AARON'S INC
Form DEF 14A
March 20, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant ý Filed by a Party other than the Registrant ¨
Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

ý Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12
Aaron’s, Inc.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)
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400 Galleria Parkway, S.E., Suite 300
Atlanta, Georgia 30339-3182

March 20, 2017

To Our Fellow Shareholders:

It is our pleasure to invite you to attend the 2017 Annual Meeting of Shareholders of Aaron's, Inc. to be held on Tuesday, May 2, 2017, at 9:00 a.m., local time, at the SunTrust Conference Room located in the Atlanta Financial Center, 3343 Peachtree Road, N.E., Atlanta, Georgia 30326. The Annual Meeting will begin with a discussion of, and voting on, the matters described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement, and will be followed by a report on Aaron's financial performance and operations.

The Proxy Statement is critical to our corporate governance process. We use this document to discuss the proposals being submitted to a vote of shareholders at the Annual Meeting, solicit your vote on those proposals, provide you with information about our board of directors and our executive officers, and inform you of the steps we are taking to fulfill our responsibilities to you as shareholders.

Your vote is important to us. Your broker cannot vote on certain of the proposals without your instruction. Please use your proxy card or voter instruction form to inform us, or your broker, as to how you would like to vote your shares on the proposals in the Proxy Statement. For instructions on voting, please refer to the notice you received in the mail or, if you requested a hard copy of the Proxy Statement, to your enclosed proxy card.

We look forward to seeing you at the Annual Meeting. On behalf of our management and directors, I want to thank you for your continued support of, and confidence in, Aaron's.

Sincerely,

Ray M. Robinson	John W. Robinson III
Chairman of the Board	President and Chief Executive Officer

400 Galleria Parkway, S.E., Suite 300
Atlanta, Georgia 30339-3182

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 2, 2017

The 2017 Annual Meeting of Shareholders of Aaron's, Inc., which we refer to as "Aaron's" or the "Company," will be held on Tuesday, May 2, 2017, at 9:00 a.m., local time, at the SunTrust Conference Room located in the Atlanta Financial Center, 3343 Peachtree Road, N.E., Atlanta, Georgia 30326, for the purpose of considering and voting on the following items:

1. To elect nine directors to serve for a term expiring at the 2018 Annual Meeting of Shareholders.
2. To vote on a non-binding, advisory resolution approving Aaron's executive compensation.
3. To vote on a non-binding, advisory recommendation to the board of directors regarding the frequency of the advisory vote on executive compensation.
4. To ratify the appointment of Ernst & Young LLP as Aaron's independent registered public accounting firm for 2017.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Information relating to these items is provided in the accompanying Proxy Statement.

Only shareholders of record, as shown on the stock transfer books of Aaron's, on March 15, 2017 are entitled to notice of, or to vote at, the meeting. If you hold shares through a bank, broker or other nominee, more commonly known as holding shares in "street name," you must contact the firm that holds your shares for instructions on how to vote your shares.

If you were a shareholder of record on March 15, 2017, you are strongly encouraged to vote in one of the following ways whether or not you plan to attend the Annual Meeting: (1) by telephone; (2) via the Internet; or (3) by completing, signing and dating a written proxy card and returning it promptly to the address indicated on the proxy card.

BY ORDER OF THE BOARD OF DIRECTORS

Robert W. Kamerschen
Executive Vice President, General Counsel,
Chief Administrative Officer & Corporate Secretary

Atlanta, Georgia
March 20, 2017

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 2, 2017.

We are pleased to announce that beginning this year, we are delivering your proxy materials for the 2017 Annual Meeting of Shareholders via the Internet. Because we are delivering proxy materials via the Internet, the Securities and Exchange Commission requires us to mail a notice to our shareholders notifying them that these materials are available on the Internet and how these materials may be accessed. This notice, which we refer to as our "Notice of Proxy Materials," will be mailed to our shareholders on or about March 20, 2017.

Our Notice of Proxy Materials will instruct you on how you may vote your proxy via the Internet or by telephone, or how you can request a full set of printed proxy materials, including a proxy card to return by mail. If you would like to receive printed proxy materials, you should follow the instructions contained in our Notice of Proxy Materials. Unless you request them, you will not receive printed proxy materials by mail.

The Proxy Statement and Annual Report are available free of charge on our website at http://www.aarons.com/proxy and
http://www.aarons.com/annualreport, respectively,
and at http://www.envisionreports.com/AAN

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PROXY SUMMARY

This Proxy Statement is furnished in connection with the solicitation by the board of directors of Aaron’s, Inc., which we refer to as “we,” “our,” “us,” “Aaron’s” or the “Company,” of proxies for use at the 2017 Annual Meeting of Shareholders, including any adjournment or postponement thereof, which we refer to as the “Annual Meeting.” This summary highlights certain material information relating to the Annual Meeting contained elsewhere in this Proxy Statement, but does not contain all of the information you should consider prior to casting your vote. As a result, you should read this entire Proxy Statement carefully before voting. We anticipate that our Notice and Access Letter will first be mailed, and that this Proxy Statement and our 2016 Annual Report to Shareholders will first be made available to our shareholders, on or about March 20, 2017.

2017 Annual Meeting of Shareholders

Date and Time	May 2, 2017, at 9:00 a.m., local time
Place	The SunTrust Conference Room Atlanta Financial Center 3343 Peachtree Road, N.E. 30326
Record Date	March 15, 2017
Voting	Shareholders as of the record date are entitled to vote at the Annual Meeting. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on at the Annual Meeting.
Admission	Attendance at the Annual Meeting will be limited to shareholders as of the record date or their authorized representatives.

Matters To Be Considered and Voting Recommendations

Proposal	Board Recommendation
Elect nine directors to serve for a term expiring at the 2018 Annual Meeting of Shareholders	“FOR” each director nominee
Vote on a non-binding advisory resolution approving Aaron’s executive compensation	“FOR”
Vote on a non-binding advisory recommendation to the board of directors regarding the frequency of the advisory vote on executive compensation	“FOR” annual vote
Ratify the appointment of Ernst & Young LLP as Aaron’s independent registered public accounting firm for 2017	“FOR”

See “Matters To Be Voted On” beginning on page 3 for more information.

Executive Compensation Matters

The Compensation Committee of our board of directors designed our executive compensation program to retain key executives and motivate them to foster a culture of engagement and performance. Our executive compensation program is also structured so that a meaningful percentage of compensation is tied to the achievement of challenging levels of corporate and personal performance objectives. We believe this design will enable us to meet the operational, financial and strategic objectives established by our board of directors. Each of our named executive officers identified in "Compensation Discussion and Analysis" generally has a greater portion of their total direct compensation that is variable and performance-based than do other employees. This is consistent with our philosophy that incentive compensation opportunities linked to performance -including financial, operating and stock price performance - should increase as overall responsibility increases.

Incentive compensation for 2016 performance reflects solid financial results. Despite the challenges faced by the traditional rent-to-own industry, the Compensation Committee was pleased with management's achievements and our performance in 2016, particularly the following:

- Growing total revenues by 1%, as compared to 2015, to a record of $3.208 billion, driven by strong growth in our Progressive segment, offset by a decline in revenues from our traditional lease-to-own business, which we now refer to as our "Aaron's Business," in the face of an economy that has continued to prove challenging to traditional rent-to-own businesses;
- Increasing Progressive's revenues by nearly 18%, as compared to 2015, to $1.238 billion, driven primarily by a 35.6% increase in the number of active doors, and improving its pre-tax earnings by $50.2 million to $104.7 million, an increase of 92%;
- Achieving pre-tax earnings of $218.4 million, a nearly 2.5% increase from the $213.1 million reached in 2015;
- Ending 2016 with $308.6 million in cash and a net debt to total capitalization ratio of 9.6%;
- Returning about $42 million of capital to shareholders through share repurchases and the payment of cash dividends;
- Investing in and further improving the Company's compliance programs and achieving compliance objectives;
- Capturing about $12 million in cost reductions through initiatives implemented at our Aaron's store support center and in the field;
- Improving the percentage of lease revenue for the Aaron's Business generated from our Aarons.com website from 1.1% for 2015 to 4.3% for 2016; and
- Selling our 82 Company-operated HomeSmart stores, to strengthen our focus on improving our Aaron's Business.

