

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended DECEMBER 31, 2001

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

Commission File No. 1-3548

ALLETE, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA 41-0418150
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

30 WEST SUPERIOR STREET, DULUTH, MINNESOTA 55802-2093
(Address of principal executive offices including zip code)

(218) 279-5000
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH STOCK EXCHANGE ON WHICH REGISTERED -----
Common Stock, without par value	New York Stock Exchange
8.05% Cumulative Quarterly Income Preferred Securities of ALLETE Capital I, a subsidiary of ALLETE	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of voting stock held by nonaffiliates on January 28, 2002 was \$2,205,233,476.

As of January 28, 2002 there were 84,060,127 shares of ALLETE Common Stock, without par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2002 Annual Meeting of Shareholders are incorporated by reference in Part III.

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DEFINITIONS

DEFINITIONS

The following abbreviations or acronyms are used in the text.

ABBREVIATION OR ACRONYM	TERM
ACE	ACE Limited
ADESA	ADESA Corporation
ADESA Canada	ADESA Canada Inc.
ADESA Importation	ADESA Importation Services, Inc.
AFC	Automotive Finance Corporation
ALLETE	ALLETE, Inc. and its subsidiaries
APC	Auto Placement Center
AutoVIN	AutoVIN, Inc.
Blandin Paper	Blandin Paper Company
BNI Coal	BNI Coal, Ltd.
Boswell	Boswell Energy Center
CAG	Canadian Auction Group
Cape Coral Holdings	Cape Coral Holdings, Inc.
Capital Re	Capital Re Corporation
CIP	Conservation Improvement Program(s)
Cleveland-Cliffs	Cleveland-Cliffs Inc.
Company	ALLETE, Inc. and its subsidiaries
ComSearch	ComSearch, Inc.
EBITDAL	Earnings Before Interest, Taxes, Depreciation, Amortization and Lease Expense
EndTrust	EndTrust Lease End Services, LLC
Eventis Telecom	Eventis Telecom, Inc.
EPA	Environmental Protection Agency
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Florida Water	Florida Water Services Corporation
Form 8-K	ALLETE Current Report on Form 8-K
Form 10-K	ALLETE Annual Report on Form 10-K
Form 10-Q	ALLETE Quarterly Report on Form 10-Q
FPSC	Florida Public Service Commission
Great River	Great River Energy
Heater	Heater Utilities, Inc.
Hibbard	M.L. Hibbard Station
Impact Auto	Impact Auto Auctions Ltd. and Suburban Auto Parts Inc., collectively
Invest Direct	ALLETE's Direct Stock Purchase and Dividend Reinvestment Plan
kWh	Kilowatthour(s)
kV	Kilovolt(s)
Laskin	Laskin Energy Center
Lehigh	Lehigh Acquisition Corporation
LTV	LTV Steel Mining Co.
Manheim	Manheim Auctions, Inc.
MAPP	Mid-Continent Area Power Pool
MBtu	Million British thermal units
Minnesota Power	An operating division of ALLETE, Inc.
Minnkota Power	Minnkota Power Cooperative, Inc.
MISO	Midwest Independent Transmission System Operator Inc.
MP Telecom	Minnesota Power Telecom, Inc.
MPUC	Minnesota Public Utilities Commission
MW	Megawatt(s)
MWh	Megawatthour(s)
NCUC	North Carolina Utilities Commission
Note___	Note___ to the consolidated financial statements indexed in Item 14(a) of this Form 10-K
NPDES	National Pollutant Discharge Elimination System
PAR	PAR, Inc.
PSCW	Public Service Commission of Wisconsin
Rainy River Energy	Rainy River Energy Corporation
SFAS	Statement of Financial Accounting Standards No.
Split Rock Energy	Split Rock Energy LLC
Square Butte	Square Butte Electric Cooperative
SWL&P	Superior Water, Light and Power Company
WPPI	Wisconsin Public Power, Inc.

SAFE HARBOR STATEMENT

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are hereby filing cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) made by or on behalf of ALLETE in this Annual Report on Form 10-K, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "will likely result," "will continue" or similar expressions) are not statements of historical facts and may be forward-looking.

Forward-looking statements involve estimates, assumptions, risks and uncertainties and are qualified in their entirety by reference to, and are accompanied by, the following important factors, which are difficult to predict, contain uncertainties, are beyond our control and may cause actual results or outcomes to differ materially from those contained in forward-looking statements:

- war and acts of terrorism;
- prevailing governmental policies and regulatory actions, including those of the United States Congress, state legislatures, the FERC, the MPUC, the FPSC, the NCUC, the PSCW and various county regulators, about allowed rates of return, financings, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of purchased power and capital investments, and present or prospective wholesale and retail competition (including but not limited to transmission costs) as well as general vehicle-related laws, including vehicle brokerage and auction laws;
- unanticipated impacts of restructuring initiatives in the electric industry;
- economic and geographic factors, including political and economic risks;
- changes in and compliance with environmental and safety laws and policies;
- weather conditions;
- population growth rates and demographic patterns;
- the effects of competition, including competition for retail and wholesale customers, as well as suppliers and purchasers of automobiles;
- pricing and transportation of commodities;
- market demand, including structural market changes;
- changes in tax rates or policies or in rates of inflation;
- unanticipated project delays or changes in project costs;
- unanticipated changes in operating expenses and capital expenditures;
- capital market conditions;
- competition for economic expansion or development opportunities;
- our ability to manage expansion and integrate recent acquisitions; and
- legal and administrative proceedings (whether civil or criminal) and settlements that affect the business and profitability of ALLETE.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which that statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of these factors, nor can it assess the impact of each of these factors on the businesses of ALLETE or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

PART I

ITEM 1. BUSINESS

ALLETE is a diversified company incorporated under the laws of Minnesota since 1906. References in this report to "we" and "our" are to ALLETE and its subsidiaries, collectively.

Our core operations in 42 states and nine Canadian provinces focus on two segments:

ENERGY SERVICES includes electric and gas services, coal mining and telecommunications; and

AUTOMOTIVE SERVICES includes a network of wholesale and "total loss" vehicle auctions, a finance company, a vehicle remarketing company, a company that provides vehicle inspection services to the automotive industry and its lenders, and a company that provides Internet-based parts location and insurance claim audit services nationwide.

Under INVESTMENTS AND CORPORATE CHARGES we capture our real estate operations, investments in emerging technologies related to the electric utility industry, a securities portfolio and corporate charges. Corporate charges represent general corporate expenses, including interest, not specifically related to any one business segment.

In September 2001 we initiated a strategic review of all of the Company's businesses to identify ways of unlocking shareholder value not reflected in the price of our common stock. During the review process certain businesses were identified as having more value to potential purchasers than to us and have been included in discontinued operations. Discontinued operations include water and wastewater services in Florida, North Carolina and Georgia and our auto transport company.

We anticipate selling our auto transport company by the end of first quarter 2002 and our Water Services businesses before the end of 2002. We anticipate selling our Water Services businesses at a significant gain, providing us with additional liquidity and financial strength. Net proceeds from these sales will be used to fund growth initiatives and may be used to pay down debt.

As of December 31, 2001 we had approximately 14,000 employees, 4,000 of which were part time.

In 2001 Energy Services purchased the electric generating facilities of LTV (Taconite Harbor Energy Center) and is working to complete maintenance activities and restart 225 MW of generation in the first half of 2002. In 2001 we initiated permitting for a planned 225-MW co-generation energy facility adjacent to the Blandin Paper facility in Grand Rapids, Minnesota and the proposed addition of 160 MW of generation in Wisconsin. Energy Services also received significant regulatory approvals during 2001 to construct in partnership with Wisconsin Public Service Corporation a 220-mile, 345-kv transmission line from Duluth, Minnesota to Wausau, Wisconsin. In July 2001 Energy Services added Enventis Telecom, an integrated data services provider, to its telecommunications business. (See Energy Services.)

In 2001 Automotive Services acquired one wholesale auction facility and increased its "total loss" vehicle auctions by 13. These additions combined with the acquisition of ComSearch, which provides Internet-based parts location and insurance claim audit services, established ADESA as the third largest provider of "total loss" vehicle services in North America.

In 2001 Investments reported record sales by its real estate operations.

YEAR ENDED DECEMBER 31	2001	2000	1999

CONSOLIDATED OPERATING REVENUE - Millions	\$1,528	\$1,190	\$996
PERCENTAGE OF CONSOLIDATED OPERATING REVENUE			
ENERGY SERVICES			
Retail			
Industrial			
Taconite Producers	10%	14%	15%
Paper and Wood Products	4	5	6
Pipelines and Other Industries	3	3	3

Total Industrial	17	22	24
Residential	5	6	6
Commercial	5	6	7
Sales to Other Power Suppliers	4	5	8
Other Revenue	10	10	11

Total Energy Services	41	49	56
AUTOMOTIVE SERVICES	54	44	38
INVESTMENTS	5	7	6

	100%	100%	100%

For a detailed discussion of results of operations and trends, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. For business segment information, see Notes 1 and 2.

ENERGY SERVICES

The businesses we include in Energy Services generate, transmit, distribute, market and trade electricity. Coal mining and telecommunications are also included. The discussion below summarizes the major businesses we include in Energy Services. Statistical information is presented as of December 31, 2001. All subsidiaries are wholly owned unless otherwise specifically indicated.

MINNESOTA POWER, a division of ALLETE, provides electricity in a 26,000 square mile electric service territory located in northeastern Minnesota. Minnesota Power supplies retail electric service to 131,000 customers and wholesale electric service to 16 municipalities. SWL&P sells electricity and natural gas, and provides water service in northwestern Wisconsin. SWL&P has 14,000 electric customers, 12,000 natural gas customers and 10,000 water customers.

Minnesota Power had an annual net peak load of 1,376 MW on January 2, 2001. Our power supply sources are shown below.

We have electric transmission and distribution lines of 500 kV (8 miles), 230 kV (606 miles), 161 kV (43 miles), 138 kV (66 miles), 115 kV (1,259 miles) and less than 115 kV (6,550 miles). We own and operate 178 substations with a total capacity of 8,550 megavoltamperes. Some of our transmission and distribution lines interconnect with other utilities.

We own offices and service buildings, an energy control center, and repair shops, and lease offices and storerooms in various localities. Substantially all of our electric plant is subject to mortgages which collateralize our outstanding first mortgage bonds. Generally, our properties are held by the Company in fee and are free from other encumbrances, subject to minor exceptions. Some of our electric lines are located on land not owned in fee, but are covered by necessary permits of governmental authorities or by appropriate easement rights. WPPI owns 20% of Boswell Unit 4. WPPI has the right to use our transmission line facilities to transport its share of generation. (See Note 14.)

In January 2002 Minnesota Power announced MPEX, our power marketing and trading division which buys and sells capacity and energy in the wholesale power market, will be transferred to Split Rock Energy. The transfer, which is expected to occur in March 2002, will facilitate Split Rock Energy's plans to grow by adding new members and providing trading and related services to others. Split Rock Energy currently contracts for wholesale power marketing and trading services exclusively from MPEX. During 2000 Minnesota Power and Great River formed Split Rock Energy. With headquarters in Elk River, Minnesota, Great River is a consumer-owned generation and transmission cooperative and is Minnesota's second largest utility in terms of generating capacity. Split Rock Energy combines the two companies' power supply capabilities and customer loads for power pool operations and generation outage protection. Ownership of generation assets and current customer supply arrangements have not changed for either company. Split Rock Energy will continue to have access to members' resources, assets and financial support.

POWER SUPPLY	UNIT NO.	YEAR INSTALLED	NET WINTER CAPABILITY	FOR THE YEAR ENDED DECEMBER 31, 2001 ELECTRIC REQUIREMENTS	
				MWh	%
			MW		
Steam					
Coal-Fired					
Boswell Energy Center near Grand Rapids, MN	1	1958	69		
	2	1960	69		
	3	1973	351		
	4	1980	425		
			914	6,154,537	52.9%
Laskin Energy Center in Hoyt Lakes, MN	1	1953	55		
	2	1953	55		
			110	659,278	5.7
Purchased Steam					
M.L. Hibbard in Duluth, MN	3 & 4	1949, 1951	49	58,802	0.5
Total Steam			1,073	6,872,617	59.1
Hydro					
Group consisting of ten stations in MN		Various	115	511,341	4.4
Purchased Power					
Square Butte burns lignite coal near Center, ND			322	1,933,302	16.6
All Other - Net			-	2,310,849	19.9
Total Purchased Power			322	4,244,151	36.5
Total			1,510	11,628,109	100.0%

BNI COAL owns and operates a lignite mine in North Dakota. Two electric generating cooperatives, Minnkota Power and Square Butte, presently consume virtually all of BNI Coal's production of lignite coal under cost-plus coal supply agreements expiring in 2027. (See Fuel and Note 13.) A large dragline, shop complex and other property at BNI Coal are leased under a leveraged lease agreement that expires in 2002. During 2000 BNI Coal entered into an agreement to purchase in 2002 all property and equipment subject to this lease for \$4.7 million.

EVENTIS TELECOM. Our telecommunications subsidiaries, MP Telecom and Eventis, Inc. (acquired in July 2001), are being merged to operate as Eventis Telecom. Eventis Telecom is an integrated data services provider offering fiber optic-based communication and advanced data services to businesses and communities in Minnesota and Wisconsin. Eventis Telecom provides converged IP (or Internet protocol) services that allow all communications (voice, video and data) to use the same delivery technology. Eventis Telecom owns or has rights to approximately 1,500 route miles of fiber optic cable. These route miles contain multiple fibers that total approximately 47,500 fiber miles. Eventis Telecom also owns optronic and data switching equipment that is used to "light up" the fiber optic cable and provides customer bandwidth services. Eventis Telecom services customers from facilities that are primarily leased from third parties.

RAINY RIVER ENERGY is engaged in the acquisition and development of merchant generation and wholesale power marketing. Merchant generation is non-rate base generation sold at wholesale at market-based rates, pursuant to authority from the FERC.

RETAIL ELECTRIC SALES

Approximately 62% of the ore consumed by integrated steel facilities in the United States originates from five taconite customers of Minnesota Power. Taconite, an iron-bearing rock of relatively low iron content that is abundantly available in Minnesota, is an important domestic source of raw material for the steel industry. Taconite processing plants use large quantities of electric power to grind the ore-bearing rock, and agglomerate and pelletize the iron particles into taconite pellets. Annual taconite production in Minnesota was 33 million tons in 2001 (47 million tons in 2000; 43 million tons in 1999). The decrease in 2001 taconite production was due to the closing of LTV, which was not a Large Power Customer (defined below), and reduced demand for iron ore from the operating mines as a result of high steel import levels and a softer economy. Based on our research of the taconite industry, Minnesota taconite production for 2002 is anticipated to be about 36 million tons. While taconite production is currently expected to continue at annual levels of about 35 million tons, the longer-term outlook of this cyclical industry is less certain. We expect any excess energy not used by our Large Power Customers will be marketed through Split Rock Energy.

LARGE POWER CUSTOMER CONTRACTS. Minnesota Power has large power customer contracts with 12 customers (Large Power Customers), each of which requires 10 MW or more of generating capacity. Large Power Customer contracts require Minnesota Power to have a certain amount of generating capacity available. (See table on next page.) In turn, each Large Power Customer is required to pay a minimum monthly demand charge that covers the fixed costs associated with having this capacity available to serve the customer, including a return on common equity. Most contracts allow customers to establish the level of megawatts subject to a demand charge on a bi-annual (power pool season) basis and require that a portion of their megawatt needs be committed on a take-or-pay basis for the entire term of the agreement. In addition to the demand charge, each Large Power Customer is billed an energy charge for each kilowatthour used that recovers the variable costs incurred in generating electricity. Six of the Large Power Customers have interruptible service for a portion of their needs which provides a discounted demand rate and energy priced at Minnesota Power's incremental cost after serving all firm power obligations. Minnesota Power also provides incremental production service for customer demand levels above the contract take-or-pay levels. There is no demand charge for this service and energy is priced at an increment above Minnesota Power's cost. Incremental production service is interruptible. Contracts with 10 of the 12 Large Power Customers provide for deferral without interest of one-half of demand charge obligations incurred during the first three months of a strike or illegal walkout at a customer's facilities, with repayment required over the 12-month period following resolution of the work stoppage.

Each contract continues past the contract termination date unless the required four-year advance notice of cancellation has been given. Such contracts minimize the impact on earnings that otherwise would result from significant reductions in kilowatthour sales to such customers. Large Power Customers are required to purchase any electric service requirements from Minnesota Power for the duration of their contracts. The rates and corresponding revenue associated with capacity and energy provided under these contracts are subject to change through the same regulatory process governing all retail electric rates. (See Regulatory Issues - Electric Rates.)

MINIMUM REVENUE AND DEMAND UNDER CONTRACT AS OF FEBRUARY 1, 2002

	MINIMUM ANNUAL REVENUE	MONTHLY MEGAWATTS
2002	\$79.3 million	523
2003	\$65.2 million	385
2004	\$58.3 million	344
2005	\$41.9 million	250
2006	\$30.9 million	183

BASED ON PAST EXPERIENCE AND PROJECTED OPERATING LEVELS, WE BELIEVE REVENUE FROM LARGE POWER CUSTOMERS WILL BE SUBSTANTIALLY IN EXCESS OF THE MINIMUM CONTRACT AMOUNTS.

CONTRACT STATUS FOR MINNESOTA POWER LARGE POWER CUSTOMERS
AS OF FEBRUARY 1, 2002

CUSTOMER	INDUSTRY	LOCATION	OWNERSHIP	EARLIEST TERMINATION DATE
Eveleth Mines LLC	Taconite	Eveleth, MN	45% Rouge Steel Co. 40% AK Steel Co. 15% Stelco Inc.	October 31, 2008
Hibbing Taconite Co.	Taconite	Hibbing, MN	70.3% Bethlehem Steel Corp. 15% Cleveland-Cliffs Inc. 14.7% Stelco Inc.	December 31, 2008
Ispat Inland Mining Company	Taconite	Virginia, MN	Ispat Inland Steel Company	December 31, 2007
National Steel Pellet Co.	Taconite	Keewatin, MN	National Steel Corp.	December 31, 2005
USX Corporation	Taconite	Mt. Iron, MN	USX Corporation	December 31, 2007
Blandin Paper Company	Paper	Grand Rapids, MN	UPM-Kymmene Corporation	April 30, 2006
Boise Cascade Corporation	Paper	International Falls, MN	Boise Cascade Corporation	December 31, 2002
Potlatch Corporation	Paper, Pulp and Wood Products	Cloquet, MN Brainerd, MN Grand Rapids, MN	Potlatch Corporation	December 31, 2008
Stora Enso North America, Duluth Paper Mill and Duluth Recycled Pulp Mill	Paper and Pulp	Duluth, MN	Stora Enso	July 31, 2008
USG Interiors, Inc.	Manufacturer	Cloquet, MN	USG Corporation	December 31, 2005
Enbridge Energy Company, Limited Partnership	Pipeline	Deer River, MN Floodwood, MN	Enbridge Energy Company, Limited Partnership	May 31, 2004
Minnesota Pipeline Company	Pipeline	Staples, MN Little Falls, MN Park Rapids, MN	60% Koch Pipeline Co. L.P. 40% Marathon Ashland Petroleum LLC	September 30, 2002

PURCHASED POWER AND CAPACITY SALES

A purchase or sale is generally made to balance the supply or demand, thereby capping the cost of power or fixing a margin. Minnesota Power's risk management policy, contract provisions, operational flexibility, credit policy and procedures for purchasing power to cap cost or fix margins are designed to minimize Minnesota Power's risk and exposure in a market with volatile prices.

Minnesota Power has contracts to purchase capacity and energy from various entities. The largest contract is with Square Butte. Under an agreement with Square Butte, expiring at the end of 2026, Minnesota Power is currently entitled to approximately 71% of the output of a 455-MW coal-fired generating unit located near Center, North Dakota. (See Note 13.)

In October 2000 Minnesota Power entered into a power purchase agreement with Great River. Under this agreement Minnesota Power purchased 240 MW beginning June 2001 until April 2003 and 80 MW from May 2003 to April 2004 from Lakefield Junction Station, a natural gas-fired peaking plant located in southern Minnesota.

For capacity sales see Wholesale Electric Sales.

FUEL

Minnesota Power purchases low-sulfur, sub-bituminous coal from the Powder River Basin coal field located in Montana and Wyoming. Coal consumption in 2001 for electric generation at Minnesota Power's Minnesota coal-fired generating stations was about 4.5 million tons. As of December 31, 2001 Minnesota Power had a coal inventory of about 535,000 tons. Minnesota Power has four coal supply agreements with Montana suppliers. Under these agreements Minnesota Power has the tonnage flexibility to procure 70% to 100% of its total coal requirements. Minnesota Power will obtain coal in 2002 under these agreements and in the spot market. This mix of coal supply options allows Minnesota Power to manage market price and supply risk and to take advantage of favorable spot market prices. Minnesota Power is exploring future coal supply options and believes that adequate supplies of low-sulfur, sub-bituminous coal will continue to be available.

The Burlington Northern and Santa Fe Railway Company transports coal by unit train from the Powder River Basin to Minnesota Power's generating stations. In 2001 Minnesota Power and Burlington Northern entered into a 10-year agreement under which Burlington Northern will ship all of Minnesota Power's coal needs to the Boswell Energy Center

near Grand Rapids, Minnesota, to the Laskin Energy Center in Hoyt Lakes, Minnesota, and to Taconite Harbor Energy Center near Schroeder, Minnesota, through 2011.

COAL DELIVERED TO MINNESOTA POWER

YEAR ENDED DECEMBER 31	2001	2000	1999
Average Price Per Ton	\$20.52	\$21.19	\$20.60
Average Price Per MBtu	\$1.18	\$1.16	\$1.14

The Square Butte generating unit operated by Minnkota Power burns North Dakota lignite coal supplied by BNI Coal, in accordance with the terms of a contract expiring in 2027. Square Butte's cost of lignite burned in 2001 was approximately 76 cents per MBtu. The lignite acreage that has been dedicated to Square Butte by BNI Coal is located on lands essentially all of which are under private control and presently leased by BNI Coal. This lignite supply is sufficient to provide the fuel for the anticipated useful life of the generating unit.

WHOLESALE ELECTRIC SALES

Minnesota Power has wholesale contracts with a number of municipal customers. See Regulatory Issues - Federal Energy Regulatory Commission.)

In an increasingly volatile wholesale marketplace, Minnesota Power's Split Rock Energy alliance mitigates marketplace risk while creating additional marketing opportunities for both Minnesota Power and Great River. MPEX, which is expected to transfer its operations to Split Rock Energy by March 2002, provides power trading and marketing, energy sourcing and risk management services to Split Rock Energy. Split Rock Energy's risk management policies are consistent with Minnesota Power's.

In September 1999 Rainy River Energy entered into an amended 15-year power purchase agreement with a company that was subsequently purchased by NRG Energy, Inc., an independent power producer. The agreement includes the purchase of the output of one entire unit (approximately 275 MW) of a four unit (approximately 1,100 MW) natural gas-fired combined cycle generation facility located near Chicago, Illinois. Construction of the generation facility began in 2000 and completion is expected in April 2002. Rainy River Energy will be obligated to pay fixed capacity related charges beginning May 1, 2002. Rainy River Energy has entered into a 15-year agreement to sell approximately 50 MW, has a 10-year agreement to sell another 50 MW and is engaged in wholesale marketing of the remaining electrical power. Under the terms of the resale agreements, the buyers will pay a charge for capacity made available and energy delivered starting May 1, 2002 and procure their own fuel. Rainy River Energy plans to arrange for its fuel supply through a blend of purchases including spot market and hedges structured to match the wholesale marketing of the remaining electrical power. It is currently expected that the agreement with NRG Energy, Inc. and resale contracts will be transferred to Minnesota Power, which will market the remaining wholesale power produced by this unit through Split Rock Energy. Minnesota Power expects the agreement will enhance its ability to serve an expanding customer base within the MISO region (See Regulatory Issues - Federal Energy Regulatory Commission), as well as enable additional participation in the wholesale bulk power marketplace.

In June 1999 Minnesota Power announced plans to build a natural gas-fired, combustion turbine power plant near Superior, Wisconsin. Unavailability of combustion turbines led to a decision to purchase near-term peaking capacity from Great River's new Lakefield Junction Station for 2001 to 2004. In August 2001 Minnesota Power announced that its subsidiary, Rainy River Energy Corporation - Wisconsin was proceeding with the permitting for a 160-MW merchant peaking plant in Superior expected to be in service in late 2003. Rainy River Energy Corporation - Wisconsin has sold 100 MW of the plant output under a long-term contract.

In August 2001 Minnesota Power and UPM-Kymmene, the owner of Blandin Paper, proposed a state-of-the-art energy facility adjacent to Blandin Paper in Grand Rapids, Minnesota, through a partnering arrangement. A new company, Rapids Power LLC, was created to own the facility. Rainy River Energy owns 71.5% of Rapids Power and Blandin Paper owns 28.5%. Rapids Power plans to build a low-sulfur sub-bituminous coal-fired generating facility designed to satisfy up to 40% of its fuel requirements by burning renewable biomass fuel, such as wood waste. The project, which is expected to cost Minnesota Power \$200 million, is contingent on timely receipt of necessary federal and state approvals and permits and final approval by Blandin Paper and Minnesota Power.

In October 2001 Rainy River Energy completed a transaction with LTV and Cleveland-Cliffs to acquire the 225-MW Taconite Harbor Energy Center and other non-mining assets for \$75 million. One of the three 75-MW units in this facility was re-started for commercial operation in January 2002. The other units are expected to be on-line by May 2002. Rainy River Energy has filed the necessary market-based rate tariff applications with FERC to sell in the wholesale market by Split Rock Energy. In December 2001 Minnesota Power requested approval from the MPUC to acquire the ownership of the facility. Under Minnesota Power ownership, the generation output would still be sold in the wholesale market and it is anticipated that only in limited circumstances could some of the energy be allocated to Minnesota Power customers through Split Rock Energy.

REGULATORY ISSUES

We are exempt from regulation under the Public Utility Holding Company Act of 1935, except as to Section 9(a)(2) which relates to acquisition of securities of public utility companies.

We are subject to the jurisdiction of various regulatory authorities. The MPUC has regulatory authority over Minnesota Power's service area in Minnesota, retail rates, retail services, issuance of securities and other matters. The FERC has jurisdiction over the licensing of hydroelectric projects, the establishment of rates and charges for the sale of electricity for resale and transmission of electricity in interstate commerce, and certain accounting and record keeping practices. The PSCW has regulatory authority over the retail sales of electricity, water and gas by SWL&P. The MPUC, FERC and PSCW had regulatory authority over 25%, 3% and 3%, respectively, of our 2001 consolidated operating revenue.

ELECTRIC RATES. Minnesota Power has historically designed its electric service rates based on cost of service studies under which allocations are made to the various classes of customers. Nearly all retail sales include billing adjustment clauses which adjust electric service rates for changes in the cost of fuel and purchased energy, and recovery of current and deferred CIP expenditures.

In addition to Large Power Customer contracts, Minnesota Power also has contracts with large industrial and commercial customers with monthly demands of more than 2 MW but less than 10 MW of capacity. The terms of these contracts vary depending upon the customer's demand for power and the cost of extending Minnesota Power's facilities to provide electric service.

Minnesota Power requires that all large industrial and commercial customers under contract specify the date when power is first required, and thereafter the customer is billed for at least the minimum power for which they contracted. These conditions are part of all contracts covering power to be supplied to new large industrial and commercial customers and to current customers as their contracts expire or are amended. All contracts provide that new rates which have been approved by appropriate regulatory authorities will be substituted immediately for existing rates, without regard to any unexpired term of the existing contract. All rates and other contract terms are subject to approval by appropriate regulatory authorities.

FEDERAL ENERGY REGULATORY COMMISSION. The FERC has jurisdiction over our wholesale electric service and open access transmission service. Minnesota Power's hydroelectric facilities, which are located in Minnesota, are licensed by the FERC. (See Environmental Matters - Water.)

Minnesota Power has long-term contracts with 16 Minnesota municipalities receiving wholesale electric service. Three contracts are for service through 2002 and 2005, while the other 13 are for service through at least 2007. The contracts limit rate increases (including fuel costs) to about 2% per year on a cumulative basis. In 2001 municipal customers purchased 688,000 MWh from Minnesota Power.

Effective February 28, 2001 Minnesota Power and SWL&P became members of the MISO pursuant to FERC's Order No. 2000 and Wisconsin state law. Minnesota Power and SWL&P retain ownership of their respective transmission assets and control area functions, but will operate their transmission network under the regional operational control of the MISO and take and provide transmission service under the MISO tariff. On December 19, 2001 FERC approved MISO as the nation's first regional transmission organization (RTO) under Order No. 2000 criteria, noting that it believes the MISO will benefit the public interest by enhancing the reliability of the Midwest electric grid and facilitating and enhancing wholesale competition. The MISO will accomplish this primarily through standardization of rates, terms and conditions of transmission service over a broad region encompassing all or parts of 20 states and one Canadian province, and over 120,000 MW of generating capacity MISO operations are phasing in during the first half of 2002.

Minnesota Power also participates in MAPP, a power pool operating in parts of eight states in the Upper Midwest and in three provinces in Canada. MAPP functions include a regional reliability council that maintains generation reserve sharing requirements and a wholesale power and energy market committee.

MINNESOTA PUBLIC UTILITIES COMMISSION. Minnesota Power's retail rates are based on a 1994 MPUC retail rate order that allows for an 11.6% return on common equity dedicated to utility plant.

Minnesota requires investor owned electric utilities to spend a minimum of 1.5% of gross annual retail electric revenue on conservation improvement programs (CIP) each year. These investments are recovered from retail customers through a billing adjustment and amounts included in retail base rates. The MPUC allows utilities to accumulate, in a deferred account for future recovery, all CIP expenditures as well as a carrying charge on the deferred account balance, which was \$0.3 million at December 31, 2001. During 1999 the Minnesota legislature enacted Minnesota Power-supported legislation allowing customers with 20 MW or more of connected load at one service point to opt out of the CIP minimum spending requirements, and associated expense recovery, upon showing the MPUC that they had implemented all reasonably available conservation measures. Opt outs were approved in early 2000 for seven of Minnesota Power's industrial customers. The 2000/2001 CIP investment goal was \$2.7 million each year with actual spending at \$1.9 million and \$2.6 million, respectively. Minnesota Power has addressed the shortfall with the Minnesota Department of Commerce, the agency with authority over CIP spending programs, and expects to resolve the spending shortfall during 2002.

Until 1999 the MPUC approved Minnesota Power's request to recover lost margins. Lost margins represented energy sales lost over a five-year period due to Minnesota Power's efforts to assist customers in conserving energy. Lost margin recovery compensated utilities for reduced sales resulting from CIP activities. In 1999 the MPUC denied Minnesota Power's request to recover \$3.5 million of lost margins related to 1998 CIP activities. Minnesota Power appealed the decision to the Minnesota Court of Appeals. In December 2000 the court reversed the MPUC's denial of Minnesota Power's 1998 lost margin claim. The court found that the MPUC's action constituted retroactive ratemaking and was arbitrary and capricious. The MPUC appealed the court's decision to the Minnesota Supreme Court, which denied the appeal in February 2001. Minnesota Power subsequently requested and was granted approval to recover the 1998 lost margins and associated carrying charges during 2001. The recovery was completed in 2001.

PUBLIC SERVICE COMMISSION OF WISCONSIN. SWL&P's current retail rates are based on a September 2001 PSCW retail rate order that allows for a 12.25% return on common equity.

In 1999 Minnesota Power and Wisconsin Public Service Corporation (WPS) announced plans to construct a 220-mile, 345-kV Duluth-to-Wausau electric transmission line. The proposal, called "Power Up Wisconsin," is a direct response to former Wisconsin Governor Thompson's call to address the pressing need for more dependable electricity in Wisconsin and the Upper Midwest. In March 2001 the Minnesota Environmental Quality Board (MEQB) approved the Minnesota portion of the line. In August 2001 the PSCW unanimously agreed that construction of the line is necessary and in October 2001 issued its written order that outlines the details and route specifics of the line. Appeals are pending in Wisconsin. Depending on the outcome of the pending appeals, the new transmission line could be in service in 2005 at an estimated cost of \$200 million. Approximately \$30 million to \$40 million of the estimated cost is for facilities in Minnesota that may be owned by Minnesota Power.

The PSCW must approve the ownership, control and operation of any affiliated wholesale merchant generating plants in Wisconsin. (See Wholesale Electric Sales.)

COMPETITION

INDUSTRY RESTRUCTURING. The electric utility industry continues to restructure itself in response to growing competition at both the wholesale and retail levels. This restructuring has primarily affected Minnesota Power's wholesale power marketing and trading activity through Split Rock Energy, discussed above. New legislation and regulation that aims to maintain reliability, assure adequate energy supply, and address wholesale price volatility while encouraging wholesale competition is being considered at the federal level. Over one-half the states representing approximately 70% of the United States population have passed either legislation or regulation that initiates a process which may lead to retail customer choice. These initiatives lack momentum in Minnesota and Wisconsin. Legislative and regulatory activity, as well as the actions of competitors affect the way Minnesota Power strategically plans for its future. We cannot predict the timing or substance of any future legislation or regulation.

FRANCHISES

Minnesota Power holds franchises to construct and maintain an electric distribution and transmission system in 90 cities and towns located within its electric service territory. SWL&P holds franchises in 15 cities and towns within its service territory. The remaining cities and towns served do not require a franchise to operate within their boundaries.

ENVIRONMENTAL MATTERS

Certain businesses included in our Energy Services segment are subject to regulation by various federal, state and local authorities about air quality, water quality, solid wastes and other environmental matters. We consider these businesses to be in substantial compliance with those environmental regulations currently applicable to their operations and believe all necessary permits to conduct such operations have been obtained. We do not currently anticipate that potential capital expenditures for environmental matters will be material. However, because environmental laws and regulations are constantly evolving, the character, scope and ultimate costs of environmental compliance cannot be estimated.

AIR. Minnesota Power's generating facilities in Minnesota burn mainly low-sulfur western coal and Square Butte, located in North Dakota, burns lignite coal. All of these facilities are equipped with pollution control equipment such as scrubbers, baghouses or electrostatic precipitators. The federal Clean Air Act Amendments of 1990 (Clean Air Act) created emission allowances for sulfur dioxide. Each allowance is an authorization to emit one ton of sulfur dioxide, and each utility must have sufficient allowances to cover its annual emissions. Sulfur dioxide emission requirements are currently being met by all of Minnesota Power's generating facilities, creating a surplus allowance situation for Minnesota Power. Square Butte anticipates meeting its sulfur dioxide requirements through increased use of existing scrubbers and by annually purchasing additional allowances as necessary.

