Important Canadian Income Tax Information Concerning the Distribution by KAR Auction Services, Inc. of Stock in Insurance Auto Auctions, Inc.

On February 27, 2018, the board of directors of KAR Auction Services, Inc. ("**KAR**") approved a plan to distribute 100% of the common stock of IAA, Inc. ("**IAA**") as a *pro rata* distribution on the common shares of KAR (the "**spin-off**").

For Canadian tax purposes, the Income Tax Act (Canada) provides that the distribution of common shares to shareholders resident in Canada in a U.S. Internal Revenue Code ("**IRC**") §355 tax-free distribution can, in certain circumstances, qualify for tax-deferred treatment. KAR must file an application with the Canada Revenue Agency ("**CRA**") and the CRA must approve the application. Shareholders of KAR resident in Canada must file an election with the CRA along with their tax returns in order to obtain the tax-deferred benefit.

On June 28, 2019, KAR completed the spin-off. Each shareholder of KAR common stock received one share of IAA for every one shares of KAR common stock held as at 5:00 p.m. EDT on the record date of June 18, 2019.

On March 25, 2019, the U.S. Internal Revenue Service issued a ruling letter in respect of the U.S. tax consequences of the spin-off. Based on this ruling letter, it is expected that the spin-off will qualify under IRC §355. Provided that this is the case, KAR anticipates that the spin-off will meet the requirements of subsection 86.1(2) of the Income Tax Act (Canada) ("**ITA**").

KAR intends to file an application under paragraph 86.1(2)(e) of the ITA with the Canada Revenue Agency ("**CRA**"). **KAR will publish an update on its website as soon as we receive a response from the CRA. If the application is approved, the CRA will publish a notice on its website at:** https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/eligible-spin-offs.html

If KAR's application is approved, shareholders resident in Canada desiring to take advantage of the Canadian tax-deferral benefit may make an election under paragraph 86.1(2)(f) of the ITA with respect to their IAA shares received in the spin-off. Information regarding the filing of the election by shareholders resident in Canada may be found on the CRA website at: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/information-canadian-shareholders.html

Consult Your Tax Advisor

The information regarding the Canadian income tax consequences of the spin-off presented above is for general information purposes only and does not constitute tax advice. The information presented does not purport to cover all income tax consequences that may apply to all categories of shareholders. Shareholders should consult their own tax advisors regarding the federal, provincial, and foreign tax consequences of the spin-off, including the applicability and the effect of any Canadian federal, provincial, territorial and foreign tax laws, and the advisability of, and actions and information necessary to make, any available election under section 86.1 of the ITA. This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.