Based on our 2016 performance, the Compensation Committee approved the following incentive awards for our named executive officers:

- Messrs. John W. Robinson III and Steven A. Michaels earned annual cash incentive awards of 97% of target based on Company-wide financial performance. Mr. Douglas A. Lindsay earned an annual cash incentive award of 74% of target based on Aaron's Business results for financial performance and compliance-related goals. Messrs. Ryan K. Woodley and Curtis L. Doman earned annual cash incentive awards of 155% of target, based on Progressive's results for financial performance and compliance-related goals.
- Our named executive officers also earned awards under the performance share component that constitutes 50% of their annual grant values under our 2016 long-term incentive program. Messrs. Robinson and Michaels earned awards at 98% of target, based on the Company's overall performance. Mr. Lindsay earned awards at 74% of target, based on the financial performance of our Aaron's Business and the Company as a whole. Messrs. Woodley and Doman earned awards at 129% of target based on the financial performance of Progressive and the Company as a whole. The value realized from these awards was greater than the corresponding grant date target values in light of the subsequent increase in our stock price. Further, for the stock options and time-based restricted stock units that comprise the remainder of the annual grant for our named executive officers, our stock price increase resulted in year-end award values that were also greater than the grant date award values.

See "Compensation Discussion and Analysis" beginning on page 16 for more information.

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MATTERS TO BE VOTED ON

Proposal 1-Election of Directors

Our board of directors recommends the election of the nominees listed below, each of whom will have a term of office expiring at our 2018 Annual Meeting of Shareholders. If, at the time of the Annual Meeting, any of such nominees should be unable to serve, the persons named in the proxy will vote for such substitutes as our board of directors recommends. In no event will the proxy be voted for more than nine nominees. Our management has no reason to believe that any nominee for election at the Annual Meeting will be unable to serve if elected, however.

The following table provides summary information about each nominee, all of whom currently serve on our board of directors. All of the nominees listed below have consented to serve as directors if elected.

Nominee	Age	Occupation	Independent	Joined Our Board
Kathy T. Betty	61	Former Owner Atlanta Dream (WNBA team)	Yes	August 2012
Douglas C. Curling	62	Managing Principal New Kent Capital LLC and New Kent Consulting LLC	Yes	January 2016
Cynthia N. Day	51	President and Chief Executive Officer Citizens Bancshares Corporation and Citizens Trust Bank	Yes	October 2011
Curtis L. Doman	44	Chief Technology Officer Progressive	No	August 2015
Walter G. Ehmer	51	President and Chief Executive Officer Waffle House, Inc.	Yes	May 2016
Hubert L. Harris, Jr.	73	Former Chief Executive Officer Invesco North America	Yes	August 2012
John W. Robinson III	45	President and Chief Executive Officer Aaron’s, Inc.	No	November 2014
Ray M. Robinson	69	Former President for the Southern Region AT&T	Yes	November 2002
Robert H. Yanker	58	Director Emeritus McKinsey & Company	Yes	May 2016

Assuming a quorum is present, a nominee will be elected upon the affirmative vote of a majority of the total votes cast at the Annual Meeting, which means that the number of votes cast in favor of a nominee’s election exceeds the number of votes cast against that nominee’s election. If an incumbent director fails to receive a majority of the votes cast, the incumbent director will promptly tender his or her resignation to our board of directors. Our board of directors can then choose to accept the resignation, reject it or take such other action that our board of directors deems appropriate.

Our board of directors recommends that you vote “FOR”
the election of each of the nominees above.

Proposal 2-Advisory Vote on Executive Compensation

We provide our shareholders with the annual opportunity to cast an advisory vote on the compensation of our named executive officers. The vote on this proposal represents an additional means by which we obtain feedback from our shareholders about executive compensation. Our Compensation Committee sets executive compensation for our named executive officers, which is designed to link pay with performance while enabling us to competitively attract, motivate and retain key executives. The overall objective of our executive compensation program is to encourage and reward the creation of sustainable, long-term shareholder value.

To meet this objective, in 2016 the Compensation Committee's deliberations regarding how much to pay our named executive officers included, among other performance metrics, (i) objective measurements of business performance, (ii) the accomplishment of strategic and financial objectives, (iii) the development of management talent, (iv) enhancement of shareholder value and (v) other matters relevant to both the short- and the long-term success of Aaron's. Our focus on internal financial performance as measured in our annual incentive plans led to solid results for 2016 and has positioned our operations well for the future. Our equity program serves to align the interests of our named executive officers with those of our shareholders.

We encourage our shareholders to read the Compensation Discussion and Analysis section of this Proxy Statement, which discusses how our compensation policies and programs support our compensation philosophy. Our board of directors and the Compensation Committee believe these policies and programs are strongly aligned with the long-term interests of our shareholders.

Accordingly, we ask for shareholder approval of the following resolution:

"RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed in this Proxy Statement, including the Compensation Discussion and Analysis, compensation tables and narrative disclosure, is hereby APPROVED."

This vote is advisory and therefore not binding on us, our board of directors or the Compensation Committee. At last year's annual meeting of shareholders, over 97% of votes cast were in support of the compensation paid to our named executive officers. Our board of directors and the Compensation Committee value the opinions of our shareholders, and the Compensation Committee takes seriously its role in the governance of compensation. The Compensation Committee will consider the result of this year's vote, as well as other communications from shareholders relating to our compensation practices, and take them into account in future determinations concerning our executive compensation program.

Assuming a quorum is present, the resolution above approving our executive compensation will be approved if the votes cast by holders of shares of common stock present, in person or by proxy, at the Annual Meeting in favor of the resolution exceed the votes cast against the resolution.

Our board of directors recommends that you vote "FOR"
the resolution approving our executive compensation.

Proposal 3-Advisory Vote on the Frequency of the Advisory Vote on Executive Compensation

The Dodd-Frank Wall Street Reform and Consumer Protection Act enables our shareholders to indicate how frequently we should seek an advisory vote on the compensation of our named executive officers. By voting on this Proposal 3, shareholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every one, two or three years.

After careful consideration, the board of directors has determined that an advisory vote on executive compensation that occurs every year is the most appropriate policy for the Company at this time, and therefore our board of directors recommends that you vote for an annual advisory vote on executive compensation. This advisory vote on the frequency of future advisory votes on executive compensation is non-binding on the board of directors.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstain from voting when you vote in response to the following resolution:

“RESOLVED, that the shareholders advise, on a non-binding basis, whether the preferred frequency of an advisory vote on the executive compensation of the Company's named executive officers as set forth in the Company's proxy statement should be every year, every two years, or every three years.”

The option of one year, two years or three years that receives the highest number of votes cast by shareholders will be the frequency for the advisory vote on executive compensation that has been selected by shareholders. However, because this vote is advisory and not binding on the board of directors or the Company in any way, the board of directors may decide that it is in the best interests of our shareholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option approved by our shareholders. The board of directors currently intends to consider the shareholders' selection in deciding on a frequency.

Assuming a quorum is present, the option of one year, two years or three years that receives the highest number of votes cast by holders of shares of common stock present, in person or by proxy, at the Annual Meeting will be the shareholders' preferred frequency.

Our board of directors recommends that you vote “FOR”
the option of once every year as the preferred frequency for future advisory votes on executive compensation.

Proposal 4-Ratification of the Appointment of the Independent Registered Public Accounting Firm

The Audit Committee of our board of directors has appointed Ernst & Young LLP, which we refer to as “EY,” to audit our consolidated financial statements for the year ending December 31, 2017, as well as the effectiveness of our internal controls over financial reporting as of December 31, 2017. A representative of EY will be present at the Annual Meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions from shareholders.

We are asking our shareholders to ratify EY's appointment as our independent registered public accounting firm. Although ratification is not required by our bylaws or otherwise, our board of directors is submitting the selection of EY to our shareholders for ratification because we value our shareholders’ views on our independent registered public accounting firm and view the ratification vote as a matter of good corporate practice. In the event that our shareholders fail to ratify the appointment, it is anticipated that no change in our independent registered public accounting firm would be made for fiscal year 2017 because of the difficulty and expense of making any change during the current fiscal year. However, our board of directors and the Audit Committee would consider the vote results in connection with the engagement of an independent registered public accounting firm for fiscal year 2018. Even if EY's appointment is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time if it determines that such a change would be in the best interests of the Company and its shareholders.