In accordance with the Clean Air Act, the EPA has established nitrogen oxide limitations for electric generating units. To meet nitrogen oxide limitations, Minnesota Power installed advanced low-emission burner technology and associated control equipment to operate the Boswell and Laskin facilities at or below the compliance emission limits. Nitrogen oxide limitations at Square Butte are being met by

combustion tuning. Minnesota Power has obtained all necessary Title V air operating permits from the Minnesota Pollution Control Agency for its applicable facilities to conduct electric operations.

In December 2000 the EPA announced their decision to regulate mercury emissions from coal and oil-fired power plants under Section 112 of the Clean Air Act. Section 112 will require all such power plants in the United States to adhere to the EPA maximum achievable control technology (MACT) standards for mercury. The EPA's announcements clarified that the EPA will establish applicable mercury MACT standards through a four-year rule-making and public comment period, giving consideration to factors such as a facility's installed design and operation. Final regulations defining control requirements are planned for December 2004. Cost estimates are premature at this time.

In December 2000 Minnesota Power received a request from the EPA, under Section 114 of the Clean Air Act, seeking information regarding capital expenditures at all of its coal-fired generating stations. This action is part of an industry-wide investigation assessing compliance with the New Source Review and the New Source Performance Standards (emissions standards that apply to new and changed units) of the Clean Air Act at electric generating stations. We are unable to predict whether the EPA will take any further action on this matter or whether Minnesota Power will be required to incur any costs as a result. An EPA statement on prospective New Source Review revisions is expected in early 2002.

WATER. The Federal Water Pollution Control Act of 1972 (FWPCA), as amended by the Clean Water Act of 1977 and the Water Quality Act of 1987, established the National Pollutant Discharge Elimination System (NPDES) permit program. The FWPCA requires NPDES permits to be obtained from the EPA (or, when delegated, from individual state pollution control agencies) for any wastewater discharged into navigable waters. Minnesota Power has obtained all necessary NPDES permits, including NPDES storm water permits for applicable facilities, to conduct its electric operations.

Minnesota Power holds FERC licenses authorizing the ownership and operation of seven hydroelectric generating projects with a total generating capacity of about 118 MW. In June 1996 Minnesota Power filed in the U.S. Court of Appeals for the District of Columbia Circuit a petition for review of the license as issued by the FERC for Minnesota Power's St. Louis River Hydro Project. Separate petitions for review were also filed by the U.S. Department of the Interior and the Fond du Lac Band of Lake Superior Chippewa (Fond du Lac Band), two intervenors in the licensing proceedings. The court consolidated the three petitions for review and suspended the briefing schedule while Minnesota Power and the Fond du Lac Band negotiate the reasonable fee for use of tribal lands as mandated by the new license. Both parties informed the court that these negotiations may resolve other disputed issues, and they are obligated to report to the court periodically the status of these discussions. Beginning in 1996, and most recently in January 2002, Minnesota Power filed requests with the FERC for extensions of time to comply with certain plans and studies required by the license that might conflict with the settlement discussions. In 2001 the Fond du Lac Band and Minnesota Power reached a confidential settlement agreement for the St. Louis River Hydro Project. The Fond du Lac Band and Minnesota Power have included the U.S. Department of Interior in the settlement process in an effort to achieve a comprehensive agreement with all intervening parties to the project license. Any final settlement must be approved by the FERC, who would then amend the project license in accordance with the settlement agreement.

SOLID AND HAZARDOUS WASTE. The Resource Conservation and Recovery Act of 1976 regulates the management and disposal of solid wastes and hazardous wastes. As a result of this legislation, the EPA has promulgated various hazardous waste rules. Minnesota Power is required to notify the EPA of hazardous waste activity and routinely submits the necessary annual reports to the EPA.

Rainy River Energy is in the permitting process to construct, in early 2002, a dry ash disposal landfill to handle ash generated from the Taconite Harbor Energy Center at a cost estimated to be \$800,000.

In response to EPA Region V's request for utilities to participate in the Great Lakes Initiative by voluntarily removing remaining polychlorinated biphenyl (PCB) inventories, Minnesota Power has scheduled replacement of PCB-contaminated oil by the end of 2004. The total cost is expected to be between \$2.5 million and \$3 million, of which \$1.1 million was spent through December 31, 2001.

AUTOMOTIVE SERVICES

Automotive Services includes several subsidiaries that are integral parts of the vehicle redistribution business. Vehicle sales within the auto auction industry are expected to rise at a rate of 2% to 3% annually through 2003. Automotive Services plans to grow through increased sales at existing businesses, selective acquisitions in both wholesale and "total loss" vehicle auction facilities, integration of "total loss" vehicle services at certain wholesale vehicle auction facilities and expansion of services to customers. The discussion below summarizes the major businesses we include in Automotive Services. Statistical information is presented as of December 31, 2001. All subsidiaries are wholly owned.

ADESA is the second largest wholesale vehicle auction network in North America. Headquartered in Indianapolis, Indiana, ADESA owns (or leases) and operates 53 wholesale vehicle auction facilities in the United States and Canada through which used cars and other vehicles are sold to franchised automobile dealers and licensed used car dealers. Sellers at ADESA's auctions include domestic and foreign auto manufacturers, car dealers, automotive fleet/lease companies, banks and finance companies.

The table on the next page lists the vehicle auctions owned or leased by ADESA. Each auction has a multi-lane, drive-through auction facility, as well as additional buildings for reconditioning, registration, maintenance, bodywork, and other ancillary and administrative services. Each auction also has secure parking areas to store vehicles for auction.

ADESA IMPACT in the U.S. and IMPACT AUTO in Canada, collectively ADESA Impact, represent the third largest "total loss" vehicle service business in North America. They provide "total loss" vehicle services to the property and casualty insurance industry, and vehicle leasing and rental car companies. ADESA Impact provides "total loss" vehicle claim services such as vehicle appraisals, inspections, evaluations, titling and settlement administration to its clients. Auto imaging, Internet bidding and vehicle enhancement services are provided through an array of "total loss" management programs. ADESA Impact has 23 "total loss" auction facilities in the United States and Canada. United States operations are based in Rhode Island and Canadian operations are headquartered in Toronto.

COMSEARCH provides professional claim outsourcing services to the property and casualty insurance industry and is the nation's largest automobile recycled part locating service, processing over 100,000 part searches a month. Our locating service has over 2,300 customers. ComSearch's services compliment ADESA Impact's business. ComSearch is headquartered in Warren, Rhode Island.

AFC provides inventory financing for wholesale and retail automobile dealers who purchase vehicles from ADESA auctions, independent auctions, other auction chains and outside sources. AFC is headquartered in Indianapolis, Indiana, and has 82 loan production offices at or near auto auctions across North America. These offices provide qualified dealers credit to purchase vehicles at any of the 400 plus auctions approved by AFC. AFC's computer-based system follows each loan from origination to payoff and allows AFC to better manage its business, while expediting services through its branch network to 18,000 registered dealers.

PAR, which is doing business as PAR North America, provides customized vehicle remarketing services to various companies such as banks, non-prime finance companies, captive finance, leasing companies, commercial fleets and rental car companies throughout the United States. PAR's services include nationwide repossessions, remarketing, pre- and post-term lease-end management, 50-state titling services and Canadian registrations turned to U.S. titles. PAR offers its telemarketing service through its affiliate company, EndTrust. PAR, together with another affiliate company ADESA Importation, offer a complete range of vehicle importation services. PAR has its headquarters in Carmel, Indiana.

AUTOVIN provides technology-enabled vehicle inspection services and inventory auditing to the automotive industry and the industry's secured lenders. AutoVIN's services include vehicle condition reporting, inventory verification auditing, program compliance auditing and facility inspection. AutoVIN works closely with AFC to offer auto dealers one-stop shopping for financial and information services.

ADESA IMPORTATION is headquartered in Holly, Michigan, with additional facilities in Buffalo, New York; Grand Forks, North Dakota; Sweetgrass, Montana; and Blaine, Washington. ADESA Importation is the largest independent, commercial registered importer of vehicles in the United States. It provides a full range of importation services, including marshalling, transportation, brokerage, titling, tax processing and speedometer/odometer conversions from metric to the U.S. measuring system.

ADESA AUCTIONS	CITY	STATE/ PROVINCE	YEAR OPERATIONS COMMENCED	NUMBER OF AUCTION LANES
UNITED STATES				
ADESA Birmingham	Moody	Alabama	1987	10
ADESA Phoenix	Chandler	Arizona	1988	12
ADESA Central Arkansas	Beebe	Arkansas	1987	6
ADESA Little Rock	Little Rock	Arkansas	1984	10
ADESA Los Angeles	Mira Loma	California	2000	6
ADESA Sacramento	Fremont	California	1997	5
ADESA San Diego	San Diego	California	1982	6
ADESA Golden Gate	San Francisco	California	1985	6
ADESA Colorado Springs	Colorado Springs	Colorado	1982	5
ADESA Clearwater	Clearwater	Florida	1972	4
ADESA Jacksonville	Jacksonville	Florida	1996	6
ADESA Ocala	Ocala	Florida	1996	5
ADESA Orlando-Sanford	Sanford	Florida	1987	8
ADESA Tampa	Tampa	Florida	1989	8
ADESA Atlanta	Newnan	Georgia	1986	6
ADESA Southern Indiana	Edinburgh	Indiana	1997	3
ADESA Indianapolis	Plainfield	Indiana	1983	10
ADESA Des Moines	Grimes	Iowa	1967	5
ADESA Lexington	Lexington	Kentucky	1982	6
ADESA Ark-La-Tex	Shreveport	Louisiana	1979	5
ADESA Concord	Acton	Massachusetts	1947	5
ADESA Boston	Framingham	Massachusetts	1995	11
ADESA Lansing	Dimondale	Michigan	1976	5
ADESA St. Louis	Barnhart	Missouri	1987	3
ADESA Kansas City	Lee's Summit	Missouri	1963	7
ADESA New Jersey	Manville	New Jersey	1996	8
ADESA Buffalo	Akron	New York	1992	10
ADESA Charlotte	Charlotte	North Carolina	1994	10
ADESA Cincinnati/Dayton	Franklin	Ohio	1986	8
ADESA Cleveland	Northfield	Ohio	1994	8
ADESA Tulsa	Tulsa	Oklahoma	1987	6
ADESA Pittsburgh	Mercer	Pennsylvania	1971	7
ADESA Knoxville	Lenoir City	Tennessee	1984	6
ADESA Memphis	Memphis	Tennessee	1990	6
ADESA Austin	Austin	Texas	1990	6
ADESA Houston	Houston	Texas	1995	8
ADESA Dallas	Mesquite	Texas	1990	8
ADESA San Antonio	San Antonio	Texas	1989	8
ADESA Seattle	Auburn	Washington	1984	4
ADESA Wisconsin	Portage	Wisconsin	1984	5
CANADA				
ADESA Calgary	Airdrie	Alberta	2000	4
ADESA Edmonton	Edmonton	Alberta	1988	3
ADESA Vancouver	New Westminster	British Columbia	1972	7
CAG Vancouver	Surrey	British Columbia	1986	2
ADESA Winnipeg	Winnipeg	Manitoba	1987	4
ADESA Moncton	Moncton	New Brunswick	1987	2
ADESA St. John's	St. John's	Newfoundland	1994	1
ADESA Halifax	Enfield	Nova Scotia	1993	5
ADESA Kitchener	Ayr	Ontario	1988	4
ADESA Toronto	Brampton	Ontario	1987	6
ADESA Ottawa	Vars	Ontario	1990	5
ADESA Montreal	St. Eustache	Quebec	1974	12
ADESA Saskatoon	Saskatoon	Saskatchewan	1980	2

LEASED AUCTION FACILITIES. (SEE NOTE 7.)
ADESA OWNS 51% OF THIS AUCTION BUSINESS.
ADESA OWNS 80% OF THIS AUCTION BUSINESS.

COMPETITION

Within the automobile auction industry, ADESA's competition includes independently owned auctions, as well as a major chain and associations with auctions in geographic proximity. ADESA competes with these other auctions for a supply of vehicles to be sold on consignment for automobile dealers, financial institutions and other sellers. ADESA also competes for a supply of rental repurchase vehicles from automobile manufacturers for auction at factory sales. Automobile manufacturers often choose between auctions across multi-state areas in distributing rental repurchase vehicles. ADESA competes for these customers by attempting to attract a large number of dealers to purchase vehicles, which ensures competitive prices and supports the volume of vehicles auctioned. ADESA is also competitive by providing a full range of automotive services, including dealer inventory financing, reconditioning services that prepare vehicles for auction and processing of sales transactions.

ADESA utilizes e-commerce as another component in its array of services. Dealers are provided training on how to use on-line products, including the purchase of vehicles on-line. The dealers can also access auction runlists and other market report information offered on ADESA's website, www.ADESA.com. ADESA believes it has a competitive advantage in a small but growing segment of the used vehicle market combining on-line services with auction facilities and knowledgeable auction personnel located across North America.

AFC is the largest provider of dealer floorplan financing to independent automobile dealers in North America. AFC's competition includes other specialty lenders, banks and other financial institutions. AFC has distinguished itself from its competitors by convenience of payment, quality of service and scope of services offered.

PAR provides customized remarketing services throughout North America. Although other providers are larger in size and volume, PAR's competition comes from a handful of similar service providers, none of which offer as many diverse services. PAR offers an interactive website, electronically connecting customers with its services. In 2001 PAR included interactive connection with repossession agents and auction vendor networks. PAR's affiliation with EndTrust gives it a competitive edge in gaining market share in the lease-end management services arena. Another area that distinguishes PAR from its competition is ADESA Importation.

ADESA Impact's competition is primarily two major investor owned "total loss" auction businesses that are located across the United States. We believe through strategic acquisitions, shared facilities with ADESA, and greenfield expansion that ADESA Impact can become a prominent "total loss" services provider to the insurance industry in the United States. In Canada, ADESA Impact is the largest provider of "total loss" vehicle services. Its competitors include auto recyclers and dismantlers, independent auto auctions, brokers and Internet auction companies. ADESA Impact believes it is strategically positioned in this niche market in providing a full array of value-added services to its insurance clients including Internet programs, data analyses, consultation and "total loss" vehicle services throughout North America.

ENVIRONMENTAL MATTERS

Certain businesses in our Automotive Services segment are subject to regulation by various federal, state and local authorities concerning air quality, water quality, solid wastes and other environmental matters. We consider these businesses to be in substantial compliance with those environmental regulations currently applicable to their operations and believe all necessary permits to conduct such operations have been obtained. We do not currently anticipate that potential capital expenditures for environmental matters will be material. However, because environmental laws and regulations are constantly evolving, the character, scope and ultimate costs of environmental compliance cannot be estimated.

INVESTMENTS AND CORPORATE CHARGES

Our Investments and Corporate Charges segment consists of real estate operations, investments in emerging technologies related to the electric utility industry, a securities portfolio and corporate charges. Corporate Charges represent general corporate expenses, including interest, not specifically related to any one business segment. The discussion below summarizes the major components of Investments. Statistical information is presented as of December 31, 2001 unless otherwise noted. All subsidiaries are wholly owned unless otherwise specifically indicated.

REAL ESTATE OPERATIONS. Our real estate operations include CAPE CORAL HOLDINGS; PALM COAST LAND, LLC; PALM COAST FOREST, LLC; WINTER HAVEN CITI CENTRE, LLC; and an 80% ownership in LEHIGH. Through subsidiaries, we own Florida real estate operations in five different locations:

- Lehigh Acres with 1,000 acres of land and approximately 400 home sites adjacent to Fort Myers, Florida;
- Sugarmill Woods with 420 home sites in Citrus County, Florida;
- Palm Coast with 1,300 home sites and 16,000 acres of residential, commercial and industrial land at Palm Coast, Florida. Palm Coast is a planned community between St. Augustine and Daytona Beach;
- Winter Haven, located in central Florida, with a retail shopping center located on a 30-acre site and three out parcels of land that are available for sale; and
- Cape Coral, also located adjacent to Fort Myers, Florida, with 325 acres of commercial and residential zoned land, including home sites and commercial buildings.

Our real estate operations may, from time to time, acquire packages of diversified properties at low cost, add value through entitlements and infrastructure enhancements and sell the properties at current market prices.

EMERGING TECHNOLOGY INVESTMENTS. Since 1985 we have invested \$46.4 million in start-up companies which are developing technologies that may be utilized by the electric utility industry. We are committed to invest an additional \$11.0 million through 2008. The investments were first made through emerging technology funds (Funds) initiated by other electric utilities and us. More recently, we have made investments directly in privately held companies. The majority of our direct investments relate to distributed generation technology, such as micro generation and fuel cell technology. Many of these direct investments are also in the Funds' portfolios.

The Funds have also made investments in companies that develop advanced technologies to be used by the utility industry, including electrotechnologies, renewable energy technologies, and software and communications technologies related to utility customer support systems.

Several of the companies in the Funds' portfolios completed initial public offerings (IPOs) in 2000. Subsequent to the public trading of the IPO companies, the Funds will, in some instances, distribute publicly tradable shares to us. Some restrictions on sale may apply, including, but not limited to, underwriter lock-up periods that typically extend for 180 days following an IPO. As companies included in our emerging technology investments are sold, we will recognize a gain or loss. Portions of any proceeds received on these investments may be reinvested back into companies to encourage development of future technology.

Since going public, the market value of the publicly traded investments has experienced significant volatility. Our investment in the companies that have gone public had a cost basis of approximately \$12 million at December 31, 2001 (\$12 million at December 31, 2000). The aggregate market value of these investments at December 31, 2001 was approximately \$24 million (\$52 million at December 31, 2000).

SECURITIES PORTFOLIO. Our securities portfolio is managed by selected outside managers as well as internal managers. It is intended to provide stable earnings and liquidity. Proceeds from the securities portfolio are available for investment in existing businesses, to fund strategic initiatives and for other corporate purposes. Our investment in the securities portfolio at December 31, 2001 was \$156 million (\$91 million at December 31, 2000).

ENVIRONMENTAL MATTERS

Certain businesses included in our Investments and Corporate Charges segment are subject to regulation by various federal, state and local authorities concerning air quality, water quality, solid wastes and other environmental matters. We consider these businesses to be in substantial compliance with those environmental regulations currently applicable to their operations and believe all necessary permits to conduct such operations have been obtained. We do not currently anticipate that potential capital expenditures for environmental matters will be material. However, because environmental laws and regulations are constantly evolving, the character, scope and ultimate costs of environmental compliance cannot be estimated.

EXECUTIVE OFFICERS OF THE REGISTRANT

EXECUTIVE OFFICERS	INITIAL EFFECTIVE DATE

DAVID G. GARTZKE, Age 58 Chairman, President and Chief Executive Officer President Senior Vice President - Finance and Chief Financial Officer	January 23, 2002 August 28, 2001 December 1, 1994
DONNIE R. CRANDELL, Age 58 Executive Vice President - ALLETE; President - ALLETE Water Services, Inc.; and President and Chief Executive Officer - Florida Water Executive Vice President - ALLETE and President - ALLETE Properties, Inc. Senior Vice President - ALLETE and President - ALLETE Properties, Inc.	September 6, 2001 January 15, 1999 January 1, 1996
ROBERT D. EDWARDS, Age 57 Executive Vice President - ALLETE and Chief Executive Officer - Minnesota Power Executive Vice President - ALLETE and President - Minnesota Power	December 19, 2001 July 26, 1995
BRENDA J. FLAYTON, Age 46 Vice President - Human Resources	July 22, 1998
JAMES P. HALLETT, Age 48 Executive Vice President - ALLETE and President and Chief Executive Officer - ALLETE Automotive Services, Inc. Executive Vice President - ALLETE and Chief Executive Officer - ADESA Executive Vice President - ALLETE and President and Chief Executive Officer - ADESA President and Chief Executive Officer - ADESA President - ADESA Canada Inc.	November 5, 2001 October 1, 2001 April 23, 1997 August 21, 1996 May 26, 1994
PHILIP R. HALVERSON, Age 53 Vice President, General Counsel and Secretary	January 1, 1996
DAVID P. JERONIMUS, Age 59 Vice President - Environmental Services - ALLETE and Senior Vice President - Environmental Services - Minnesota Power Vice President - Environmental Services - ALLETE	January 1, 2002 February 1, 1999
MARK A. SCHOBBER, Age 46 Vice President and Controller Controller	April 18, 2001 March 1, 1993
TIMOTHY J. THORP, Age 47 Vice President - Investor Relations and Corporate Communications	November 16, 2001
JAMES K. VIZANKO, Age 48 Vice President, Chief Financial Officer and Treasurer Vice President and Treasurer Treasurer	August 28, 2001 April 18, 2001 March 1, 1993
CLAUDIA SCOTT WELTY, Age 49 Vice President - Information Technology Vice President - Support Services	February 1, 1999 July 1, 1995

All of the executive officers have been employed by us for more than five years in executive or management positions. In the five years prior to election to the positions shown on the previous page, Ms. Flayton was director of human resources, Mr. Jeronimus was director of environmental resources and Mr. Thorp was director of investor relations.

There are no family relationships between any of the executive officers. All officers and directors are elected or appointed annually.

The present term of office of the executive officers listed on the previous page extends to the first meeting of our Board of Directors after the next annual meeting of shareholders. Both meetings are scheduled for May 14, 2002.

ITEM 2. PROPERTIES

Properties are included in the discussion of our business in Item 1. and are incorporated by reference herein.

ITEM 3. LEGAL PROCEEDINGS

Material legal and regulatory proceedings are included in the discussion of our business in Item 1. and are incorporated by reference herein.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2001.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

We have paid dividends without interruption on our common stock since 1948. A quarterly dividend of \$0.275 per share on our common stock will be paid on March 1, 2002 to the holders of record on February 15, 2002. Our common stock is listed on the New York Stock Exchange under the symbol ALE. Dividends paid per share, and the high and low prices for our common stock for the periods indicated as reported by the New York Stock Exchange on its NYSEnet website, are in the accompanying chart.

The amount and timing of dividends payable on our common stock are within the sole discretion of our Board of Directors. In 2001 we paid out 59% of our per share earnings in dividends.

Our Articles of Incorporation, and Mortgage and Deed of Trust contain provisions which under certain circumstances would restrict the payment of common stock dividends. As of December 31, 2001 no retained earnings were restricted as a result of these provisions. At January 31, 2002 there were approximately 39,000 common stock shareholders of record.

Quarter	Price Range		Dividends Paid
	High	Low	
2001 - First	\$26.00	\$20.19	\$0.2675
Second	26.13	22.04	0.2675
Third	26.89	21.50	0.2675
Fourth	25.85	21.14	0.2675
Annual Total			\$1.07
2000 - First	\$18.06	\$14.75	\$0.2675
Second	20.75	16.00	0.2675
Third	24.25	17.31	0.2675
Fourth	25.50	20.13	0.2675
Annual Total			\$1.07

ITEM 6. SELECTED FINANCIAL DATA

Operating results of our Water Services businesses and auto transport company are included in discontinued operations and, accordingly, amounts have been adjusted for all periods presented. Common share and per share amounts have also been adjusted for all periods to reflect our March 2, 1999 two-for-one common stock split.

BALANCE SHEET	2001	2000	1999	1998	1997	1996
Millions						
ASSETS						
Current Assets	\$ 869.5	\$ 692.2	\$ 521.6	\$ 459.4	\$ 363.9	\$ 319.6
Discontinued Operations - Current	40.4	38.8	42.9	28.1	21.4	14.8
Property, Plant and Equipment	1,324.0	1,201.9	1,003.4	955.6	948.3	959.4
Investments	141.0	116.4	197.2	263.5	252.9	236.5
Goodwill	494.4	472.8	181.0	169.8	158.9	167.0
Other Assets	103.6	87.3	82.4	91.2	98.9	103.4
Discontinued Operations - Other	309.6	304.6	284.1	241.3	242.0	249.6
	\$3,282.5	\$2,914.0	\$2,312.6	\$2,208.9	\$2,086.3	\$2,050.3
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities	\$ 658.7	\$ 661.6	\$ 366.1	\$ 326.3	\$ 317.8	\$ 319.0
Discontinued Operations - Current	45.8	45.4	32.2	19.7	24.8	20.7
Long-Term Debt	933.8	817.2	577.9	540.6	553.0	605.4
Other Liabilities	270.3	257.5	265.2	286.0	288.9	287.5
Discontinued Operations - Other	155.1	156.5	158.9	144.2	145.3	100.4
Mandatorily Redeemable Preferred Securities of ALLETE Capital I	75.0	75.0	75.0	75.0	75.0	75.0
Redeemable Preferred Stock	-	-	20.0	20.0	20.0	20.0
Stockholders' Equity	1,143.8	900.8	817.3	797.1	661.5	622.3
	\$3,282.5	\$2,914.0	\$2,312.6	\$2,208.9	\$2,086.3	\$2,050.3
INCOME STATEMENT						
Millions						
OPERATING REVENUE						
Energy Services	\$ 620.8	\$ 589.5	\$ 554.5	\$ 559.8	\$ 541.9	\$ 529.2
Automotive Services	832.1	522.6	383.2	305.5	242.4	171.9
Investments	74.8	77.4	57.8	55.5	60.7	48.6
	1,527.7	1,189.5	995.5	920.8	845.0	749.7
EXPENSES						
Fuel and Purchased Power Operations	233.1	229.0	200.2	205.7	194.1	190.9
Interest Expense	1,012.1	730.6	598.8	541.0	495.3	435.7
	74.7	58.8	49.5	54.6	53.2	49.6
	1,319.9	1,018.4	848.5	801.3	742.6	676.2
OPERATING INCOME BEFORE CAPITAL RE AND ACE	207.8	171.1	147.0	119.5	102.4	73.5
INCOME (LOSS) FROM INVESTMENT IN CAPITAL RE AND RELATED DISPOSITION OF ACE	-	48.0	(34.5)	15.2	14.8	11.8
OPERATING INCOME FROM CONTINUING OPERATIONS	207.8	219.1	112.5	134.7	117.2	85.3
DISTRIBUTIONS ON REDEEMABLE PREFERRED SECURITIES OF ALLETE CAPITAL I	6.0	6.0	6.0	6.0	6.0	4.7
INCOME TAX EXPENSE	73.2	76.2	50.3	48.6	42.0	16.9
INCOME FROM CONTINUING OPERATIONS	128.6	136.9	56.2	80.1	69.2	63.7
INCOME FROM DISCONTINUED OPERATIONS	10.1	11.7	11.8	8.4	8.4	5.5
NET INCOME	138.7	148.6	68.0	88.5	77.6	69.2
PREFERRED DIVIDENDS	-	0.9	2.0	2.0	2.0	2.4
EARNINGS AVAILABLE FOR COMMON STOCK	138.7	147.7	66.0	86.5	75.6	66.8
COMMON STOCK DIVIDENDS	81.8	74.5	73.0	65.0	62.5	59.6
RETAINED (DEFICIT) IN THE BUSINESS	\$ 56.9	\$ 73.2	\$ (7.0)	\$ 21.5	\$ 13.1	\$ 7.2

	2001	2000	1999	1998	1997	1996
SHARES OUTSTANDING - Millions						
Year-End	83.9	74.7	73.5	72.3	67.1	65.5
Average						
Basic	75.8	69.8	68.4	64.0	61.2	58.6
Diluted	76.5	70.1	68.7	64.2	61.2	58.6
DILUTED EARNINGS PER SHARE						
Continuing Operations	\$1.68	\$1.94	\$0.80	\$1.22	\$1.10	\$1.05
Discontinued Operations	0.13	0.17	0.17	0.13	0.14	0.09
	\$1.81	\$2.11	\$0.97	\$1.35	\$1.24	\$1.14
RETURN ON COMMON EQUITY						
	13.3%	17.1%	8.3%	12.4%	12.1%	11.3%
COMMON EQUITY RATIO						
	49.9%	46.3%	49.3%	49.9%	44.9%	43.1%
DIVIDENDS PAID PER SHARE						
	\$1.07	\$1.07	\$1.07	\$1.02	\$1.02	\$1.02
DIVIDEND PAYOUT						
	59.1%	50.7%	110%	76%	83%	89%
BOOK VALUE PER SHARE AT YEAR-END						
	\$13.63	\$12.06	\$10.97	\$10.86	\$9.69	\$9.32
MARKET PRICE PER SHARE						
High	\$26.89	\$25.50	\$22.09	\$23.13	\$22.00	\$14.88
Low	\$20.19	\$14.75	\$16.00	\$19.03	\$13.50	\$13.00
Close	\$25.20	\$24.81	\$16.94	\$22.00	\$21.78	\$13.75
MARKET/BOOK AT YEAR-END						
	1.85	2.06	1.54	2.03	2.25	1.48
PRICE EARNINGS RATIO AT YEAR-END						
	13.9	11.8	17.5	16.3	17.6	12.1
DIVIDEND YIELD AT YEAR-END						
	4.2%	4.3%	6.3%	4.6%	4.7%	7.4%
EMPLOYEES						
	13,763	12,633	8,246	7,003	6,817	6,537
NET INCOME						
Energy Services	\$ 50.0	\$ 43.1	\$45.0	\$47.4	\$43.1	\$39.4
Automotive Services	74.8	49.9	40.3	24.6	13.8	3.6
Investments and Corporate Charges	3.8	43.9	(29.1)	8.1	12.3	20.7
	128.6	136.9	56.2	80.1	69.2	63.7
Discontinued Operations	10.1	11.7	11.8	8.4	8.4	5.5
	\$138.7	\$148.6	\$68.0	\$88.5	\$77.6	\$69.2
ELECTRIC CUSTOMERS - Thousands						
	145.0	144.0	139.7	138.1	135.8	135.1
ELECTRIC SALES - Millions of MWh						
	10.9	11.7	11.3	12.0	12.4	13.2
POWER SUPPLY - Millions of MWh						
Steam Generation	6.9	6.4	6.2	6.3	6.1	6.4
Hydro Generation	0.5	0.5	0.7	0.6	0.6	0.7
Long-Term Purchase - Square Butte	1.9	2.4	2.3	2.1	2.3	2.4
Purchased Power	2.3	3.1	2.6	3.2	3.8	4.4
	11.6	12.4	11.8	12.2	12.8	13.9
COAL SOLD - Millions of Tons						
	4.1	4.4	4.5	4.2	4.2	4.5
VEHICLES SOLD - Thousands						
	1,909	1,319	1,037	897	769	637
VEHICLES FINANCED - Thousands						
	904	795	695	531	323	140
CAPITAL EXPENDITURES - Millions						
	\$153.0	\$168.7	\$99.7	\$80.8	\$72.2	\$101.5

EXCLUDES UNALLOCATED ESOP SHARES.

INCLUDED A \$4.4 MILLION, OR \$0.06 PER SHARE, CHARGE TO EXIT THE AUTO TRANSPORT COMPANY.

IN MAY 2000 WE RECORDED A \$30.4 MILLION, OR \$0.44 PER SHARE, AFTER-TAX GAIN ON THE SALE OF 4.7 MILLION SHARES OF ACE THAT WE RECEIVED IN DECEMBER 1999 WHEN CAPITAL RE MERGED WITH ACE. AS A RESULT OF THE MERGER, IN 1999 WE RECORDED A \$36.2 MILLION, OR \$0.52 PER SHARE, AFTER-TAX CHARGE. EXCLUDING THE CAPITAL RE AND ACE TRANSACTIONS, DILUTED EARNINGS PER SHARE WERE \$1.67 IN 2000 (\$1.49 IN 1999), THE RETURN ON COMMON EQUITY WAS 13.6% IN 2000 (12.9% IN 1999), THE DIVIDEND PAYOUT WAS 64.1% IN 2000 (72% IN 1999), THE PRICE EARNINGS RATIO WAS 14.9 IN 2000 (11.4 IN 1999) AND NET INCOME FROM INVESTMENTS AND CORPORATE CHARGES WAS \$29.3 MILLION IN 2000 (\$26.8 MILLION IN 1999).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONSOLIDATED OVERVIEW

	2001	2000	1999
Dollars in millions except per share amounts			
OPERATING REVENUE			
Energy Services	\$ 620.8	\$ 589.5	\$554.5
Automotive Services	832.1	522.6	383.2
Investments	74.8	77.4	57.8
	\$1,527.7	\$1,189.5	\$995.5
OPERATING EXPENSES			
Energy Services	\$ 537.0	\$ 516.0	\$479.0
Automotive Services	713.1	438.6	313.5
Investments and Corporate Charges	69.8	63.8	56.0
	\$1,319.9	\$1,018.4	\$848.5
NET INCOME			
Energy Services	\$ 50.0	\$ 43.1	\$45.0
Automotive Services	74.8	49.9	40.3
Investments and Corporate Charges	3.8	13.5	7.1
	128.6	106.5	92.4
Capital Re and ACE Transactions	-	30.4	(36.2)
	128.6	136.9	56.2
Discontinued Operations	10.1	11.7	11.8
	\$138.7	\$148.6	\$68.0
DILUTED AVERAGE SHARES OF COMMON STOCK			
	76.5	70.1	68.7
DILUTED EARNINGS PER SHARE OF COMMON STOCK			
Continuing Operations Before Capital Re and ACE Transactions	\$1.68	\$1.50	\$1.32
Capital Re and ACE Transactions	-	0.44	(0.52)
	1.68	1.94	0.80
Discontinued Operations	0.13	0.17	0.17
	\$1.81	\$2.11	\$0.97
RETURN ON COMMON EQUITY			
	13.3%	13.6%	12.9%

INCLUDED A \$4.4 MILLION, OR \$0.06 PER SHARE, CHARGE TO EXIT THE AUTO TRANSPORT COMPANY.

INCLUDING THE \$30.4 MILLION GAIN ASSOCIATED WITH THE ACE TRANSACTION, 2000 NET INCOME FROM INVESTMENTS AND CORPORATE CHARGES WAS \$43.9 MILLION FOR 2000 AND THE RETURN ON EQUITY WAS 17.1%. (SEE NOTE 15.)

INCLUDING THE \$36.2 MILLION CHARGE ASSOCIATED WITH THE CAPITAL RE TRANSACTION, 1999 NET INCOME FROM INVESTMENTS AND CORPORATE CHARGES WAS A \$29.1 MILLION LOSS AND THE RETURN ON EQUITY WAS 8.3%. (SEE NOTE 15.)

