance as the record date for purposes of determining the stockholders entitled to notice of or to vote at any meeting of stockholders, to consent to corporate action without a meeting, to receive payment of any dividend or other distribution, to exercise any rights in respect of any change, conversion or exchange of stock, or for purposes of any other lawful action. The record date may be fixed within these limits:

(i) the record date for determining the stockholders entitled to notice of and to vote at any meeting of stockholders shall not be less than 10 or more than 60 days prior to the date of the meeting;

(ii) the record date for determining the stockholders entitled to consent to corporate action without a meeting shall not be earlier than the date of the resolution fixing the record date or more than 10 days after such date; and

(iii) the record date for determining the stockholders for any other purpose shall not be earlier than the date of the resolution fixing the record date or more than 60 days prior to the action for which the determination is being made.

If the board of directors does not fix a record date:

(i) the record date for determining the stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the date on which notice is given;

(ii) the record date for determining stockholders entitled to consent to corporate action without a meeting shall be the first date on which a signed consent setting forth the action taken or proposed to be taken is delivered to the Corporation; and

(iii) the record date for determining the stockholders for any other purpose shall be the close of business on the day that the board of directors adopts the resolution authorizing the action with respect to which the determination is being made.

## **Article 7 General Provisions**

### **7.1 Contracts**

The board of directors may authorize any officer or officers to enter into any contract or agreement for the Corporation. This authorization may be general or confined to specific instances.

### **7.2 Loans**

The Corporation shall not borrow money unless authorized by the board of directors. This authorization may be general or confined to specific instances.

### **7.3 Checks**

All checks, drafts and other orders for the payment of money, and all promissory notes and other evidences of indebtedness issued in the Corporation's name, shall be signed by the officer or officers and in the manner authorized by the board of directors.

### **7.4 Depositories**

All funds of the Corporation shall be deposited in its name in the banks, trust companies or other depositories authorized by the board of directors.

### **7.5 Fiscal Year**

The Corporation's fiscal year shall be fixed by the board of directors.

### **7.6 Corporate Seal**

The corporate seal shall be in such form as the board of directors approves.

### **7.7 Waiver of Notice**

Whenever notice is required to be given by law, the Corporation's certificate of incorporation or these Bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, at any time before or after the time stated in the waiver, shall be considered equivalent to proper notice. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting, unless the person attends for the express purpose of objecting, at the beginning of the meeting, to transacting any business the meeting because the meeting was not lawfully called or convened.

### **7.8 Evidence of Authority**

A certificate by the secretary or an assistant secretary as to any action taken by the stockholders or board of directors or any committee of the board of directors or officer of the Corporation shall be conclusive evidence of such action as to all persons who rely on the certificate in good faith.

### **7.9 Transactions with Interested Parties**

No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of directors or committee which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors are less than a quorum;

(b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote on the matter, and the contract or transaction is specifically approved in good faith by the vote of the stockholders; or

(c) the contract or transaction is fair as to the Corporation as of the time that it is authorized, approved or ratified by the board of directors, committee or stockholders.

Interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee of directors which authorizes the contract or transaction.

#### **7.10 Use of Words**

Whenever the context requires, words used in these Bylaws in the singular shall be considered to be in the plural, and conversely. Similarly, the words “he,” “his” and “him” shall be considered “she” or “her” or “it” or “its” when appropriate to the reference.

#### **7.11 Electronic Transmission**

For purposes of these Bylaws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

### **Article 8 Amendments**

#### **8.1 By Board of Directors**

These Bylaws may be amended or repealed or new bylaws may be adopted by the affirmative vote of a majority of the directors present at any regular or special meeting of the board of directors at which a quorum is present.

#### **8.2 By Stockholders**

These Bylaws may be amended or repealed or new bylaws may be adopted by the affirmative vote of holders of a majority of the shares entitled to vote at any annual meeting of stockholders or at any special meeting of stockholders at which notice of the meeting included a statement or description of the proposed amendment, repeal or adoption of new bylaws.