Assuming a quorum is present, the proposal to ratify the appointment of our independent registered public accounting firm for 2017 will be approved if the votes cast by holders of shares of common stock present, in person or by proxy, at the Annual Meeting in favor of the proposal exceed the votes cast against the proposal.

Our board of directors recommends that you vote “FOR”
the ratification of the appointment of our independent registered public accounting firm for 2017.

GOVERNANCE

Nominees to Serve as Directors

Kathy T. Betty, 61, has served as a director of the Company since August 2012. From 2009 until 2011, Ms. Betty was the owner of the Atlanta Dream of the WNBA. She also founded The Tradewind Group, an incubator company, where she worked until 2007. Her other experience includes serving as Executive Vice President and Partner of ScottMadden from 1993 to 2000, where she worked on international mergers and acquisitions, and working at Ernst & Young LLP from 1989 to 1993, including serving as one of the first women admitted to the partnership.

Among other qualifications, Ms. Betty brings over 30 years of business management and consultancy experience to our board of directors. Her leadership positions in the Atlanta community, including serving on the boards of the Children’s Healthcare of Atlanta Foundation, YMCA of Metropolitan Atlanta and the Alexander-Tharpe Fund, Georgia Institute of Technology, as well as the Board of Councilors of the Carter Center, provide her with management, entrepreneurial, financial and accounting experience, which are utilized by our board of directors. These skills and experience qualify her to serve on our board of directors.

Douglas C. Curling, 62, has served as a director of the Company since January 2016. Since March 2009, Mr. Curling has been the managing principal of New Kent Capital LLC, a family-run investment business, and New Kent Consulting LLC, a privacy and mergers and acquisitions consulting business. From 1997 until September 2008, Mr. Curling held various executive positions at ChoicePoint Inc., a provider of identification and credential verification services that was sold to Reed Elsevier in 2008, including serving as President from April 2002 to September 2008, as Chief Operating Officer from 1999 to September 2008 and as Executive Vice President, Chief Financial Officer and Treasurer from 1997 to May 1999. Mr. Curling also served as a director of ChoicePoint Inc. from May 2000 to September 2008. Mr. Curling currently serves on the board of directors of CoreLogic, a New York Stock Exchange listed company providing global property information, analytics and data-enabled services to financial services organizations and real estate professionals.

Among other qualifications, Mr. Curling brings substantial experience in managing and operating businesses with privacy, data analytics and other data-enabled matters to our board of directors. His prior service as a chief financial officer provides him with valuable accounting and financial expertise, and his consulting experience provides him with significant mergers and acquisitions expertise, all of which is utilized by our board of directors. These skills and experiences qualify him to serve on our board of directors.

Cynthia N. Day, 51, has served as a director of the Company since October 2011. Ms. Day is currently President and Chief Executive Officer of Citizens Bancshares Corporation and Citizens Trust Bank. She served as Chief Operating Officer and Senior Executive Vice President of Citizens Trust Bank from 2003 to January 2012 and served as its acting President and Chief Executive Officer from January 2012 to February 2012. Ms. Day previously served as the Executive Vice President and Chief Operating Officer and in other capacities of Citizens Federal Savings Bank of Birmingham from 1993 until its acquisition by Citizens Trust Bank in 2003 and previously served as an audit manager for KPMG. She currently serves on the board of directors of Primerica, Inc., Citizens Bancshares Corporation and its subsidiary, Citizens Trust Bank. As of January 2017, Citizens Bancshares Corporation no longer is a publicly traded company, and its subsidiary, Citizens Trust Bank, is not a publicly traded company. Ms. Day has also served as a member of the board of directors of the National Bankers Association, the Georgia Society of CPAs, the University of Alabama Continuing Education Advisory Board and the United Negro College Fund.

Among other qualifications, Ms. Day brings significant management and financial experience to our board of directors. Her experience in multiple senior executive leadership positions and service on other boards, provide her with accounting and financial expertise, which are utilized by our board of directors. These skills and experiences qualify her to serve on our board of directors.

Curtis L. Doman, 44, has served as a director of the Company since August 2015. Mr. Doman currently serves as the Chief Technology Officer of the Company’s Progressive segment. He was also President of IDS, Inc. from September 1993 until October 2015.

Among other qualifications, Mr. Doman brings significant experience in technology and data analytics matters to our board of directors. Mr. Doman’s intimate knowledge of our Progressive segment, including as the creator of the dynamic decision-making engine used by our Progressive segment in evaluating underwriting criteria for our lease products, is utilized by our board of directors. These skills and experiences qualify him to serve on our board of directors.

Walter G. Ehmer, 51, has served as a director of the Company since May 2016. Mr. Ehmer is currently the President and Chief Executive Officer of Waffle House, Inc., or “Waffle House,” a position he has held since 2012. Mr. Ehmer has held various positions with Waffle House since joining the company in 1992 as a senior buyer in the purchasing department, including most recently serving as its President and Chief Operating Officer from 2006 until 2012 and as Chief Financial Officer from 2001 until 2006. Mr. Ehmer previously served as a member of the Georgia Tech Industrial Engineering Advisory Board, the Georgia Tech Alumni Association Board of Trustees and the Georgia Tech President’s Advisory Board. Mr. Ehmer is also a past chairperson of the Georgia Tech Alumni Association and currently serves as a member of the executive committee of the Georgia Tech Foundation. Mr. Ehmer also serves on the boards of the City of Atlanta Policy Foundation and the Metro Atlanta Chamber of Commerce.

Among other qualifications, Mr. Ehmer brings significant management and financial experience to our board of directors. His experience in multiple senior executive leadership positions, including with responsibility for accounting-related matters, provide him with managerial and financial expertise that is utilized by our board of directors. These skills and experiences qualify him to serve on our board of directors.

Hubert L. Harris, Jr., 73, has served as a director of the Company since August 2012. Since 1992, Mr. Harris has owned and operated Harris Plantation, Inc., a cattle, hay and timber business. Mr. Harris has also served as a trustee for SEI mutual funds since 2008. Mr. Harris previously served as CEO of Invesco North America, CFO of Invesco PLC and Chairman of Invesco Retirement Services, and served on the board of directors of Invesco from 1993 to 2004. From 1988 to 2005, Mr. Harris was President and Executive Director of the International Association for Financial Planning. Mr. Harris also served as the Assistant Director of the Office of Management and Budget in Washington, D.C. from 1977 to 1980. Mr. Harris is on the Board of Councilors of the Carter Center, and he previously served as chair of the Georgia Tech Foundation and chair of the Georgia Tech Alumni Association.

Among other qualifications, Mr. Harris brings a strong financial background and extensive business experience to our board of directors. His service on numerous for-profit and non-profit boards and management experience provide him with governance and financial expertise, which are utilized by our board of directors. These skills and experiences qualify him to serve on our board of directors.

John W. Robinson III, 45, has been a director of the Company since November 2014 when he was named the Chief Executive Officer of the Company. Mr. Robinson was also named President of the Company as of February 2016. From 2012 to November 2014, Mr. Robinson served as the Chief Executive Officer of Progressive Finance Holdings, LLC, which was acquired by Aaron’s, Inc. in April 2014. Prior to working at Progressive, he served as the President and Chief Operating Officer of TMX Finance LLC, or “TMX Finance.” He joined TMX Finance as Chief Operating Officer in 2004 and was appointed President in 2008. TMX Finance filed a voluntary Chapter 11 bankruptcy proceeding in April 2009 from which it emerged in April 2010. Prior to working at TMX Finance, he worked in the investment banking groups at Morgan Stanley, Lehman Brothers and Wheat First Butcher Singer.

Among other qualifications, Mr. Robinson brings significant operational and financial experience to our board of directors. His considerable experience in senior management, and his leadership and intimate knowledge of our business, including our Progressive segment in particular, provide him with strategic and operational expertise generally and for the Company specifically, which are utilized by our board of directors. These skills and experiences qualify him to serve on our board of directors.