Each of our operating segments continued to produce solid financial results during 2001, reflecting the success of ALLETE's growth initiatives. Even though the events of September 11, 2001 and their aftermath negatively impacted results for Automotive Services, performance from this segment remained strong in 2001. Excluding a charge to exit our auto transport company in 2001 and the ACE transaction in 2000 (see net income discussion), net income increased \$24.9 million, or 21%, and earnings per share increased \$0.20, or 12%, over 2000. The 2001 earnings per share calculation was impacted by our second quarter common stock issuance.

An evaluation of strategic and financial alternatives with respect to all our various businesses resulted in the decision to discontinue our Water Services businesses and our auto transport company. Our Investments and Corporate Charges segment captures the results of our real estate operations, our investments in emerging technologies, our securities portfolio, and general corporate expenses, including interest, not specifically related to any one business segment.

We measure performance of our operations through careful budgeting and monitoring of EBITDAL and contributions to consolidated net income by each business segment.

NET INCOME

ENERGY SERVICES. In 2001 net income from Energy Services was up \$6.9 million, or 16%, over 2000. Our wholesale marketing and trading activities were more profitable due to warmer summer weather and overall market conditions. Megawatthour sales declined in 2001 reflecting decreased sales to our taconite customers because of planned shutdowns and reduced taconite production. Net income in 2001 also reflected recovery of 1998 CIP lost margins and additional costs incurred as a result of a severe spring ice storm and planned maintenance outages. In 2000 net income from Energy Services was down slightly from 1999 as strong megawatthour sales primarily from large industrial customers were more than offset by lower margins on wholesale power marketing and trading activities. Lower demand in the region's wholesale power market as a result of more moderate summer weather led to the decrease in wholesale margins in 2000. In 1999 megawatthour sales to large industrial customers were impacted by lower demand for domestic steel, stronger competition in the paper markets and lower pipeline pumping levels. A one-time property tax levy associated with an industrial development project was also reflected in 1999. Total megawatthour sales were 10.9 million in 2001 (11.7 million in 2000; 11.3 million in 1999).

AUTOMOTIVE SERVICES. Net income from Automotive Services increased \$24.9 million, or 50%, over 2000. As in 2000, recent acquisitions and increased sales at both ADESA and AFC were the contributing factors.

At ADESA wholesale auction facilities 1.8 million vehicles were sold in 2001 (1.3 million in 2000; 1.0 million in 1999). In

addition, at our "total loss" vehicle auctions 148,000 vehicles were sold in 2001 (33,000 in 2000). During 2001 ADESA acquired or opened 13 auction facilities (10 in 2000) that provide "total loss" vehicle services to insurance companies and added one wholesale vehicle auction facility (28 in 2000; two in 1999). Same store EBITDAL at ADESA's wholesale auction facilities increased 13% in 2001 (12% in 2000). Increased costs and reduced sales volumes because of inclement weather and a depressed used vehicle market in early 2001 hampered financial results, as did the events of September 11 and aggressive financing incentives offered by vehicle manufacturers since October 2001. Conversion rates, the percentage of vehicles sold from those that were run through auction lanes, were also impacted by these events. Dealer attendance at auctions declined as a result of a disruption in air travel. Wholesale prices were further depressed by the events of September 11 and the offering of aggressive financing incentives by vehicle manufacturers. Sellers were reluctant to accept these lower wholesale prices. The conversion rate related to wholesale vehicles sold was 58% for 2001 (59% for 2000; 62% for 1999). For 2001 we estimated that the impact of the events of September 11 resulted in a \$3.5 million decrease to net income. Costs of assimilating the 28 wholesale vehicle auction facilities acquired or opened in 2000 also impacted 2001 results.

AFC contributed 40% of the net income from Automotive Services in 2001 (47% in 2000; 46% in 1999). AFC had 82 loan production offices in 2001 (86 in 2000; 84 in 1999). The growth of AFC's dealer/customer base from 15,000 in 1999 to 18,000 in 2001 has enabled AFC to finance more vehicles, 904,000 vehicles in 2001 (795,000 in 2000; 695,000 in 1999).

INVESTMENTS AND CORPORATE CHARGES. Stronger sales from our real estate operations in 2001, including its largest sale ever, helped to offset lower earnings from our securities portfolio and emerging technology funds. Our securities portfolio earned an after-tax annualized return of 5.6% in 2001 (7.0% in 2000; 3.3% in 1999) on a lower average balance. During 2000 we reduced the size of our securities portfolio to partially fund significant acquisitions made by Automotive Services. Income from our emerging technology investments was lower in 2001 as a result of fewer sales of these investments. In 2001 Corporate Charges reflected more interest expense as a result of debt issued to fund strategic initiatives and additional expenses for incentive compensation. In 2000 financial results reflected the resolution of various federal and state tax issues which increased net income.

CAPITAL RE AND ACE TRANSACTIONS. In May 2000 we recorded a \$30.4 million, or \$0.44 per share, after-tax gain on the sale of 4.7 million shares of ACE that we received in December 1999 when Capital Re merged with ACE. As a result of the merger, in 1999 we recorded a \$36.2 million, or \$0.52 per share, after-tax charge.

DISCONTINUED OPERATIONS included the operating results of our Water Services businesses and our auto transport company, which are currently held for sale. Income from discontinued operations was down \$1.6 million in 2001 primarily due to a \$4.4 million charge to exit the auto transport company. Operating results from our Water Services businesses were up \$3.9 million from 2000. Strategic acquisitions and customer growth since 1999 within our Water Services businesses helped temper the negative financial impact of above-average rainfall in Florida and North Carolina during the majority of 2001 and conservation efforts in Florida. Water consumption was up in 2000 as a result of dry weather conditions. In addition, operating results for Water Services reflected gains related to the disposal of certain assets in 2001, an October 2000 rate increase implemented by Heater and regulatory relief granted in Florida in 2000.

2001 COMPARED TO 2000

ENERGY SERVICES

OPERATING REVENUE was up \$31.3 million, or 5%, in 2001. Wholesale power marketing and trading revenue was higher in 2001 due to warmer summer weather and overall market conditions. Retail megawatthour sales were down 6% from 2000 because of planned shutdowns and reduced production by taconite customers. Operating revenue from retail sales, however, was up in 2001 due to additional demand revenue from Large Power Customers who converted a portion of their interruptible power to firm power and fuel clause recoveries for higher purchased power and gas prices. Operating revenue in 2001 also included recovery of 1998 CIP lost margins and Enventis, Inc. operations. Enventis, Inc. was acquired in July 2001 and accounted for as a pooling of interests.

OPERATING EXPENSES were up \$21.0 million, or 4%, in 2001 because of a planned maintenance outage at Square Butte, the inclusion of Enventis, Inc. operations and additional costs incurred as a result of a severe spring ice storm.

AUTOMOTIVE SERVICES

Both operating revenue and expenses for Automotive Services were up in 2001 due to significant acquisitions made in 2000 and early 2001. Financial results for 2001 included 12 full months of operations from 28 wholesale and 10 "total loss" vehicle auction facilities acquired or opened primarily in the second half of 2000 and results from acquisitions made in January and May 2001.

OPERATING REVENUE was up \$309.5 million, or 59%, in 2001 reflecting a 37% increase in vehicles sold at ADESA wholesale auction facilities, the inclusion of revenue related to "total loss" vehicle services and a 14% increase in vehicles financed at AFC's loan production offices. Sales volumes in

2001, however, were negatively impacted by the events of September 11 as dealer attendance and already depressed wholesale prices both dropped suddenly during the last half of September and remained soft through year end, reflecting the impact of aggressive financing incentives offered by vehicle manufacturers. Also, inclement weather earlier in the year resulted in both low attendance at and canceled auctions.

OPERATING EXPENSES were up \$274.5 million, or 63%, in 2001 reflecting additional expenses associated with having more auctions and increased financing activity. Expenses in 2001 included increased direct costs associated with processing vehicles multiple times that did not sell as a result of the events of September 11. The events of September 11 caused low auction attendance, and further depressed wholesale prices as did financing incentives offered by vehicle manufacturers. Operating expenses in 2001 also included integration costs, additional amortization of goodwill, additional interest expense related to debt issued in late 2000 to finance acquisitions, higher utility expense and more labor costs incurred as a result of inclement weather in early 2001.

INVESTMENTS AND CORPORATE CHARGES

OPERATING REVENUE was down \$2.6 million, or 3%, in 2001 reflecting less revenue from our securities portfolio, partially due to a lower average balance for most of the year. The decrease in revenue was also attributed to \$4.9 million less from our emerging technology investments as a result of fewer sales of these investments in 2001. Our real estate operations, however, reported stronger sales in 2001, including its largest sale ever. Six large real estate sales in 2001 contributed \$37.5 million to revenue, while in 2000 seven large real estate sales contributed \$31.9 million to revenue.

OPERATING EXPENSES in 2001 were up \$6.0 million, or 9%, as a result of increased interest expense and additional expenses for incentive compensation. These increases were tempered by lower expenses at our real estate operations.

2000 COMPARED TO 1999

ENERGY SERVICES

OPERATING REVENUE was up \$35.0 million, or 6%, in 2000 due to a 6% increase in retail megawatt-hour sales because of higher demand from large industrial customers. This increase was partially offset by fewer sales from wholesale power marketing and trading activities. Wholesale prices and volumes were down from 1999 because of lower demand for electricity in the region's wholesale power market as a result of more moderate summer weather and transmission constraints.

OPERATING EXPENSES were up \$37.0 million, or 8%, in 2000 primarily due to increased fuel and purchased power expenses. Fuel expense was \$5.7 million higher in 2000 because we paid higher prices for coal and generated 247,000, or 4%, more megawatt-hours to meet the higher requirements of our industrial customers. In 2000 purchased power expense was up \$23.1 million because of higher prices. In 1999 Energy Services reflected a one-time property tax levy associated with an industrial development project.

AUTOMOTIVE SERVICES

Both operating revenue and expenses related to Automotive Services were up in 2000 due to significant acquisitions made during that year. Financial results for 2000 included a partial year of operations for the 28 wholesale and 10 "total loss" vehicle auction facilities acquired or opened primarily in the second half of 2000 and 12 full months of operations for two wholesale auction facilities acquired in 1999.

OPERATING REVENUE was up \$139.4 million, or 36%, in 2000 reflecting a 24% increase in vehicles sold through ADESA wholesale auction facilities, the inclusion of revenue related to "total loss" vehicle services and a 14% increase in the number of vehicles financed by AFC. The increase in vehicles sold was primarily attributable to new auctions acquired or opened in 1999 and 2000.

OPERATING EXPENSES were up \$125.1 million, or 40%, in 2000 primarily due to the inclusion of new wholesale and "total loss" vehicle auction facilities acquired or opened in 1999 and 2000. Increased sales activity at the auction facilities and increased financing activity at AFC also contributed to higher operating expenses in 2000.

INVESTMENTS AND CORPORATE CHARGES

OPERATING REVENUE was up \$19.6 million, or 34%, in 2000. Significant sales by our real estate operations were the primary reason for the increase. In 2000 seven large sales contributed \$31.9 million to revenue, while in 1999 five large sales contributed \$17.1 million to revenue. Despite a lower average balance in 2000, income from our securities portfolio was higher due to improved returns. Income from our emerging technology investments was \$4.6 million lower in 2000 because in 1999 we reported gains received from one of our emerging technology investments.

OPERATING EXPENSES were up \$7.8 million, or 14%, in 2000 due to the cost of property sold by our real estate operations.

OUTLOOK

CORPORATE. Our businesses in 42 states and nine Canadian provinces employ 14,000 employees. Since 1980 our annual total shareholder return (TSR) averaged 17%. For the five-year and two-year periods ending December 31, 2001, our TSR has averaged 19% and 28% per year, respectively. In order to continue this record of TSR growth, we will focus on year-over-year earnings performance, maintain strong cash flow discipline and focus on our core competencies which are Energy Services and Automotive Services.

We expect earnings growth for 2002 to be between 8% and 10%, resulting in per share earnings in the range of \$2.01 to \$2.05, as compared to our 2001 pro forma earnings per share of \$1.87. This projection excludes the \$0.06 per share charge to exit our auto transport company in 2001 and a \$0.12 per share increase from an accounting change related to the amortization of goodwill in 2002. Including the accounting change our anticipated 2002 earnings growth is expected to be between 14% and 16%, resulting in per share earnings in the range of \$2.13 to \$2.17, as compared to our 2001 pro forma earnings per share of \$1.87. These projections do not reflect any potential gain recognized on the sales of our Water Services businesses. We plan to achieve this growth in earnings per share through internal growth within our businesses.

Other factors that could affect net income or earnings per share for 2002 include any gains or losses from the sale of our auto transport company or other businesses and acquisitions.

Our decision to sell our Water Services businesses and our auto transport company allows us to focus on strengthening and growing our Energy Services and Automotive Services segments. We anticipate selling our Water Services businesses at a significant gain providing us with additional liquidity and financial strength. Net proceeds from these sales will be used to fund growth initiatives and may be used to pay down debt. We anticipate selling our auto transport company by the end of first quarter 2002 and our Water Services businesses before the end of 2002. We are currently entertaining offers for both Florida Water and Heater.

We will also look at eliminating other businesses that have little or no growth potential for us, are not strategic or significant, or have more value by being monetized than by continuing to operate.

ENERGY SERVICES. Energy Services continues to generate strong cash flow from operations and we anticipate net income from Energy Services to remain stable. The accomplishments of 2001 will position Minnesota Power to generate more electricity, move it more readily, manage more transactions with less risk and benefit system reliability. Our access to and ownership of low-cost power are Energy Services' greatest strengths and we will continue to look for opportunities to add to our low-cost energy portfolio. We have more than adequate generation to serve our native load. Power over and above our customers' requirements is and will continue to be marketed through Split Rock Energy.

Since approximately half of the electricity Minnesota Power sells is to large industrial customers, primarily taconite producers, which have long-term all-requirements contracts, the livelihood of the taconite industry is important to us. The economic health of the taconite industry continues to be adversely impacted by foreign steel imports. With the closure of LTV (which was not a Large Power Customer) in January 2001 and various temporary shutdowns at other Minnesota taconite facilities, the annual taconite production in Minnesota was 33 million tons in 2001 (47 million tons in 2000; 43 million tons in 1999). Based on our research of the taconite industry, Minnesota taconite production for 2002 is anticipated to be about 36 million tons. While taconite production is currently expected to continue at annual levels of about 35 million tons, the longer-term outlook for this cyclical industry is less certain. Long-term contracts with our Large Power Customers help minimize the impact on earnings that otherwise would result from such decreases in taconite production.

In addition to our 2001 acquisition of three 75-MW generating units at Taconite Harbor, Minnesota, we have announced plans for 595 MW of low-cost merchant generation (non-rate base generation sold at wholesale at market-based rates, pursuant to authority from the FERC). If permitted and built, these additions will increase our generation portfolio by over 50% between now and 2006. Beginning in May 2002, we will have another 275 MW available for sale through our 15-year power purchase agreement with a subsidiary of NRG Energy, Inc. The permitting process has also been started for a 160-MW merchant peaking plant in Superior, Wisconsin and a 225-MW energy facility at Blandin Paper in Grand Rapids, Minnesota. Our ownership of the planned energy facility at Blandin Paper is approximately 160 MW. While there has been recent publicity about excess generating capacity in parts of the United States, the MAPP region within which we operate has not seen the same major generation development. The latest MAPP Load and Capability forecast indicates a deficit in reserve generation capacity by 2006.

Depending on the outcome of pending appeals, a 220-mile, 345-kV Duluth-to-Wausau electric transmission line proposed by Minnesota Power in partnership with Wisconsin Public Service Corporation could be in service in 2005. The new line addresses the pressing need for more dependable electricity in Wisconsin and the Upper Midwest.

The merger of our telecommunication subsidiaries, MP Telecom and Enventis, Inc. (acquired in July 2001), into Enventis Telecom will position the company to be a leading integrated data services provider in the Upper Midwest.

Energy Services intends to seek additional cost-saving alternatives and efficiencies, and expand its non-regulated services to increase its contribution to consolidated net income. Overall, we believe Energy Services is well positioned for future growth opportunities.

AUTOMOTIVE SERVICES. Automotive Services continues to be our largest contributor to net income. We anticipate earnings from Automotive Services to increase by over 30% in 2002, 20% excluding the impact of the accounting change for amortization of goodwill.

Since 1995 when we first entered the automotive industry, we have transformed and expanded our Automotive Services operations. Significant acquisitions over the past few years have established ADESA as the second largest and the fastest growing wholesale vehicle auction business in North America and the third largest provider of "total loss" vehicle services in North America. ADESA is also the premier automotive remarketing company in Canada. AFC is the leading provider of independent auto dealer inventory financing. By offering an expanding circle of customers new levels of service in the vehicle remarketing industry, Automotive Services expects to expand its presence in the North American auto industry. We believe further consolidation of the "total loss" vehicle auction industry will occur, not unlike what has happened in the wholesale vehicle auction business. In addition to internally growing our existing auctions and dealer floorplan financing business, we will continue to look for accretive acquisitions not only in the wholesale vehicle auction business, but also in the "total loss" vehicle auction business. We will also consider greenfield sites as appropriate and the integration of "total loss" vehicle services at certain wholesale vehicle auction facilities.

The vehicle remarketing industry has been challenged by the events of September 11, by a softening economy and by lower wholesale prices resulting from high used vehicle inventories and zero-percent financing on new vehicles. With wholesale prices beginning to improve in 2002, we view these challenges as short-term. We believe that used vehicle sales within the auto auction industry will rise at a rate of 2% to 3% annually through 2003.

Automotive Services continue to focus on growth in the volume of vehicles sold and financed, increased ancillary services, and operating and technological efficiencies.

INVESTMENTS AND CORPORATE CHARGES. We anticipate net income from Investments and Corporate Charges to remain stable in 2002. An expected lower contribution from our real estate operations should be offset by better returns from our emerging technology investments and securities portfolio, and lower corporate charges.

Revenue from property sales by real estate operations continues to be three to four times more than the acquisition cost, creating strong cash generation and profitability. Our real estate operations may, from time to time, acquire packages of diversified properties at low cost, add value through entitlements and infrastructure enhancements and sell the properties at current market prices.

Our investments in emerging technologies make capital available to companies developing products and services critical to the future of the electric utility industry. Our focus has been primarily on micro generation and fuel cell technology. We view our investments as a source of capital for redeployment into existing businesses and additional business opportunities. We expect these investments to add to income in the future.

With respect to our securities portfolio, we plan to continue to concentrate on market-neutral investment strategies designed to provide stable and acceptable returns without sacrificing needed liquidity. Our portfolio is hedged against market downturns with the objective to maintain corporate liquidity.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW ACTIVITIES

A primary goal of the strategic plan is to improve cash flow from operations. Our strategy includes growing the businesses both internally with expanded facilities, services and operations (see Capital Requirements) and externally through acquisitions.

During 2001 cash flow from operations reflected strong operating results and continued focus on working capital management. The decrease in cash flow from operations in 2001 was primarily attributable to changes in trading securities. In 2001 additional trading securities were purchased with a portion of the proceeds from our second quarter common stock issuance (see Securities), while in 2000 trading securities were sold to partially fund the acquisition of Auction Finance Group, Inc. Cash flow from operations was also affected by a number of factors representative of normal operations.

WORKING CAPITAL. Additional working capital, if and when needed, generally is provided by the sale of commercial paper. Our securities investments can be liquidated to provide funds for reinvestment in existing businesses or acquisition of new businesses. Approximately 5.3 million original issue shares of our common stock are available for issuance through INVEST DIRECT, our direct stock purchase and dividend reinvestment plan. ALLETE's \$205 million bank line of credit provides credit support for our commercial paper program. The amount and timing of future sales of our securities will depend upon market conditions and our specific needs. We may sell securities to meet capital requirements, to provide for the retirement or early redemption of issues of long-term debt, to reduce short-term debt and for other corporate purposes.

A substantial amount of ADESA's working capital is generated internally from payments for services provided. However, ADESA has arrangements to use proceeds from the sale of commercial paper issued by ALLETE to meet short-term working capital requirements arising from the timing of payment obligations to vehicle sellers and the availability of funds from vehicle purchasers. During the sales process, ADESA does not typically take title to vehicles.

AFC offers short-term on-site financing for dealers to purchase vehicles at auctions in exchange for a security interest in those vehicles. The financing is provided through the earlier of the date the dealer sells the vehicle or a general borrowing term of 30 to 45 days. AFC has arrangements to

use proceeds from the sale of commercial paper issued by ALLETE to meet its operational requirements. In addition, AFC has entered into an arrangement with a manufacturer to floorplan up to \$110 million of certain vehicles located at auctions awaiting resale. AFC is fully collateralized as the manufacturer has granted a security interest to AFC in these vehicles. To fund a portion of these receivables, AFC has entered into a revolving line of credit with a bank for the lesser of \$55 million or 50% of the eligible receivables generated under this floorplan. This agreement expires in June 2002. Borrowing under the line of credit is collateralized by substantially all of AFC's assets. The outstanding balance under this agreement was \$29.1 million at December 31, 2001.

At December 31, 2001 approximately 81% of AFC's finance receivables were securitized. AFC sells certain finance receivables on a revolving basis to a wholly owned, unconsolidated, qualified special purpose subsidiary. This subsidiary in turn sells, on a revolving basis, an undivided interest in eligible finance receivables, up to a maximum at any one time outstanding of \$300 million, to third party purchasers under an agreement that expires at the end of 2002. At December 31, 2001 AFC had sold \$381.2 million of finance receivables to the special purpose subsidiary (\$335.7 million at December 31, 2000). Third party purchasers had purchased an undivided interest in finance receivables of \$267.0 million from this subsidiary at December 31, 2001 (\$239.0 million at December 31, 2000). Unsold finance receivables held by the special purpose subsidiary are recorded by AFC as residual interest at fair value. Fair value is based upon estimates of future cash flows, using assumptions that market participants would use to value such instruments, including estimates of anticipated credit losses over the life of the receivables sold without application of a discount rate due to the short-term nature of the receivables sold. The fair value of AFC's residual interest was \$103.0 million at December 31, 2001 (\$106.2 million at December 31, 2000). Proceeds from the sale of the receivables were used to repay borrowings from ALLETE and fund vehicle inventory purchases for AFC's customers. AFC must maintain certain financial covenants such as minimum tangible net worth to comply with the terms of the securitization agreement.

Significant changes in accounts receivable balance at December 31, 2001 compared to December 31, 2000 were due to increased sales and financing activity at Automotive Services.

We provide credit support to facilitate the power marketing and trading activities of Split Rock Energy, and had \$36.0 million in outstanding support at December 31, 2001 (\$30.1 million at December 31, 2000). The support generally expires one year from the date of issuance.

ACQUISITIONS AND DIVESTITURES. In January 2001 we acquired all of the outstanding stock of ComSearch in exchange for ALLETE common stock and paid cash to purchase all of the assets of Auto Placement Center (now ADESA Impact) in transactions with an aggregate value of \$62.4 million. ADESA Impact was funded with internally generated funds and short-term debt which was refinanced with long-term debt. (See Securities.) ADESA Impact is a provider of "total loss" vehicle recovery services with 12 auction facilities in the United States. ComSearch provides Internet-based parts location and insurance claim audit services nationwide.

In May 2001 ADESA purchased the assets of the I-44 Auto Auction in Tulsa, Oklahoma. The I-44 Auto Auction, which is located on 75 acres, was renamed ADESA Tulsa and has six auction lanes, storage for over 3,000 vehicles and a five-bay reconditioning and detail facility. The transaction was funded with internally generated funds.

In July 2001 we acquired Enventis, Inc., a data network systems provider headquartered in the Minneapolis-St. Paul area. In connection with this acquisition, we issued 310,878 shares of ALLETE common stock. This transaction complements our existing infrastructure and fiber optics network in Minnesota and Wisconsin, and helps position our telecommunications business as one of the leading integrated data service providers in the Upper Midwest.

In October 2001 we acquired certain non-mining properties from LTV and Cleveland-Cliffs for \$75 million. The non-mining properties include a 225-MW electric generating facility and existing coal inventory at Taconite Harbor, a 60-mile transmission line, railroad trackage rights, and approximately 30,000 acres of forest and recreation land in northeast Minnesota. The transaction was funded with short-term debt.

Proceeds from the June 2001 sale of Tarpon Point Marina and the surrounding 150 acres of development property in Cape Coral, Florida, to the Grosse Point Development Company for \$29 million in cash were invested in additional real estate property in Florida. Winter Haven Citi Centre, which was acquired in September 2001 from Faison-Winter Haven, LLC, is a 187,000 square foot retail shopping center located on a 30-acre site and includes three out parcels for sale. Approximately 6,000 acres of additional land in Palm Coast, Florida, were purchased in December 2001 and January 2002. In aggregate, these transactions totaled approximately \$31 million.

We anticipate selling our auto transport company by the end of the first quarter of 2002 and our Water Services businesses before the end of 2002. We anticipate selling our Water Services businesses at a significant gain providing us with additional liquidity and financial strength. Net proceeds from these sales will be used to fund growth initiatives and may be used to pay down debt.

SECURITIES. In February 2001 we issued \$125 million of 7.80% Senior Notes, due February 15, 2008. Proceeds were used to repay a portion of ALLETE's short-term bank borrowings incurred for the acquisition of vehicle auction facilities in 2000 and early 2001 and for general corporate purposes.

In March 2001 ALLETE, ALLETE Capital II and ALLETE Capital III, jointly filed a registration statement with the SEC pursuant to Rule 415 under the Securities Act of 1933. The registration statement, which has been declared effective by the SEC, relates to the possible issuance, from time to time when market conditions and the needs of ALLETE warrant, of an aggregate amount of \$500 million of securities which may include ALLETE common stock, first mortgage bonds, and other debt securities and ALLETE Capital II and ALLETE Capital III preferred trust securities, of which approximately \$387 million remains available to be issued. ALLETE also previously filed a registration statement, which has been declared effective by the SEC, relating to the possible issuance, from time to time when market conditions and the needs of ALLETE warrant, of \$25 million of first mortgage bonds and other debt securities. We may sell all or a portion of the remaining registered securities if warranted by market conditions and our capital requirements. Any offer and sale of the above mentioned securities will be made only by means of a prospectus meeting the requirements of the Securities Act of 1933 and the rules and regulations thereunder.

On May 30, 2001 we issued and sold in an underwritten public offering 6.5 million shares of common stock at \$23.68 per share. In addition, an over-allotment option for 100,000 shares at \$23.68 per share was exercised by the underwriters and sold on June 7, 2001. Total net proceeds of \$150 million were used to repay a portion of our short-term borrowings with the remainder invested in short-term instruments. The increase in the number of shares of our common stock outstanding as of December 31, 2001 had an immaterial impact on 2001 earnings per share.

INVESTMENTS. As companies included in our emerging technology investments are sold, we will recognize a gain or loss. Our investment in the companies that have gone public has a cost basis of approximately \$12 million. The aggregate market value of our investment in these companies at December 31, 2001 was \$24 million (\$52 million at December 31, 2000). These investments provide us with access to developing technologies before their commercial debut, as well as potential financial returns and diversification opportunities. We view these investments as a source of capital for redeployment in existing businesses.

BOND RATINGS. ALLETE's first mortgage bonds and secured pollution control bonds are currently rated Baa1 by Moody's Investors Service, Inc. (Moody's) and A by Standard and Poor's Rating Group (Standard and Poor's). ALLETE's senior notes and unsecured debt are rated Baa2 by Moody's and BBB by Standard and Poor's. The disclosure of these securities ratings is not a recommendation to buy, sell or hold our securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

PAYOUT RATIO. In 2001 we paid out 59% (51% in 2000; 110% in 1999) of our per share earnings in dividends. Excluding the gain related to the ACE transaction, in 2000 we paid out 64% of our per share earnings in dividends. Excluding the charge related to the Capital Re transaction, in 1999 we paid out 72% of our per share earnings in dividends.

CAPITAL REQUIREMENTS

Consolidated capital expenditures totaled \$153.0 million in 2001 (\$168.7 million in 2000; \$99.7 million in 1999). Expenditures in 2001 included \$59.9 million for Energy Services, \$61.0 million for Automotive Services, and \$32.1 million for Water Services. Internally generated funds and the proceeds from the issuance of long-term debt were the primary sources of funding these capital expenditures.

Capital expenditures are expected to be \$184 million in 2002 and total about \$714 million for 2003 through 2006. The 2002 amount includes \$78 million for Energy Services, \$55 million for Automotive Services and \$5 million for Investments and Corporate Charges. Energy Services' expenditures are for electric co-generation, system component replacement and upgrades, telecommunication fiber and coal handling equipment. Automotive Services' expenditures are for new auctions currently under construction, expansions and on-going improvements at existing vehicle auction facilities and associated computer systems. The 2002 amount also includes \$46 million to expand water and wastewater treatment facilities to accommodate customer growth, to meet environmental standards and for water conservation initiatives. We expect to use internally generated funds and the proceeds from the 2001 issuance of equity securities to fund these capital expenditures.

MARKET RISK

Our securities portfolio has exposure to both price and interest rate risk. Investments held principally for near-term sale are classified as trading securities and recorded at fair value. Trading securities consist primarily of the common stock of publicly traded companies. In strategies designed to hedge overall market risks, we also sell common stock short. Short stock sales outstanding at December 31, 2001 had a contract amount of \$19.8 million and an associated fair value loss of \$0.8 million (contract amount of \$5.3 million and associated fair value loss of \$0.5 million at December 31, 2000). Investments held for an indefinite period of time are classified as available-for-sale securities and also recorded at fair value. At December 31, 2001 available-for-sale securities consisted of the common stock of publicly traded companies and equity securities in a grantor trust established to fund certain employee benefits.

Our trading securities portfolio had a fair value of \$155.6 million at December 31, 2001 (\$90.8 million at December 31, 2000). Our available-for-sale securities portfolio had a fair value of \$26.5 million at December 31, 2001 (\$25.3 million at December 31, 2000).

In October 2001 we entered into an interest rate swap agreement with a notional amount of \$250 million to hedge \$250 million of floating rate debt issued in October 2000. Under the 15-month swap agreement, we make fixed quarterly payments based on a fixed rate of 3.2% and receive payments at a floating rate based on LIBOR (2.4% at December 31, 2001).

Our foreign currency exposure is limited to the conversion of operating results of our Canadian subsidiaries and, therefore, we have not entered into any foreign exchange contracts to hedge the conversion of our Canadian operating results into United States dollars.

PRINCIPAL CASH FLOW BY EXPECTED MATURITY DATE

INTEREST RATE SENSITIVE FINANCIAL INSTRUMENTS DECEMBER 31, 2001	2002	2003	2004	2005	2006	THEREAFTER	TOTAL	FAIR VALUE
Dollars in Millions								
Long-Term Debt								
Fixed Rate	\$3.5	\$30.3	\$6.5	\$0.7	\$91.3	\$494.0	\$626.3	\$652.5
Average Interest Rate - %	9.6	6.7	7.2	7.8	7.7	7.2	7.2	-
Variable Rate	\$3.4	\$250.9	\$3.2	\$0.2	-	\$49.8	\$307.5	\$307.5
Average Interest Rate - %	4.6	4.1	4.8	5.2	-	2.0	3.8	-
Mandatorily Redeemable Preferred Securities of Subsidiary	-	-	-	-	-	\$75.0	\$75.0	\$74.7
Average Distribution Rate - %	-	-	-	-	-	8.05	8.05	-
Interest Rate Swaps								
Variable to Fixed	\$(2.1)	\$(0.5)	-	-	-	-	\$(2.6)	\$(2.5)
Average Pay Rate - %	3.2	3.2	-	-	-	-	-	-
Average Receive Rate - %	2.4	2.4	-	-	-	-	-	-

ASSUMES VARIABLE RATE IN EFFECT AT DECEMBER 31, 2001 REMAINS CONSTANT THROUGH REMAINING TERM.

NEW ACCOUNTING STANDARDS

In July 2001 the FASB issued SFAS 141, 142 and 143. SFAS 141, "Business Combinations," requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling of interests method of accounting is prohibited.

SFAS 142, "Goodwill and Other Intangible Assets," changes the accounting for goodwill from an amortization method to an impairment-only approach. Effective January 1, 2002 goodwill is no longer amortized. We had \$536 million of goodwill as of December 31, 2001 and after-tax goodwill amortization expense of approximately \$11 million in 2001. As required by SFAS 142, we will perform impairment testing within the first six months of 2002. We do not believe we have any goodwill impairment at this time.

SFAS 143, "Accounting for Asset Retirement Obligations," requires the recognition of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its present value and the related capitalized charge is depreciated over the useful life of the asset. SFAS 143 is effective for fiscal years beginning after June 15, 2002. We are currently reviewing the impact of SFAS 143 on the Company.

In August 2001 the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144

establishes a single accounting model for long-lived assets that are impaired or are to be disposed. We adopted SFAS 144 in the fourth quarter of 2001. Under the provisions of SFAS 144, we reported the results of our Water Services businesses and our auto transport company as discontinued operations, and ceased depreciation of assets related to these businesses in the fourth quarter of 2001.

READERS ARE CAUTIONED THAT FORWARD-LOOKING STATEMENTS INCLUDING THOSE CONTAINED ABOVE, SHOULD BE READ IN CONJUNCTION WITH OUR DISCLOSURES UNDER THE HEADING: "SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995" LOCATED ON PAGE 10 OF THIS FORM 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition - Market Risk for information related to quantitative and qualitative disclosure about market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See our consolidated financial statements as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001, and supplementary data, also included, which are indexed in Item 14(a).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required for this Item is incorporated by reference herein and will be set forth under the "Election of Directors" section in our Proxy Statement for the 2002 Annual Meeting of Shareholders, except for information with respect to executive officers which is set forth in Part I hereof. The 2002 Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of our 2001 fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required for this Item is incorporated by reference herein from the "Compensation of Executive Officers" section in our Proxy Statement for the 2002 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required for this Item is incorporated by reference herein from the "Security Ownership of Certain Beneficial Owners and Management" section in our Proxy Statement for the 2002 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Certain Documents Filed as Part of this Form 10-K.