[employee name]

**Stock Option Agreement**

(([Incentive Stock Option] [Nonstatutory Stock Option]) Under  
Fenix Parts, Inc. 2014 Incentive Stock Plan)

Subject to the following terms, Fenix Parts, Inc., a Delaware corporation (the **Company**), grants to the following employee of the Company (**Employee**), as of the following grant date (the **Grant Date**), an [Incentive Stock Option] [Nonstatutory Stock Option] (the **Option**) to purchase the following number of shares of the Company’s common stock, par value \$.001 per share (the **Option Shares**), at the following purchase price per share (the **Exercise Price**), exercisable in installments in accordance with the following vesting schedule, subject to expiration on the following expiration date (the **Expiration Date**):

|                          |                           |
|--------------------------|---------------------------|
| Employee:                | [employee name]           |
| Grant Date:              | [grant date]              |
| Number of Option Shares: | [number of option shares] |
| Exercise Price:          | [\$[exercise price]]      |
| Vesting schedule:        | [vesting]                 |
| Expiration Date:         | [expiration date]         |

**Terms of Option**

**1. Plan**

The Option has been granted under the Fenix Parts, Inc. 2014 Incentive Stock Plan (the **Plan**), which is incorporated in this Agreement by reference. Capitalized terms used in this Agreement without being defined (for example, the term “Committee”) have the same meanings that they have in the Plan.

**2. Exercisability**

The Option may be exercised in whole or in part at any time prior to its Expiration Date to the extent that it is vested at the time of exercise.

Any vested portion of the Option that remains unexercised shall expire on the Option’s Expiration Date, subject to earlier expiration as provided in Paragraph 5 of this Agreement.

Any unvested portion of the Option shall expire on the date that Employee’s employment by the Company or a subsidiary of the Company terminates (Employee’s **Termination Date**) unless Employee’s employment terminated by reason of his or her death, in which case the Option shall become fully vested as of Employee’s Termination Date.

The Option shall become fully exercisable upon a Change in Control, as provided in Article 8 of the Plan, prior to Employee’s Termination Date.

### 3. Manner of Exercise

The Option may be exercised in respect of a whole number of Option Shares (and only in respect of a whole number) by:

- (a) written notice of exercise to the Committee (or the Committee's designee) at the Company's principal executive offices which is received prior to the Option's Expiration Date; together with
- (b) full payment of the Exercise Price of the Option Shares in respect of which the Option is exercised; and
- (c) full payment of an amount equal to the Company's federal, state and local withholding tax obligation, if any, in connection with the Option's exercise.

In addition, the exercise of the Option shall be subject to any procedures and policies in effect at the time of exercise that the Committee has adopted to administer the Plan.

### 4. Manner of Payment

Employee's payment of the Exercise Price of the Option Shares in respect of which the Option is exercised, and his or her payment of the Company's withholding tax obligation, if any, in connection with the exercise, shall be made by certified or bank cashier's check or by a wire transfer of immediately available funds or, if previously approved by the Committee, by a personal check.

Payment also may be made by means of a "cashless" net exercise through a broker approved by the Plan Administrator for the purpose, pursuant to which the full amount due to the Company is remitted directly by the broker from the net proceeds of the sale of a sufficient number of Option Shares. Payment may also be made in any other manner authorized by the Plan and specifically permitted by the Board at the time of exercise.

### 5. Early Expiration of Option

The vested portion of the Option shall expire on the earlier of (i) 30 days after Employee's Termination Date or (ii) the Option's Expiration Date, unless Employee's employment terminated by reason of his or her death. In this case, the Option shall expire on the earlier of (i) the first anniversary of Employee's death or (ii) the Option's Expiration Date. In any case, the exercisability of the Option may be extended by the Committee, in the Committee's sole discretion, to any date ending on or before the Option's Expiration Date.

### 6. Confidentiality and Nonsolicitation Agreement

This Agreement and the grant of the Option are subject to Employee's agreement to enter into the confidentiality and nonsolicitation agreement which has been provided to Employee (the **Nonsolicitation Agreement**). The Company would not have granted the Option to Employee without Employee's agreement to enter into the Nonsolicitation Agreement.