Ray M. Robinson, 69, has served as a director of the Company since November 2002 and has been our Chairman since April 2014. From November 2012 until his appointment as Chairman, Mr. Robinson was the Company’s independent lead director. Mr. Robinson started his career at AT&T in 1968, and prior to his retirement in 2003, he held several executive positions, including President of the Southern Region, its largest region, President and Chief Executive Officer of AT&T Tridom, Vice President of Operations for AT&T Business Customer Care, Vice President of AT&T Outbound Services, and Vice President of AT&T Public Relations. Mr. Robinson is also a director of Acuity Brands, Inc., a lighting solutions company, American Airlines Group Inc., a holding company operating various commercial airlines (including American Airlines and US Airways), Avnet, Inc., a distributor of electronic components, enterprise computer and storage products, information technology services and embedded subsystems, and Fortress Transportation and Infrastructure Investors LLC, an investor in infrastructure and equipment for the transportation of goods and people, all of which are public companies. Since 2003, Mr. Robinson has also served as a director and non-executive Chairman of Citizens Bancshares Corporation and its subsidiary, Citizens Trust Bank, the largest African American-owned bank in the Southeastern United States and the nation’s second largest. As of January 2017, Citizens Bancshares Corporation no longer is a publicly traded company, and its subsidiary, Citizens Trust Bank, is not a publicly traded company. Mr. Robinson previously served as a director of RailAmerica, Inc. from 2010 to 2012. Mr. Robinson has also been Vice Chairman of the East Lake Community Foundation in Atlanta, Georgia since November 2003.

Among other qualifications, Mr. Robinson brings experience in senior management and board service for numerous public companies to our board of directors. His service on the boards of a number of organizations of varying sizes provides him with extensive operational skills and governance expertise, which are utilized by our board of directors. These skills and experiences qualify him to serve on our board of directors.

Robert H. Yanker, 58, has served as a director of the Company since May 2016. Mr. Yanker is currently a Director Emeritus at McKinsey & Company, or “McKinsey.” Mr. Yanker served at McKinsey for 27 years, from 1986 to 2013, where he worked with a variety of clients in the industrial, consumer and telecommunications sectors on a full range of issues from strategy, portfolio assessment, sales and operations transformation, restructuring and capability building. Mr. Yanker also served as a director of Wausau Paper Corp., a NYSE-listed manufacturer of away-from-home towel and tissue products, from July 2015 until January 2016 when the company was acquired by a subsidiary of SCA Americas, Inc.

Among other qualifications, Mr. Yanker brings significant management and operational experience to our board of directors. His experience throughout his career in advising and consulting for senior management teams provide him with significant managerial and operational expertise, and his prior service on another public company board provided him with governance expertise. Mr. Yanker's skills and areas of expertise are utilized by our board of directors. These skills and experiences qualify him to serve on our board of directors.

Executive Officers Who Are Not Directors

Set forth below are the names and ages of each current executive officer of the Company who is not a director. All positions and offices with the Company held by each such person are also indicated.

Name (Age)	Position with the Company and Principal Occupation During the Past Five Years
Robert W. Kamerschen (49)	Chief Administrative Officer since February 2016 and Executive Vice President, General Counsel and Corporate Secretary since April 2014. Previously, Mr. Kamerschen served as Senior Vice President and General Counsel from June 2013 and also as Corporate Secretary from November 2013. Before joining the Company, Mr. Kamerschen worked at information solution provider Equifax Inc. from 2008 through 2013, serving in multiple executive positions and most recently as its U.S. Chief Counsel, Senior Vice President and Chief Compliance Officer. Mr. Kamerschen began his legal career in 1994 in the Atlanta office of the international law firm Troutman Sanders LLP.
Douglas A. Lindsay (46)	President of Aaron’s Business since February 2016. Prior to joining the Company, Mr. Lindsay served as the Executive Vice President and Chief Operating Officer at ACE Cash Express from February 2012 to January 2016. Previously Mr. Lindsay also served as the Executive Vice President and Chief Financial Officer from June 2007 to February 2012 and the Vice President, Finance and Treasurer from February 2005 to June 2007 for ACE Cash Express.
Steven A. Michaels (45)	Chief Financial Officer and President of Strategic Operations since February 2016. Mr. Michaels previously served as President from April 2014 until February 2016, Vice President Strategic Planning & Business Development from 2013 until April 2014, Vice President, Finance from 2012 until April 2014 and Vice President, Finance, Aaron’s Sales & Lease Ownership Division from 2008 until 2011.
Robert P. Sinclair, Jr. (55)	Vice President, Corporate Controller since 1999.
Ryan K. Woodley (40)	Chief Executive Officer of Progressive Finance Holdings, LLC since January 2015. Mr. Woodley joined Progressive Finance Holdings, LLC as Chief Operating Officer and Chief Financial Officer in June of 2013. Prior to that, he was Chief Operating Officer and Chief Financial Officer at DigiCert, a digital security certificate provider which was sold to TA Associates in November 2012.

Composition, Meetings and Committees of the Board of Directors

Our board of directors is currently comprised of nine directors having terms expiring at the Annual Meeting. Each of our directors will continue to hold office until the expiration of his or her term and until his or her successor is duly elected and qualified or until his or her earlier resignation, removal from office or death.

Our Corporate Governance Guidelines include categorical standards adopted by our board of directors to determine director independence that meet the listing standards of the New York Stock Exchange, or “NYSE.” Our Corporate Governance Guidelines also require that at least 75% of our board of directors be “independent,” a requirement that is more stringent than the NYSE listing requirement that a majority of the board of directors be independent. Our board of directors has affirmatively determined that all of our directors are “independent” in accordance with NYSE listing requirements and the requirements of our Corporate Governance Guidelines, other than Mr. John Robinson, our President and Chief Executive Officer, and Mr. Doman, the Chief Technology Officer of our Progressive segment.

Our board of directors currently has three standing committees consisting of an Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. From time to time, our board of directors may establish ad-hoc committees at its discretion. Our board of directors has adopted a charter for each of its standing committees, copies of which are available on the investor relations section of our website located at http://www.aaronsinc.com. The current members of each committee are identified in the table below:

Director	Audit Committee*	Compensation Committee	Nominating and Corporate Governance Committee
Kathy T. Betty		(Chair)	Member
Douglas C. Curling	Member	Member	
Cynthia N. Day	(Chair)	Member	
Walter G. Ehmer	Member		Member
Hubert L. Harris, Jr.	Member		(Chair)
Ray M. Robinson		Member	Member
Robert H. Yanker	Member		Member
Number of Meetings in Fiscal Year 2016	9	7	5

* Four of the members of the Audit Committee have been designated as an “audit committee financial expert” as defined by Securities and Exchange Commission, or "SEC", regulations.

Meetings

Our board of directors held seven meetings during 2016. The number of meetings held by each of our committees in 2016 is shown in the table above. Overall attendance at those meetings was approximately 98%. Each director attended 75% or more of the aggregate of all meetings of the board and the committees on which he or she served during 2016.

It is our policy that directors are expected to attend the annual meeting of shareholders in the absence of a scheduling conflict or other valid reason. All of our directors then in office attended the 2016 Annual Meeting of Shareholders held on May 4, 2016.

The non-management and independent members of our board of directors meet frequently in executive session, without management present. Mr. Ray Robinson, the Chairman of our board of directors, chairs these meetings.

Committees

Audit Committee. The function of the Audit Committee is to assist our board of directors in fulfilling its oversight responsibility relating to: (i) the integrity of the Company's consolidated financial statements; (ii) the financial reporting process and the systems of internal accounting and financial controls; (iii) the performance of the Company's internal audit function and independent auditors; (iv) the independent auditors' qualifications and independence; (v) the Company's compliance with ethics policies (including oversight and approval of related party transactions and reviewing and discussing calls to the Company's ethics hotline and the Company's investigation of and response to such calls) and legal and regulatory requirements; and (vi) the adequacy of the Company's policies and procedures to assess, monitor and manage business risks and its corporate compliance programs, including receiving quarterly reports related to such risks and programs. The Audit Committee is directly responsible for the appointment, compensation, retention, and termination of our independent auditors, who report directly to the Audit Committee, and for recommending to our board of directors that the board recommend to our shareholders that the shareholders ratify the retention of our independent auditors. In connection with its performance of these responsibilities, the Audit Committee regularly receives reports from and holds discussions with Company management, leaders from the Company's internal audit department, leaders from the Company's legal department, and the independent auditors. Many of those discussions are held in executive session with the Audit Committee.

Each member of the Audit Committee satisfies the independence requirements of the NYSE and SEC rules applicable to audit committee members, and each is financially literate. Our board of directors has designated each of Ms. Day and Messrs. Curling, Ehmer and Harris as an "audit committee financial expert" as defined by SEC regulations.