(1) Financial Statements	PAGES
ALLETE	
Report of Independent Accountants	42
Consolidated Balance Sheet at December 31, 2001 and 2000	43
For the Three Years Ended December 31, 2001	
Consolidated Statement of Income	44
Consolidated Statement of Cash Flows	45
Consolidated Statement of Stockholders' Equity.....	46
Notes to Consolidated Financial Statements.....	47-61
 (2) Financial Statement Schedules	
Report of Independent Accountants on Financial Statement Schedule	62
Schedule II - ALLETE Valuation and Qualifying Accounts and Reserves	62

All other schedules have been omitted either because the information is not required to be reported by ALLETE or because the information is included in the consolidated financial statements or the notes.

(3) Exhibits including those incorporated by reference

EXHIBIT NUMBER

*2 - Agreement and Plan of Merger by and among Minnesota Power & Light Company (now ALLETE), AC Acquisition Sub, Inc., ADESA Corporation and Certain ADESA Management Shareholders dated February 23, 1995 (filed as Exhibit 2 to the March 3, 1995 Form 8-K, File No. 1-3548).

*3(a)1 - Articles of Incorporation, amended and restated as of May 8, 2001 (filed as Exhibit 3(b) to the March 31, 2001 Form 10-Q, File No. 1-3548).

*3(a)2 - Amendment to Certificate of Assumed Name, filed with the Minnesota Secretary of State on May 8, 2001 (filed as Exhibit 3(a) to the March 31, 2001 Form 10-Q, File No. 1-3548).

*3(b) - Bylaws, as amended effective May 8, 2001 (filed as Exhibit 3(c) to the March 31, 2001 Form 10-Q, File No. 1-3548).

*4(a)1 - Mortgage and Deed of Trust, dated as of September 1, 1945, between Minnesota Power & Light Company (now ALLETE) and The Bank of New York (formerly Irving Trust Company) and Douglas J. MacInnes (successor to Richard H. West), Trustees (filed as Exhibit 7(c), File No. 2-5865).

*4(a)2 - Supplemental Indentures to ALLETE's Mortgage and Deed of Trust:

NUMBER	DATED AS OF	REFERENCE FILE	EXHIBIT
First	March 1, 1949	2-7826	7(b)
Second	July 1, 1951	2-9036	7(c)
Third	March 1, 1957	2-13075	2(c)
Fourth	January 1, 1968	2-27794	2(c)
Fifth	April 1, 1971	2-39537	2(c)
Sixth	August 1, 1975	2-54116	2(c)
Seventh	September 1, 1976	2-57014	2(c)
Eighth	September 1, 1977	2-59690	2(c)
Ninth	April 1, 1978	2-60866	2(c)
Tenth	August 1, 1978	2-62852	2(d)2
Eleventh	December 1, 1982	2-56649	4(a)3
Twelfth	April 1, 1987	33-30224	4(a)3
Thirteenth	March 1, 1992	33-47438	4(b)
Fourteenth	June 1, 1992	33-55240	4(b)
Fifteenth	July 1, 1992	33-55240	4(c)
Sixteenth	July 1, 1992	33-55240	4(d)
Seventeenth	February 1, 1993	33-50143	4(b)
Eighteenth	July 1, 1993	33-50143	4(c)
Nineteenth	February 1, 1997	1-3548 (1996 Form 10-K)	4(a)3
Twentieth	November 1, 1997	1-3548 (1997 Form 10-K)	4(a)3
Twenty-first	October 1, 2000	333-54330	4(c)3

*4(b)1 - Indenture (for Unsecured Debt Securities), dated as of February 1, 2001, between ALLETE and LaSalle Bank National Association, as Trustee (filed as Exhibit 4(d)1, File Nos. 333-57104, 333-57104-01 and 333-57104-02).

*4(b)2 - Officer's Certificate, dated February 21, 2001, establishing the terms of the 7.80% Senior Notes, due February 15, 2008, of ALLETE (filed as Exhibit 4(d)2, File Nos. 333-57104, 333-57104-01 and 333-57104-02).

*4(c)1 - Mortgage and Deed of Trust, dated as of March 1, 1943, between Superior Water, Light and Power Company and Chemical Bank & Trust Company and Howard B. Smith, as Trustees, both succeeded by U.S. Bank Trust N.A., as Trustee (filed as Exhibit 7(c), File No. 2-8668).

EXHIBIT NUMBER

*4(c)2 - Supplemental Indentures to Superior Water, Light and Power Company's Mortgage and Deed of Trust:

NUMBER	DATED AS OF	REFERENCE FILE	EXHIBIT
First	March 1, 1951	2-59690	2(d)(1)
Second	March 1, 1962	2-27794	2(d)1
Third	July 1, 1976	2-57478	2(e)1
Fourth	March 1, 1985	2-78641	4(b)
Fifth	December 1, 1992	1-3548 (1992 Form 10-K)	4(b)1
Sixth	March 24, 1994	1-3548 (1996 Form 10-K)	4(b)1
Seventh	November 1, 1994	1-3548 (1996 Form 10-K)	4(b)2
Eighth	January 1, 1997	1-3548 (1996 Form 10-K)	4(b)3

*4(d)1 - Indenture, dated as of March 1, 1993, between Southern States Utilities, Inc. (now Florida Water Services Corporation) and Nationsbank of Georgia, National Association (now SunTrust Bank, Central Florida, N.A.), as Trustee (filed as Exhibit 4(d) to the 1992 Form 10-K, File No. 1-3548).

*4(d)2 - Supplemental Indentures to Florida Water Services Corporation's Indenture:

NUMBER	DATED AS OF	REFERENCE FILE	EXHIBIT
First	March 1, 1993	1-3548 (1996 Form 10-K)	4(c)1
Second	March 31, 1997	1-3548 (March 31, 1997 Form 10-Q)	4
Third	May 28, 1997	1-3548 (June 30, 1997 Form 10-Q)	4

*4(e) - Amended and Restated Trust Agreement, dated as of March 1, 1996, relating to MP&L (now ALLETE) Capital I's 8.05% Cumulative Quarterly Income Preferred Securities, between the Company, as Depositor, and The Bank of New York, The Bank of New York (Delaware), Philip R. Halverson, David G. Gartzke and James K. Vizanko, as Trustees (filed as Exhibit 4(a) to the March 31, 1996 Form 10-Q, File No. 1-3548), as modified by Amendment No. 1, dated April 11, 1996 (filed as Exhibit 4(b) to the March 31, 1996 Form 10-Q, File No. 1-3548 and First Amendment [2000] dated August 23, 2000 (filed as Exhibit 4(f)2, File No. 333-54330).

*4(f) - Indenture, dated as of March 1, 1996, relating to Minnesota Power & Light Company's (now ALLETE) 8.05% Junior Subordinated Debentures, Series A, Due 2015, between the Company and The Bank of New York, as Trustee (filed as Exhibit 4(c) to the March 31, 1996 Form 10-Q, File No. 1-3548).

*4(g) - Guarantee Agreement, dated as of March 1, 1996, relating to MP&L (now ALLETE) Capital I's 8.05% Cumulative Quarterly Income Preferred Securities, between Minnesota Power & Light Company (now ALLETE), as Guarantor, and The Bank of New York, as Trustee (filed as Exhibit 4(d) to the March 31, 1996 Form 10-Q, File No. 1-3548).

*4(h) - Agreement as to Expenses and Liabilities, dated as of March 20, 1996, relating to MP&L (now ALLETE) Capital I's 8.05% Cumulative Quarterly Income Preferred Securities, between Minnesota Power & Light Company (now ALLETE) and MP&L (now ALLETE) Capital I (filed as Exhibit 4(e) to the March 31, 1996 Form 10-Q, File No. 1-3548).

*4(i) - Officer's Certificate, dated March 20, 1996, establishing the terms of the 8.05% Junior Subordinated Debentures, Series A, Due 2015 issued in connection with the 8.05% Cumulative Quarterly Income Preferred Securities of MP&L (now ALLETE) Capital I (filed as Exhibit 4(i) to the 1996 Form 10-K, File No. 1-3548).

*4(j) - Rights Agreement, dated as of July 24, 1996, between Minnesota Power & Light Company (now ALLETE) and the Corporate Secretary of the Company, as Rights Agent (filed as Exhibit 4 to the August 2, 1996 Form 8-K, File No. 1-3548).

*4(k) - Indenture (for Unsecured Debt Securities), dated as of May 15, 1996, between ADESA Corporation and The Bank of New York, as Trustee relating to the ADESA Corporation's 7.70% Senior Notes, Series A, Due 2006, and its 8.10% Senior Notes, Series B, Due 2010 (filed as Exhibit 4(k) to the 1996 Form 10-K, File No. 1-3548).

*4(l) - Guarantee of the Company, dated as of May 30, 1996, relating to the ADESA Corporation's 7.70% Senior Notes, Series A, Due 2006 (filed as Exhibit 4(l) to the 1996 Form 10-K, File No. 1-3548).

*4(m) - ADESA Corporation Officer's Certificate 1-D-1, dated May 30, 1996, relating to the ADESA Corporation's 7.70% Senior Notes, Series A, Due 2006 (filed as Exhibit 4(m) to the 1996 Form 10-K, File No. 1-3548).

*4(n) - Guarantee of Minnesota Power, Inc. (now ALLETE), dated as of March 30, 2000, relating to ADESA Corporation's 8.10% Senior Notes, Series B,

EXHIBIT NUMBER

- *4(o) - ADESA Corporation Officer's Certificate 2-D-2, dated as of March 30, 2000, relating to ADESA Corporation's 8.10% Senior Notes, Series B, Due 2010 (filed as Exhibit 4(b) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- *10(a) - Participation Agreement, dated as of March 31, 2000, among Asset Holdings III, L.P., as Lessor, ADESA Corporation, as Lessee, SunTrust Bank, as Credit Bank, and Cornerstone Funding Corporation I, as Issuer (filed as Exhibit 10(a) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- *10(b) - Lease Agreement, dated as of March 31, 2000, between Asset Holdings III, L.P., as Lessor and ADESA Corporation, as Lessee (filed as Exhibit 10(b) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- *10(c) - Reimbursement Agreement, dated as of March 31, 2000, between SunTrust Bank, as Credit Bank, and Asset Holdings III, L.P., as Lessor (filed as Exhibit 10(c) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- *10(d) - Appendix I to Participation Agreement, Lease Agreement and Reimbursement Agreement, all which are dated as of March 31, 2000, relating to the Lease Financing for ADESA Corporation Auto Auction Facilities (filed as Exhibit 10(d) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- *10(e) - Assignment of Lease and Rents (without Exhibit A) entered into as of March 31, 2000, by and between Asset Holdings III, L.P., as Lessor and SunTrust Bank, as Credit Bank (filed as Exhibit 10(e) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- *10(f) - Limited Guaranty of Minnesota Power, Inc. (now ALLETE), dated as of March 31, 2000, relating to the Lease Financing for ADESA Corporation Auto Auction Facilities (filed as Exhibit 10(f) to the March 31, 2000 Form 10-Q, File No. 1-3548).
- 10(g) - Master Agreement (without Exhibits), dated as of July 30, 2001, among ADESA Corporation, as a Guarantor, ADESA California, Inc. and certain subsidiaries of ADESA Corporation that may hereafter become party hereto, as Lessees, Atlantic Financial Group, Ltd., as Lessor, certain financial institutions parties hereto, as Lenders, and SunTrust Bank, as Agent.
- 10(h) - Master Lease Agreement (without Exhibits), dated as of July 30, 2001, between Atlantic Financial Group, Ltd., as Lessor, and ADESA California, Inc. and certain other subsidiaries of ADESA Corporation, as Lessees.
- 10(i) - Loan Agreement, dated as of July 30, 2001, among Atlantic Financial Group, Ltd., as Lessor and Borrower, the financial institutions party hereto, as Lenders, and SunTrust Bank, as Agent.
- 10(j) - Guaranty Agreement from ALLETE, dated as of July 30, 2001, relating to the Master Agreement, dated as of July 30, 2001.
- *10(k) - Wholesale Power Coordination and Dispatch Operating Agreement, dated April 14, 2000, between Minnesota Power, Inc. (now ALLETE) and Split Rock Energy LLC (filed as Exhibit 10(a) to the June 30, 2000 Form 10-Q, File No. 1-3548).
- *10(l) - Letter addressed to the Federal Energy Regulatory Commission, dated April 21, 2000, amending the Wholesale Power Coordination and Dispatch Operating Agreement, dated April 14, 2000, between Minnesota Power, Inc. (now ALLETE) and Split Rock Energy LLC (filed as Exhibit 10(b) to the June 30, 2000 Form 10-Q, File No. 1-3548).
- *10(m) - Guarantee Agreement, dated August 16, 2000, made by and among Minnesota Power, Inc. (now ALLETE), CoBank, ACB and ABN AMRO Bank, N.V. (filed as Exhibit 10 to the September 30, 2000 Form 10-Q, File No. 1-3548).
- *10(n)1 - Receivables Purchase Agreement, dated as of December 31, 1996, among AFC Funding Corporation, as Seller, Automotive Finance Corporation, as Servicer, Pooled Accounts Receivable Capital Corporation, as Purchaser, and Nesbitt Burns Securities Inc., as Agent (filed as Exhibit 10(f) to the 1996 Form 10-K, File No. 1-3548).

*10(n)2 - Amendments to Receivables Purchase Agreement:

NUMBER	DATED AS OF	REFERENCE FILE	EXHIBIT
First	February 28, 1997	1-3548	
Second	August 15, 1997	(1996 Form 10-K)	10(g)
		1-3548	
		(September 30, 1997	
		Form 10-Q)	10
Third	October 30, 1998	1-3548	
		(September 30, 1999	
		Form 10-Q)	10(a)
Fourth	September 22, 1999	1-3548	
		(September 30, 1999	
		Form 10-Q)	10(b)

- *10(o) - Purchase and Sale Agreement, dated as of December 31, 1996, between AFC Funding Corporation and Automotive Finance Corporation (filed as Exhibit 10(h) to the 1996 Form 10-K, File No. 1-3548).

EXHIBIT NUMBER

- *10(p) - Power Purchase and Sale Agreement, dated as of May 29, 1998, between Minnesota Power, Inc. (now ALLETE) and Square Butte Electric Cooperative (filed as Exhibit 10 to the June 30, 1998 Form 10-Q, File No. 1-3548).
- +*10(q) - Minnesota Power (now ALLETE) Executive Annual Incentive Plan, effective January 1, 1996 (filed as Exhibit 10(a) to the 1995 Form 10-K, File No. 1-3548).
- +*10(r) - Minnesota Power (now ALLETE) and Affiliated Companies Supplemental Executive Retirement Plan, as amended and restated, effective August 1, 1994 (filed as Exhibit 10(b) to the 1995 Form 10-K, File No. 1-3548).
- +*10(s) - Executive Investment Plan-I, as amended and restated, effective November 1, 1988 (filed as Exhibit 10(c) to the 1988 Form 10-K, File No. 1-3548).
- +*10(t) - Executive Investment Plan-II, as amended and restated, effective November 1, 1988 (filed as Exhibit 10(d) to the 1988 Form 10-K, File No. 1-3548).
- +*10(u) - Deferred Compensation Trust Agreement, as amended and restated, effective January 1, 1989 (filed as Exhibit 10(f) to the 1988 Form 10-K, File No. 1-3548).
- +*10(v) - Minnesota Power (now ALLETE) Executive Long-Term Incentive Compensation Plan, effective January 1, 1996 (filed as Exhibit 10(a) to the June 30, 1996 Form 10-Q, File No. 1-3548).
- +*10(w) - Minnesota Power (now ALLETE) Director Stock Plan, effective January 1, 1995 (filed as Exhibit 10 to the March 31, 1995 Form 10-Q, File No. 1-3548).
- +*10(x) - Minnesota Power (now ALLETE) Director Long-Term Stock Incentive Plan, effective January 1, 1996 (filed as Exhibit 10(b) to the June 30, 1996 Form 10-Q, File No. 1-3548).
- +*10(y) - Retirement Agreement, dated August 28, 2001, between ALLETE and Edwin L. Russell (filed as Exhibit 10 to the September 30, 2001 Form 10-Q, File No. 1-3548).
- 12 - Computation of Ratios of Earnings to Fixed Charges and Supplemental Ratios of Earnings to Fixed Charges. (Included as page 63 of this document.)
- *21 - Subsidiaries of the Registrant (reference is made to ALLETE's Form U-3A-2 for the year ended December 31, 2001, File No. 69-78).
- 23(a) - Consent of Independent Accountants.
- 23(b) - Consent of General Counsel.

* INCORPORATED HEREIN BY REFERENCE AS INDICATED.
+ MANAGEMENT CONTRACT OR COMPENSATORY PLAN OR ARRANGEMENT REQUIRED TO BE FILED AS AN EXHIBIT TO THIS REPORT PURSUANT TO ITEM 14(C) OF FORM 10-K.

- (b) Reports on Form 8-K.
 - Report on Form 8-K filed October 10, 2001 with respect to Item 5. Other Events.
 - Report on Form 8-K filed October 18, 2001 with respect to Item 7. Financial Statements and Exhibits.
 - Report on Form 8-K filed December 21, 2001 with respect to Item 5. Other Events.
 - Report on Form 8-K filed January 14, 2002 with respect to Item 5. Other Events.
 - Report on Form 8-K filed January 24, 2002 with respect to Item 7. Financial Statements and Exhibits.
 - Report on Form 8-K filed January 25, 2002 with respect to Item 5. Other Events.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLETE, Inc.

Dated: February 8, 2002 By David G. Gartzke

 David G. Gartzke
 Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
David G. Gartzke ----- David G. Gartzke	Chairman, President and Chief Executive Officer	February 8, 2002
James K. Vizanko ----- James K. Vizanko	Vice President, Chief Financial Officer and Treasurer	February 8, 2002
Mark A. Schober ----- Mark A. Schober	Vice President and Controller	February 8, 2002
Kathleen A. Brekken ----- Kathleen A. Brekken	Director	February 8, 2002
Dennis E. Evans ----- Dennis E. Evans	Director	February 8, 2002
Glenda E. Hood ----- Glenda E. Hood	Director	February 8, 2002
Peter J. Johnson ----- Peter J. Johnson	Director	February 8, 2002
George L. Mayer ----- George L. Mayer	Director	February 8, 2002
Jack I. Rajala ----- Jack I. Rajala	Director	February 8, 2002
Arend J. Sandbulte ----- Arend J. Sandbulte	Director	February 8, 2002
Nick Smith ----- Nick Smith	Director	February 8, 2002
Bruce W. Stender ----- Bruce W. Stender	Director	February 8, 2002
Donald C. Wegmiller ----- Donald C. Wegmiller	Director	February 8, 2002

FINANCIAL STATEMENTS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001, 2000 AND 1999
WITH REPORT OF INDEPENDENT ACCOUNTANTS
AND REPORT OF MANAGEMENT

REPORTS

INDEPENDENT ACCOUNTANTS

[PRICEWATERHOUSECOOPERS LLP LOGO]

To the Shareholders and
Board of Directors of ALLETE, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of ALLETE, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of ALLETE, Inc.'s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
January 21, 2002

MANAGEMENT

The consolidated financial statements and other financial information were prepared by management, who is responsible for their integrity and objectivity. The financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include some amounts that are based on informed judgments and best estimates and assumptions of management.

To meet management's responsibilities with respect to financial information, we maintain and enforce a system of internal accounting controls designed to provide assurance, on a cost effective basis, that transactions are carried out in accordance with management's authorizations and that assets are safeguarded against loss from unauthorized use or disposition. The system includes an organizational structure that provides an appropriate segregation of responsibilities, careful selection and training of personnel, written policies and procedures, and periodic reviews by our internal audit department. In addition, we have personnel policies that require all employees to maintain a high standard of ethical conduct. Management believes the system is effective and provides reasonable assurance that all transactions are properly recorded and have been executed in accordance with management's authorization. Management modifies and improves our system of internal accounting controls in response to changes in business conditions. Our internal audit staff is charged with the responsibility for determining compliance with our procedures.

Four of our directors, not members of management, serve as the Audit Committee. Our Board of Directors, through the Audit Committee, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, the internal auditors and the independent accountants to discuss auditing and financial matters and to assure that each is carrying out their responsibilities. The internal auditors and the independent accountants have full and free access to the Audit Committee without management present. PricewaterhouseCoopers LLP, independent accountants, are engaged to express an opinion on the financial statements. Their audit is conducted in accordance with generally accepted auditing standards and includes a review of internal controls and tests of transactions to the extent necessary to allow them to report on the fairness of our operating results and financial condition.

David G. Gartzke

David G. Gartzke
Chairman, President and Chief Executive Officer

James K. Vizanko

James K. Vizanko
Chief Financial Officer

ALLETE CONSOLIDATED BALANCE SHEET

DECEMBER 31	2001	2000

Millions		
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 221.1	\$ 208.0
Trading Securities	155.6	90.8
Accounts Receivable	328.4	242.3
Inventories	32.7	25.1
Prepayments and Other	131.7	126.0
Discontinued Operations	40.4	38.8

Total Current Assets	909.9	731.0
Property, Plant and Equipment	1,324.0	1,201.9
Investments	141.0	116.4
Goodwill	494.4	472.8
Other Assets	103.6	87.3
Discontinued Operations	309.6	304.6

TOTAL ASSETS	\$3,282.5	\$2,914.0

LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 239.8	\$ 260.3
Accrued Taxes, Interest and Dividends	38.1	45.2
Notes Payable and Long-Term Debt Due Within One Year	274.3	271.6
Other	106.5	84.5
Discontinued Operations	45.8	45.4

Total Current Liabilities	704.5	707.0
Long-Term Debt	933.8	817.2
Accumulated Deferred Income Taxes	106.9	111.8
Other Liabilities	163.4	145.7
Discontinued Operations	155.1	156.5
Commitments and Contingencies		

Total Liabilities	2,063.7	1,938.2

Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary ALLETE Capital I Which Holds Solely Company Junior Subordinated Debentures	75.0	75.0

STOCKHOLDERS' EQUITY		
Common Stock Without Par Value, 130.0 Shares Authorized 83.9 and 74.7 Shares Outstanding	770.3	576.9
Unearned ESOP Shares	(52.7)	(55.7)
Accumulated Other Comprehensive Loss	(14.5)	(4.2)
Retained Earnings	440.7	383.8

Total Stockholders' Equity	1,143.8	900.8

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,282.5	\$2,914.0

The accompanying notes are an integral part of these statements.

ALLETE CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31

2001

2000

1999

Millions Except Per Share Amounts

OPERATING REVENUE			
Energy Services	\$ 620.8	\$ 589.5	\$554.5
Automotive Services	832.1	522.6	383.2
Investments	74.8	77.4	57.8
Total Operating Revenue	1,527.7	1,189.5	995.5
OPERATING EXPENSES			
Fuel and Purchased Power	233.1	229.0	200.2
Operations	1,012.1	730.6	598.8
Interest	74.7	58.8	49.5
Total Operating Expenses	1,319.9	1,018.4	848.5
OPERATING INCOME BEFORE CAPITAL RE AND ACE	207.8	171.1	147.0
INCOME (LOSS) FROM INVESTMENT IN CAPITAL RE AND RELATED DISPOSITION OF ACE	-	48.0	(34.5)
OPERATING INCOME FROM CONTINUING OPERATIONS	207.8	219.1	112.5
DISTRIBUTIONS ON REDEEMABLE PREFERRED SECURITIES OF ALLETE CAPITAL I			
	6.0	6.0	6.0
INCOME TAX EXPENSE	73.2	76.2	50.3
INCOME FROM CONTINUING OPERATIONS	128.6	136.9	56.2
INCOME FROM DISCONTINUED OPERATIONS	10.1	11.7	11.8
NET INCOME	\$ 138.7	\$ 148.6	\$ 68.0
AVERAGE SHARES OF COMMON STOCK			
BASIC	75.8	69.8	68.4
DILUTED	76.5	70.1	68.7
EARNINGS PER SHARE OF COMMON STOCK			
BASIC			
Continuing Operations	\$1.70	\$1.95	\$0.80
Discontinued Operations	0.13	0.17	0.17
	\$1.83	\$2.12	\$0.97
DILUTED			
Continuing Operations	\$1.68	\$1.94	\$0.80
Discontinued Operations	0.13	0.17	0.17
	\$1.81	\$2.11	\$0.97
DIVIDENDS PER SHARE OF COMMON STOCK	\$1.07	\$1.07	\$1.07

The accompanying notes are an integral part of these statements.

ALLETE CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

2001

2000

1999

Millions

OPERATING ACTIVITIES

Net Income	\$ 138.7	\$ 148.6	\$ 68.0
Loss (Income) from Investment in Capital Re and Related Disposition of ACE - Net of Dividends Received	-	(48.0)	34.5
Depreciation and Amortization	101.6	86.7	76.9
Deferred Income Taxes	10.3	(6.6)	(12.8)
Changes in Operating Assets and Liabilities - Net of the Effects of Acquisitions			
Trading Securities	(64.8)	88.9	16.1
Accounts Receivable	(85.7)	(29.1)	(20.3)
Inventories	(3.0)	(2.2)	(0.2)
Accounts Payable	(23.9)	92.7	1.4
Other Current Assets and Liabilities	10.5	(75.1)	0.3
Other - Net	19.9	19.6	9.9
Cash from Operating Activities	103.6	275.5	173.8

INVESTING ACTIVITIES

Proceeds from Sale of Investments	2.6	146.0	67.6
Additions to Investments	(11.2)	(42.5)	(27.5)
Additions to Property, Plant and Equipment	(153.0)	(168.7)	(99.7)
Acquisitions - Net of Cash Acquired	(157.1)	(453.0)	(93.6)
Other - Net	21.3	24.4	(16.9)
Cash for Investing Activities	(297.4)	(493.8)	(170.1)

FINANCING ACTIVITIES

Issuance of Long-Term Debt	125.2	306.3	51.5
Issuance of Common Stock	189.2	23.6	21.8
Changes in Notes Payable - Net	5.5	177.8	15.5
Reductions of Long-Term Debt	(18.1)	(58.8)	(9.9)
Redemption of Preferred Stock	-	(31.5)	-
Dividends on Preferred and Common Stock	(81.8)	(75.4)	(75.0)
Cash from Financing Activities	220.0	342.0	3.9

EFFECT OF EXCHANGE RATE CHANGES ON CASH

(11.3) (5.9) 4.5

CHANGE IN CASH AND CASH EQUIVALENTS

14.9 117.8 12.1

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

219.3 101.5 89.4

CASH AND CASH EQUIVALENTS AT END OF PERIOD

\$ 234.2 \$219.3 \$101.5

SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid During the Period for			
Interest - Net of Capitalized	\$84.2	\$66.3	\$61.3
Income Taxes	\$60.5	\$107.1	\$60.3

The accompanying notes are an integral part of these statements.

ALLETE CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	TOTAL STOCKHOLDERS' EQUITY	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	UNEARNED ESOP SHARES	COMMON STOCK	CUMULATIVE PREFERRED STOCK

Millions						
BALANCE AT DECEMBER 31, 1998	\$ 797.1	\$317.6	\$ 1.5	\$(62.5)	\$529.0	\$11.5
COMPREHENSIVE INCOME						
Net Income	68.0	68.0				
Other Comprehensive Income-- Net of Tax						
Unrealized Losses on Securities-- Net	(3.6)		(3.6)			
Foreign Currency Translation Adjustments	4.5		4.5			

Total Comprehensive Income	68.9					
COMMON STOCK ISSUED - NET	23.0				23.0	
DIVIDENDS DECLARED	(75.0)	(75.0)				
ESOP SHARES EARNED	3.3			3.3		

BALANCE AT DECEMBER 31, 1999	817.3	310.6	2.4	(59.2)	552.0	11.5
COMPREHENSIVE INCOME						
Net Income	148.6	148.6				
Other Comprehensive Income - Net of Tax						
Unrealized Losses on Securities - Net	(0.7)		(0.7)			
Foreign Currency Translation Adjustments	(5.9)		(5.9)			

Total Comprehensive Income	142.0					
COMMON STOCK ISSUED - NET	24.9				24.9	
REDEMPTION OF CUMULATIVE PREFERRED STOCK	(11.5)					(11.5)
DIVIDENDS DECLARED	(75.4)	(75.4)				
ESOP SHARES EARNED	3.5			3.5		

BALANCE AT DECEMBER 31, 2000	900.8	383.8	(4.2)	(55.7)	576.9	-
COMPREHENSIVE INCOME						
Net Income	138.7	138.7				
Other Comprehensive Income - Net of Tax						
Unrealized Gains on Securities - Net	2.5		2.5			
Interest Rate Swap	(1.5)		(1.5)			
Foreign Currency Translation Adjustments	(11.3)		(11.3)			

Total Comprehensive Income	128.4					
COMMON STOCK ISSUED - NET	193.4				193.4	
DIVIDENDS DECLARED	(81.8)	(81.8)				
ESOP SHARES EARNED	3.0			3.0		

BALANCE AT DECEMBER 31, 2001	\$1,143.8	\$440.7	\$(14.5)	\$(52.7)	\$770.3	-

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1 BUSINESS SEGMENTS

Millions		ENERGY SERVICES	AUTOMOTIVE SERVICES	INVESTMENTS AND CORPORATE CHARGES
FOR THE YEAR ENDED DECEMBER 31	CONSOLIDATED			
2001				
Operating Revenue	\$1,527.7	\$620.8	\$832.1	\$74.8
Operation and Other Expense	1,129.3	468.2	610.9	50.2
Depreciation and Amortization Expense	89.0	46.0	42.7	0.3
Lease Expense	26.9	2.7	24.2	-
Interest Expense	74.7	20.1	35.3	19.3
Operating Income	207.8	83.8	119.0	5.0
Distributions on Redeemable Preferred Securities of Subsidiary	6.0	2.4	-	3.6
Income Tax Expense (Benefit)	73.2	31.4	44.2	(2.4)
Income from Continuing Operations	128.6	\$ 50.0	\$ 74.8	\$ 3.8
Income from Discontinued Operations	10.1			
Net Income	\$ 138.7			
EBITDAL from Continuing Operations	\$398.4	\$152.6	\$221.2	\$24.6
Total Assets	\$3,282.5	\$1,055.8	\$1,515.4	\$361.3
Property, Plant and Equipment	\$1,324.0	\$877.3	\$446.7	-
Accumulated Depreciation and Amortization	\$829.2	\$693.5	\$133.4	\$2.3
Capital Expenditures	\$153.0	\$59.9	\$61.0	-
2000				
Operating Revenue	\$1,189.5	\$589.5	\$522.6	\$77.4
Operation and Other Expense	865.5	445.8	370.8	48.9
Depreciation and Amortization Expense	73.0	46.3	26.2	0.5
Lease Expense	21.1	2.8	18.3	-
Interest Expense	58.8	21.1	23.3	14.4
Operating Income Before ACE	171.1	73.5	84.0	13.6
Income from Disposition of ACE	48.0	-	-	48.0
Distributions on Redeemable Preferred Securities of Subsidiary	6.0	2.0	-	4.0
Income Tax Expense	76.2	28.4	34.1	13.7
Income from Continuing Operations	136.9	\$ 43.1	\$ 49.9	\$43.9
Income from Discontinued Operations	11.7			
Net Income	\$ 148.6			
EBITDAL from Continuing Operations	\$324.0	\$143.7	\$151.8	\$28.5
Total Assets	\$2,914.0	\$950.7	\$1,339.0	\$280.9
Property, Plant and Equipment	\$1,201.9	\$792.5	\$409.4	-
Accumulated Depreciation and Amortization	\$746.0	\$661.9	\$81.9	\$2.2
Capital Expenditures	\$168.7	\$64.7	\$74.2	\$0.2
1999				
Operating Revenue	\$995.5	\$554.5	\$383.2	\$ 57.8
Operation and Other Expense	719.8	409.4	272.3	38.1
Depreciation and Amortization Expense	63.1	45.2	17.4	0.5
Lease Expense	16.1	3.2	12.9	-
Interest Expense	49.5	21.2	10.9	17.4
Operating Income Before Capital Re	147.0	75.5	69.7	1.8
Loss from Investment in Capital Re	(34.5)	-	-	(34.5)
Distributions on Redeemable Preferred Securities of Subsidiary	6.0	1.7	-	4.3
Income Tax Expense (Benefit)	50.3	28.8	29.4	(7.9)
Income (Loss) from Continuing Operations	56.2	\$ 45.0	\$ 40.3	\$(29.1)
Income from Discontinued Operations	11.8			
Net Income	\$ 68.0			
EBITDAL from Continuing Operations	\$275.7	\$145.1	\$110.9	\$19.7
Total Assets	\$2,312.6	\$995.7	\$661.9	\$328.0
Property, Plant and Equipment	\$1,003.4	\$770.0	\$233.4	-
Accumulated Depreciation and Amortization	\$688.7	\$629.7	\$57.1	\$1.9
Capital Expenditures	\$99.7	\$47.7	\$23.8	\$1.3

INCLUDED \$139.4 MILLION OF CANADIAN OPERATING REVENUE IN 2001 (\$107.4 MILLION IN 2000; \$56.8 MILLION IN 1999).

INCLUDED \$187.6 MILLION OF CANADIAN ASSETS IN 2001 (\$215.6 MILLION IN 2000; \$119.3 MILLION IN 1999).

DISCONTINUED OPERATIONS REPRESENTED \$350.0 MILLION OF TOTAL ASSETS IN 2001 (\$343.4 MILLION IN 2000; \$327.0 MILLION IN 1999) AND \$32.1 MILLION OF CAPITAL EXPENDITURES IN 2001 (\$29.6 MILLION IN 2000; \$26.9 MILLION IN 1999).

2 OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PREPARATION. References in this report to "we" and "our" are to ALLETE and its subsidiaries, collectively. We prepare our financial statements in conformity with generally accepted accounting principles. These principles require management to make informed judgments, best estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION. Our consolidated financial statements include the accounts of ALLETE and all of our majority owned subsidiary companies. All material intercompany balances and transactions have been eliminated in consolidation. Information for prior periods has been reclassified to present comparable information for all periods.

BUSINESS SEGMENTS. Energy Services and Automotive Services segments were determined based on products and services provided. The Investment and Corporate Charges segment was determined based on short-term corporate liquidity needs and the need to provide financial flexibility to pursue strategic initiatives in the other business segments. We measure performance of our operations through careful budgeting and monitoring of EBITDAL and contributions to consolidated net income by each business segment. Discontinued operations included operating results of businesses within our Water Services segment and our auto transport company.