**7. Transferability**

The Option may not be transferred, assigned or pledged (whether by operation of law or otherwise), except (i) as provided by will or the applicable laws of intestacy or (ii) in accordance with Section 5.5 of the Plan. The Option shall not be subject to execution, attachment or similar process.

**8. Interpretation**

This Agreement is subject to the terms of the Plan, as the Plan may be amended, but except as required by applicable law, no amendment of the Plan after the Grant Date shall adversely affect Employee's rights in respect of the Option without Employee's consent.

If there is a conflict or inconsistency between this Agreement and the Plan, the terms of the Plan shall control. The Committee's interpretation of this Agreement and the Plan shall be final and binding.

**9. No Employment Rights**

Nothing in this Agreement shall be considered to confer on Employee any right to continue in the employ of the Company or a Subsidiary or to limit the right of the Company or a Subsidiary to terminate Employee's employment.

**10. No Stockholder Rights**

Employee shall not have any rights as a stockholder of the Company in respect of any of the Option Shares unless and until Option Shares are issued to Employee following his or her exercise of the Option.

**11. Governing Law**

This Agreement shall be governed in accordance with the laws of the State of Arizona.

**12. Binding Effect**

This Agreement shall be binding on the Company and its successors and on Employee and Employee's heirs, legatees and legal representatives.

**13. Effective Date**

This Agreement shall not become effective until (i) Employee accepts this Agreement by returning a copy to the Company completed and signed below and (ii) Employee enters into the Nonsolicitation Agreement. Upon the happening of such events, this Agreement shall become effective, retroactive to the Grant Date, without the necessity of further action by either the Company or Employee.

[Signatures appear on the following page.]



**Fenix Parts, Inc.**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Acceptance by Employee**

I accept this Stock Option Agreement and agree to be bound by all of its terms. I acknowledge receipt of a copies of Fenix Parts, Inc. 2014 Incentive Stock Plan and the Nonsolicitation Agreement, and I agree to enter into the Nonsolicitation Agreement.

\_\_\_\_\_  
[employee name]

### **Escrow Agreement**

This Escrow Agreement (this "Agreement") is entered into as of \_\_\_\_\_, 2015, by Fenix Parts Canada, Inc., a Canadian corporation ("Fenix" or a "Party") and Goldy Metals Incorporated, an Ontario corporation, ("Vendor" or "Party"), and CST Trust Company (the "Escrow Agent").

#### Background:

A. Fenix Parts, Inc. ("Parent") has entered into combination agreements for the combination of several companies (the "Combining Companies") engaged in the business of selling alternative vehicle collision replacement products.

B. This Agreement is being entered into concurrently with the closing of an underwritten initial public offering of Parent's common stock in connection with which, and as part of a single transaction that includes the IPO, the shareholders or other equity interest holders of each Combining Company have transferred to Parent all of their stock or other equity interests in the Combining Companies.

C. The parties' execution and delivery of this Agreement is required under Section 2.7 of the Amended and Restated Combination Agreement dated as of November 10, 2014 entered into, inter alia, among Fenix, Parent and the Vendor (the "Combination Agreement").

D. Capitalized terms used in this Agreement without being defined have the same meanings that they have in the Combination Agreement.

E. The foregoing statements of fact and recitals are made by the parties hereto except the Escrow Agent.

Now, therefore, in consideration of their mutual promises and intending to be legally bound, the Parties and the Escrow Agent agree as follows:

#### 1. **Escrow Deposit**

(a) Concurrently with the execution of this Agreement:

(1) Fenix has delivered to the Escrow Agent for deposit into the Escrow a certificate or certificates registered in the Vendor's name representing the exchangeable preferred shares in the capital of Fenix (together with all dividends, distributions and additional shares delivered pursuant to Paragraph 1(b), the "Escrow Shares") that Fenix is required to withhold pursuant to Section 2.7(a) of the Combination Agreement;

(2) Fenix, in its discretion, has delivered either:

(A) a wire transfer in the amount of cash that Fenix is required to withhold pursuant to Section 2.7(a) of the Combination Agreement (together with earnings, the "Escrow Cash") to the Escrow Agent's interest bearing trust account, pursuant to the wiring instructions on the attached **Exhibit A**; or

(B) an irrevocable standby letter of credit (the "Letter of Credit") issued

by BMO Harris Bank N.A. (“BMO”) to the Escrow Agent as the beneficiary in the amount of USD \$5,880,000, pursuant to Section 2.7(a) of the Combination Agreement (the proceeds from any draw on which shall also be considered “Escrow Cash”).