Compensation Committee. The purpose of the Compensation Committee is to assist our board of directors in fulfilling its oversight responsibilities relating to: (i) executive and director compensation; (ii) equity compensation plans and other compensation and benefit plans; and (iii) other significant associate resources matters.

The Compensation Committee has the authority to review and approve performance goals and objectives for the named executive officers in connection with the Company's compensation programs, and to evaluate the performance of the named executive officers, in light of such performance goals and objectives and other matters, for compensation purposes. Based on such evaluation and other matters, the Compensation Committee recommends to the independent members of our board of directors for determination (or makes such determination itself in some circumstances) the compensation of the named executive officers, including our President and Chief Executive Officer. The Compensation Committee also has the authority to approve grants of equity incentives and to consider from time to time, and recommend to our board of directors, changes to director compensation.

Each member of the Compensation Committee satisfies the independence requirements of the NYSE applicable to compensation committee members, is a non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934, or the "Exchange Act," and is an outside director under Section 162(m) of the Internal Revenue Code.

Nominating and Corporate Governance Committee. The purpose of the Nominating and Corporate Governance Committee is to assist our board of directors in fulfilling its responsibilities relating to: (i) board and committee membership, organization, and function; (ii) director qualifications and performance; (iii) management succession; and (iv) corporate governance. The Nominating and Corporate Governance Committee from time to time identifies and recommends to our board of directors individuals to be nominated for election as directors and develops and recommends to our board of directors for adoption corporate governance principles applicable to the Company.

Each member of the Nominating and Corporate Governance Committee satisfies the independence requirements of the NYSE.

Assessment of Director Candidates and Required Qualifications

The Nominating and Corporate Governance Committee is responsible for considering and recommending to our board of directors nominees for election as director at our annual meeting of shareholders and nominees to fill any vacancy on our board of directors. Our board of directors, after taking into account the assessment provided by the Nominating and Corporate Governance Committee, is responsible for considering and recommending to our shareholders nominees for election as director at our annual meeting of shareholders. In accordance with our Corporate Governance Guidelines, both the Nominating and Corporate Governance Committee and our board of directors, in evaluating director candidates, consider the experience, talents, skills and other characteristics of each candidate and our board of directors as a whole in assessing potential nominees to serve as director.

We believe that, at a minimum, a director should have the highest personal and professional ethics, moral character and integrity, demonstrated accomplishment in his or her field and the ability to devote sufficient time to carry out the duties of a director. To help ensure the ability to devote sufficient time to board matters, no director may serve on the board of more than four other public companies while continuing to serve on our board of directors, and no director that serves as chief executive officer of another company may serve on the board of more than two other public companies while continuing to serve on our board of directors, unless our board determines in its business judgment that such simultaneous service will not impair the director's ability to serve on our board of directors, and that such simultaneous service is otherwise in the best interests of the shareholders.

In addition to these minimum qualifications, our board of directors may consider all information relevant in their business judgment to the decision of whether to nominate a particular candidate for a particular board seat. These factors may include a candidate’s professional and educational background, reputation, industry knowledge and business experience and the relevance of those characteristics to us and our board of directors. In addition, candidates will be evaluated on their ability to complement or contribute to the mix of talents, skills and other characteristics needed to maintain the effectiveness of our board of directors and their ability to fulfill the responsibilities of a director and of a member of one or more of the standing committees of our board of directors. While our board of directors does not have a specific policy regarding diversity among directors, diversity of race, ethnicity, gender, age, cultural background and professional experience is considered in evaluating candidates for membership on our board of directors.

No person may be nominated for election to our board of directors after his or her 80th birthday and must offer his or her resignation, effective as of the next annual meeting of shareholders, from our board of directors following his or her 80th birthday. A director is also required to offer his or her resignation immediately in the event the director, or any of his or her respective affiliates or associates, takes any action (including encouraging or supporting others) to (i) nominate, propose or vote in favor of any candidate to serve on our board of directors (other than the nominees proposed by our board of directors) or oppose for election any nominee proposed by our board of directors or (ii) solicit proxies with respect to any of our securities within the meaning of the Exchange Act and the rules thereunder (other than any proxy solicitation in favor of a matter approved by our board of directors).

In determining whether to nominate an incumbent director for re-election, the Nominating and Corporate Governance Committee and our board of directors evaluate each incumbent’s continued service, in light of these collective requirements. When the need for a new director arises (whether because of a newly created seat or vacancy), the Nominating and Corporate Governance Committee and our board of directors proceed to identify a qualified candidate or candidates and to evaluate the qualifications of each candidate identified. Final candidates are generally interviewed by one or more members of the Nominating and Corporate Governance Committee or other members of our board of directors before a decision is made.

Shareholder Recommendations and Nominations for Election to the Board

Our Nominating and Corporate Governance Committee will consider nominees recommended by shareholders. Any shareholder wishing to nominate a candidate for director at the next annual shareholders’ meeting must submit a proposal as described under “Additional Information—Shareholder Proposals for the 2018 Annual Meeting of Shareholders” and otherwise comply with the advance notice provisions and information requirements contained in our bylaws. The shareholder submission should be sent to the President of Aaron’s, Inc. at 400 Galleria Parkway, S.E., Suite 300, Atlanta, Georgia 30339-3182.

Shareholder nominees are evaluated under the same standards as other candidates for board membership described above in “Assessment of Director Candidates and Required Qualifications.” In addition, in evaluating shareholder nominees for inclusion with the board’s slate of nominees, the Nominating and Corporate Governance Committee and our board of directors may consider any other information they deem relevant, including (i) the factors described in “Assessment of Director Candidates and Required Qualifications,” (ii) whether there are or will be any vacancies on our board of directors, (iii) the size of the nominating shareholder’s holdings in the Company, (iv) the length of time such shareholder has owned such holdings and (v) any statements by the nominee or the shareholder regarding proposed changes in our operation.

Board Leadership Structure

We currently separate the roles of Chairman and Chief Executive Officer in recognition of the differences between the two roles. The Chairman is responsible for leading our board of directors in its duty to oversee the management of our business and affairs. The Chief Executive Officer is responsible for oversight of our day-to-day operations and business affairs, including directing the business conducted by our employees, managers and officers.

Our Chief Executive Officer serves on our board of directors, which we believe helps to serve as a bridge between management and our board of directors, ensuring that both groups act with a common purpose. We believe that Mr. John Robinson's presence on our board of directors enhances his ability to provide insight and direction on important strategic initiatives to both management and the independent directors.

Our board of directors does not have a formal policy on whether the Chairman and Chief Executive Officer roles should be separated or combined but, instead, makes that determination from time to time employing its business judgment. Our board of directors, however, does believe that if the Chairman and Chief Executive Officer roles are combined, or if the Chairman is not an independent director, that our board of directors should appoint an independent Lead Director to serve as the leader and representative of the independent directors in interacting with the Chairman and Chief Executive Officer and, when appropriate, our shareholders and the public. Our board of directors has determined that Mr. Ray Robinson, who serves as our Chairman, is independent under NYSE listing requirements. As a result, currently our board of directors has not designated a Lead Director.

Board of Directors and Committee Evaluations

Our board of directors and each of its committees conduct an annual evaluation, which includes a qualitative assessment by each director of the performance of our board of directors and the committee or committees on which the director sits. In 2017, our board of directors also engaged a third-party to facilitate our board self-evaluation process and board and committee review. That assessment was conducted via oral interviews by a third party legal advisor selected by our board of directors, using as the basis for discussion a list of questions that were provided to each director in advance. The results of the evaluation and any recommendations for improvement were reported to all directors and discussed with the Nominating and Corporate Governance Committee and our board of directors. The Nominating and Corporate Governance Committee oversees the evaluation process.

Board Role in Risk Oversight

Senior management is responsible for day-to-day risk management, while our board of directors oversees planning and responding to risks, as a whole, through its committees and independent directors. Although our board of directors has ultimate responsibility with respect to risk management oversight, primary responsibility for certain areas has been delegated, as appropriate, to its committees. For example, the Audit Committee is charged with, among other matters, overseeing risks attendant to (i) our system of disclosure controls and procedures, (ii) internal control over financial reporting, and (iii) performance of our internal audit function and independent auditors. The Audit Committee considers the steps management has taken to monitor and control such risks, including our risk assessment and risk management policies. The Audit Committee also considers issues relating to our legal and regulatory compliance obligations, including consumer protection laws in the lease-to-own industry in particular, at each meeting together with our General Counsel or another representative from our legal department.