ENERGY SERVICES. Energy Services generate, transmit, distribute, market and trade electricity. Native load electric service is provided to 145,000 customers in northeastern Minnesota and northwestern Wisconsin. Large Power Customers, which include five taconite producers, four paper and pulp mills, two pipeline companies and one manufacturer, purchase about half of the electricity Minnesota Power sells under all-requirements contracts with expiration dates extending from September 2002 through December 2008. (See Item 1. - Energy Services - Large Power Customers in this Form 10-K.) MPEX, a division of Minnesota Power, markets power across the Midwest and Canada. Split Rock Energy LLC, formed as an alliance between Minnesota Power and Great River Energy, combines power supply capabilities and customer loads to share market and supply risks and to optimize power trading opportunities. Split Rock Energy contracts for exclusive services from MPEX. It was announced in January 2002 that MPEX will be transferred to Split Rock Energy. The transfer is expected to occur in March 2002. We account for our 50% ownership interest in Split Rock Energy under the equity method of accounting. For the year ended December 31, 2001 Split Rock Energy's total net income was \$6.9 million (net loss of \$27,000 in 2000). We purchase power from Split Rock Energy to serve native load requirements and sell generation to Split Rock Energy. Purchases and sales are at market rates. In 2001 we made power purchases from Split Rock Energy of \$56.1 million (\$25.1 million in 2000) and power sales to Split Rock Energy of \$13.3 million (\$11.7 million in 2000). BNI Coal, a wholly owned subsidiary, mines and sells lignite coal to two North Dakota mine-mouth generating units, one of which is Square Butte. Square Butte supplies approximately 71% (322 MW) of its output to Minnesota Power under a long-term contract. (See Note 13.)

Electric rates are under the jurisdiction of various state and federal regulatory authorities. Billings are rendered on a cycle basis. Revenue is accrued for service provided but not billed. Electric rates include adjustment clauses that bill or credit customers for fuel and purchased energy costs above or below the base levels in rate schedules and bill retail customers for the recovery of CIP expenditures not collected in base rates.

AUTOMOTIVE SERVICES. Automotive Services include several wholly owned subsidiaries operating as integral parts of the vehicle redistribution business.

ADESA is the second largest wholesale vehicle auction network in North America. ADESA owns or leases, and operates 53 wholesale vehicle auctions in the United States and Canada through which used cars and other vehicles are sold to franchised automobile dealers and licensed used car dealers. Sellers at ADESA's auctions include domestic and foreign auto manufacturers, car dealers, automotive fleet/lease companies, banks and finance companies. ADESA Impact has 23 auction facilities in the United States and Canada that provide "total loss" vehicle services to insurance, vehicle leasing and rental car companies. AFC provides inventory financing for wholesale and retail automobile dealers who purchase vehicles at auctions. AFC has 82 loan production offices located across the United States and Canada. These offices provide qualified dealers credit to purchase vehicles at any of the 400 plus auctions approved by AFC. PAR provides customized vehicle remarketing services, including nationwide repossessions and the liquidation of off-lease vehicles, to various businesses with fleet operations. AutoVIN provides technology-enabled vehicle inspection services and inventory auditing to the automotive industry. ADESA, ADESA Impact, PAR and AutoVIN recognize revenue when services are performed. AFC's revenue is comprised of gains on sales of receivables, and interest, fee and servicer income. As is customary for finance companies, AFC's revenue is reported net of interest expense of \$3.4 million in 2001 (\$2.7 million in 2000; \$2.0 million in 1999). AFC generally sells its United States dollar denominated finance receivables through a private securitization structure. Gains and losses on such sales are generally recognized at the time of settlement based on the difference between the sales proceeds and the allocated basis of the finance receivables sold, adjusted for transaction

fees and residual interest retained. AFC also retains the right to service receivables sold through securitization and receives a fee for doing so.

INVESTMENTS AND CORPORATE CHARGES. Investments and Corporate Charges include real estate operations, investments in emerging technologies related to the electric utility industry, a securities portfolio and general corporate expenses, including interest, not specifically related to any other segment. Our real estate operations include several wholly owned subsidiaries and an 80% ownership in Lehigh. All are Florida companies which through their subsidiaries own real estate in Florida. Real estate revenue is recognized on the accrual basis.

DEPRECIATION. Property, plant and equipment are recorded at original cost and are reported on the balance sheet net of accumulated depreciation. Expenditures for additions and significant replacements and improvements are capitalized; maintenance and repair costs are expensed as incurred. Expenditures for major plant overhauls are also accounted for using this same policy. When non-utility property, plant and equipment are retired or otherwise disposed of, gains or losses are recognized in revenue. When utility property, plant and equipment are retired or otherwise disposed of, no gain or loss is recognized.

Depreciation is computed using the estimated useful lives of the various classes of plant. In 2001 average depreciation rates for the energy and automotive services segments were 3.0% and 4.0% (3.3% and 3.7% in 2000; 3.3% and 3.9% in 1999).

ASSET IMPAIRMENTS. The Company periodically reviews its long-lived assets whenever events indicate the carrying amount of the assets may not be recoverable. As of December 31, 2001 and 2000 no significant write-downs were required.

ACCOUNTS RECEIVABLE. Accounts receivable are reported on the balance sheet net of an allowance for doubtful accounts. The allowance is based on our evaluation of the receivable portfolio under current conditions, the size of the portfolio, overall portfolio quality, review of specific problems and such other factors that in our judgment deserve recognition in estimating losses.

AFC sells certain finance receivables on a revolving basis to a wholly owned, unconsolidated, qualified special purpose subsidiary. This subsidiary in turn sells, on a revolving basis, an undivided interest in eligible finance receivables, up to a maximum at any one time outstanding of \$300 million, to third party purchasers under an agreement that expires at the end of 2002. At December 31, 2001 AFC had sold \$381.2 million of finance receivables to the special purpose subsidiary (\$335.7 million at December 31, 2000). Third party purchasers had purchased an undivided interest in finance receivables of \$267 million from this subsidiary at December 31, 2001 (\$239 million at December 31, 2000). At December 31, 2000 AFC had \$53.5 million of finance receivables sold to another wholly owned, unconsolidated, qualified special purpose subsidiary under an agreement that expired in June 2001. Unsold finance receivables held by the special purpose subsidiary are recorded by AFC as residual interest at fair value. Fair value is based upon estimates of future cash flows, using assumptions that market participants would use to value such instruments, including estimates of anticipated credit losses over the life of the receivables sold without application of a discount rate due to the short-term nature of the receivables sold. The fair value of AFC's residual interest was \$103.0 million at December 31, 2001 (\$106.2 million at December 31, 2000). Proceeds from the sale of the receivables were used to repay borrowings from ALLETE and fund vehicle inventory purchases for AFC's customers. AFC must maintain certain financial covenants such as minimum tangible net worth to comply with the terms of the securitization agreement.

ACCOUNTS RECEIVABLE DECEMBER 31	2001	2000
----- Millions		
Trade Accounts Receivable	\$198.5	\$184.8
Less: Allowance for Doubtful Accounts	5.8	4.8
-----	192.7	180.0
Finance Receivables	522.8	458.0
Less: Amount Sold	381.2	389.2
Allowance for Doubtful Accounts	5.9	6.5
-----	135.7	62.3

Total Accounts Receivable	\$328.4	\$242.3

INVENTORIES. Inventories, which include fuel, material and supplies, are stated at the lower of cost or market. Cost is determined by the average cost method.

GOODWILL. Goodwill relates to the Automotive Services segment and represents the excess of cost over identifiable net assets of businesses acquired. Amortization was computed on a straight-line basis over a 40 year period. Operating expenses in 2001 included \$13.8 million of goodwill amortization (\$8.2 million in 2000; \$5.1 million in 1999).

In July 2001 the FASB issued SFAS 142, "Goodwill and Other Intangible Assets." SFAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Effective January 1, 2002 goodwill is no longer

amortized. We had \$535.8 million of goodwill as of December 31, 2001. As required by SFAS 142, we will perform impairment testing within the first six months of 2002. We do not believe we have any goodwill impairment at this time.

UNAMORTIZED EXPENSE, DISCOUNT AND PREMIUM ON DEBT. Expense, discount and premium on debt are deferred and amortized over the lives of the related issues.

CASH AND CASH EQUIVALENTS. We consider all investments purchased with maturities of three months or less to be cash equivalents.

FOREIGN CURRENCY TRANSLATION. Results of operations for our Canadian subsidiaries are translated into United States dollars using the average exchange rates during the period. Assets and liabilities are translated into United States dollars using the exchange rate on the balance sheet date, except for intangibles and fixed assets, which are translated at historical rates.

NEW ACCOUNTING STANDARDS. In July 2001 the FASB issued SFAS 141 and 143. SFAS 141, "Business Combinations," requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling of interests method of accounting is prohibited.

SFAS 143, "Accounting for Asset Retirement Obligations," requires the recognition of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its present value and the related capitalized charge is depreciated over the useful life of the asset. SFAS 143 is effective for fiscal years beginning after June 15, 2002. We are currently reviewing the impact of SFAS 143 on the Company.

In August 2001 the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 establishes a single accounting model for long-lived assets that are impaired or are to be disposed. We adopted SFAS 144 in the fourth quarter of 2001. Under the provisions of SFAS 144, we reported the results of our Water Services businesses and the auto transport company as discontinued operations and ceased depreciation of assets related to these businesses in the fourth quarter of 2001.

3 ACQUISITIONS AND DIVESTITURES

ADESA AUCTION FACILITIES. In January 2001 we acquired all of the outstanding stock of ComSearch in exchange for ALLETE common stock and paid cash to purchase all of the assets of Auto Placement Center (now ADESA Impact) in transactions with an aggregate value of \$62.4 million. In May 2001 ADESA purchased the assets of the I-44 Auto Auction in Tulsa, Oklahoma. ADESA Impact and ADESA Tulsa were accounted for using the purchase method and financial results have been included in our consolidated financial statements since the date of purchase. Pro forma financial results were not material. ComSearch was accounted for as a pooling of interests. Financial results for prior periods have not been restated to reflect this pooling due to immateriality.

In February 2000 ADESA purchased the Mission City Auto Auction in San Diego, California. In May 2000 ADESA Canada purchased the remaining 27% of Impact Auto. ADESA Canada acquired 20% of Impact Auto on October 1, 1995, 27% in March 1999 and another 26% in January 2000. In June 2000 ADESA acquired all of the outstanding common shares of Auction Finance Group, Inc. (AFG). AFG owned CAAG Auto Auction Holdings Ltd., which was doing business as Canadian Auction Group. In August 2000 ADESA acquired Beebe Auto Exchange, Inc. and 51% of Interstate Auto Auction. In October 2000 ADESA purchased nine auction facilities from Manheim. These transactions had a combined purchase price of approximately \$438 million and resulted in goodwill of \$298 million. We used the purchase method of accounting for these transactions. Financial results have been included in our consolidated financial statements since the date of each purchase. Pro forma financial results were not material.

In April 1999 ADESA acquired Des Moines Auto Auction and in July 1999 ADESA Canada Inc. purchased the Vancouver Auto Auction. The two transactions had a combined purchase price of \$31.3 million and were accounted for using the purchase method of accounting resulting in goodwill of \$11.9 million. Financial results for each facility have been included in our consolidated financial statements since the date of purchase. Financial results prior to the acquisition were not material.

ACQUISITION OF ENVENTIS, INC. In July 2001 we acquired Enventis, Inc., a data network systems provider headquartered in the Minneapolis-St. Paul area. In connection with this acquisition, we issued 310,878 shares of ALLETE common stock. Enventis was accounted for as a pooling of interests. Financial results for prior periods have not been restated to reflect this pooling due to immateriality.

ACQUISITION OF GENERATING FACILITY. In October 2001 we acquired certain non-mining properties from LTV and Cleveland-Cliffs for \$75 million. The non-mining properties include a 225-MW electric generating facility.

REAL ESTATE ACQUISITIONS. In September 2001 our real estate subsidiary purchased Winter Haven Citi Centre, a retail shopping center. In December 2001 and January 2002 real estate subsidiaries purchased additional land in Palm Coast, Florida. These transactions had a combined purchase price of approximately \$31 million and were accounted for using the purchase method.

ACQUISITION OF CAPE CORAL. In June 1999 Cape Coral Holdings, a subsidiary of ALLETE Properties, purchased, for \$36.2 million, certain real estate properties located in Cape Coral, Florida. The transaction was accounted for using the purchase method of accounting. Financial results have been included in our consolidated financial statements since the date of purchase. Financial results prior to the acquisition were not material.

4 DISCONTINUED OPERATIONS

In September 2001 we began a process of systematically evaluating our businesses to determine the strategic value of our assets and explore ways to unlock that value. As a result, our management and Board of Directors have committed to a plan to sell our Water Services businesses and the auto transport company. Water Services includes water and wastewater services operated by several wholly owned subsidiaries in Florida, North Carolina and Georgia. We anticipate selling our auto transport company by the end of the first quarter 2002 and our Water Services businesses before the end of 2002. The financial results of these businesses have been accounted for as discontinued operations. In accordance with SFAS 144, we ceased depreciation of assets related to these businesses in the fourth quarter of 2001.

During the fourth quarter of 2001 we recognized a \$4.4 million, or \$0.06 per share, charge to exit the auto transport company. When this company is actually sold this amount may be adjusted. The final amount is not expected to be material.

SUMMARY OF DISCONTINUED OPERATIONS

INCOME STATEMENT

YEAR ENDED DECEMBER 31	2001	2000	1999
Operating Revenue	\$140.4	\$142.4	\$136.3
Pre-Tax Income	\$17.4	\$20.0	\$19.2
Income Tax Expense	7.3	8.3	7.4
Income from Discontinued Operations	\$10.1	\$11.7	\$11.8

BALANCE SHEET INFORMATION

DECEMBER 31	2001	2000
Assets of Discontinued Operations		
Current Assets	\$ 40.4	\$ 38.8
Property, Plant and Equipment	280.1	277.8
Other Assets	29.5	26.8
	\$350.0	\$343.4
Liabilities of Discontinued Operations		
Current Liabilities	\$ 45.8	\$ 45.4
Long-Term Debt	128.7	135.1
Other Liabilities	26.4	21.4
	\$200.9	\$201.9

5 REGULATORY MATTERS

We file for periodic rate revisions with the Minnesota Public Utilities Commission (MPUC), the Federal Energy Regulatory Commission and other state regulatory authorities. Interim rates in Minnesota are placed into effect, subject to refund with interest, pending a final decision by the appropriate commission. In 2001 31% of our consolidated operating revenue (41% in 2000; 44% in 1999) was under regulatory authority. The MPUC had regulatory authority over approximately 25% in 2001 (33% in 2000; 36% in 1999) of our consolidated operating revenue.

ELECTRIC RATES. The electric utility industry continues to restructure itself in response to growing competition at both the wholesale and retail levels. This restructuring has primarily affected Minnesota Power's wholesale power marketing and trading activity through MPEX and Split Rock Energy. New legislation and regulation that aims to maintain reliability, assure adequate energy supply, and address wholesale price volatility while encouraging wholesale competition is being considered at the federal level. Over one-half the states, representing approximately 70% of the United States population, have passed either legislation or regulation that initiates a process which may lead to retail customer choice. These initiatives lack momentum in Minnesota and Wisconsin. Legislative and regulatory activity as well as the actions of competitors affect the way Minnesota Power strategically plans for its future. We cannot predict the timing or substance of any future legislation or regulation.

DEFERRED REGULATORY CHARGES AND CREDITS. Our utility operations are subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." We capitalize as deferred regulatory charges incurred costs which are probable of recovery in future utility rates. Deferred regulatory credits represent amounts expected to be credited to customers in rates. Deferred regulatory charges and credits are included in other assets and other liabilities on our consolidated balance sheet.

DEFERRED REGULATORY CHARGES AND CREDITS

DECEMBER 31

2001

2000

Millions

Deferred Charges

Income Taxes	\$ 12.8	\$ 13.9
Conservation Improvement Programs	0.3	1.1
Premium on Reacquired Debt	4.5	5.0
Other	0.4	1.0

18.0 21.0

Deferred Credits

Income Taxes	63.2	53.9
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Net Deferred Regulatory Charges (Credits)

\$(45.2) \$(32.9)

6 FINANCIAL INSTRUMENTS

SECURITIES INVESTMENTS. Our securities portfolio is managed internally and by selected outside managers. Securities held principally for near-term sale are classified as trading securities and included in current assets at fair value. Changes in the fair value of trading securities are recognized in earnings. Trading securities consist primarily of the common stock of publicly traded companies. Securities held for an indefinite period of time are classified as available-for-sale securities and included in investments at fair value. Unrealized gains and losses on available-for-sale securities are included in accumulated other comprehensive income, net of tax. Unrealized losses on available-for-sale securities that are other than temporary are recognized in earnings. Realized gains and losses are computed on each specific investment sold. Available-for-sale securities consisted of equity securities in a grantor trust established to fund certain employee benefits and the common stock of publicly traded companies. At December 31, 1999 available-for-sale securities also included 4.7 million shares of ACE Limited (which were sold in 2000).

AVAILABLE-FOR-SALE SECURITIES

Millions

AT DECEMBER 31	COST	GROSS UNREALIZED GAIN	(LOSS)	FAIR VALUE
2001	\$18.1	\$10.3	\$(1.9)	\$26.5
2000	\$10.8	\$14.5	-	\$25.3
1999	\$87.8	\$6.3	\$(0.3)	\$93.8

AT DECEMBER 31	SALES PROCEEDS	GROSS REALIZED GAIN	(LOSS)	NET UNREALIZED GAIN (LOSS) IN OTHER COMPREHENSIVE INCOME
2001	-	-	-	\$3.6
2000	\$129.9	\$49.1	-	\$(0.5)
1999	\$0.2	-	-	\$1.6

The net unrealized gain included in earnings for trading securities in 2001 was \$0.9 million (\$2.3 million loss in 2000; \$1.6 million loss in 1999).

We also have several minority investments in venture capital funds and privately-held start-up companies. These investments are accounted for under the cost method. The total carrying value was \$40.6 million at December 31, 2001 (\$38.5 million at December 31, 2000). We cannot estimate the fair value of these investments as there is no public market or other practicable means of estimation.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS AND RISKS. In portfolio strategies designed to reduce market risks, we sell common stock securities short. Unrealized gains and losses on short sales are recognized in earnings.

In October 2001 we entered into an interest rate swap agreement with a notional amount of \$250 million to hedge \$250 million of floating rate debt issued in October 2000. Under the 15-month swap agreement, we make fixed quarterly payments based on a fixed rate of 3.2% and receive payments at a floating rate based on LIBOR (2.4% at December 31, 2001). The agreement is subject to market risk due to interest rate fluctuation. The swap is recorded on the balance sheet at fair value and treated as a cash flow hedge with unrealized gains and losses included in accumulated other comprehensive income.

The fair value of off-balance sheet financial instruments reflected the estimated amounts that we would receive or pay if the contracts were terminated at December 31. This fair value represents the difference between the estimated future receipts and payments under the terms of each instrument, and is estimated by obtaining quoted market prices or by using common pricing models. These fair values should not be viewed in isolation, but rather in relation to the fair value of the underlying hedged transaction.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

Millions

DECEMBER 31	CONTRACT AMOUNT	FAIR VALUE RECEIVABLE (PAYABLE)
2001		
Short Stock Sales Outstanding	\$19.8	\$(0.8)
Interest Rate Swap	\$250.0	\$(2.5)
2000		
Short Stock Sales Outstanding	\$5.3	\$(0.5)

Interest Rate Swap	\$250.0	\$(1.1)
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We provide credit support to facilitate the power marketing and trading activities of Split Rock Energy, and had \$36.0 million in outstanding support at December 31, 2001 (\$30.1 million at December 31, 2000). The support generally expires one year from the date of issuance.

FAIR VALUE OF FINANCIAL INSTRUMENTS. With the exception of the items listed below, the estimated fair values of all financial instruments approximate the carrying amount. The fair values for the items below were based on quoted market prices for the same or similar instruments.

FINANCIAL INSTRUMENTS DECEMBER 31	CARRYING AMOUNT	FAIR VALUE

Millions		
Long-Term Debt		
2001	\$933.8	\$960.0
2000	\$817.2	\$825.3
Quarterly Income Preferred Securities		
2001	\$75.0	\$74.7
2000	\$75.0	\$72.8

CONCENTRATION OF CREDIT RISK. Financial instruments that subject us to concentrations of credit risk consist primarily of accounts receivable. Minnesota Power sells electricity to about 15 customers in northern Minnesota's taconite, pipeline, paper and wood products industries. Receivables from these customers totaled approximately \$9 million at December 31, 2001 (\$12 million at December 31, 2000). Minnesota Power does not obtain collateral to support utility receivables, but monitors the credit standing of major customers.

Our Automotive Services have trade receivables from fees to be collected from the buyers and finance receivables created by financing dealer purchases of automobiles in exchange for a security interest in those automobiles. Substantially all trade and finance receivables are due from automobile dealers. We have possession of automobiles or automobile titles collateralizing a significant portion of the trade and finance receivables.

7 LEASING AGREEMENTS

In April 2000 leases for three ADESA auction facilities (Boston, Charlotte and Knoxville) were refinanced in a \$28.4 million leveraged lease transaction. The new lease is treated as an operating lease for financial reporting purposes and expires in April 2010 with no renewal options. ADESA is required to guarantee up to \$23 million of any deficiency in sales proceeds that the lessor realizes in disposing of the leased properties. ADESA receives any sales proceeds in excess of \$29.3 million.

ADESA has guaranteed the payment of principal and interest up to \$23 million on the lessor's indebtedness, which consists of \$28.4 million mortgage notes payable, due April 1, 2020. Terms of the mortgage notes payable require, among other things, that ADESA maintain certain minimum financial ratios. Interest on the notes varies and is payable monthly. It is not practical to estimate the fair value of the guarantee; however, ADESA does not anticipate that it will incur losses as a result of this guarantee. We have guaranteed ADESA's obligations under the lease.

ADESA has signed an agreement to lease a new auction facility in suburban San Francisco to replace an existing facility. Construction on the new facility is expected to be complete in the second half of 2002.

We lease other properties and equipment in addition to those listed above under operating and capital lease agreements with terms expiring through 2010. The aggregate amount of future minimum lease payments for capital and operating leases during 2002 is \$15.7 million (\$11.9 million in 2003; \$7.3 million in 2004; \$6.3 million in 2005; and \$5.2 million in 2006). Total rent expense was \$26.9 million in 2001 (\$21.1 million in 2000; \$16.1 million in 1999).

8 MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY

ALLETE Capital I (Trust) was established as a wholly owned business trust of the Company for the purpose of issuing common and preferred securities (Trust Securities). In March 1996 the Trust publicly issued three million 8.05% Cumulative Quarterly Income Preferred Securities (QUIPS), representing preferred beneficial interests in the assets held by the Trust. The proceeds from the sale of the QUIPS, and from common securities of the Trust issued to us, were used by the Trust to purchase from us \$77.5 million of 8.05% Junior Subordinated Debentures, Series A, Due 2015 (Subordinated Debentures), resulting in net proceeds to us of \$72.3 million. Holders of the QUIPS are entitled to receive quarterly distributions at an annual rate of 8.05% of the liquidation preference value of \$25 per security. We have the right to defer interest payments on the Subordinated Debentures which would result in the similar deferral of distributions on the QUIPS during extension periods up to 20 consecutive quarters. We are the owner of all the common trust securities, which constitute approximately 3% of the aggregate liquidation amount of all the Trust Securities. The sole asset of the Trust is Subordinated Debentures, interest on which is deductible by us for income tax purposes. The Trust will use interest payments received on the Subordinated Debentures it holds to make the quarterly cash distributions on the QUIPS.

The QUIPS are subject to mandatory redemption upon repayment of the Subordinated Debentures at maturity or upon redemption. We have the option to redeem the Subordinated Debentures at any time.

We have guaranteed, on a subordinated basis, payment of the Trust's obligations.

9 LONG-TERM DEBT

LONG-TERM DEBT DECEMBER 31	2001	2000

Millions		
First Mortgage Bonds		
Floating Rate Due 2003	\$250.0	\$250.0
6 1/4% Series Due 2003	25.0	25.0
6.68% Series Due 2007	20.0	20.0
7% Series Due 2007	60.0	60.0
7 1/2% Series Due 2007	35.0	35.0
7 3/4% Series Due 2007	50.0	55.0
7% Series Due 2008	50.0	50.0
6% Pollution Control Series E Due 2022	111.0	111.0
7.70% Senior Notes, Series A Due 2006	90.0	90.0
7.80% Senior Notes Due 2008	125.0	-
8.10% Senior Notes, Series B Due 2010	35.0	35.0
Variable Demand Revenue Refunding Bonds Series 1997 A, B, C and D Due 2007 - 2020	39.0	39.0
Other Long-Term Debt, 3.7 - 9.0% Due 2002 - 2026	50.7	58.7
Less Due Within One Year	(6.9)	(11.5)

Total Long-Term Debt	\$933.8	\$817.2

The aggregate amount of long-term debt maturing during 2002 is \$6.9 million (\$281.2 million in 2003; \$9.7 million in 2004; \$0.9 million in 2005; and \$91.3 million in 2006). Substantially all of our electric plant is subject to the lien of the mortgages securing various first mortgage bonds.

At December 31, 2001 we had long-term bank lines of credit aggregating \$5.0 million (\$8.1 million at December 31, 2000). Drawn portions on these lines of credit were zero at December 31, 2001 and 2000.

In February 2001 we issued \$125 million of 7.80% Senior Notes due February 2008. Proceeds were used to repay a portion of ALLETE's short-term borrowings incurred for the acquisition of vehicle auction facilities purchased in 2000 and early 2001, and for general corporate purposes. These Senior Notes are unsecured.

In October 2000 we issued \$250 million of Floating Rate First Mortgage Bonds due October 2003. We have the option to redeem these bonds in whole or in part from time to time, on any interest payment date prior to their maturity. The interest rate is equal to LIBOR plus .85%. In October 2001 we entered into an interest rate swap agreement to hedge the floating rate. We make fixed payments at 3.2% and receive payments at a variable rate based on LIBOR. Including the impact of the swap, the overall effective interest rate on this debt at December 31, 2001 was 4.1% (7.6% at December 31, 2000).

The 7 1/2% Series Due 2007 are redeemable after August 1, 2005; the 7 3/4% Series Due 2007 are redeemable after June 1, 2002; the 7% Series Due 2008 are redeemable after March 1, 2006; and the 6% Pollution Control Series E Due 2022 are redeemable after July 1, 2002. These bonds may be redeemed in whole or in part at our option according to the terms of the obligations.

10 SHORT-TERM BORROWINGS AND COMPENSATING BALANCES

We have bank lines of credit aggregating \$264.5 million (\$210.5 million at December 31, 2000), which make financing available through short-term bank loans and provide credit support for commercial paper. At December 31, 2001, \$234.4 million was available for use (\$209 million at December 31, 2000). At December 31, 2001 we had issued commercial paper with a face value of \$238.2 million (\$260.6 million in 2000), with support provided by bank lines of credit and our securities portfolio.

Certain lines of credit require a commitment fee of 0.0150%. Interest rates on commercial paper and borrowings under the lines of credit ranged from 2.75% to 3.10% at December 31, 2001 (7.28% to 7.9% at December 31, 2000). The weighted average interest rate on short-term borrowings at December 31, 2001 was 2.96% (7.57% at December 31, 2000). The total amount of compensating balances at December 31, 2001 and 2000, was immaterial.

11 PREFERRED STOCK

In 2000 we redeemed all of our outstanding Preferred Stock and Preferred Stock A with proceeds from the sale of a portion of our securities portfolio and internally generated funds.

All 100,000 shares of Serial Preferred Stock A, \$7.125 Series were redeemed in April 2000 for an aggregate of \$10 million. All 100,000 shares of Serial Preferred Stock A, \$6.70 Series were redeemed in July 2000 for an aggregate of \$10 million. All 113,358 shares of 5% Preferred Stock were redeemed in August 2000 at \$102.50 per share plus accrued and unpaid dividends of \$0.75 per share for an aggregate of \$11.7 million.

12 COMMON STOCK AND EARNINGS PER SHARE

Our Articles of Incorporation and mortgages contain provisions that, under certain circumstances, would restrict the payment of common stock dividends. As of December 31, 2001 no retained earnings were restricted as a result of these provisions.

COMMON STOCK SPLIT. On March 2, 1999 our common stock was split two-for-one. All common share and per share amounts in our financial statements and notes to the financial statements have been adjusted for all periods to reflect the two-for-one stock split.

SUMMARY OF COMMON STOCK	SHARES	EQUITY

Millions		
Balance at December 31, 1998	72.3	\$529.0
1999 Employee Stock Purchase Plan	0.1	1.3
Invest Direct	0.9	17.4
Other	0.2	4.3

Balance at December 31, 1999	73.5	552.0
2000 Employee Stock Purchase Plan	0.1	1.1
Invest Direct	1.0	18.8
Other	0.1	5.0

Balance at December 31, 2000	74.7	576.9
2001 Public Offering	6.6	150.0
Employee Stock Purchase Plan	0.1	1.4
Invest Direct	0.8	18.9
Other	1.7	23.1

Balance at December 31, 2001	83.9	\$770.3

INVEST DIRECT IS ALLETE'S DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN.

COMMON STOCK ISSUANCE. In May and June 2001 we sold 6.6 million shares of our common stock in a public offering at \$23.68 per share. Total net proceeds of approximately \$150 million were used to repay a portion of our short-term borrowings with the remainder invested in short-term instruments.

SHAREHOLDER RIGHTS PLAN. In 1996 we adopted a rights plan that provides for a dividend distribution of one preferred share purchase right (Right) to be attached to each share of common stock.

The Rights, which are currently not exercisable or transferable apart from our common stock, entitle the holder to purchase one two-hundredth of a share of ALLETE's Junior Serial Preferred Stock A, without par value, at an exercise price of \$45. These Rights would become exercisable if a person or group acquires beneficial ownership of 15% or more of our common stock or announces a tender offer which would increase the person's or group's beneficial ownership interest to 15% or more of our common stock, subject to certain exceptions. If the 15% threshold is met, each Right entitles the holder (other than the acquiring person or group) to purchase common stock (or, in certain circumstances, cash, property or other securities of ours) having a market price equal to twice the exercise price of the Right. If we are acquired in a merger or business combination, or 50% or more of our assets or earning power are sold, each exercisable Right entitles the holder to purchase common stock of the acquiring or surviving company having a value equal to twice the exercise price of the Right. Certain stock acquisitions will also trigger a provision permitting the Board of Directors to exchange each Right for one share of our common stock.

The Rights which expire on July 23, 2006, are nonvoting and may be redeemed by us at a price of \$.005 per Right at any time they are not exercisable. One million shares of Junior Serial Preferred Stock A have been authorized and are reserved for issuance under the plan.

EARNINGS PER SHARE. The difference between basic and diluted earnings per share arises from outstanding stock options and performance share awards granted under our Executive and Director Long-Term Incentive Compensation Plans.

RECONCILIATION OF BASIC AND DILUTED EARNINGS PER SHARE	BASIC EPS	DILUTIVE SECURITIES	DILUTED EPS

Millions Except Per Share Amounts			
2001			
Income from Continuing Operations	\$128.6	-	\$128.6
Common Shares	75.8	0.7	76.5
Per Share from Continuing Operations	\$1.70	-	\$1.68

2000

Income from Continuing Operations	\$136.9	-	\$136.9
Less: Dividends on Preferred Stock	0.9	-	0.9

	\$136.0	-	\$136.0
Common Shares	69.8	0.3	70.1
Per Share from Continuing Operations	\$1.95	-	\$1.94

There was no difference between basic and diluted earnings per share for 1999.

We paid dividends on preferred stock of \$0.9 million in 2000 (\$2.0 million in 1999).

13 SQUARE BUTTE POWER PURCHASE AGREEMENT

Minnesota Power has a power purchase agreement with Square Butte that extends through 2026 (Agreement). It provides a long-term supply of low-cost energy to customers in our electric service territory and enables Minnesota Power to meet power pool reserve requirements. Square Butte, a North Dakota cooperative corporation, owns a 455-megawatt coal-fired generating unit (Unit) near Center, North Dakota. The Unit is adjacent to a generating unit owned by Minnkota Power Cooperative, Inc. (Minnkota), a North Dakota cooperative corporation whose Class A members are also members of Square Butte. Minnkota serves as the operator of the Unit and also purchases power from Square Butte.

Minnesota Power is entitled to approximately 71% of the Unit's output under the Agreement. After 2005 and upon compliance with a two-year advance notice requirement, Minnkota has the option to reduce Minnesota Power's entitlement by 5% annually, to a minimum of 50%. Minnesota Power is obligated to pay its pro rata share of Square Butte's costs based on Minnesota Power's entitlement to Unit output. Minnesota Power's payment obligation is suspended if Square Butte fails to deliver any power, whether produced or purchased, for a period of one year. Square Butte's fixed costs consist primarily of debt service. At December 31, 2001 Square Butte had total debt outstanding of \$298.8 million. Total annual debt service for Square Butte is expected to be approximately \$36 million in both 2002 and 2003 and \$23 million in each of the years 2004 through 2006. Variable operating costs include the price of coal purchased from BNI Coal, our subsidiary, under a long-term contract.

Minnesota Power's cost of power purchased from Square Butte during 2001 was \$63.3 million (\$58.7 million in 2000 and in 1999). This reflects Minnesota Power's pro rata share of total Square Butte costs based on the 71% output entitlement in 2001, 2000 and 1999. Included in this amount was Minnesota Power's pro rata share of interest expense of \$14.2 million in 2001 (\$14.8 million in 2000; \$15.5 million in 1999). Minnesota Power's payments to Square Butte are approved as purchased power expense for ratemaking purposes by both the MPUC and FERC.

14 JOINTLY OWNED ELECTRIC FACILITY

We own 80% of the 531-megawatt Boswell Energy Center Unit 4 (Boswell Unit 4). While we operate the plant, certain decisions about the operations of Boswell Unit 4 are subject to the oversight of a committee on which we and Wisconsin Public Power, Inc. (WPPI), the owner of the other 20% of Boswell Unit 4, have equal representation and voting rights. Each of us must provide our own financing and is obligated to pay our ownership share of operating costs. Our share of direct operating expenses of Boswell Unit 4 is included in operating expense on our consolidated statement of income. Our 80% share of the original cost included in electric plant at December 31, 2001 was \$309 million (\$309 million at December 31, 2000). The corresponding provision for accumulated depreciation was \$163 million at December 31, 2001 (\$157 million at December 31, 2000).