All interest earned on the Escrow Cash shall be payable in accordance with the joint written direction pursuant to section 2(a) hereof;

(3) The Escrow Agent may hold cash balances constituting part or all of the funds in an interest bearing account, and may, but need not, invest same in the deposit department of a Canadian chartered bank and their affiliated companies within the meaning of the Business Corporation Act (Ontario) (“Affiliates”), but the Escrow Agent, its Affiliates or a Canadian chartered bank and its Affiliates shall not be liable to account for any profit to any parties to this Agreement or to any other person or entity other than at a rate, if any, established from time to time by the Escrow Agent, its Affiliates or a Canadian chartered bank and its Affiliates. For purposes of this Agreement, the net rate to be paid is • bps. Rates are subject to change without notice due to market conditions. Interest will be credited to the account in the subsequent month by the fifth business day; and

(4) The Vendor shall have delivered to the Escrow Agent stock powers in respect of the Escrow Shares duly endorsed in blank.

(b) Fenix shall deliver to the Escrow Agent all dividends, distributions and additional exchangeable preferred shares of Fenix or other securities of Fenix that it pays or distributes in respect of or in exchange for any of the Escrow Shares (or any of the additional shares or other securities that it previously delivered to the Escrow Agent pursuant to this Paragraph 1(b)).

(c) As and when requested by the Escrow Agent to carry out the terms of this Escrow Agreement, the Vendor shall deliver to the Escrow Agent, in respect of the Escrow Shares, appropriate additional stock powers or other instruments of transfer duly endorsed in blank. The Escrow Agent shall also take such actions necessary to have Fenix reissue certificates in such amount or amounts of shares as is convenient to make timely distributions under this Agreement.

(d) The Escrow Agent shall hold, pay and distribute the Escrow Shares, Escrow Cash and Letter of Credit (together, as applicable, the “Escrow Deposit”) as provided in this Agreement.

(e) The Letter of Credit shall have a one-year term and shall automatically renew from year-to-year unless, not less than 25 Business Day prior to its expiration, the issuer gives written notice to the Escrow Agent of the issuer’s intent not to renew the Letter of Credit upon its expiration. In this event, Fenix shall deliver a new Letter of Credit to the Escrow Agent no later than 10 Business Days prior to the expiration of the current Letter of Credit. Any new Letter of Credit shall be issued by BMO or a comparable financial institution of Fenix’s selection that is reasonably acceptable to Vendor, and conform in substance to the terms of the Letter of Credit that it replaces.

(f) If Fenix fails to deliver a new Letter of Credit to the Escrow Agent complying with section 1(e) hereof no later than 10 Business Days prior to the expiration of the current Letter of Credit, the Escrow Agent, without further direction from Fenix or the Vendor, shall draw on the full amount of the current Letter of Credit prior to its expiration and, as provided in section 1(a)(2) (B) hereof, the proceeds received upon such draw shall be considered Escrow Cash

## **2. Termination of Escrow**

The Parties intend that the Escrow Deposit be paid and distributed to the Vendor or to Fenix, or to each of the Parties, as the case may be, promptly, but in no event more than five Business Days, following the determination of the Final Report in accordance with Section 2.7 of the Combination Agreement. The Escrow Agent shall pay and distribute the Escrow Deposit only as follows:

- (a) in accordance with a joint written direction of Fenix and the Vendor, after first drawing on the full amount of the Letter of Credit following receipt of such joint written direction if the Escrow Agent has not previously drawn of the Letter of Credit; or
- (b) in accordance with a final nonappealable order, if any, of a court of competent jurisdiction adjudicating the distribution of the Escrow Deposit, after first drawing on the full amount of the Letter of Credit if the Escrow Agent has not previously drawn of the letter of credit.