Likewise, the Compensation Committee considers risks that may be implicated by our compensation programs. For 2016, our Compensation Committee, aided by its third-party compensation consultant, reviewed our compensation policies and practices and determined that they do not encourage excessive or unnecessary risk taking, and do not otherwise create risks that are reasonably likely to have a material adverse effect on the Company.

Compensation Committee Interlocks and Insider Participation

For the year ended December 31, 2016, the Compensation Committee consisted of Mses. Betty and Day and Messrs. Curling and Ray Robinson, each of whom our board of directors determined was independent in accordance with NYSE listing requirements.

No member of the Compensation Committee during 2016 is or was formerly an officer or employee of the Company or any of its subsidiaries or was a related person in a related person transaction with the Company required to be disclosed under applicable SEC rules.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of the Company's common stock, to file with the SEC certain reports of beneficial ownership of the Company's common stock. Based solely on a review of information furnished to us, the Company believes that its directors, officers and more than 10% shareholders complied with all applicable Section 16(a) filing requirements during the year ended December 31, 2016, other than one Form 4 filed three days late for Mr. Lindsay related to restricted stock units and stock options granted to him in February 2016 when he was hired as President of our Aaron's Business.

NON-MANAGEMENT DIRECTOR COMPENSATION IN 2016

The compensation program for our non-employee directors is designed to fairly compensate them for the effort and responsibility required to serve on the board of a company of our size and scope as well as to align our directors' interests with those of our shareholders more generally.

Effective in January 2016, the compensation program for our non-employee directors was revised to better align with the interests of our shareholders as well as with current market practices. Under the re-designed program, non-employee directors received an annual cash retainer of $75,000 and an annual award of restricted stock units having a value of $100,000, which generally vests one year following the grant date. Our Chairman, Mr. Ray Robinson, also received a cash retainer of $100,000, paid quarterly in $25,000 installments, in recognition of the additional duties he performs by serving as our Chairman. Non-employee directors serving as the chairperson of the Audit, Compensation, and Nominating and Corporate Governance Committees also received an additional annual retainer of $20,000, $15,000 and $10,000, respectively, for their service in these roles and the additional time commitments required.

Directors who are employees of the Company receive no compensation for their service on our board of directors.

The following table shows compensation paid to our non-employee directors during 2016.

Name	Fees Earned or Paid in Cash ($)	Stock Awards[2]($)	Total ($)
Matthew E. Avril[3]	38,364	100,000	138,364
Leo Benatar[3]	37,500	100,000	137,500
Kathy T. Betty[4], [5]	90,000 [1]	100,000	190,000
Douglas C. Curling[4], [6]	75,000	100,000	175,000
Cynthia N. Day[4], [7]	95,000	100,000	195,000
Walter G. Ehmer[4], [8]	56,250	66,667	122,917
Hubert L. Harris, Jr.[4], [9]	86,365	100,000	186,365
H. Eugene Lockhart[3]	37,500	100,000	137,500
Ray M. Robinson[4], [10]	176,445	100,000	276,445
Robert H. Yanker[4], [11]	64,543	66,667	131,210

(1) Amounts listed for Ms. Betty reflect cash fees taken in the form of shares of our common stock. During 2016, Ms. Betty received 3,780 shares of our common stock in lieu of cash fees payable in connection with service on our board of directors, which includes 997 shares that Ms. Betty received for services rendered during 2015.

(2) Represents the grant date fair value of stock awards pursuant to Financial Accounting Standards Board Codification Topic 718. A pro rata portion of the restricted stock units granted to Messrs. Avril, Benatar and Lockhart in January 2016 were forfeited upon their departures from our board of directors, effective as of June 3, 2016 for Mr. Avril and May 3, 2016 for Messrs. Benatar and Lockhart.

(3) The amount of Fees Earned or Paid in Cash for Messrs. Avril, Benatar and Lockhart reflect that each of them no longer served on our board of directors effective as of June 3, 2016 for Mr. Avril and May 3, 2016 for Messrs Benatar and Lockhart.

(4) As of December 31, 2016, each of our non-executive directors, other than Messrs. Ehmer and Yanker, held 4,466 units of restricted stock subject to vesting, which was the number of units of restricted stock granted to them in January 2016. As of December 31, 2016, Messrs. Ehmer and Yanker each held 2,599 units of restricted stock subject to vesting, which was the number of restricted stock units granted to them in May 2016, when they were first elected to our board of directors. Mr. Robinson held an aggregate of 6,000 vested options, of which 3,000 expire in October 2018 and have an exercise price of $14.11 and 3,000 expire in February 2020 and have an exercise price of $19.92.

(5) Includes $22,500 in fees earned for services in the fourth quarter of 2016 which will be paid in 2017.

(6) Includes $18,750 in fees earned for services in the fourth quarter of 2016 which will be paid in 2017.

(7) Includes $23,750 in fees earned for services in the fourth quarter of 2016 which will be paid in 2017.

(8) Includes $18,750 in fees earned for services in the fourth quarter of 2016 which will be paid in 2017.
(9) Includes $21,250 in fees earned for services in the fourth quarter of 2016 which will be paid in 2017.
(10) Includes $45,195 in fees earned for services in the fourth quarter of 2016 which will be paid in 2017.
(11) Includes $25,900 in fees earned for services in the fourth quarter of 2016 which will be paid in 2017.

Stock Ownership Guidelines

Under the current stock ownership guidelines adopted by our board of directors in November 2015, each director is expected to own or acquire shares of our common stock and common stock equivalents (including restricted stock and restricted stock units, or "RSUs") having a value of at least $400,000 prior to the later of January 31, 2020 or four years from when the director first joined our board of directors.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Introduction. The purpose of this section is to provide material information about the compensation objectives and policies for our named executive officers and to explain how the Compensation Committee of our board of directors made its compensation decisions for 2016.

For 2016, our named executive officers are listed below and consist of (i) our Chief Executive Officer, (ii) the two executives who served as our Chief Financial Officer during the year and (iii) our three most highly compensated executive officers for 2016 (other than our Chief Executive Officer and our Chief Financial Officers).

Named Executive Officer	2016 Position
John W. Robinson III	President and Chief Executive Officer
Gilbert L. Danielson	Executive Vice President (Chief Financial Officer until February 18, 2016)
Steven A. Michaels	Chief Financial Officer (as of February 18, 2016) and President of Strategic Operations
Ryan K. Woodley	Chief Executive Officer, Progressive
Curtis L. Doman	Chief Technology Officer, Progressive
Douglas A. Lindsay	President, Aaron’s Business

Our compensation programs are designed to retain key executives and to motivate them to foster a culture of engagement and performance. We believe that doing so will enable the Company to meet the operational, financial and strategic objectives established by our board of directors.

Fiscal Year Results. Key accomplishments and results from 2016 include:

- Growing total revenues by 1%, as compared to 2015, to a record of $3.208 billion, driven by strong growth in our Progressive segment, offset by a decline in revenues from our traditional lease-to-own business, which we now refer to as our “Aaron’s Business,” in the face of an economy that has continued to prove challenging to traditional rent-to-own businesses;
- Increasing Progressive’s revenues by nearly 18%, as compared to 2015, to $1.238 billion, driven primarily by a 35.6% increase in the number of active doors, and improving its pre-tax earnings by $50.2 million to $104.7 million, an increase of 92%;
- Achieving pre-tax earnings of $218.4 million, a nearly 2.5% increase from the $213.1 million reached in 2015;
- Ending 2016 with $308.6 million in cash and a net debt to total capitalization ratio of 9.6%;
- Returning about $42 million of capital to shareholders through share repurchases and the payment of cash dividends;
- Investing in and further improving the Company’s compliance programs and achieving compliance objectives;
- Capturing about $12 million in cost reductions through initiatives implemented at our Aaron’s store support center and in the field;
- Improving the percentage of lease revenue for the Aaron’s Business generated from our Aarons.com website from 1.1% for 2015 to 4.3% for 2016; and
- Selling our 82 Company-operated HomeSmart stores, to strengthen our focus on improving our Aaron’s Business.