15 INVESTMENTS IN CAPITAL RE AND ACE

In May 2000 we recorded a \$30.4 million, or \$0.44 per share, after-tax gain on the sale of 4.7 million shares of ACE Limited. We received 4.7 million shares of ACE plus \$25.1 million in December 1999 when Capital Re merged with ACE. At the time of the merger we owned 7.3 million shares, or 20%, of Capital Re.

As a result of the merger, in 1999 we recorded a \$36.2 million, or \$0.52 per share, after-tax charge as follows: a \$24.1 million, or \$0.35 per share, charge in the second quarter following the merger agreement and discontinuance of our equity accounting for Capital Re and a \$12.1 million, or \$0.17 per share, charge in the fourth quarter upon completion of the merger.

16 INCOME TAX EXPENSE

INCOME TAX EXPENSE YEAR ENDED DECEMBER 31	2001	2000	1999

Millions			
Current Tax Expense			
Federal	\$51.3	\$69.1	\$56.0
Foreign	7.6	8.0	6.9
State	7.7	6.4	5.8
	-----	-----	-----
	66.6	83.5	68.7
Deferred Tax Expense (Benefit)			
Federal	6.9	(5.9)	(11.1)
Foreign	0.2	0.9	(0.4)
State	(0.1)	(2.7)	(6.0)
	-----	-----	-----
	7.0	(7.7)	(17.5)
Change in Valuation Allowance	1.0	1.8	0.6
	-----	-----	-----
Deferred Tax Credits	(1.4)	(1.4)	(1.5)
	-----	-----	-----
Income Taxes on Continuing Operations	73.2	76.2	50.3
Income Taxes on Discontinued Operations	7.3	8.3	7.4
	-----	-----	-----
Total Income Tax Expense	\$80.5	\$84.5	\$57.7
	-----	-----	-----

RECONCILIATION OF TAXES FROM FEDERAL STATUTORY RATE TO TOTAL INCOME TAX EXPENSE YEAR ENDED DECEMBER 31	2001	2000	1999

Millions			
Tax Computed at Federal Statutory Rate	\$76.7	\$81.6	\$44.0
Increase (Decrease) in Tax			
State Income Taxes -- Net of Federal Income Tax Benefit	8.3	4.4	6.5
Capital Re Transaction	-	-	10.8
Foreign Taxes	0.5	1.2	2.3
Tax Credits	(1.7)	(1.4)	(3.3)
Other	(3.3)	(1.3)	(2.6)
	-----	-----	-----
Total Income Tax Expense	\$80.5	\$84.5	\$57.7
	-----	-----	-----

DEFERRED TAX ASSETS AND LIABILITIES DECEMBER 31	2001	2000

Millions		
Deferred Tax Assets		
Deferred Compensation Plans	\$19.1	\$14.7
Depreciation	18.2	13.9
Investment Tax Credits	16.8	17.7
Allowance for Bad Debts	11.3	9.2
Employee Stock Ownership Plan	9.8	9.4
Postemployment Benefits	8.8	9.2
Lehigh Basis Difference	8.2	7.9
State NOL Carryover	7.2	1.9
Conservation Improvement Programs	5.4	5.5
Other	27.4	28.2
	-----	-----
Gross Deferred Tax Assets	132.2	117.6
Deferred Tax Asset Valuation Allowance	(6.0)	(5.0)
	-----	-----
Total Deferred Tax Assets	126.2	112.6
	-----	-----
Deferred Tax Liabilities		
Depreciation	168.7	177.2
Investment Tax Credits	23.7	25.1
Allowance for Funds Used During Construction	11.7	12.8
Prepaid Pension	7.8	3.9
Like-Kind Exchange	7.3	-
Goodwill	5.6	1.5
Other	8.3	3.9
	-----	-----
Total Deferred Tax Liabilities	233.1	224.4
	-----	-----
Accumulated Deferred Income Taxes	\$106.9	\$111.8
	-----	-----

UNDISTRIBUTED EARNINGS. Undistributed earnings of our foreign subsidiaries were approximately \$36.3 million at December 31, 2001 (\$27.9 million at December 31, 2000). Since this amount has been or will be reinvested in property, plant and working capital, it is not practicable to calculate the deferred taxes associated with the remittance of these investments.

17 OTHER COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME YEAR ENDED DECEMBER 31	PRE-TAX AMOUNT	TAX EXPENSE (BENEFIT)	NET-OF-TAX AMOUNT

Millions			
2001			
Unrealized Gain (Loss) on Securities			
Gain During the Year	\$ 3.6	\$ 1.1	\$ 2.5
Less: Gain Included in Net Income	-	-	-

Net Unrealized Gain on Securities	3.6	1.1	2.5
Interest Rate Swap	(2.5)	(1.0)	(1.5)
Foreign Currency Translation Adjustments	(11.3)	-	(11.3)

Other Comprehensive Loss	\$ (10.2)	\$ 0.1	\$ (10.3)

2000			
Unrealized Gain (Loss) on Securities			
Gain During the Year	\$ 47.8	\$ 17.4	\$ 30.4
Less: Gain Included in Net Income	49.1	18.0	31.1

Net Unrealized Loss on Securities	(1.3)	(0.6)	(0.7)
Foreign Currency Translation Adjustments	(5.9)	-	(5.9)

Other Comprehensive Loss	\$ (7.2)	\$ (0.6)	\$ (6.6)

1999			
Unrealized Gain (Loss) on Securities			
Gain During the Year	\$ 1.6	\$ 0.7	\$ 0.9
Add: Loss Included in Net Income	1.7	0.7	1.0
Less: Unrealized Gains of Disposed Equity Investee	6.7	1.2	5.5

Net Unrealized Loss on Securities	(3.4)	0.2	(3.6)
Foreign Currency Translation Adjustments	4.5	-	4.5

Other Comprehensive Income	\$ 1.1	\$ 0.2	\$ 0.9

Accumulated other comprehensive income at December 31, 2001 consisted of \$3.8 million (\$2.8 million at December 31, 2000) in net unrealized gains on securities and \$(18.3) million (\$(7.0) million at December 31, 2000) in foreign currency translation adjustments. The gain included in net income for the year 2000 included the gain from our sale of ACE shares.

18 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Certain eligible employees of ALLETE are covered by noncontributory defined benefit pension plans. At December 31, 2001 approximately 10% of the defined benefit pension plan assets were invested in our common stock. We have defined contribution pension plans covering eligible employees, for which the aggregate annual cost was \$7.1 million in 2001 (\$5.7 million in 2000; \$4.7 million in 1999). We provide certain health care and life insurance benefits for eligible retired employees.

The assumed health care cost trend rate declines gradually to an ultimate rate of 5.0% by 2007. For postretirement health and life benefits, a 1% increase in the assumed health care cost trend rate would result in a \$9.4 million and a \$1.2 million increase in the benefit obligation and total service and interest costs, respectively; a 1% decrease would result in a \$7.9 million and \$1.0 million decrease in the benefit obligation and total service and interest costs, respectively.

PENSION

Millions

PLAN STATUS AT SEPTEMBER 30	2001	2000
Change in Benefit Obligation		
Obligation, Beginning of Year	\$228.5	\$220.0
Service Cost	4.2	4.1
Interest Cost	17.7	16.5
Actuarial Loss	13.6	2.4
Benefits Paid	(14.8)	(14.5)
Obligation, End of Year	249.2	228.5
Change in Plan Assets		
Fair Value, Beginning of Year	309.8	283.3
Actual Return on Assets	(14.7)	40.3
Benefits Paid	(14.8)	(14.5)
Other	1.6	0.7
Fair Value, End of Year	281.9	309.8
Funded Status		
Unrecognized Amounts	32.7	81.3
Net Gain	(19.5)	(76.4)
Prior Service Cost	5.2	3.8
Transition Obligation	0.7	0.8
Prepaid Pension Cost	\$ 19.1	\$ 9.5

BENEFIT EXPENSE YEAR ENDED DECEMBER 31	2001	2000	1999
Service Cost	\$ 4.2	\$ 4.1	\$ 4.7
Interest Cost	17.6	16.5	15.8
Expected Return on Assets	(29.6)	(27.5)	(24.7)
Amortized Amounts			
Unrecognized Gain	(2.5)	(2.3)	(0.4)
Prior Service Cost	0.5	0.5	0.5
Transition Obligation	0.2	0.2	0.2
Net Pension Credit	\$(9.6)	\$(8.5)	\$(3.9)

ACTUARIAL ASSUMPTIONS	2001	2000
Discount Rate	7.75%	8.0%
Expected Return on Plan Assets	10.0%	10.25%
Rate of Compensation Increase	3.5 - 4.5%	3.5 - 4.5%

HEALTH AND LIFE

Millions

PLAN STATUS AT SEPTEMBER 30	2001	2000
Change in Benefit Obligation		
Obligation, Beginning of Year	\$ 66.2	\$ 61.3
Service Cost	2.7	2.7
Interest Cost	5.2	4.7
Actuarial (Gain) Loss	5.8	(0.2)
Participant Contributions	0.9	0.7
Benefits Paid	(3.6)	(3.0)
Obligation, End of Year	77.2	66.2
Change in Plan Assets		
Fair Value, Beginning of Year	39.9	29.7

Actual Return on Assets	(2.3)	3.1
Employer Contribution	1.8	9.4
Participant Contributions	0.9	0.7
Benefits Paid	(3.6)	(3.0)

Fair Value, End of Year	36.7	39.9
Funded Status	(40.5)	26.3
Unrecognized Amounts		
Net Gain	(4.9)	(17.7)
Transition Obligation	27.1	29.5

Accrued Cost	\$(18.3)	\$(14.5)

BENEFIT EXPENSE			
YEAR ENDED DECEMBER 31	2001	2000	1999

Service Cost	\$2.7	\$2.7	\$2.7
Interest Cost	5.2	4.7	3.7
Expected Return on Assets	(3.4)	(2.7)	(2.3)
Amortized Amounts			
Unrecognized Gain	(0.9)	(0.9)	(0.9)
Transition Obligation	2.4	2.4	2.4

Amortization of Deferred Charge	6.0	6.2	5.6
	-	-	2.8

Net Expense	\$6.0	\$6.2	\$8.4

ACTUARIAL ASSUMPTIONS		2001	2000

Discount Rate		7.75%	8.0%
Expected Return on Plan Assets	8.0 - 10.0%		6.0 - 10.0%
Rate of Compensation Increase	3.5 - 4.5%		3.5 - 4.5%
Health Care Cost Trend Rate		10%	6.9%

19 EMPLOYEE STOCK AND INCENTIVE PLANS

EMPLOYEE STOCK OWNERSHIP PLAN. We sponsor a leveraged employee stock ownership plan (ESOP) that covers certain eligible employees. In 1989 the ESOP used the proceeds from a \$16.5 million third-party loan (15-year term at 9.125%), guaranteed by us, to purchase 1.2 million shares of our common stock on the open market. In 1990 the ESOP issued a \$75 million note (term not to exceed 25 years at 10.25%) to us as consideration for 5.6 million shares of our newly issued common stock. The Company makes annual contributions to the ESOP equal to the ESOP's debt service less available dividends received by the ESOP. The majority of dividends received by the ESOP are used to pay debt service, with the balance distributed to certain participants. The ESOP shares were initially pledged as collateral for its debt. As the debt is repaid, shares are released from collateral and allocated to participants, based on the proportion of debt service paid in the year. The third-party debt of the ESOP is recorded as long-term debt and the shares pledged as collateral are reported as unearned ESOP shares in the Balance Sheet. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings-per-share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; available dividends on unallocated ESOP shares are recorded as a reduction of debt and accrued interest. ESOP compensation expense was \$2.6 million in 2001 (\$2.3 million in 2000; \$2.2 million in 1999).

YEAR ENDED DECEMBER 31	2001	2000	1999

Millions			
Shares			
Allocated Shares	3.9	3.9	3.8
Unreleased Shares	4.0	4.2	4.4

Total ESOP Shares	7.9	8.1	8.2

Fair Value of Unreleased Shares	\$100.3	\$104.6	\$75.8

EMPLOYEE STOCK PURCHASE PLAN. We have an Employee Stock Purchase Plan that permits eligible employees to buy up to \$23,750 per year of our common stock at 95% of the market price. At December 31, 2001, 1.2 million shares had been issued under the plan and 97,380 shares were held in reserve for future issuance.

STOCK OPTION AND AWARD PLANS. We have an Executive Long-Term Incentive Compensation Plan (Executive Plan) and a Director Long-Term Stock Incentive Plan (Director Plan). The Executive Plan allows for the grant of up to 6.7 million shares of our common stock to key employees. To date, these grants have taken the form of stock options, performance share awards and restricted stock awards. The Director Plan allows for the grant of up to 0.3 million shares of our common stock to nonemployee directors. Each nonemployee director receives an annual grant of 1,500 stock options and a biennial grant of performance shares equal to \$10,000 in value of common stock at the date of grant. Stock options are exercisable at the market price of common shares on the date the options are granted, and vest in equal annual installments over two years with expiration ten years from the date of grant. Performance shares are earned over multi-year time periods and are contingent upon the attainment of certain performance goals of ALLETE. Restricted stock vests once certain periods of time have elapsed. At December 31, 2001 2.4 million and 0.2 million shares were held in reserve for future issuance under the Executive Plan and Director Plan, respectively.

We have elected to account for our stock-based compensation plans in accordance with the Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees," and accordingly, compensation expense has not been recognized for stock options granted. Compensation expense is recognized over the vesting periods for performance and restricted share awards based on the market value of our common stock, and was approximately \$9 million in 2001 (\$5 million in 2000; \$3 million in 1999). Pro forma net income and earnings per share under SFAS 123 "Accounting for Stock-Based Compensation" have not been presented because such amounts are not materially different from actual amounts reported. This may not be representative of the pro forma effects for future years if additional awards are granted.

STOCK OPTION ACTIVITY	OPTIONS	AVERAGE EXERCISE PRICE

Options in Millions		
2001		
Outstanding, Beginning of Year	2.4	\$18.52
Granted	0.8	\$23.63
Exercised	(0.8)	\$18.39
Canceled	(0.1)	\$21.05

Outstanding, End of Year	2.3	\$20.18

Exercisable, End of Year	1.2	\$19.55
Fair Value of Options Granted		
During the Year	\$5.39	

2000		
Outstanding, Beginning of Year	1.6	\$19.77
Granted	1.0	\$16.33
Exercised	(0.1)	\$14.91
Canceled	(0.1)	\$18.85
Outstanding, End of Year	2.4	\$18.52
Exercisable, End of Year	1.1	\$19.42
Fair Value of Options Granted During the Year	\$3.20	

1999		
Outstanding, Beginning of Year	1.0	\$17.31
Granted	0.9	\$21.77
Exercised	(0.2)	\$13.91
Canceled	(0.1)	\$21.25
Outstanding, End of Year	1.6	\$19.77
Exercisable, End of Year	0.6	\$16.38
Fair Value of Options Granted During the Year	\$3.38	

At December 31, 2001 options outstanding consisted of 0.8 million with an exercise price of \$13.69 to \$16.25, and 1.5 million with an exercise price of \$21.63 to \$23.63. The options with an exercise price of \$13.69 to \$16.25 have an average remaining contractual life of 7.3 years with 0.4 million exercisable on December 31, 2001 at an average price of \$15.26. The options with an exercise price of \$21.63 to \$23.63 have an average remaining contractual life of 7.8 years with 0.8 million exercisable on December 31, 2001 at an average price of \$21.91.

A total of 0.6 million performance share grants were awarded in 2000 and 2001 for the performance period ended December 31, 2001. The grant date fair value of the share grants was \$9.6 million. The shares will be issued in 2002 and 2003.

A total of 0.3 million performance share grants were awarded during 1999 and 1998 for the performance period ended December 31, 1999. The grant date fair value of the share grants was \$6.5 million. At December 31, 2001 75% of the shares had already been issued, with the balance to be issued in 2002.

In January 2002 we granted stock options to purchase approximately 0.8 million shares of common stock (exercise price of \$25.68 per share), and 0.3 million performance share grants. The ultimate issuance of performance share grants is contingent upon the attainment of certain future performance goals of ALLETE. The grant date fair value of the share grants was \$8.5 million.

20 QUARTERLY FINANCIAL DATA (UNAUDITED)

Information for any one quarterly period is not necessarily indicative of the results which may be expected for the year. Financial results for the fourth quarter of 2001 included a \$4.4 million, or \$0.06 per share, after-tax charge to exit the auto transport company. Financial results for 2000 included a \$30.4 million, or \$0.44 per share, after-tax gain on the sale of 4.7 million shares of ACE in the second quarter. (See Note 15.)

QUARTER ENDED	MAR. 31	JUN. 30	SEPT. 30	DEC. 31

Millions Except Earnings Per Share				
2001				
Operating Revenue	\$377.3	\$405.5	\$383.3	\$361.6
Operating Income from				
Continuing Operations	\$51.6	\$66.8	\$52.1	\$37.3
Net Income				
Continuing Operations	\$30.2	\$39.2	\$34.5	\$24.7
Discontinued Operations	2.7	3.3	3.3	0.8

Earnings Available for	\$32.9	\$42.5	\$37.8	\$25.5
Common Stock	\$32.9	\$42.5	\$37.8	\$25.5
Earnings Per Share of Common Stock				
Basic				
Continuing Operations	\$0.42	\$0.54	\$0.44	\$0.30
Discontinued Operations	0.04	0.04	0.04	0.01

	\$0.46	\$0.58	\$0.48	\$0.31
Diluted				
Continuing Operations	\$0.42	\$0.53	\$0.43	\$0.30
Discontinued Operations	0.04	0.04	0.04	0.01

	\$0.46	\$0.57	\$0.47	\$0.31
2000				
Operating Revenue	\$288.7	\$289.3	\$287.6	\$323.9
Operating Income from				
Continuing Operations	\$48.6	\$98.7	\$43.8	\$28.0
Net Income				
Continuing Operations	\$28.3	\$60.3	\$31.6	\$16.7
Discontinued Operations	2.1	3.9	3.4	2.3

Earnings Available for	\$30.4	\$64.2	\$35.0	\$19.0
Common Stock	\$29.9	\$63.9	\$34.9	\$19.0
Earnings Per Share of Common Stock				
Basic				
Continuing Operations	\$0.40	\$0.86	\$0.45	\$0.24
Discontinued Operations	0.03	0.06	0.05	0.03

	\$0.43	\$0.92	\$0.50	\$0.27
Diluted				
Continuing Operations	\$0.40	\$0.86	\$0.45	\$0.24
Discontinued Operations	0.03	0.06	0.05	0.03

	\$0.43	\$0.92	\$0.50	\$0.27

To the Board of Directors
of ALLETE, Inc.

Our audits of the consolidated financial statements referred to in our report dated January 21, 2002 appearing on page 42 of this Form 10-K also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
January 21, 2002

SCHEDULE II

ALLETE
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEAR ENDED DECEMBER 31	BALANCE AT BEGINNING OF YEAR	ADDITIONS		DEDUCTIONS FROM RESERVES	BALANCE AT END OF PERIOD
		CHARGED TO INCOME	OTHER CHANGES		
Millions					
Reserve Deducted from Related Assets					
Reserve For Uncollectible Accounts					
2001 Trade Accounts Receivable	\$4.8	\$4.4	-	\$3.4	\$5.8
Finance Receivables	6.5	2.4	-	3.0	5.9
2000 Trade Accounts Receivable	6.9	2.3	-	4.4	4.8
Finance Receivables	6.3	0.8	-	0.6	6.5
1999 Trade Accounts Receivable	5.5	3.3	-	1.9	6.9
Finance Receivables	3.6	3.8	-	1.1	6.3
Deferred Asset Valuation Allowance					
2001 Deferred Tax Assets	5.0	1.0	-	-	6.0
2000 Deferred Tax Assets	3.2	1.8	-	-	5.0
1999 Deferred Tax Assets	2.6	0.6	-	-	3.2

Reserve for uncollectible accounts includes bad debts written off.

EXHIBIT INDEX

EXHIBIT
NUMBER

- 10(g) - Master Agreement (without Exhibits), dated as of July 30, 2001, among ADESA Corporation, as a Guarantor, ADESA California, Inc. and certain subsidiaries of ADESA Corporation that may hereafter become party hereto, as Lessees, Atlantic Financial Group, Ltd., as Lessor, certain financial institutions parties hereto, as Lenders, and SunTrust Bank, as Agent.
- 10(h) - Master Lease Agreement (without Exhibits), dated as of July 30, 2001, between Atlantic Financial Group, Ltd., as Lessor, and ADESA California, Inc. and certain other subsidiaries of ADESA Corporation, as Lessees.
- 10(i) - Loan Agreement, dated as of July 30, 2001, among Atlantic Financial Group, Ltd., as Lessor and Borrower, the financial institutions party hereto, as Lenders, and SunTrust Bank, as Agent.
- 10(j) - Guaranty Agreement from ALLETE, dated as of July 30, 2001, relating to the Master Agreement, dated as of July 30, 2001.
- 12 - Computation of Ratios of Earnings to Fixed Charges and Supplemental Ratios of Earnings to Fixed Charges.
- 23(a) - Consent of Independent Accountants.
- 23(b) - Consent of General Counsel.

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MASTER AGREEMENT

Dated as of July 30, 2001

among

ADESA CORPORATION,
as a Guarantor

ADESA CALIFORNIA, INC. AND
CERTAIN SUBSIDIARIES OF
ADESA CORPORATION
THAT MAY HEREAFTER BECOME PARTY HERETO,
as Lessees

ATLANTIC FINANCIAL GROUP, LTD., as Lessor,
CERTAIN FINANCIAL INSTITUTIONS PARTIES HERETO,
as Lenders

and

SUNTRUST BANK, as Agent

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MASTER AGREEMENT

THIS MASTER AGREEMENT, dated as of July 30, 2001 (as it may be amended or modified from time to time in accordance with the provisions hereof, this "MASTER AGREEMENT"), is among ADESA CORPORATION, an Indiana corporation ("ADESA"), as a Guarantor, ADESA CALIFORNIA, INC., a California corporation ("ADESA CALIFORNIA"), and certain other Subsidiaries of ADESA that may hereafter become parties hereto as lessees pursuant to SECTION 3.6 (individually, a "LESSEE" and collectively the "LESSEES"), as Lessees, ATLANTIC FINANCIAL GROUP, LTD., a Texas limited partnership (the "LESSOR"), certain financial institutions parties hereto as lenders (together with any other financial institution that becomes a party hereto as a lender, collectively referred to as "LENDERS" and individually as a "LENDER"), and SUNTRUST BANK, a Georgia state banking corporation ("SunTrust Bank"), as agent for the Lenders (in such capacity, the "AGENT").

PRELIMINARY STATEMENT

In accordance with the terms and provisions of this Master Agreement, the Lease, the Loan Agreement and the other Operative Documents, (i) the Lessor contemplates acquiring Land and, in certain cases, the Buildings on such Land identified by ADESA or ADESA California from time to time, and leasing such Land and Buildings thereon to a Lessee, (ii) ADESA California, as Construction Agent for the Lessor, wishes, in certain instances, to arrange for the construction of Buildings on Land for the Lessor and, when completed, the related Lessee wishes to lease such Buildings from the Lessor as part of the Leased Properties under the Lease, (iii) ADESA California, in carrying out its duties as agent, wishes to obtain from Lessor, and the Lessor is willing to provide, funding for the acquisition of the Land and Buildings, or, in certain instances, the construction of Buildings, and (iv) the Lessor wishes to obtain, and Lenders are willing to provide, from time to time, financing of a portion of the funding of the acquisition of the Land and Buildings and, if applicable, the construction of the Buildings.

In consideration of the mutual agreements contained in this Master Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I. DEFINITIONS; INTERPRETATION

Unless the context shall otherwise require, capitalized terms used and not defined herein shall have the meanings assigned thereto in APPENDIX A hereto for all purposes hereof; and the rules of interpretation set forth in APPENDIX A hereto shall apply to this Master Agreement.

ARTICLE II.
ACQUISITION, CONSTRUCTION AND LEASE; FUNDINGS;
NATURE OF TRANSACTION

SECTION 2.1 AGREEMENT TO ACQUIRE, CONSTRUCT, FUND AND LEASE

(a) LAND. Subject to the terms and conditions of this Master Agreement, with respect to each parcel of Land identified by ADESA or ADESA California, on the related Closing Date (i) the Lessor agrees to acquire such interest in the related Land, and any Building thereon, from the applicable Seller as is transferred, sold, assigned and conveyed to the Lessor pursuant to the applicable Purchase Agreement or to lease such interest in the related Land, and any Building thereon, from the applicable Ground Lessor as is leased to the Lessor pursuant to the applicable Ground Lease, (ii) the Lessor hereby agrees to lease, or sublease, as the case may be, such Land and any Building thereon to the related Lessee pursuant to the Lease, and (iii) the related Lessee hereby agrees to lease, or sublease, as the case may be, such Land, and any Building thereon, from the Lessor pursuant to the Lease. With respect to each IDB Property, (i) the applicable Authority may acquire such interest in the related Land from the applicable Seller as is transferred, sold, assigned and conveyed to the Authority pursuant to the applicable Purchase Agreement, (ii) the applicable Authority will lease such Land to the Lessor pursuant to the related IDB Lease, and (iii) the related Lessee hereby agrees to sublease such Land from the Lessor pursuant to the Lease (it being understood that any reference in the Operative Documents to the lease by a Lessee of an IDB Property shall be deemed to refer to the sublease thereof pursuant to the Lease, if title to such IDB Property is held by the related Authority).

(b) BUILDING. With respect to each parcel of Land on which a Building is to be constructed, subject to the terms and conditions of this Master Agreement, from and after the Closing Date relating to such Land (i) the Construction Agent agrees, pursuant to the terms of the Construction Agency Agreement, to construct and install the Building on such Land for the Lessor prior to the Scheduled Construction Termination Date, (ii) the Lenders and the Lessor agree to fund the Construction Costs with respect to such Building, (iii) the Lessor shall lease, or sublease, as the case may be, such Building as part of such Leased Property to the related Lessee pursuant to the Lease, and (iv) the related Lessee shall lease, or sublease, as the case may be, such Building from the Lessor pursuant to the Lease.

SECTION 2.2 FUNDINGS OF PURCHASE PRICE AND CONSTRUCTION COSTS

(a) INITIAL FUNDING AND PAYMENT OF PURCHASE PRICE FOR LAND AND DEVELOPMENT COSTS ON CLOSING DATE. Subject to the terms and conditions of this Master Agreement, on the Closing Date for any Land, and any Building thereon, each Lender shall make available, or arrange to make available, to the Lessor its initial Loan with respect to such Land, and any Building thereon, in an amount equal to the product of such Lender's Commitment Percentage times the purchase price or the ground rent for such Land, and any Building thereon, and the Construction Costs incurred by the Construction Agent, as agent, through such Closing Date, which funds the Lessor shall use, together with the Lessor's own funds in an amount equal to the

product of the Lessor's Commitment Percentage times the purchase price or ground rent for the related Land and any Building thereon, and the Construction Costs incurred by the Construction Agent, as agent for the Lessor, through such Closing Date, to purchase such Land, and any Building thereon, from the applicable Seller pursuant to the applicable Purchase Agreement or lease the Land and any Building thereon, from the applicable Ground Lessor pursuant to the applicable Ground Lease, as the case may be, and to pay the amount of such Construction Costs, and the Lessor shall lease, or sublease, as the case may be, such Land to the related Lessee pursuant to the Lease.

(b) SUBSEQUENT FUNDINGS AND PAYMENTS OF CONSTRUCTION COSTS DURING CONSTRUCTION TERM. Subject to the terms and conditions of this Master Agreement, if a Building is to be constructed on Land, on each Funding Date following the Closing Date for each such parcel of Land until the related Construction Term Expiration Date, (i) each Lender shall make available, or arrange to make available, to the Lessor a Loan in an amount equal to the product of such Lender's Commitment Percentage times the amount of Funding requested by the Construction Agent for such Funding Date, which funds the Lessor hereby directs each Lender to pay over, or cause to be paid over, to the Agent, for distribution to the Construction Agent, as agent for the Lessor, as set forth in PARAGRAPH (d), and (ii) the Lessor shall pay over to the Agent, for distribution to the Construction Agent, as agent for the Lessor, its own funds (which shall constitute a part of, and an increase in, the Lessor's Invested Amount with respect to such Leased Property) in an amount equal to the product of the Lessor's Commitment Percentage times the amount of Funding requested by the Construction Agent for such Funding Date.

(c) AGGREGATE LIMITS ON FUNDED AMOUNTS. The aggregate amount that the Funding Parties shall be committed to provide, or cause to be provided, as Funded Amounts under this Master Agreement and the Loan Agreement shall not exceed (x) with respect to each Leased Property, the costs of purchase (or ground lease, as the case may be) and construction of such Leased Property and the related Construction Costs, or (y) \$45,000,000 in the aggregate for all Leased Properties. The aggregate amount that any Funding Party shall be committed to fund, or cause to be funded, under this Master Agreement and the Loan Agreement shall not exceed the lesser of (i) such Funding Party's Commitment and (ii) such Funding Party's Commitment Percentage of the aggregate Fundings requested under this Master Agreement.

(d) NOTICE, TIME AND PLACE OF FUNDINGS. With respect to each Funding, a Lessee or the Construction Agent, as the case may be, shall give the Lessor and the Agent an irrevocable prior telephone (followed within one Business Day with written) or written notice not later than 11:00 a.m., Atlanta, Georgia time, at least three Business Days prior to the proposed Closing Date or other Funding Date, as the case may be, pursuant, in each case, to a Funding Request in the form of EXHIBIT A (a "FUNDING REQUEST"), specifying the Closing Date or subsequent Funding Date, as the case may be, the amount of Funding requested, the Leased Property to which such Funding relates, whether such Funding shall be a LIBOR Advance or a Base Rate Advance or a combination thereof and the Rent Period(s) therefor. The Agent shall promptly forward a copy of each Funding Request to the Lenders (which distribution may be by e-mail or facsimile transmission). All documents and instruments required to be delivered on

such Closing Date pursuant to this Master Agreement shall be delivered at the offices of Mayer, Brown & Platt, 190 South LaSalle Street, Chicago, Illinois 60603, or at such other location as may be determined by the Lessor, the Construction Agent and the Agent. Each Funding shall occur on a Business Day and shall be in an amount equal to \$100,000 or an integral multiple of \$10,000 in excess thereof, with the exception of the final draw, which may be for such lesser amount as may be due and owing to fund the balance of the Construction Costs for the related Leased Property. All remittances made by, or caused to be made by, any Lender and the Lessor for any Funding shall be made in immediately available funds by wire transfer to or, as is directed by, the Construction Agent, with receipt by the Construction Agent not later than 12:00 noon, Atlanta, Georgia time, on the applicable Funding Date, upon satisfaction or waiver of the conditions precedent to such Funding set forth in SECTION 3; such funds shall (1) in the case of the initial Funding on a Closing Date, be used to pay the purchase price to the applicable Seller, or ground rent to the applicable Ground Lessor, for the related Land and any Building thereon and pay Construction Costs related to such Land, and (2) in the case of each subsequent Funding be paid to the Construction Agent, as agent for the Lessor, for the payment or reimbursement of Construction Costs incurred through such Funding Date and not previously paid or reimbursed.

(e) LESSEE'S DEEMED REPRESENTATION FOR EACH FUNDING. Each Funding Request by a Lessee or the Construction Agent shall be deemed a reaffirmation of each Lessee's indemnity obligations in favor of the Indemnitees under the Operative Documents and a representation and warranty to the Lessor, the Agent and the Lenders that on the proposed Closing Date or Funding Date, as the case may be, (i) the amount of Funding requested represents amounts owing in respect of the purchase price or ground rent of the related Land, and any Building thereon, and Construction Costs in respect of the Leased Property (in the case of the initial Funding on a Closing Date) or amounts that are then due to third parties in respect of the Construction, or amounts paid by the Construction Agent, as agent for the Lessor, to third parties which the Construction Agent has not previously been reimbursed by a Funding (in the case of any Funding), (ii) no Event of Default or Potential Event of Default exists, and (iii) the representations and warranties of ADESA and each Lessee set forth in SECTION 4.1 are true and correct in all material respects as though made on and as of such Funding Date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(f) NOT JOINT OBLIGATIONS. Notwithstanding anything to the contrary set forth herein or in the other Operative Documents, each Lender's and the Lessor's commitments shall be several, and not joint. In no event shall any Funding Party be obligated to fund, or cause to be funded, an amount in excess of such Funding Party's Commitment Percentage of any Funding, or to fund, or cause to be funded, amounts in the aggregate in excess of such Funding Party's Commitment.

(g) NON-PRO RATA FUNDINGS. Notwithstanding anything to the contrary set forth in this Master Agreement, but subject to SECTION 2.2(f) above, at the Agent's option, Fundings may be made by drawing on the Lessor's Commitment until such Commitment is fully

funded before drawing on the Lenders' Commitments. In such event, when the Lessor's Commitment is fully funded, the Lenders will fund, or cause to be funded, on a pro rata basis as among themselves, 100% of the amount of the Fundings thereafter, PROVIDED that, in no event will the Lessor's Invested Amount be less than 3.5% of the aggregate Funded Amounts.

SECTION 2.3 FUNDED AMOUNTS AND INTEREST AND YIELD THEREON; UNUSED FEE

(a) The Lessor's Invested Amount for any Leased Property outstanding from time to time shall accrue yield ("YIELD") at the Lessor Rate, computed using the actual number of days elapsed and a 360 day year. If all or a portion of the principal amount of or Yield on the Lessor's Invested Amounts shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall, without limiting the rights of the Lessor under the Lease, to the maximum extent permitted by law, accrue Yield at the Overdue Rate, from the date of nonpayment until paid in full (both before and after judgment).

(b) Each Lender's Funded Amount for any Leased Property outstanding from time to time shall accrue interest as provided in the Loan Agreement.

(c) During the Construction Term, in lieu of the payment of accrued interest, on each Payment Date, each Lender's Funded Amount in respect of a Construction Land Interest shall automatically be increased by the amount of interest accrued and unpaid on the related Loans pursuant to the Loan Agreement during the Rent Period ending immediately prior to such Payment Date (except to the extent that at any time such increase would cause such Lender's Funded Amount to exceed such Lender's Commitment, in which event the related Lessee shall pay such excess amount to such Lender in immediately available funds on such Payment Date). Similarly, in lieu of the payment of accrued Yield, on each Payment Date, the Lessor's Invested Amount in respect of a Construction Land Interest shall automatically be increased by the amount of Yield accrued on the Lessor's Invested Amount in respect of such Leased Property during the Rent Period ending immediately prior to such Payment Date (except to the extent that at any time such increase would cause the Lessor's Invested Amount to exceed the Lessor's Commitment, in which event the related Lessee shall pay such excess amount to the Lessor in immediately available funds on such Payment Date). Such increases in Funded Amounts may occur without any disbursement of funds by the Funding Parties, and without the need for delivery of a Funding Request.