## **3. No Liability of Escrow Agent**

The Escrow Agent shall not be liable to any Party, or any other person, for any payment that it makes pursuant to Paragraph 2 or for any other action that it may take or decline to take in connection with this Escrow Agreement, except in the case of its own gross negligence or willful misconduct.

The Escrow Agent shall be protected in acting under this Agreement on the basis of any notice or other document that the Escrow Agent reasonably believes to be genuine, including (for example) telecopier and electronic transmissions. The Escrow Agent may consult with counsel in the event of any dispute or question regarding its duties or the construction of this Agreement, and shall not incur any liability to any Party, or any other person, for acting in accordance with the advice of counsel.

## **4. Refusal To Act**

If the Escrow Agent in good faith is in doubt regarding any action that it should take under this Agreement, the Escrow Agent, in its discretion, may decline to take any action while it remains in doubt. In doing so, the Escrow Agent shall not be or become liable in any way to any Party, or any other person, and may continue to decline to take any action until the earlier of being ordered by a court of competent jurisdiction or being directed by the joint written direction of Fenix and the Vendor.

## **5. Resignation or Removal**

The Escrow Agent may resign as the escrow agent under this Agreement at any time and for any reason by written notice of resignation to the Parties, effective as of the later of the date specified in the notice or 10 Business Days after the Escrow Agent gives its notice.

Fenix and the Vendor may mutually agree to remove the Escrow Agent as the escrow agent under this Agreement at any time and for any reason by written notice of removal, effective as of the date specified in the Notice.

Each of Fenix and the Vendor shall be responsible for one-half of the payment of any fees and expenses owing to the Escrow Agent upon such resignation and removal.

When the Escrow Agent's resignation or removal becomes effective, the Escrow Agent shall deliver the entire balance of the Escrow Deposit to any successor escrow agent appointed by mutual written agreement of Fenix and the Vendor. When the Escrow Agent has delivered the entire balance of the Escrow Deposit to its successor as escrow agent, the Escrow Agent shall be released from all liability of any kind under this Agreement, except for those actions or inactions that constitute gross negligence or willful misconduct on the part of the Escrow Agent.

#### **6. Fees and Expenses**

The Escrow Agent's fees for its services under this Agreement are set out in Exhibit B. The Escrow Agent's fees shall be payable equally by Fenix and the Vendor.

#### **7. Reliance**

The Escrow Agent shall be protected in acting and relying reasonably upon any written notice, direction, instruction, order, certificate, confirmation, request, waiver, consent, receipt, statutory declaration or other paper or document (collectively referred to as "Documents") furnished to it and signed by any person required to or entitled to execute and deliver to the Escrow Agent any such Documents in connection with this Agreement, not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and accuracy of any information therein contained, which it in good faith believes to be genuine.

#### **8. Retain Experts**

The Escrow Agent may retain legal counsel and advisors as may be reasonably required for the purpose of discharging its duties or determining its rights under this Agreement, and may rely and act upon the advice of such counsel or advisor. Fenix and the Vendor shall pay or reimburse the Escrow Agent for any reasonable fees, expenses and disbursements of such counsel or advisors.

#### **9. Indemnification**

The Parties jointly and severally agree to indemnify the Escrow Agent against and hold the Escrow Agent and its officers, directors, employees and agents harmless from any and all losses, damages, liabilities, claims, penalties, actions, suits, demands, levies, costs and expenses (including reasonable attorneys' fees) that the Escrow Agent may suffer or incur by reason of its services as the escrow agent under this Agreement (except for losses, damages, liabilities and expenses attributable to the Escrow Agent's gross negligence or willful misconduct). Notwithstanding any other provision hereof, this indemnity shall survive the removal or resignation of Escrow Agent and the termination of this Agreement.

#### **10. Express Duties**

The Escrow Agent shall have no duties or responsibilities except as expressly provided in this Agreement and shall have no liability or responsibility arising under any other agreement, including any agreement referred to in this Agreement, to which the Escrow Agent is not a party.

