

**PROG Holdings, Inc.**  
**EIN: 85-2484385**  
**Date of Action: November 30, 2020**

**Attachment to Internal Revenue Service Form 8937**

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended, and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Distribution (as defined below) on the tax basis of shares of PROG Holdings, Inc. ("PROG Holdings") common stock (NYSE: PRG) and the allocation of tax basis between shares of PROG Holdings common stock and The Aaron's Company, Inc. ("Aaron's") common stock (NYSE: AAN) pursuant to the Distribution.

*The information contained on Form 8937 and the information contained in this attachment does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of stockholders. Neither PROG Holdings nor Aaron's provides tax advice to its stockholders and the example provided below is merely illustrative. Stockholders are urged to consult their own tax advisors regarding the particular consequences of the Distribution to them, including the applicability and effect of all U.S. federal, state and local and foreign tax laws.*

**Form 8937, Part II, Line 14 – Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.**

On November 30, 2020, PROG Holdings distributed pro rata to its stockholders all of the outstanding common stock of Aaron's (the "Distribution"). In the Distribution, each holder of PROG Holdings common stock received one share of Aaron's common stock for every two shares of PROG Holdings common stock held as of the record date of November 27, 2020. No fractional shares of Aaron's common stock were issued. Stockholders of PROG Holdings common stock received cash in lieu of any fractional shares of Aaron's common stock that they would otherwise have been entitled to receive as a result of the Distribution.

**Form 8937, Part II, Line 15 – Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

As a consequence of the Distribution, PROG Holdings stockholders will be required to allocate the aggregate tax basis in their PROG Holdings common stock held immediately before the Distribution among the PROG Holdings common stock and the Aaron's common stock received in the Distribution (including any fractional share interest in Aaron's for which cash is received). A stockholder's aggregate tax basis in his or her shares of PROG Holdings common stock held immediately prior to the Distribution should be allocated in proportion to the relative fair market value of the PROG Holdings common stock and the Aaron's common stock. Stockholders that

acquired PROG Holdings common stock at different times or different prices must calculate their basis in each block of stock and then allocate a portion of that tax basis to the PROG Holdings common stock and the Aaron's common stock received with respect thereto.

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how a stockholder should determine the fair market values of the PROG Holdings common stock and the Aaron's common stock for purposes of allocating the stockholder's tax basis. Stockholders should consult their own tax advisor to determine what measure of fair market value is appropriate.

There are several possible methods for determining the fair market values of PROG Holdings common stock and Aaron's common stock. One possible approach is to utilize the New York Stock Exchange market closing price on December 1, 2020, the date on which Aaron's stock first traded, (the "Closing Price") as an indication of the fair market value. For PROG Holdings common stock the Closing Price was \$55.60 per share and for Aaron's common stock the Closing Price was \$18.41 per share.

Based on that approach and the assumptions and calculations set forth in Line 16 below, 85.8% of a PROG Holdings stockholder's aggregate tax basis in his or her shares of PROG Holdings common stock immediately prior to the Distribution would be allocated to such shareholder's shares of PROG Holdings common stock and 14.2% would be allocated to such shareholder's shares of Aaron's common stock received in the Distribution (including any fractional share interest in Aaron's for which cash is received). Other approaches to determine fair market value may also be possible. PROG Holdings stockholders are not bound by the approach described above (which is illustrated in the example below) and may, in consultation with their own tax advisor, use another approach in determining fair market values for PROG Holdings common stock and Aaron's common stock.

**Form 8937, Part II, Line 16 – Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

As described in Line 15 above, in general, PROG Holdings stockholders will be required to allocate the aggregate tax basis in their PROG Holdings common stock held immediately before the Distribution among the PROG Holdings common stock and the Aaron's common stock received in the Distribution (including any fractional share interest in Aaron's for which cash is received).

The following is an example illustrating how the above-described approach to basis allocation would be applied.

- Mr. Jones holds on the record date 20 shares of PROG Holdings common stock as a capital asset, all of which were acquired on June 8, 2015, in a single lot for \$20 per share. Mr.

Jones therefore has an aggregate basis of \$400 (20 x \$20) in his PROG Holdings common stock.

- Upon the Distribution, Mr. Jones receives one share of Aaron’s common stock for every two shares of PROG Holdings common stock. Thus, Mr. Jones receives 10 shares of Aaron’s common stock.
- Mr. Jones's aggregate tax basis in the 20 shares of PROG Holdings common stock and 10 shares of Aaron’s common stock is \$400, allocated as follows:

	# Shares Owned	Assumed Beginning Basis	Price	FMV of Shares Owned	Percentage of Total FMV	Allocated Tax Basis
PROG Holdings common stock	20	\$400	\$55.60 <sup>1</sup>	\$1,112 <sup>3</sup>	85.8% <sup>5</sup>	\$343.20
Aaron’s common stock	10		\$18.41 <sup>2</sup>	\$184.10 <sup>4</sup>	14.2% <sup>6</sup>	\$56.80
Total				\$1,296.10	100%	\$400

<sup>1</sup> The Closing Price of PROG Holdings common stock on December 1, 2020.

<sup>2</sup> The Closing Price of Aaron’s common stock on December 1, 2020

<sup>3</sup> 20 shares x \$55.60

<sup>4</sup> 10 shares x \$18.41

<sup>5</sup> \$1,112/\$1,296.10

<sup>6</sup> \$184.01//\$1,296.10

**Form 8937, Part II, Line 17 – List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

Section 355, Section 358, Section 368.

**Form 8937, Part II, Line 18 – Can any resulting loss be recognized?**

No loss will be recognized for tax purposes as a result of the receipt of Aaron’s common stock in the Distribution. However, a PROG Holdings stockholder who receives cash in lieu of a fractional share of Aaron’s common stock may recognize gain or loss equal to the difference between the amount of cash received and the tax basis in his or her fractional share. The deductibility of loss may be subject to limitations.

**Form 8937, Part II, Line 19 – Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

The Distribution was consummated on November 30, 2020. For a PROG Holdings stockholder whose taxable year is the calendar year, the reportable tax year is 2020.