(d) Three Business Days prior to the last day of each Rent Period, ADESA or ADESA California shall deliver (which delivery may be by facsimile) to the Lessor and the Agent a notice substantially in the form of EXHIBIT I (each, a "PAYMENT DATE NOTICE"), appropriately completed, specifying the allocation of the Funded Amounts related to such Rent Period to LIBOR Advances and Base Rate Advances and the Rent Periods therefor, PROVIDED that no such allocation to LIBOR Advances shall be in an amount less than \$1,000,000. Each such Payment Date Notice shall be irrevocable. The Agent shall promptly forward a copy of each Payment Date Notice to the Lenders (which distribution may be by e-mail or facsimile)

transmission). If no such notice is given, the Funded Amounts shall be allocated to a LIBOR Advance with a Rent Period of three (3) months.

(e) ADESA California agrees to pay to the Agent, for the pro rata benefit of the Funding Parties, an unused fee for each day from the date hereof until the Lease Termination Date equal to (i) the Fee Percentage TIMES (ii) the aggregate Commitments, MINUS the Funded Amounts on such day, TIMES (iii) 1/360. Such fees shall be payable in arrears on each Quarterly Payment Date and, prior to the Funding Termination Date, may be paid with the proceeds of Advances.

SECTION 2.4 LESSEE OWNER FOR TAX PURPOSES. With respect to each Leased Property, it is the intent of the Lessees and the Funding Parties that for federal, state and local tax purposes and commercial and bankruptcy law purposes the Lease shall be treated as the repayment and security provisions of a loan by the Lessor to the Lessees, and that the related Lessee shall be treated as the legal and beneficial owner entitled to any and all benefits of ownership of such Leased Property and all payments of Basic Rent during the Lease Term shall be treated as payments of interest and principal. Each of Lessor and each Lessee shall report the transactions contemplated by the Lease consistent with such treatment and shall take no position contrary thereto unless otherwise required by a determination within the meaning of Section 1313 of the Code or similar provision of state or local law. Nevertheless, each of Guarantor and each Lessee acknowledges and agrees that neither the Agent, nor any Funding Party, nor any other Person has made any representations or warranties concerning the tax, financial, accounting or legal characteristics or treatment of the Operative Documents and that each of Guarantor and each Lessee has obtained and relied solely upon the advice of its own tax, accounting and legal advisors concerning the Operative Documents and the accounting, tax, financial and legal consequences of the transactions contemplated therein.

ARTICLE III.
CONDITIONS PRECEDENT; DOCUMENTS

SECTION 3.1 CONDITIONS TO THE OBLIGATIONS OF THE FUNDING PARTIES ON EACH CLOSING DATE. The obligations of the Lessor and each Lender to carry out their respective obligations under SECTION 2 of this Master Agreement to be performed on the Closing Date with respect to any Land and any Building thereon shall be subject to the fulfillment to the satisfaction of, or waiver by, each such party hereto (acting directly or through its counsel), on or prior to such Closing Date of the following conditions precedent, PROVIDED that the obligations of any Funding Party shall not be subject to any conditions contained in this SECTION 3.1 which are required to be performed by such Funding Party:

(a) DOCUMENTS. The following documents shall have been executed and delivered by the respective parties thereto:

(i) DEED AND PURCHASE AGREEMENT; GROUND LEASE. The related original Deed duly executed by the applicable Seller in favor of the Lessor and in recordable form, and copies of the related Purchase Agreement, assigned to the Lessor (unless Lessor is the original party thereto), shall each have been delivered to the Agent by ADESA or the related Lessee, with copies thereof to each other Funding Party or the related Ground Lease, duly assigned to the Lessor (unless Lessor is the original party thereto), shall have been delivered to the Agent, with copies thereof to each other Funding Party, as applicable (IT BEING UNDERSTOOD, that each Purchase Agreement and each Ground Lease shall be reasonably satisfactory in form and substance to the Lessor and the Lenders).

(ii) LEASE SUPPLEMENT. The original of the related Lease Supplement, duly executed by the related Lessee and the Lessor and in recordable form, shall have been delivered to the Agent by such Lessee.

(iii) MORTGAGE AND ASSIGNMENT OF LEASE AND RENTS. Counterparts of the Mortgage (substantially in the form of EXHIBIT D-1 or D-2, as the case may be, attached hereto), duly executed by the Lessor and in recordable form, shall have been delivered to the Agent (which Mortgage shall secure all of the obligations of the Lessor under the Operative Documents to the Agent unless such mortgage is subject to a tax based on the amount of indebtedness secured thereby, in which case the amount secured will be limited to debt of the Lessor in an amount equal to 125% of the projected cost of acquisition and construction of such Leased Property); and the Assignment of Lease and Rents (substantially in the form of EXHIBIT B attached hereto) in recordable form, duly executed by the Lessor, shall have been delivered to the Agent by the Lessor.

(iv) SECURITY AGREEMENT AND ASSIGNMENT. If Buildings are to be constructed on the Land, counterparts of the Security Agreement and Assignment (substantially in the form of EXHIBIT C attached hereto), duly executed by the Construction Agent, with an acknowledgment and consent thereto satisfactory to the Lessor and the Agent duly executed by the related General Contractor and the related Architect or Engineer, as applicable, and complete copies of the related Construction Contract and the related Architect's Agreement or Engineer's Agreement certified by the Construction Agent, shall have been delivered to the Lessor and the Agent (it being understood and agreed that if no related Construction Contract, Architect's Agreement or Engineer's Agreement exists on such Closing Date, such delivery shall not be a condition precedent to the Funding on such Closing Date, and in lieu thereof the Construction Agent shall deliver complete copies of such Security Agreement and Assignment and consents concurrently with the Construction Agent's entering into such contracts). If such Leased Property is a Construction Land Interest, counterparts of the supplement to the Construction Agency Agreement for such Leased Property,

duly executed by the Construction Agent and the Lessor, shall have been delivered to the Agent.

(v) SURVEY. The related Lessee shall have delivered, or shall have caused to be delivered, to the Lessor and the Agent, at such Lessee's expense, an accurate survey certified to the Lessor and the Agent in a form reasonably satisfactory to the Lessor and the Agent and prepared within one year of such Closing Date (or such other time period agreed to by the Lessor and the Agent) by a Person reasonably satisfactory to the Lessor and the Agent. Such survey shall (1) be acceptable to the Title Insurance Company for the purpose of providing extended coverage to the Lessor and a lender's comprehensive endorsement to the Agent, (2) show no encroachments on such Land by structures owned by others, and no encroachments from any part of such Leased Property onto any land owned by others, and (3) disclose no state of facts reasonably objectionable to the Lessor, the Agent or the Title Insurance Company, and be reasonably acceptable to each such Person.

(vi) TITLE AND TITLE INSURANCE. On such Closing Date, the Lessor shall receive from a title insurance company reasonably acceptable to the Lessor and the Agent an ALTA Owner's Policy of Title Insurance issued by such title insurance company and the Agent shall receive from such title insurance company an ALTA Mortgagee's Policy of Title Insurance issued by such title insurance company, in each case, in the amount of the projected cost of acquisition and construction of such Leased Property, reasonably acceptable in form and substance to the Lessor and the Agent, respectively (collectively, the "TITLE POLICY"). The Title Policy shall be dated as of such Closing Date, and, to the extent permitted under Applicable Law, shall include such affirmative endorsements as the Lessor or the Agent shall reasonably request.

(vii) APPRAISAL. Each Funding Party shall have received a report of the Appraiser (an "APPRAISAL"), paid for by Guarantor or the related Lessee, which shall meet the requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, shall be satisfactory to such Funding Party and shall state in a manner satisfactory to such Funding Party the estimated "as vacant" value of such Land and existing Buildings or any Building to be constructed thereon. Such Appraisal must show that the "as vacant" value of such Leased Property (if a Building is to be constructed on the Land, determined as if the Building had already been completed in accordance with the related Plans and Specifications and by excluding from such value the amount of assessments on such Leased Property) is at least 45% of the total cost of such Leased Property, including the cost of the trade fixtures, equipment and personal property related to such Leased Property and to be funded by the Funding Parties.

(viii) ENVIRONMENTAL AUDIT AND RELATED RELIANCE LETTER. The Lessor and the Agent shall have received an Environmental Audit for such Leased Property, which shall be conducted in substantial compliance with ASTM standards and shall not include a recommendation for further investigation and is otherwise satisfactory to the Lessor and the Agent; and the firm that prepared the Environmental Audit for such Leased Property shall have delivered to the Lessor and the Agent a letter stating that the Lessor, the Agent and the Lenders may rely upon such firm's Environmental Audit of such Land, IT BEING UNDERSTOOD that the Lessor's and the Agent's acceptance of any such Environmental Audit shall not release or impair the Guarantor's or any Lessee's obligations under the Operative Documents with respect to any environmental liabilities relating to such Leased Property.

(ix) EVIDENCE OF INSURANCE. The Lessor and the Agent shall have received from the related Lessee certificates of insurance evidencing compliance with the provisions of Article VIII of the Lease (including the naming of the Lessor, the Agent and the Lenders as additional insured or loss payee with respect to such insurance, as their interests may appear), in form and substance reasonably satisfactory to the Lessor and the Agent.

(x) UCC FINANCING STATEMENT; RECORDING FEES; TRANSFER TAXES. Each Funding Party shall have received satisfactory evidence of (i) the execution and delivery to Agent of a UCC-1 and, if required by applicable law, UCC-2 financing statement to be filed with the Secretary of State of the applicable State (or other appropriate filing office) and the county where the related Land is located, respectively, and such other Uniform Commercial Code financing statements as any Funding Party deems necessary or desirable in order to perfect such Funding Party's interests and (ii) the payment of all recording and filing fees and taxes with respect to any recordings or filings made of the related Deed, the Lease, the related Lease Supplement, the related Mortgage and the related Assignment of Lease and Rents.

(xi) OPINIONS. An opinion of local counsel for the related Lessee qualified in the jurisdiction in which such Leased Property is located, substantially in the form set forth in EXHIBIT G attached hereto, and containing such other matters as the parties to whom they are addressed shall reasonably request, shall have been delivered and addressed to each of the Lessor, the Agent and the Lenders. To the extent reasonably requested by the Agent, opinions supplemental to those delivered under SECTION 3.2(vi) and reasonably satisfactory to the Agent shall have been delivered and addressed to each of the Lessor, the Agent and the Lenders.

(xii) GOOD STANDING CERTIFICATES. The Agent shall have received good standing certificates for the Lessor and the related Lessee from the appropriate offices of the state where the related Land is located.

(xiii) IDB PROPERTY. If such Leased Property is an IDB Property or is otherwise subject to industrial development or revenue bonds, the IDB Documentation shall have been executed by the parties thereto, and shall be in form and substance reasonably acceptable to the Agent, the Lessor and the Lenders.

(b) LITIGATION. No action or proceeding shall have been instituted or, to the knowledge of any Funding Party, threatened nor shall any governmental action, suit, proceeding or investigation be instituted or threatened before any Governmental Authority, nor shall any order, judgment or decree have been issued or proposed to be issued by any Governmental Authority, to set aside, restrain, enjoin or prevent the performance of this Master Agreement or any transaction contemplated hereby or by any other Operative Document or which is reasonably likely to materially adversely affect any Leased Property or any transaction contemplated by the Operative Documents or which would reasonably be expected to result in a Material Adverse Effect.

(c) LEGALITY. In the opinion of such Funding Party or its counsel, the transactions contemplated by the Operative Documents shall not violate any Applicable Law, and no change shall have occurred or been proposed in Applicable Law that would make it illegal for such Funding Party to participate in any of the transactions contemplated by the Operative Documents.

(d) NO EVENTS. (i) No Event of Default, Potential Event of Default, Event of Loss or Event of Taking relating to such Leased Property shall have occurred and be continuing, (ii) no action shall be pending or threatened by a Governmental Authority to initiate a Condemnation or an Event of Taking, and (iii) there shall not have occurred any event that would reasonably be expected to have a Material Adverse Effect since December 31, 2000.

(e) REPRESENTATIONS. Each representation and warranty of the parties hereto or to any other Operative Document contained herein or in any other Operative Document shall be true and correct in all material respects as though made on and as of such Closing Date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(f) CUTOFF DATE. No Closing Date shall occur after the Funding Termination Date.

(g) APPROVAL. Except for the Leased Property located in San Joaquin County, California, the Lenders shall have approved such Leased Property for inclusion in the Lease.

SECTION 3.2 ADDITIONAL CONDITIONS FOR THE INITIAL CLOSING DATE. The obligations of the Lessor and each Lender to carry out their respective obligations under SECTION 2 of this Master Agreement to be performed on the Initial Closing Date shall be subject to the satisfaction of, or waiver by, each such party hereto (acting directly or through its counsel), on or prior to the Initial Closing Date of the following conditions precedent in addition to those set forth in SECTION 3.1, PROVIDED that the obligations of any Funding Party shall not be subject to any conditions contained in this SECTION 3.2 which are required to be performed by such Funding Party:

(i) LOAN AGREEMENT; GUARANTY AGREEMENTS. Counterparts of the Loan Agreement, duly executed by the Lessor, the Agent and each Lender shall have been delivered to each of the Lessor and the Agent. The Note, duly executed by the Lessor, shall have been delivered to the Agent. The Guaranty Agreements, duly executed by the respective Guarantors, shall have been delivered to the Agent.

(ii) MASTER AGREEMENT. Counterparts of this Master Agreement, duly executed by the parties hereto, shall have been delivered to each of the parties hereto.

(iii) CONSTRUCTION AGENCY AGREEMENT. Counterparts of the Construction Agency Agreement, duly executed by the parties thereto shall have been delivered to each of the parties hereto.

(iv) LEASE. Counterparts of the Lease, duly executed by the Lessees party to this Master Agreement on the Initial Closing Date, and the Lessor, shall have been delivered to each Funding Party and the original, chattel paper copy of the Lease shall have been delivered to the Agent.

(v) LESSEE'S RESOLUTIONS AND INCUMBENCY CERTIFICATE, ETC. Each of the Agent and the Lessor shall have received (x) a certificate of the Secretary or an Assistant Secretary of each Lessee party hereto on the Initial Closing Date and each Guarantor, attaching and certifying as to (i) the Board of Directors' (or appropriate committee's) resolution duly authorizing the execution, delivery and performance by it of each Operative Document to which it is or will be a party, (ii) the incumbency and signatures of persons authorized to execute and deliver such documents on its behalf, (iii) its articles or certificate of incorporation, certified as of a recent date by the Secretary of State of the state of its incorporation and (iv) its by-laws, and (y) good standing or active status certificates for each Lessee party hereto on the Initial Closing Date and each Guarantor from the appropriate offices of the states of such Guarantor's or such Lessee's incorporation and principal place of business.

(vi) OPINIONS OF COUNSEL. The opinions of Ice Miller, in-house counsel for ADESA and in-house counsel for Parent, each dated the Initial Closing Date,

containing such matters as the parties to whom it is addressed shall reasonably request, shall have been delivered and addressed to each of the Lessor, the Agent and the Lenders. The opinion of Brown McCarroll L.L.P., dated the Initial Closing Date, containing such matters as the parties to whom it is addressed shall reasonably request, shall have been delivered to each of the Agent, the Lenders and ADESA.

(vii) GOOD STANDING CERTIFICATE. The Agent and ADESA shall have received a good standing certificate for the Lessor and the General Partner from the appropriate office of the State of Texas.

(viii) LESSOR'S CONSENTS AND INCUMBENCY CERTIFICATE, ETC. The Agent and ADESA shall have received a certificate of the Secretary or an Assistant Secretary of the General Partner of the Lessor attaching and certifying as to (i) the consents of the partners of the Lessor duly authorizing the execution, delivery and performance by it of each Operative Document to which it is or will be a party, (ii) the incumbency and signatures of persons authorized to execute and deliver such documents on its behalf, and (iii) the Partnership Agreement.

SECTION 3.3 CONDITIONS TO THE OBLIGATIONS OF LESSEE. The obligations of any Lessee to lease a Leased Property from the Lessor are subject to the fulfillment on the related Closing Date to the satisfaction of, or waiver by, such Lessee, of the following conditions precedent:

(a) GENERAL CONDITIONS. The conditions set forth in SECTIONS 3.1 and 3.2 that require fulfillment by the Lessor or the Lenders shall have been satisfied.

(b) LEGALITY. In the opinion of such Lessee or its counsel, the transactions contemplated by the Operative Documents shall not violate any Applicable Law, and no change shall have occurred or been proposed in Applicable Law that would make it illegal for such Lessee to participate in any of the transactions contemplated by the Operative Documents.

(c) PURCHASE AGREEMENT; GROUND LEASE. The Purchase Agreement and, if applicable, the Ground Lease and all documents to be delivered under the Purchase Agreement or Ground Lease, including title insurance, survey and environmental audit, shall be reasonably satisfactory to such Lessee.

SECTION 3.4 CONDITIONS TO THE OBLIGATIONS OF THE FUNDING PARTIES ON EACH FUNDING DATE. The obligations of the Lessor and each Lender to carry out their respective obligations under SECTION 2 of this Master Agreement to be performed on each Funding Date shall be subject to the fulfillment to the satisfaction of, or waiver by, each such party hereto (acting directly or through their respective counsel) on or prior to each such Funding Date of the following conditions precedent, PROVIDED that the obligations of any Funding Party shall not be subject to any conditions contained in this SECTION 3.4 which are required to be performed by such Funding Party:

(a) FUNDING REQUEST. The Lessor and the Agent shall have received from the Construction Agent or a Lessee the Funding Request therefor pursuant to SECTION 2.2(d).

(b) CONDITIONS FULFILLED. As of such Funding Date, the conditions set forth in SECTIONS 3.1(c) and (d) shall have been satisfied.

(c) REPRESENTATIONS. As of such Funding Date, both before and after giving effect to the Funding requested by the Construction Agent or a Lessee on such date, the representations and warranties that the Construction Agent or such Lessee is deemed to make pursuant to SECTION 2.2(e) shall be true and correct in all material respects on and as of such Funding Date as though made on and as of such Funding Date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(d) NO BONDED STOP NOTICE OR FILED MECHANICS LIEN. As of such Funding Date, and as to any Funded Amount requested for any Leased Property on such Funding Date, (i) none of the Lessor, the Agent or any Lender has received (with respect to such Leased Property) a bonded notice to withhold Loan funds that has not been discharged by the related Lessee or the Construction Agent, and (ii) no mechanic's liens or materialman's liens have been filed against such Leased Property that have not been discharged by the related Lessee, bonded over in a manner reasonably satisfactory to the Agent or insured over by the Title Insurance Company.

(e) LEASE SUPPLEMENT. If the Funding relates to a Building that will be leased under a Lease Supplement separate from the Lease Supplement for the related Land, the original of such separate Lease Supplement, duly executed by the related Lessee and the Lessor and in recordable form, shall have been delivered to the Agent.

SECTION 3.5 COMPLETION DATE CONDITIONS. The occurrence of the Completion Date with respect to any Leased Property shall be subject to the fulfillment to the satisfaction of, or waiver by, each party hereto (acting directly or through its counsel) of the following conditions precedent:

(a) CERTIFICATE OF OCCUPANCY. The Construction Agent shall have furnished to the Agent copies of a certificate or certificates of occupancy for such Leased Property or other legally equivalent permission to occupy such Leased Property.

(b) CONSTRUCTION COMPLETION. Any related Construction shall have been completed substantially in accordance with the related Plans and Specifications (subject to punch list requirements), the related Deed and all Applicable Laws, and such Leased Property shall be ready for occupancy and operation. All fixtures, equipment and other property contemplated under the Plans and Specifications to be incorporated into or installed in such Leased Property shall have been substantially incorporated or installed, free and clear of all Liens except for Permitted Liens.

(c) CONSTRUCTION AGENT CERTIFICATION. The Construction Agent shall have furnished the Lessor, the Agent and each Lender with a certification of the Construction Agent (substantially in the form of EXHIBIT H) that:

(i) all amounts owing to third parties for the related Construction have been paid in full (other than contingent obligations for which the Construction Agent, as agent for the Lessor, has made adequate reserves), and no litigation or proceedings are pending, or to the best of the Construction Agent's knowledge, are threatened, against such Leased Property or the Construction Agent or the related Lessee which could reasonably be expected to have a Material Adverse Effect;

(ii) all material consents, licenses and permits and other governmental authorizations or approvals required for such Construction and operation of such Leased Property have been obtained and are in full force and effect;

(iii) such Leased Property has available all services of public facilities and other utilities necessary for use and operation of such Leased Property for its intended purposes including, without limitation, adequate water, gas and electrical supply, storm and sanitary sewerage facilities, telephone, other required public utilities and means of access between the related Building and public highways for pedestrians and motor vehicles;

(iv) all material agreements, easements and other rights, public or private, which are necessary to permit the lawful use and operation of such Leased Property as the related Lessee intends to use such Leased Property under the Lease and which are necessary to permit the lawful intended use and operation of all then intended utilities, driveways, roads and other means of egress and ingress to and from the same have been obtained and are in full force and effect and neither the Construction Agent nor the related Lessee has any knowledge of any pending modification or cancellation of any of the same; and the use of such Leased Property does not depend on any variance, special exception or other municipal approval, permit or consent that has not been obtained and is in full force and effect for its continuing legal use;

(v) all of the requirements and conditions set forth in SECTION 3.5(b) hereof have been completed and fulfilled with respect to such Leased Property and the related Construction; and

(vi) such Leased Property is in compliance in all material respects with all applicable zoning laws and regulations.

SECTION 3.6 ADDITION OF LESSEES. After the date hereof, additional Subsidiaries of ADESA may become Lessees hereunder and under the other Operative Documents upon satisfaction of the following conditions precedent:

(a) such Subsidiary and each Guarantor shall have executed and delivered to the Agent and the Lessor a Joinder Agreement, substantially in the form of EXHIBIT E;

(b) such Subsidiary shall have delivered to each of the Agent and the Lessor (x) a certificate of the Secretary or an Assistant Secretary of such Subsidiary, attaching and certifying as to (i) the Board of Directors' (or other governing body) resolution duly authorizing the execution, delivery and performance by it of each Operative Document to which it is or will be a party, (ii) the incumbency and signatures of persons authorized to execute and deliver such documents on its behalf, (iii) its articles or certificate of incorporation or other organizational documents, certified as of a recent date by the Secretary of State of its incorporation or formation and (iv) its by-laws, if applicable, and (y) good standing or active status certificates from the appropriate offices of the States of such Subsidiary's incorporation or formation and principal place of business;

(c) such Subsidiary shall have delivered an opinion of Ice Miller, or other counsel to such Subsidiary, addressed to each of the Lessor, the Agent and the Lenders, substantially in the form of the opinion delivered by counsel to ADESA on the Initial Closing Date; and

(d) the Agent, the Lessor and the Lenders shall have received such other documents, certificates and information as any of them shall have reasonably requested.

ARTICLE IV. REPRESENTATIONS

SECTION 4.1 REPRESENTATIONS OF ADESA AND OTHER LESSEES. Effective as of the date of execution hereof, as of each Closing Date and as of each Funding Date, each of ADESA and each Lessee represents and warrants to each of the other parties hereto as follows:

(a) ORGANIZATION; CORPORATE POWERS. It (i) is a corporation duly organized, validly existing under the laws of the State of Indiana, in the case of ADESA, or of the jurisdiction of its organization, in the case of any Lessee, for which the most recent required biennial report has been filed with the office of the Secretary of State of Indiana or which is otherwise in good standing, as applicable, and no articles of dissolution have been filed in such office, (ii) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where the failure to be duly qualified and in good standing would have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own, operate and encumber its property and assets and to conduct its business as presently conducted and as proposed to be conducted in connection with and following the consummation of the transactions contemplated by the Operative Documents.

(b) AUTHORITY. It has the requisite corporate power and authority to execute, deliver and perform the Operative Documents executed or to be executed by it; and the

execution, delivery and performance (or recording or filing, as the case may be) of the Operative Documents, and the consummation of the transactions contemplated on its part thereby, have been duly approved by its Board of Directors and no other corporate proceedings on its part are necessary to consummate the transactions so contemplated.

(c) DUE EXECUTION AND DELIVERY OF OPERATIVE DOCUMENTS. The Operative Documents executed by it have been duly executed and delivered (or recorded or filed, as the case may be) by it, and, in each case, constitute its legal, valid and binding obligation, enforceable against it in accordance with the respective terms of each such Operative Document, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or limiting creditors' rights generally or by equitable principles generally.

(d) NO CONFLICT. The execution, delivery and performance by it of each Operative Document to which it is a party and of each of the transactions contemplated thereby do not and will not (i) violate any Applicable Law or Contractual Obligation binding on it the consequences of which violation, singly or in the aggregate, would have a Material Adverse Effect, (ii) result in or require the creation or imposition of any Lien whatsoever on any Leased Property (other than Permitted Liens) or (iii) require any approval of stockholders which has not been obtained.

(e) GOVERNMENTAL CONSENTS. Except as have been made, obtained or given, no filing or registration with, consent or approval of, notice to, with or by any Governmental Authority is required to authorize, or is required in connection with, the execution, delivery and performance by it of the Operative Documents to which it is a party, the use of the proceeds of the Funding made to effect the acquisition of the interest in the Land and the use of the Leased Property, or the legality, validity, binding effect or enforceability of any Operative Document.

(f) GOVERNMENTAL REGULATION. It is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(g) REQUIREMENTS OF LAW. It is in compliance with all Requirements of Law applicable to it and its business, in each case where the failure to so comply would have a Material Adverse Effect, either individually or together with other such cases.

(h) RIGHTS IN RESPECT OF THE LEASED PROPERTY. It is not a party to any contract or agreement to sell any interest in any Leased Property or any part thereof other than pursuant to this Master Agreement and the Lease.

(i) TAXES. It and its Affiliates have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is

not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings, and as to which there is no imminent threat of forfeiture, and with respect to which it or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP; it knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect; and the charges, accruals and reserves on the books of ADESA and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate.

(j) USE OF PROCEEDS; MARGIN REGULATIONS. It will apply the proceeds of the Fundings as set forth in SECTION 2 hereof; no part of the proceeds from the Fundings will be used, directly or indirectly by it, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 207), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve it in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220).

(k) ERISA. It has not incurred any material accumulated funding deficiency as defined in ERISA and the regulations promulgated thereunder and no Reportable Event has occurred with respect to any Pension Plan involving it; neither has the Pension Benefit Guaranty Corporation asserted that it has incurred any material liability in connection with any such pension plan nor has any lien attached nor any Person threatened to attach a lien on any of its property as a result of the failure of it or any of its Affiliates to comply with ERISA or regulations promulgated thereunder.

(l) SOLVENCY. The transactions contemplated by this Master Agreement and the other Operative Documents have not been entered into by it in contemplation of its insolvency nor have such transactions been entered into with the intent to hinder, delay or defraud its equity holders or its creditors.

(m) DISCLOSURE. Neither this Master Agreement nor any of the other Operative Documents, nor any certificate or other document furnished to any other party hereto by it or on its behalf pursuant to any Operative Document contains, or will contain, as of its date, any untrue statement of a material fact or omits to state or will omit to state, as of its date, a material fact necessary in order to make the statements contained herein and therein not misleading. There are no facts known to it which, individually or in the aggregate, materially adversely affect, or could reasonably be expected to materially adversely affect, the condition, business or affairs of ADESA and its Subsidiaries or their respective properties and assets, taken as a whole, which have not been disclosed herein or in written materials delivered to any other party hereto in connection with the negotiation of the Operative Documents.

(n) TITLE TO COLLATERAL. It owns good and marketable title to all collateral pledged as security for its obligations in connection with the transactions contemplated by this Master Agreement and the other Operative Documents free and clear of all liens and encumbrances, except as disclosed in writing to the Agent and the Funding Parties.

(o) OTHER OBLIGATIONS. It is not a party to or bound by any agreement, contract, instrument or understanding or commitment of any kind or subject to any corporate or other restriction, the performance or observance of which by it now or, as far it can reasonably foresee, will have a Material Adverse Effect, financial or otherwise, upon the assets or business of ADESA and its Subsidiaries taken as a whole; and neither it nor any other person or party to a contract or agreement material to its financial condition or operations, taken as a whole, is in default under any such contract or agreement, and no event has occurred which, but for the giving of notice or the passage of time, or both, would constitute a default thereunder.

(p) FINANCIAL STATEMENTS. The consolidated balance sheets of ADESA and its Subsidiaries as of the quarterly period most recently ended before the Initial Closing Date and the statements of income for the period then ended, heretofore furnished to the Agent and each Funding Party, are true and complete, have been prepared in accordance with GAAP (except for the absence of footnotes and the lack of year end adjustments) and fairly present in all material respects the consolidated financial condition of ADESA and its Subsidiaries as of the date thereof and the results of their operations for the period then ended. Since the date thereof, there has been no material adverse change in the financial condition, properties or businesses of ADESA and its Subsidiaries which has not been disclosed in writing by ADESA to the Agent and each Funding Party.

(q) HAZARDOUS MATERIALS - LEASED PROPERTIES.

(i) To the Knowledge of the related Lessee, except as described in the related Environmental Audit, on the Closing Date for each Leased Property, there are no Hazardous Materials present at, upon, under or within such Leased Property or released or transported to or from such Leased Property (except in compliance in all material respects with all Applicable Law).

(ii) On the related Closing Date, no Governmental Actions have been taken or are in process or have been threatened, which could reasonably be expected to subject such Leased Property, any Lender or the Lessor to any material Claims or Liens with respect to such Leased Property under any Environmental Law or would otherwise have a Material Adverse Effect.

(iii) The related Lessee has, or will obtain on or before the date required by Applicable Law, all Environmental Permits necessary to operate each Leased Property, if any, in accordance with Environmental Laws and is complying with and has at all times complied with all such Environmental Permits, except to the extent the failure to obtain such Environmental Permits or to so comply would not have a Material Adverse Effect.

(iv) Except as set forth in the related Environmental Audit or in any notice subsequently furnished by the related Lessee to the Agent and approved by the Agent in writing prior to the respective times that the representations and

warranties contained herein are made or deemed made hereunder, no notice, notification, demand, request for information, citations, summons, complaint or order has been issued or filed to or with respect to the related Lessee, no penalty has been assessed on the related Lessee and no investigation or review is pending or, to its Knowledge, threatened by any Governmental Authority or other Person in each case relating to any Leased Property with respect to any alleged material violation or liability of the related Lessee under any Environmental Law. To the Knowledge of the related Lessee, no material notice, notification, demand, request for information, citations, summons, complaint or order has been issued or filed to or with respect to any other Person, no material penalty has been assessed on any other Person and no investigation or review is pending or threatened by any Governmental Authority or other Person relating to any Leased Property with respect to any alleged material violation or liability under any Environmental Law by any other Person.

(v) Each Leased Property and each portion thereof are presently in compliance in all material respects with all Environmental Laws, and, to the Knowledge of the related Lessee, there are no present or past facts, circumstances, activities, events, conditions or occurrences regarding such Leased Property (including without limitation the release or presence of Hazardous Materials) that would reasonably be anticipated to (A) form the basis of a material Claim against such Leased Property, any Funding Party or the related Lessee, (B) cause such Leased Property to be subject to any material restrictions on ownership, occupancy, use or transferability under any Environmental Law, (C) require the filing or recording of any notice or restriction relating to the presence of Hazardous Materials in the real estate records in the county or other appropriate municipality in which such Leased Property is located, other than notices filed in the ordinary course of business, or (D) prevent or materially interfere with the continued operation and maintenance of such Leased Property as contemplated by the Operative Documents.

(r) LEASED PROPERTY. The present condition of each Leased Property conforms in all material respects with all conditions or requirements of all existing permits and approvals issued with respect to such Leased Property, and the related Lessee's future intended use of such Leased Property under the Lease does not violate any Applicable Law, except for any such violations that have not had, and would not have, a Material Adverse Effect. To the Knowledge of the related Lessee, no material notices, complaints or orders of violation or non-compliance have been issued or threatened or contemplated by any Governmental Authority with respect to any Leased Property or any present or intended future use thereof. All material agreements, easements and other rights, public or private, which are necessary to permit the lawful use and operation of each Leased Property as the related Lessee intends to use such Leased Property under the Lease and which are necessary to permit the lawful intended use and operation of all presently intended utilities, driveways, roads and other means of egress and ingress to and from the same have been, or to the related Lessee's Knowledge will be, obtained

and are or will be in full force and effect, and the related Lessee has no Knowledge of any pending material modification or cancellation of any of the same.

SECTION 4.2 SURVIVAL OF REPRESENTATIONS AND EFFECT OF FUNDINGS.

(a) SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made in SECTION 4.1 shall survive delivery of the Operative Documents and every Funding, and shall remain in effect until all of the Obligations are fully and irrevocably paid.

(b) EACH FUNDING A REPRESENTATION. Each Funding accepted by a Lessee or the Construction Agent shall be deemed to constitute a representation and warranty by ADESA and each Lessee to the effect of SECTION 4.1.

SECTION 4.3 REPRESENTATIONS OF THE LESSOR. Effective as of the date of execution hereof, as of each Closing Date and as of each Funding Date, in each case, with respect to each of the Leased Properties, the Lessor represents and warrants to the Agent, the Lenders, ADESA and the Lessees as follows:

(a) SECURITIES ACT. The interest being acquired or to be acquired by the Lessor in such Leased Property is being acquired for its own account, without any view to the distribution thereof or any interest therein, PROVIDED that the Lessor shall be entitled to assign, convey or transfer its interest in accordance with SECTION 6.1.

(b) DUE ORGANIZATION, ETC. The Lessor is a limited partnership duly organized and validly existing in good standing under the laws of Texas and each state in which a Leased Property is located and has full power, authority and legal right to execute, deliver and perform its obligations under the Lease, this Master Agreement and each other Operative Document to which it is or will be a party.