## 11. Anti-Money Laundering

The Escrow Agent shall have the right not to act and shall not be liable for refusing to act under this Agreement if, due to a lack of information or for any other reason whatsoever, the Escrow Agent in its reasonable judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Should the Escrow Agent, in its reasonable judgment, determine at any time that its acting under this Agreement has resulted in the Escrow Agent being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then the Escrow Agent shall have the right to resign on 10 days' written notice to the Company, provided (i) that the written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Escrow Agent's satisfaction within such 10 day period, then such resignation shall not be effective.

## 12. Notices

All notices under this Agreement shall be in writing and sent by certified or registered mail, overnight messenger service, facsimile or personal delivery, as follows:

(a) if to the Vendor, to:

Mr. David A Gold  
134 Napa Hill Court  
Thornhill, ON  
L4J 8T1

Mr. Ken Gold  
31 Ava Crescent,  
Richmond Hill, ON  
L4B 2X3

with a required copy to:

Cummings Cooper Schusheim Berliner  
Barristers and Solicitors  
4100 Yonge Street, Suite 408  
Toronto, ON  
M2P 2B5  
Fax: (416) 512-9501  
Attention: Howard Cooper

(b) if to Fenix, to:

c/o Fenix Parts, Inc.  
12901 SW 132nd Ave.  
Miami, FL 33186  
Fax: (305) 397-1623  
Attention: Mr. Kent Robertson  
Chief Executive Officer

(c) if to the Escrow Agent, to:

CST Trust Company  
3<sup>rd</sup> Floor  
320 Bay Street  
Toronto, ON M5H 4A6  
Fax: (888) 249-6189  
Attention: Director, Corporate Trust

A notice sent by certified or registered mail shall be considered to have been given three business days after being deposited in the mail. A notice sent by overnight courier service, facsimile or personal delivery shall be considered to have been given when actually received by the intended recipient.

**13. Amendment**

This Agreement may be amended only by the written agreement of the Parties and the Escrow Agent.

**14. Counterparts and Delivery**

This Agreement may be executed and delivered (including by facsimile transmissions or electronic means) in any number of counterparts, each of which shall constitute an original, and all of which together shall constitute one and the same agreement.

**15. Governing Law**

This Agreement and any dispute arising from or in relation to this Agreement are governed by, and interpreted and enforced in accordance with, the law of the Province of Ontario and the laws of Canada applicable in that province, excluding the choice of law rules of that province.

**16. Binding Effect**

This Agreement shall apply to, be binding in all respects upon and inure to the benefit of Parties and the Escrow Agent and their respective successors.

**17. Assignment**

This Agreement may not be assigned by the Escrow Agent, in whole or in part, without the prior written consent of Fenix and the Vendor.

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In witness, the Parties and the Escrow Agent have signed this Agreement.

**Fenix Parts Canada, Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Goldy Metals Incorporated**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CST Trust Company, as escrow agent**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Signature Page to Escrow Agreement]



**EXHIBIT A**

WIRE TRANSFER INSTRUCTIONS

**EXHIBIT B**

FEE SCHEDULE

Consent of Independent Registered Public Accounting Firm

Fenix Parts, Inc.  
Miami, Florida

We hereby consent to the use in the prospectus constituting a part of this Registration Statement of our report dated March 25, 2015, relating to the financial statements of Fenix Parts, Inc., which is contained in that prospectus.

We also hereby consent to the use in the prospectus constituting a part of this Registration Statement of our report dated March 25, 2015, relating to the financial statements of the combined Beagell Group, which is contained in that prospectus.

We also hereby consent to the use in the prospectus constituting a part of this Registration Statement of our report dated March 25, 2015, relating to the financial statements of the combined Standard, which is contained in that prospectus.

We also hereby consent to the use in the prospectus constituting a part of this Registration Statement of our reports dated March 25, 2015, relating to the financial statements of each of Eiss Brothers, Inc., Green Oak Investments LLC d/b/a GO Auto Recycling, Jerry Brown, Ltd. and Leesville Auto Wreckers, Inc., which are contained in that prospectus.

We also consent to the reference to us under the caption "Experts" in the prospectus.

/s/ BDO USA, LLP

Chicago, Illinois  
May 1, 2015