Pay for Performance Linkage. As discussed in further detail below, the fundamental principles of our Compensation Committee’s executive compensation philosophy remained unchanged for 2016. Our core compensation objective continues to be that we will pay for performance—we believe we should pay higher compensation when our management team succeeds and lower compensation when it does not. As a result, our 2016 compensation program linked a substantial portion of executive compensation to our operational, financial and strategic objectives.

Our performance as a whole during 2016 was slightly below the target financial performance goals set by the Compensation Committee for the annual and long-term incentive plans in which our named executive officers participated, with the exception of the return on capital metric, which was slightly above target. Progressive exceeded target performance levels for its goals, while our Aaron's Business fell below target performance levels for its financial goals, but exceeded its compliance goals.

The impact of our financial performance on incentive awards to our named executive officers is summarized below and discussed in greater detail under "—Components of the Executive Compensation Program:"

- Our named executive officers earned awards under the annual incentive plan in which they participated, for performance against Company-wide financial goals, or for Progressive or our Aaron's Business's financial and compliance goals as follows:
  - Messrs. Robinson and Michaels earned annual cash incentive awards of 97% of target based on Company-wide performance.
  - Messrs. Woodley and Doman earned annual cash incentive awards of 155% of target, based on performance against pre-established financial and compliance goals for our Progressive segment.
  - Mr. Lindsay earned an annual cash incentive award of 74% of target based on performance against pre-established financial and compliance goals for our Aaron's Business.
- Our named executive officers also earned awards under the performance share component of our 2016 long-term incentive program, which constitute 50% of their annual grant values under the program:
  - Messrs. Robinson and Michaels earned awards at 98% of target measured on our overall financial performance.
  - Messrs. Woodley and Doman earned awards at 129% of target based on the financial performance of Progressive and the Company as a whole.
  - Mr. Lindsay earned an award at 74% of target based on the financial performance of our Aaron's Business and the Company as a whole.

The value of these awards as of December 31, 2016 was greater than the corresponding grant date target values in light of the subsequent increase in our stock price. Further, for the stock options and time-based RSUs that comprise the remainder of the annual grant for our named executive officers, our stock price increase during 2016 resulted in year-end award values that were also greater than the grant date award values.

Chief Financial Officer Transition. Mr. Danielson resigned as our Chief Financial Officer as of February 18, 2016, and agreed to serve as Executive Vice President and Senior Advisor and assist with managing strategic projects until his retirement from the Company at the end of 2016. For the remainder of 2016, Mr. Danielson received a base salary of $200,000, and did not participate in either our annual or long-term incentive programs.

Mr. Danielson enjoyed a long and distinguished career with Aaron's that included serving as our Chief Financial Officer for 26 years and as a member of our board of directors for 24 years. To facilitate this transition and his retirement, to acknowledge his contributions over many years of service, and in light of the fact that we do not have a formal retirement program, we agreed to provide Mr. Danielson with severance benefits as if his retirement was considered as a termination without cause under his prior employment agreement. The terms of retirement and severance for Mr. Danielson are described more fully in the section titled "Executive Compensation—Potential Payments upon Termination or Change in Control."

Summary of our Executive Compensation Practices. The following discussion highlights key practices that we believe contribute to aligning the interests of our named executive officers with those of our shareholders.

What We Do	What We Don’t Do
þ Pay mix that emphasizes performance-based compensation rather than “fixed” pay	x No excessive perquisites or other benefits
þ Provide an appropriate balance between annual and long-term incentives	x No hedging or pledging of Company securities
þ Performance is measured from multiple perspectives in both the annual cash and long-term incentive plans	x No excise or other tax gross-ups related to a change in control
þ Set “caps” or maximum award levels under the annual cash incentive and long-term performance share awards	x No repricing of underwater options
þ Have meaningful share ownership requirements for our executives	x No stock options granted below fair market value
þ Have a clawback or recoupment policy for cash and equity incentives in the event of a restatement of our consolidated financial statements	x No dividend equivalents paid on unvested or unearned RSUs or performance shares and, although notional dividend amounts are accrued on unvested RSAs, no dividends are actually paid on RSAs until the RSAs vest.
þ Review tally sheets for our executive officers	
þ 2015 and future equity awards vest on a “double trigger” basis after a change in control	
þ Retain independent advisors who report directly to the Compensation Committee	

Say on Pay Vote. Last year, our shareholders cast an advisory vote on our executive compensation practices as described in our 2016 proxy statement, and the result was that over 97% of the total votes cast approved the compensation of our named executive officers. In light of this high level of support from our shareholders, the Compensation Committee continued applying the same overall compensation practices. The Compensation Committee appreciates the shareholder support that this vote reflected, and regularly evaluates and revises the program as it considers necessary to better reflect the Company’s evolving business circumstances.

After carefully considering our existing programs, our upcoming business challenges, and the results of our 2016 Say on Pay vote, the Compensation Committee determined that no changes to the overall program structure for 2016 were necessary. As discussed later, to further enhance program alignment across the organization and address certain operational areas, the Compensation Committee revised the programs so that all named executive officers participate in compliance-related goals.

Objectives of Executive Compensation

The primary objectives and priorities of our executive compensation program are to:

- attract, motivate and retain quality executive leadership;
- align the incentive goals of our executive officers with the interests of our shareholders;

- enhance the individual performance of each executive;
- improve our overall performance; and
- support achievement of our business plans and long-term goals.

To accomplish these objectives, the Compensation Committee provides the named executive officers with compensation opportunities based on the range of compensation paid by similar companies for positions of similar responsibility. Opportunities for compensation and amounts delivered reflect (i) our performance results, (ii) the individual's performance and (iii) other factors the Compensation Committee views as relevant, as described in greater detail below in this Compensation Discussion & Analysis.

Compensation Process

Role of the Compensation Committee. The Compensation Committee is comprised solely of independent directors. Its role is to oversee (i) executive and outside director compensation, (ii) benefit plans and policies, including equity compensation plans and other forms of compensation, and (iii) other significant associate resources matters.

More specifically, the Compensation Committee reviews and discusses proposed compensation for the named executive officers, evaluates their performance and sets their compensation. In addition, the Compensation Committee approves all equity awards for named executive officers and other executive officers, based on the recommendations of senior management, as appropriate.

Role of Management. During 2016, the Compensation Committee considered the input and recommendations of Mr. Robinson with respect to our executive compensation programs and decisions that impact other named executive officers and other employees. Mr. Danielson and Mr. Michaels also provided input with respect to financial goals and recommendations and overall program design. Although management and other invitees at Compensation Committee meetings may participate in discussions and provide input, all votes and final decision-making on named executive officer compensation are solely the responsibility of the Compensation Committee.

Independent Compensation Consultants. The Compensation Committee has retained Meridian Compensation Partners, LLC, which we refer to as "Meridian," as its ongoing independent consultant with respect to executive and outside director compensation matters. In this role, Meridian reports directly to the Compensation Committee, but works with management at the direction of the Compensation Committee. The Compensation Committee assessed Meridian's independence, including the potential for conflicts of interest as required by New York Stock Exchange listing requirements, and concluded that Meridian was appropriately independent and free from potential conflicts of interest.

During 2016, Meridian assisted the Compensation Committee with several matters, including:

- presenting information on executive compensation trends and related legislative, regulatory and governance developments;
- reviewing compensation proposals relative to significant business transactions and executive transitions;
- reviewing the benchmarking peer group for the consideration and approval of the Compensation Committee;
- conducting competitive assessments of executive compensation levels and certain features of incentive program designs;
- consulting on select aspects of compensation for outside directors;
- conducting a review of our compensation programs from a risk assessment perspective;
- preparing tally sheets for our senior officers;
- assisting with review and disclosures regarding the executive compensation programs in the annual proxy statement; and
- reviewing the Compensation Committee's annual calendar and related governance matters.

Meridian representatives attended a majority of the Compensation Committee meetings and also participated in executive sessions as requested by the Compensation Committee.

Determination of 2016 Executive Compensation. The Compensation Committee established the base salary, annual cash incentive opportunities and the size and performance conditions of equity awards for Mr. Robinson and the other named executive officers. In making these compensation decisions, the Compensation Committee considered the conclusions of Meridian's analyses. Other factors material to the Compensation Committee's deliberations included (i) objective measurements of business performance, (ii) the accomplishment of strategic and financial objectives, (iii) the development and retention of management talent, (iv) enhancement of shareholder value and (v) other matters relevant to our short- and long-term success.

Benchmarking

Use of Market Data. We use compensation market data as a reference for understanding the competitive positioning of each element of our compensation program and of total compensation. The Compensation Committee does not manage total compensation for our named executive officers within a prescribed competitive position or percentile of the compensation market. Rather, the Compensation Committee reviews compensation for each named executive officer relative to market data and considers other internal and external factors when exercising its business judgment as to compensation decisions.

Peer Group. The proxy peer group used for compensation decisions made in early 2016 emphasized publicly traded retail and related consumer finance peers that were similar to the Company in terms of size, complexity and business focus at that time. Annual revenues for the peer companies generally range between 1/2x to 2x the annual revenues of Aaron’s but may extend outside that range for key competitors for talent. Median revenues for the peer companies for 2014 (based on the most recent financial information and executive pay data available when the analysis used for early 2016 pay decisions was conducted) were $1.52 billion and ranged from $568 million to $6.8 billion. The peer companies are:

Retail Peers		
Big Lots	hhgregg	Rent-A-Center
Cabelas	Mattress Firm	Sears Hometown & Outlet
Conn’s	Outerwall	Select Comfort
Dick’s Sporting Goods	Overstock.com	Tractor Supply
Fred’s	Pier 1 Imports	Wayfair
Consumer Finance Peers		
Blackhawk Network Holdings	EZCorp	Santander Consumer USA Holdings
Cash America International	Fair Isaac	SpringLeaf Holdings
Credit Acceptance	Green Dot	Transunion
Enova International	Heartland Payment Systems	WEX
EPlus	LendingClub	World Acceptance

Survey Data. If data from the proxy peer group are not available for all named executive officer positions, the Compensation Committee may also review broader survey benchmarking data from time to time, as necessary.

Components of the Executive Compensation Program

Direct Compensation. The three primary components of each named executive officer’s total direct compensation for 2016 were:

- base salary;
- annual performance-based cash incentive award; and
- long-term equity incentive awards.

These components are designed to be competitive with employers with whom we compete for executive talent and to support our compensation program objectives. The Compensation Committee has not set a prescribed mix or allocation for each component, but rather focuses on total direct compensation when making compensation decisions for our executives. In making these decisions, the Compensation Committee also considers the following related factors: (i) performance against corporate and individual objectives for the previous year; (ii) performance of general management responsibilities; (iii) the value of any unique skills and capabilities; (iv) contributions as a member of the executive management team; and (v) competitive market considerations.

Total direct compensation for our named executive officers emphasizes variable and performance-based compensation more so than for our other employees. This reflects our philosophy that performance-based compensation opportunities - linked to financial, operating, and stock price performance - should increase as overall responsibility increases.

The following graphs demonstrate this philosophy by showing the mix of target pay for 2016 for our CEO and for our other named executive officers (other than Mr. Danielson) as a group:

The following describes the annual base salary, annual performance-based cash incentive awards and long-term equity incentive compensation awards for our named executive officers for 2016. Significant program design changes effective for 2017 are also described.

Base Salary

The Compensation Committee views base salary as fixed compensation intended to reflect the scope of an executive's role. It reviews base salaries annually and adjusts them as necessary to ensure that salary levels remain appropriate and competitive. Salary increases are periodic rather than annual and are made after the Compensation Committee considers relevant factors including:

- breadth and scope of an executive's role, including any significant change in duties;
- competitive market pay levels;
- internal comparisons to similar roles;
- individual performance throughout the year; and
- overall economic climate and Company performance.

In 2016, Mr. Robinson did not receive an increase because his salary was viewed as appropriately aligned with the market. Mr. Michaels received a market adjustment to reflect his increased responsibility after being promoted to Chief Financial Officer. Messrs. Woodley and Doman received increases to appropriately align their salaries with market. Mr. Lindsay's salary was established when he became employed by us.

The base salaries for each of our named executive officers, as of January 1, 2016 and after being adjusted in February 2016, are set forth in the table below.

Named Executive Officer	Annualized Base Salary 1/1/2016	Annualized Base Salary after Adjustment
John W. Robinson III	$ 700,000	$ 700,000
Steven A. Michaels	$ 412,000	$ 550,000
Ryan K. Woodley	$ 400,000	$ 435,000
Curtis L. Doman	$ 375,000	$ 400,000
Douglas A. Lindsay	$ 500,000	$ 500,000

Annual Cash Incentive Awards

Annual cash incentive awards provide the opportunity to earn cash rewards for meeting Company financial and operational performance goals. Under the 2016 program, our named executive officers had the potential to earn cash incentive awards based on performance against pre-determined performance goals, with amounts that vary based on the degree to which the related goals are achieved.

Performance Measures. For Messrs. Robinson and Michaels, awards were based on overall Company revenue and Adjusted EBITDA. For Messrs. Woodley and Doman, awards were based on Progressive goals for revenue, Adjusted EBITDA and compliance. For Mr. Lindsay, awards were based on Aaron's Business goals for revenue, Adjusted EBITDA and compliance. These goals were selected by the Compensation Committee to focus participants on measures viewed as primary drivers of our business and key indicators of our financial success and growth.

Results under this plan will be determined as follows:

- Revenues are measured on a GAAP basis.
- Adjusted EBITDA is based on GAAP earnings before interest, taxes, depreciation, and amortization, with overall Company and Progressive Adjusted EBITDA results adjusted to remove the effect of the provision for loan losses at Progressive's subsidiary Dent-A-Med, Inc., which we refer to as "DAMI."
- Performance results for each measure also will exclude the effects of certain nonrecurring items of revenue or gain and expense or loss. In addition, the overall Company and Aaron's Business revenue and Adjusted EBITDA goals were adjusted to reflect the sale of the HomeSmart business in May 2016.
- Compliance-related goals for Progressive and our Aaron's Business for 2016 focused on several areas, including systems and technology enhancements, process improvements with respect to customer service and satisfaction levels, and increased business and operational knowledge to improve general performance.

The Compensation Committee established annual goals for each of the performance measures in the annual incentive program, and assigned weightings that vary by business segment. The payout scale for the financial goals for the Company, Aaron's Business and Progressive ranges as follows: threshold performance - 25% payout, target performance - 100% payout, and maximum performance - 200% payout. Payouts for results achieved between these points are interpolated, with scales that vary by business segment. For 2016, Messrs. Doman, Lindsay and Woodley each had four compliance-related goals. Payouts related to those goals were set at 100% of target if three of the four compliance goals were met, or at 125% of target if all four goals were met. No payout occurs if fewer than three of the compliance goals were met.

Target Awards. At the beginning of the year, the Compensation Committee increased Mr. Robinson's target award to 115% of base salary, to more closely align with the market for his position as well as to continue emphasizing performance-based compensation. The target awards for Messrs. Michaels, Woodley and Doman remained at 100% of base salary. Mr. Lindsay's target award was set at 100% of base salary upon being hired by us. As noted earlier, Mr. Danielson did not participate in our annual incentive plan during 2016.

Performance Goals and Results. Annual performance goals, results achieved and related payouts that apply to Messrs. Robinson and Michaels were as follows:

Financial Performance Measure	Weight	Aaron's Inc. Annual Performance Goals and Related Payouts (All $ Amounts in Millions)			Actual Results	Award as % of Target
		Threshold	Target	Maximum		
Total Revenues	40%	$2,845	$3,314 - $3,380	$3,849	$3,204	96%
Total Adjusted EBITDA	60%	$299	$348 - $355	$404	$345	98%
Payout as % of Target		25%	100%	200%		
Award earned as % of Target						97%

Annual performance goals, results achieved and related payouts that apply to Messrs. Woodley and Doman were as follows:

Performance Measure	Weight	Progressive Business Annual Performance Goals and Related Payouts (All $ Amounts in Millions)			Actual Results	Award as % of Target
		Threshold	Target	Maximum		
Progressive Revenues	30%	$1,067	$1,230 - $1,280	$1,443	$1,258	100%
Progressive Adjusted EBITDA	50%	$115	$128 - $134	$151	$153	200%
Payout as % of Target		25%	100%	200%		
Compliance	20%	<3 Goals				