(c) DUE AUTHORIZATION; ENFORCEABILITY, ETC. This Master Agreement and each other Operative Document to which the Lessor is or will be a party have been or will be duly authorized, executed and delivered by or on behalf of the Lessor and are, or upon execution and delivery will be, legal, valid and binding obligations of the Lessor enforceable against it in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by general equitable principles.

(d) NO CONFLICT. The execution and delivery by the Lessor of the Lease, this Master Agreement and each other Operative Document to which the Lessor is or will be a party, are not or will not be, and the performance by the Lessor of its obligations under each are not and will not be, inconsistent with its Partnership Agreement, do not and will not contravene any Applicable Law applicable generally to parties providing financing and do not and will not contravene any provision of, or constitute a default under, any Contractual Obligation of Lessor, do not and will not require the consent or approval of, the giving of notice to, the registration

with or taking of any action in respect of or by, any Governmental Authority applicable generally to parties providing financing, except such as have been obtained, given or accomplished, and the Lessor possesses all requisite regulatory authority to undertake and perform its obligations under the Operative Documents.

(e) LITIGATION. There are no pending or, to the knowledge of the Lessor, threatened actions or proceedings against the Lessor before any court, arbitrator or administrative agency with respect to any Operative Document or that would have a material adverse effect upon the ability of the Lessor to perform its obligations under this Master Agreement or any other Operative Documents to which it is or will be a party.

(f) LESSOR LIENS. No Lessor Liens (other than those expressly created by the Operative Documents) exist on any Closing Date on the Leased Property, or any portion thereof, and the execution, delivery and performance by the Lessor of this Master Agreement or any other Operative Document to which it is or will be a party will not subject any Leased Property, or any portion thereof, to any Lessor Liens (other than those expressly created by the Operative Documents).

(g) EMPLOYEE BENEFIT PLANS. The Lessor is not and will not be making its investment hereunder, and is not performing its obligations under the Operative Documents, with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA, or "plan" (as defined in Section 4975(e)(1)) of the Code.

(h) GENERAL PARTNER. The sole general partner of the Lessor is Atlantic Financial Managers, Inc., and the General Partner is duly organized and validly existing in good standing under the laws of Texas and each state in which a Leased Property is located.

(i) FINANCIAL INFORMATION. (A) The unaudited balance sheet of the Lessor as of December 31, 2000 and the related statements of income, partners' capital and cash flows for the year then ended, copies of which have been delivered to the Agent, fairly present, in conformity with sound accounting principles, the financial condition of the Lessor as of such date and the results of operations and cash flows for such period.

(B) Since December 31, 2000, there has been no event, act, condition or occurrence having a material adverse effect upon the financial condition, operations, performance or properties of the Lessor, or the ability of the Lessor to perform in any material respect its obligations under the Operative Documents.

(j) NO OFFERING. The Lessor has not offered the Notes to any Person in any manner that would subject the issuance thereof to registration under the Securities Act or any applicable state securities laws.

(k) INVESTMENT COMPANY. The Lessor is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.4 REPRESENTATIONS OF EACH LENDER. Effective as of the date of execution hereof, as of each Closing Date and as of each Funding Date, each Lender represents and warrants to the Lessor and to the Lessees as follows:

(a) SECURITIES ACT. The interest being acquired or to be acquired by such Lender in the Funded Amounts is being acquired for its own account, without any view to the distribution thereof or any interest therein, PROVIDED that such Lender shall be entitled to assign, convey or transfer its interest in accordance with SECTION 6.2.

(b) EMPLOYEE BENEFIT PLANS. Such Lender is not and will not be making its investment hereunder, and is not performing its obligations under the Operative Documents, with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA, or "plan" (as defined in Section 4975(e)(1)) of the Code.

ARTICLE V.
COVENANTS OF ADESA, LESSEES AND THE LESSOR

SECTION 5.1 QUALIFICATION AS TO CORPORATE STATUS. Each of ADESA and each Lessee shall remain a validly existing corporation, partnership or limited liability company organized under the laws of its state of formation and shall qualify and remain qualified to do business in each State in which the Leased Property leased by such Lessee is located.

SECTION 5.2 FURTHER ASSURANCES. Upon the written request of the Agent or any Funding Party, each of ADESA and each Lessee, at its own cost and expense, will cause all financing statements (including precautionary financing statements), fixture filings and other similar documents to be signed by ADESA or such Lessee and recorded or filed at such places and times in such manner as may be necessary or requested by the Agent or such Funding Party to preserve, protect and perfect the interest of the Agent and the Funding Parties in the Leased Properties as contemplated by the Operative Documents.

SECTION 5.3 REPORTING.

(a) FINANCIAL STATEMENTS. ADESA shall deliver or cause to be delivered to the Agent and each Funding Party:

(i) As soon as practicable, and in any event within forty-five (45) days after the close of each of the first three quarterly accounting periods in each Fiscal Year, the consolidated balance sheet of ADESA and its Subsidiaries as at the end of such quarterly period and the related consolidated statements of operations for such quarterly

period and for the elapsed portion of the current Fiscal Year ended with the last day of such quarterly period, and setting forth comparative consolidated figures for the related periods in the prior Fiscal Year, which financial statements shall be certified by a duly authorized officer of ADESA that they fairly present in all material respects the consolidated financial condition of ADESA and its Subsidiaries as at the dates indicated, subject to changes resulting from audit and normal year-end adjustments, PROVIDED that so long as ADESA is subject to informational requirements of the Securities Exchange Act and in accordance therewith files reports and other information with the SEC, the Agent and the Funding Parties shall be deemed to have been furnished with the foregoing reports and forms so long as such reports and forms are available for electronic access at the SEC's homepage on the internet;

(ii) As soon as practicable, and in any event within one hundred twenty (120) days after the end of each Fiscal Year, consolidated balance sheets of ADESA and its Subsidiaries as at the end of such Fiscal Year and the related consolidated statements of earnings, shareholders' equity and changes in cash flows of ADESA and its Subsidiaries for such Fiscal Year, setting forth in comparative form the consolidated figures for ADESA and its Subsidiaries for the previous Fiscal Year, all in reasonable detail and accompanied by a report thereon of PricewaterhouseCoopers or other independent public accountants of recognized national standing selected by ADESA which report shall be unqualified as to the scope of audit and as to the status of ADESA and its Subsidiaries as a going concern and shall state that such consolidated financial statements present fairly in all material respects the financial position of ADESA and its Subsidiaries as at the dates indicated and the results of their operations and cash flows for the periods indicated in conformity with GAAP (or, in the event of a change in accounting principles, such accountants' concurrence with such change) and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards, PROVIDED that so long as ADESA is subject to informational requirements of the Securities Exchange Act and in accordance therewith files reports and other information with the SEC, the Agent and the Funding Parties shall be deemed to have been furnished with the foregoing reports and forms so long as such reports and forms are available for electronic access at the SEC's homepage on the internet;

(iii) Together with each delivery of any financial statements pursuant to CLAUSES (i) and (ii) of this subsection, an officer's certificate of ADESA, executed by a duly authorized officer of ADESA, stating (A) that the signer has instituted procedures for the review of the terms of this Master Agreement and the principal Operative Documents and the review in reasonable detail of the transactions and conditions of ADESA and its Subsidiaries taken as a whole during the accounting period covered by such financial statements, and that such review has not disclosed the existence, during or at the end of such accounting period, nor does the signer have knowledge of the existence as of the date of such officer's certificate, of any condition or event which constitutes an Event of Default, or, if any such condition or event existed or exists, specifying the

nature and period of existence thereof and what action ADESA has taken, is taking and proposes to take with respect thereto, (B) that, to the best of such officer's knowledge, the financial statements delivered pursuant to CLAUSE (i) of this subsection present fairly in all material respects the financial position of ADESA and its Subsidiaries as at the dates indicated and the results of their operations and cash flows for the periods indicated in conformity with GAAP, and (C) that ADESA is in compliance with each of the covenants contained in SECTION 5.5 hereof, and setting out in reasonable detail the data and calculations upon which the officer bases such statement;

(iv) Promptly, and in any event within five (5) Business Days after an executive officer of ADESA or any Lessee obtains knowledge thereof, notice of (A) the occurrence of any event which constitutes an Event of Default which notice shall specify the nature thereof, the period of existence thereof and what action ADESA or such Lessee proposes to take with respect thereto and (B) any litigation or governmental proceedings pending against ADESA or any Lessee which, if determined adversely to such Lessee, would have a Material Adverse Effect on such Lessee's ability to perform under the Operative Documents; and

(v) With reasonable promptness, such information with respect to the financial condition of ADESA, any Lessee or any Leased Property as from time to time may be reasonably requested by the Agent or any Funding Party; PROVIDED, HOWEVER, that the Agent and each Funding Party shall keep such information confidential, except in connection with enforcement or exercise of the Agent's or any Funding Party's rights under this Master Agreement or the other Operative Documents, or otherwise available at law or in equity and PROVIDED, FURTHER, that the Agent and each Funding Party may disclose such information to the extent necessary to respond to inquiries of bank regulatory authorities or to comply with legal process or any other legal disclosure obligations, or to the extent such information has been made publicly available by parties other than the Agent or any Funding Party.

(b) OTHER REPORTS. Promptly after the same are available to it, during any period in which ADESA shall be or become a reporting company under the Securities Exchange Act, ADESA shall deliver to the Agent and each Funding Party copies of the annual report of ADESA and each filing made by ADESA or any Affiliate thereof with the SEC.

SECTION 5.4 AFFIRMATIVE COVENANTS OF ADESA.

(a) COMPLIANCE WITH LAW. ADESA will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such

licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) PAYMENT OF TAXES AND CLAIMS. ADESA will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of ADESA or any Subsidiary, provided that neither ADESA nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by ADESA or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and ADESA or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of ADESA or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(c) CORPORATE EXISTENCE. Each of ADESA and each Lessee will at all times preserve and keep in full force and effect its corporate, partnership or limited liability company existence. ADESA will at all times preserve and keep in full force and effect the corporate, partnership or limited liability company existence of each of its Subsidiaries (unless merged into ADESA or a Subsidiary) and all rights and franchises of ADESA and its Subsidiaries unless, in the good faith judgment of ADESA, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) MAINTENANCE OF PROPERTIES. ADESA will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this SECTION 5.4(d) shall not prevent ADESA or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and ADESA has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 5.5 FINANCIAL COVENANTS. ADESA shall at all times:

(a) MAXIMUM TOTAL FUNDED DEBT TO EBITDA RATIO. Maintain, as of the last day of each Fiscal Quarter, commencing with the Fiscal Quarter ending December 31, 2000, a Total Funded Debt to EBITDA Ratio of not greater than 3.75:1.00 for each Fiscal Quarter ending prior to December 31, 2001 and 3.50:1.00 for each Fiscal Quarter ending on or after December 31, 2001.

(b) MINIMUM FIXED CHARGE COVERAGE RATIO. Maintain, as of the last day of each Fiscal Quarter, commencing with the Fiscal Quarter ending December 31, 2000, a Fixed Charge Coverage Ratio of not less than 1.30:1.00.

(c) MINIMUM NET WORTH. Maintain at all times a Net Worth of not less than \$406,806,505 with such minimum amount to be permanently increased at the end of each Fiscal Quarter, commencing with the Fiscal Quarter ending on March 31, 2001, by an amount equal to fifty percent (50%) of Net Income for such Fiscal Quarter; PROVIDED, HOWEVER, in the event that the Consolidated Companies suffer a net loss for any Fiscal Quarter, Net Income shall be deemed to be \$0 for such Fiscal Quarter, so that in no event shall Net Worth at the end of any Fiscal Quarter be less than that required at the end of the preceding Fiscal Quarter.

SECTION 5.6 ADDITIONAL REQUIRED APPRAISALS. If, as a result of any change in Applicable Law after the date hereof, an Appraisal of all or any of the Leased Properties is required during the Lease Term under Applicable Law with respect to any Funding Party's interest therein, such Funding Party's Funded Amount with respect thereto or the Operative Documents, then the related Lessee shall pay the reasonable cost of such Appraisal.

SECTION 5.7 LESSOR'S COVENANTS. The Lessor covenants and agrees that, unless the Agent, ADESA and the Lenders shall have otherwise consented in writing:

(a) the proceeds of the Loans received from the Lenders will be used by the Lessor solely to acquire the related Leased Property and to pay the Construction Agent, as agent for the Lessor, or the related Lessee for Construction Costs. No portion of the proceeds of the Loans will be used by the Lessor (i) in connection with, whether directly or indirectly, any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation or (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock;

(b) it shall not engage in any business or activity, or invest in any Person, except for activities similar to its activities conducted on the date hereof, the Transaction and lease transactions similar to the Transaction;

(c) it will maintain tangible net worth in an amount no less than the sum of (i) \$100,000 PLUS (ii) 3% of its total assets (calculated assuming no reduction in the value of any leased property from its original cost to the Lessor) and will at all times be solvent (as defined in the Bankruptcy Code);

(d) it will deliver to the Agent and ADESA, as soon as available and in any event within 90 days after the end of each fiscal year, a balance sheet of the Lessor as of the end of such fiscal year and the related statements of income, partners' capital and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, prepared in accordance with sound accounting principles, together with copies of its tax returns,

all certified by an officer of the General Partner (and if the Lessor ever prepares audited financial statements, it shall deliver copies thereof to the Agent and ADESA);

(e) it will permit the Agent and its representatives to examine, and make copies from, the Lessor's books and records, and to visit the offices and properties of the Lessor for the purpose of examining such materials, and to discuss the Lessor's performance hereunder with any of its, or its general partner's, officers and employees, in each case during normal business hours and upon reasonable notice;

(f) it shall not consent to or permit the creation of any easement or other restriction against any Leased Property other than as permitted pursuant to Article VI of the Lease; and

(g) it shall not incur or permit to exist, and will promptly discharge each Lessor Lien and shall indemnify the Lenders and the Lessees for any loss, cost, expense or diminution in value of any Leased Property resulting from, or incurred as a result of, such Lessor Liens.

ARTICLE VI.
TRANSFERS BY LESSOR AND LENDERS;
DISTRIBUTION OF PAYMENTS AND PROCEEDS

SECTION 6.1 LESSOR TRANSFERS. The Lessor shall not assign, convey, encumber or otherwise transfer all or any portion of its right, title or interest in, to or under any Leased Property or any of the Operative Documents, except to a Lessee in accordance with the Operative Documents without the prior written consent of the Lenders and, unless an Event of Default has occurred and is continuing, ADESA. Any proposed transferee of the Lessor shall make the representation set forth in SECTION 4.3 to the other parties hereto.

SECTION 6.2 LENDER TRANSFERS

(a) Any Lender may make, carry or transfer Loans at, to or for the account of, any of its branch offices or the office of an Affiliate of such Lender.

(b) Each Lender may assign all or a portion of its interests, rights and obligations under this Master Agreement and the Loan Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) to any Person; PROVIDED, HOWEVER, that (i) the Agent and, except during the continuance of a Potential Event of Default or Event of Default, ADESA must give its prior written consent to such assignment (which consent shall not be unreasonably withheld or delayed) unless such assignment is to another Lender or Affiliate of the assigning Lender, (ii) unless such Lender is assigning all of its Commitment, after giving effect to such assignment, the Commitment of both the assignor and the assignee is at least \$1,000,000 and (iii) the parties to each such assignment shall execute and deliver to the Agent an Assignment and Acceptance, and, a processing and recordation fee of \$2,500. Any such

assignment of the Loans shall include both the A Loans and the B Loans of such assigning Lender, on a pro rata basis. From and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Master Agreement and the Loan Agreement.

(c) Each Lender may, without the consent of ADESA or any Lessee, sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Master Agreement and the Loan Agreement (including all or a portion of its Commitments in the Loans owing to it), PROVIDED, HOWEVER, that (i) no Lender may sell a participation in its Commitment (after giving effect to any permitted assignment hereunder) in an amount in excess of fifty percent (50%) of such Commitment (PROVIDED that (1) sales of participations to an Affiliate of such Lender shall not be included in such calculation and (2) no such maximum amount shall be applicable to any participation sold at any time there exists an Event of Default), (ii) such Lender's obligations under this Master Agreement and the Loan Agreement shall remain unchanged, (iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iv) the participating bank or other entity shall not be entitled to any greater benefit than its selling Lender under the cost protection provisions contained in SECTION 7.5 of this Master Agreement, and (v) ADESA, each Lessee, the Agent and the other Lenders shall continue to deal solely and directly with each Lender in connection with such Lender's rights and obligations under this Master Agreement and the other Operative Documents, and such Lender shall retain the sole right to enforce the obligations of Lessor relating to the Loans and to approve any amendment, modification or waiver of any provisions of this Master Agreement and the Loan Agreement (except that such Lender may permit the participant to approve any amendment, modification or waiver which would reduce the principal of or the interest rate on its Loan, extend the term of such Lender's Commitment, reduce the amount of any fees to which such participant is entitled or extend the final scheduled payment date of any Loan, IT BEING UNDERSTOOD that in all events, the other parties hereto may conclusively rely on such Lender's approval of any such amendment, modification or waiver and shall have no obligation to ascertain whether such participant has approved such amendment, modification or waiver). Any Lender selling a participation hereunder shall provide prompt written notice to the Agent of the name of such participant.

(d) Any Lender or participant may, in connection with the assignment or participation or proposed assignment or participation, pursuant to this Section, disclose to the assignee or participant or proposed assignee or participant any information relating to ADESA or its Subsidiaries furnished to such Lender by or on behalf of ADESA. With respect to any disclosure of confidential, non-public, proprietary information, such proposed assignee or participant shall agree to use the information only for the purpose of making any necessary credit judgments with respect to this facility and not to use the information in any manner prohibited by any law, including without limitation, the securities laws of the United States. The proposed participant or assignee shall agree not to disclose any of such information except as permitted by this Master Agreement. The proposed participant or assignee shall further agree to return all documents or other written material and copies thereof received from any Lender, the Agent or

any Lessee relating to such confidential information unless otherwise properly disposed of by such entity.

(e) Any Lender may at any time assign all or any portion of its rights under this Master Agreement and the Note to a Federal Reserve Bank without complying with the requirements of PARAGRAPH (b) above; PROVIDED that no such assignment shall release such Lender from any of its obligations hereunder.

(f) The Lenders hereby acknowledge and agree that the Lessees shall have the right to the quiet enjoyment of the Leased Properties pursuant to the Lease, whether or not a Loan Event of Default that is not an Event of Default has occurred and is continuing, so long as no Event of Default has occurred and is continuing.

SECTION 6.3 DISTRIBUTION AND APPLICATION OF RENT PAYMENTS.

(a) BASIC RENT. Each payment of Basic Rent (and any payment of interest on overdue installments of Basic Rent) received by the Agent shall be distributed pro rata to the Funding Parties to be applied to the amounts of accrued and unpaid interest (including overdue interest) on the Loans and accrued and unpaid Yield (including overdue Yield).

(b) SUPPLEMENTAL RENT. Each payment of Supplemental Rent received by the Agent shall be paid to or upon the order of the Person owed the same in accordance with the Operative Documents.

(c) PAYMENT DIRECTION. The Lessor hereby irrevocably directs each Lessee, each Guarantor and the Construction Agent to make all payments payable by any of them under the Operative Documents to the Agent (as assignee of the Lessor), other than indemnity payments that are for the account of the Lessor (which shall be payable directly to the Lessor).

SECTION 6.4 DISTRIBUTION AND APPLICATION OF PURCHASE PAYMENT. With respect to any Leased Property, the payment by a Lessee of:

(a) the purchase price for a consummated sale of such Leased Property received by the Agent in connection with such Lessee's exercise of the Purchase Option or Partial Purchase Option under Section 14.1 of the Lease or such Lessee's or the Construction Agent's exercise of its option to purchase such Leased Property under Section 5.3 of the Construction Agency Agreement, or

(b) the payment payable in connection with such Lessee's compliance with its obligation to purchase the Leased Property in accordance with Section 14.2 or 14.3 of the Lease, or

(c) the Leased Property Balance therefor in accordance with Section 10.1 or Section 10.2 of the Lease,

shall be distributed by the Agent, as promptly as possible, to the Funding Parties PRO RATA in accordance with, and for application to, their respective Funding Party Balances in respect of such Leased Property or Properties (including both that portion of the A Loans and that portion of the B Loans allocated to such Leased Property or Properties).

SECTION 6.5 DISTRIBUTION AND APPLICATION TO FUNDING PARTY BALANCES OF LESSEE PAYMENT OF RECOURSE DEFICIENCY AMOUNT UPON EXERCISE OF REMARKETING OPTION. With respect to any Leased Property, the payment by a Lessee of the Recourse Deficiency Amount to the Agent on the Lease Termination Date in accordance with Section 14.6 or Section 14.7 of the Lease following the Lessees' exercise of the Remarketing Option, shall be applied by the Agent to the accrued and unpaid interest on, and the outstanding principal of, the A Loans in respect of such Leased Property. With respect to any Leased Property, the payment by a Lessee or the Construction Agent of the Construction Failure Payment with respect thereto pursuant to the Construction Agency Agreement shall be applied by the Agent, FIRST to the accrued and unpaid interest on, and the outstanding principal of, the A Loans in respect of such Leased Property, SECOND to the accrued and unpaid interest on, and outstanding principal of, the B Loans related to such Leased Property and THIRD to the accrued and unpaid Yield on, and outstanding Lessor Invested Amount related to such Leased Property.

SECTION 6.6 DISTRIBUTION AND APPLICATION TO FUNDING PARTY BALANCES OF REMARKETING PROCEEDS OF LEASED PROPERTY. (a) Any payments received by the Lessor as proceeds from the sale of any Leased Property sold pursuant to the Lessees' exercise of the Remarketing Option pursuant to Section 14.6 or 14.7 of the Lease, shall be distributed (or applied, in the case of CLAUSE THIRD below) by the Lessor as promptly as possible (it being understood that any such payment received by the Lessor on a timely basis and in accordance with the provisions of the Lease shall be distributed on the date received in the funds so received) in the following order of priority:

FIRST, to the extent not previously deducted from such proceeds, to the Agent and the Funding Parties as reimbursement for any and all reasonable remarketing, sale, closing or other transfer costs, prorations or commissions (including broker fees, appraisal costs, legal fees and expenses and transfer taxes), paid or incurred by the Agent or any Funding Party and not reimbursed by the Lessees, PRO RATA according to the amount of such costs and fees;

SECOND, to the Lenders PRO RATA for application to their B Loans in respect of all of the Leased Properties, an amount equal to their B Loans in respect of all of the Leased Properties;

THIRD, to the Lessor for application to the Lessor's Invested Amounts in respect of all of the Leased Properties, an amount equal to the Lessor's Invested Amounts in respect of all of the Leased Properties;

FOURTH, to the Funding Parties PRO RATA for application to any other amount owing to the Funding Parties under the Operative Documents (including accrued and unpaid interest on the Loans, accrued and unpaid Yield and any outstanding principal of the A Loans), an amount equal to such other amounts; and

FIFTH, (i) if sold by a Lessee pursuant to Section 14.6 of the Lease, the excess, if any, to such Lessee, and (ii) otherwise, the excess, if any, to the Lessor.

(b) Any payments received by the Lessor as proceeds from the sale of any Leased Property sold following the payment of the Construction Failure Payment shall be distributed (or applied, as appropriate) by the Lessor as promptly as possible (it being understood that any such payment received by the Lessor on a timely basis and in accordance with the provisions of the Construction Agency Agreement shall be distributed on the date received in the funds so received) in the following order of priority:

FIRST, to the Funding Parties or the Agent, as the case may be, in reimbursement of all reasonable costs, expenses and taxes, if any, incurred by any of them to complete the construction of such Leased Property, maintain and insure such Leased Property, remarket such Leased Property and sell such Leased Property, PRO RATA according to the amount of such costs, expenses and taxes;

SECOND, to the Funding Parties PRO RATA for application to their Funding Party Balances in respect to such Leased Property (including both that portion of the A Loans and that portion of the B Loans allocated to such Leased Property), an amount equal to such Funding Party Balances in respect of such Leased Property; and

THIRD, to the Lessor.

SECTION 6.7 DISTRIBUTION AND APPLICATION OF PAYMENTS RECEIVED WHEN AN EVENT OF DEFAULT EXISTS OR HAS CEASED TO EXIST FOLLOWING REJECTION OF THE LEASE.

(a) PROCEEDS OF LEASED PROPERTY. Any payments received by the Lessor or the Agent when an Event of Default exists (or has ceased to exist by reason of a rejection of the Lease in a proceeding with respect to a Lessee described in Article XII(f) of the Lease), as

(i) proceeds from the sale of any or all of the Leased Property sold pursuant to the exercise of the Lessor's remedies pursuant to Article XIII of the Lease, or

(ii) proceeds of any amounts from any insurer or any Governmental Authority in connection with an Event of Loss or Event of Taking

shall if received by the Lessor be paid to the Agent as promptly as possible, and shall be distributed or applied in the following order of priority prior to the Release Date:

FIRST, to the Agent for any amounts reasonably expended by it in connection with such Leased Property or the Operative Documents and not previously reimbursed to it;

SECOND, to the Funding Parties PRO RATA for application to their Funding Party Balances in respect of all of the Leased Properties, an amount equal to such Funding Party Balances; and

THIRD, to the related Lessee or the Person or Persons otherwise legally entitled thereto, the excess, if any.

(b) PROCEEDS OF RECOVERIES FROM LESSEE. Any payments received by any Funding Party when an Event of Default exists (or has ceased to exist by reason of a rejection of the Lease in a proceeding with respect to a Lessee described in Article XII(f) of the Lease), from a Lessee as a payment in accordance with the Lease shall be paid to the Agent as promptly as possible, and shall then be distributed or applied by the Agent as promptly as possible in the order of priority set forth in PARAGRAPH (a) above.

SECTION 6.8 DISTRIBUTION OF OTHER PAYMENTS. All payments under SECTION 7.6 of this Master Agreement shall be made FIRST, to the Funding Parties, PRO RATA, until their Funding Party Balances have been paid in full, and SECOND, to the Lessor who shall be entitled to retain all such remaining amounts. Except as otherwise provided in this SECTION 6, any payment received by the Lessor which is to be paid to Agent pursuant hereto or for which provision as to the application thereof is made in an Operative Document but not elsewhere in this SECTION 6 shall, if received by the Lessor, be paid forthwith to the Agent and when received shall be distributed forthwith by the Agent to the Person and for the purpose for which such payment was made in accordance with the terms of such Operative Document.

SECTION 6.9 TIMING OF AGENT DISTRIBUTIONS. Payments received by the Agent in immediately available funds before 12:00 p.m. (noon), Atlanta, Georgia time, on any Business Day shall be distributed to the Funding Parties in accordance with and to the extent provided in this SECTION 6 on such Business Day. Payments received by the Agent in immediately available funds after 12:00 p.m. (noon), Atlanta, Georgia time shall be distributed to the Funding Parties in accordance with and to the extent provided in this SECTION 6 on the next Business Day.

SECTION 6.10 RELEASE OF LEASED PROPERTIES. (a) If one or more of the Lessees shall at any time purchase any or all of the Leased Properties pursuant to Section 13.3 or Article 14 of the Lease, or if any or all of the Leased Properties shall be sold in accordance with, and the Lessees otherwise satisfy each of the obligations and conditions set forth in, Section 14.6 of the Lease in respect thereof, then, upon application of such amounts to prepay the related Loans pursuant to this Master Agreement and the Loan Agreement and the Agent's and the Lenders' receipt of all accrued interest and any other payments due and owing from the Lessees and/or the Lessor to the Agent and the Lenders on such date in respect thereof, such Leased Property or Properties, as the case may be, shall be released from the applicable Mortgage and the Assignment of Lease and Rents, to the extent relating to such Leased Property or Properties.

(b) Upon the termination of the Lenders' Commitments and the payment in full of all of the Loans and all other amounts owing by the Lessees and/or the Lessor hereunder or under any other Operative Document to the Lessor, the Agent and the Lenders (other than unasserted indemnities), the Leased Properties shall be released from the Mortgages and Assignments of Lease and Rents.

(c) Upon request of the Lessor or a Lessee following a release of any Leased Property described in CLAUSE (a) or (b) above, the Agent shall, at the sole cost and expense of the Lessees, execute and deliver to the Lessor or the requesting Lessee such documents as the Lessor or such Lessee shall reasonably request to evidence such release, including, if requested, a release of the Assignments of Lease and Rents to the extent relating to such Leased Property.

ARTICLE VII.
INDEMNIFICATION

SECTION 7.1 GENERAL INDEMNIFICATION. Each of ADESA and each Lessee, jointly and severally, agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and to indemnify, protect, defend, save and hold harmless each Indemnitee, on an After-Tax Basis, from and against, any and all Claims that may be imposed on, incurred by or asserted, or threatened to be asserted, against such Indemnitee, whether or not such Indemnitee shall also be indemnified as to any such Claim by any other Person (PROVIDED that no Indemnitee shall have the right to double recovery with respect to any Claim) and whether or not such Claim arises or accrues prior to any Closing Date or after the Lease Termination Date, or results from such Indemnitee's negligence, in any way relating to or arising out of:

(a) any of the Operative Documents or any of the transactions contemplated thereby, and any amendment, modification or waiver in respect thereof; or

(b) the purchase, design, construction, preparation, installation, inspection, delivery, non-delivery, acceptance, rejection, ownership, management, possession, operation, rental, lease, sublease, repossession, maintenance, repair, alteration, modification, addition, substitution, storage, transfer of title, redelivery, use, financing, refinancing, disposition, operation, condition, sale (including, without limitation, any sale pursuant to the Lease), return or other disposition of all or any part of any interest in any Leased Property or the imposition of any Lien, other than a Lessor Lien (or incurring of any liability to refund or pay over any amount as a result of any Lien, other than a Lessor Lien) thereon, including, without limitation: (i) Claims or penalties arising from any violation or alleged violation of law or in tort (strict liability or otherwise), (ii) latent or other defects, whether or not discoverable, (iii) any Claim based upon a violation or alleged violation of the terms of any restriction, easement, condition or covenant or other matter affecting title to any Leased Property or any part thereof, (iv) the making of any Alterations in violation of any standards imposed by any insurance policies required to be maintained by any Lessee pursuant to the Lease which are in effect at any time with respect to any Leased Property or any part thereof, (v) any Claim for patent, trademark or

copyright infringement, (vi) Claims arising from any public improvements with respect to any Leased Property resulting in any charge or special assessments being levied against any Leased Property or any Claim for utility "tap-in" fees, and (vii) Claims for personal injury or real or personal property damage occurring, or allegedly occurring, on any Land, Building or Leased Property;

(c) the breach by ADESA or any Lessee of any representation or warranty made by it or deemed made by it and set forth in any Operative Document or any certificate required to be delivered by any Operative Document (without giving effect to any exception in any representation based on the absence of a Material Adverse Effect or on the absence of Knowledge);

(d) the retaining or employment of any broker, finder or financial advisor by ADESA or any Lessee to act on its behalf in connection with this Master Agreement, or the incurring of any fees or commissions to which the Lessor, the Agent or any Lender might be subjected by virtue of their entering into the transactions contemplated by this Master Agreement (other than fees or commissions due to any broker, finder or financial advisor retained by the Lessor, the Agent or any Lender);

(e) the existence of any Lien (other than a Lessor Lien) on or with respect to any Leased Property, the Construction, any Basic Rent or Supplemental Rent, title thereto, or any interest therein, including any Liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of any Leased Property or by reason of labor or materials furnished or claimed to have been furnished to the Construction Agent, any Lessee, or any of its contractors or agents or by reason of the financing of any personalty or equipment purchased or leased by any Lessee or Alterations constructed by any Lessee, except, in all cases, the Liens described in item (a) of the definition of Permitted Liens;

(f) the transactions contemplated hereby or by any other Operative Document, in respect of the application of Parts 4 and 5 of Subtitle B of Title I of ERISA and any prohibited transaction described in Section 4975(c) of the Code;

(g) any act or omission by ADESA or any Lessee under any Purchase Agreement or any other Operative Document, or any breach by ADESA or any Lessee of any requirement, condition, restriction or limitation in any Deed, Purchase Agreement, IDB Documentation or Ground Lease; or

(h) any IDB Documentation;

PROVIDED, HOWEVER, neither ADESA nor any Lessee shall be required to indemnify any Indemnitee under this SECTION 7.1 for any Claim to the extent that such Claim results from (i) the willful misconduct or gross negligence of such Indemnitee (other than gross negligence or willful misconduct imputed to such Indemnitee solely by reason of its interest in any Leased Property), or (ii) any Claim resulting from Lessor Liens; and, PROVIDED, FURTHER, that with respect

to each Construction Land Interest, each Lessee's indemnity obligations with respect to such Leased Property shall be governed solely by Section 3.3 of the Construction Agency Agreement during the Construction Term therefor. It is expressly understood and agreed that the indemnity provided for herein shall survive the expiration or termination of, and shall be separate and independent from any other remedy under this Master Agreement, the Lease or any other Operative Document.

SECTION 7.2 ENVIRONMENTAL INDEMNITY. In addition to and without limitation of SECTION 7.1 or Section 3.3 of the Construction Agency Agreement, each of ADESA and each Lessee, jointly and severally, agrees to indemnify, hold harmless and defend each Indemnitee, on an After-Tax Basis, from and against any and all claims (including without limitation third party claims for personal injury or real or personal property damage), losses (including but not limited to any loss of value of any Leased Property), damages, liabilities, fines, penalties, charges, suits, settlements, demands, administrative and judicial proceedings (including informal proceedings and investigations) and orders, judgments, remedial action, requirements, enforcement actions of any kind, and all reasonable costs and expenses actually incurred in connection therewith (including, but not limited to, reasonable attorneys' and/or paralegals' fees and expenses), including, but not limited to, all costs incurred in connection with any investigation or monitoring of site conditions or any clean-up, remedial, removal or restoration work by any federal, state or local government agency, arising directly or indirectly, in whole or in part, out of:

(i) the presence on or under any Land of any Hazardous Materials, or any releases or discharges of any Hazardous Materials on, under, from or onto any Land,

(ii) any activity, including, without limitation, construction, carried on or undertaken on or off any Land, and whether by a Lessee or any predecessor in title or any employees, agents, contractors or subcontractors of a Lessee or any predecessor in title, or any other Person, in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Materials that at any time are located or present on or under or that at any time migrate, flow, percolate, diffuse or in any way move onto or under any Land,

(iii) loss of or damage to any property or the environment (including, without limitation, clean-up costs, response costs, remediation and removal costs, cost of corrective action, costs of financial assurance, fines and penalties and natural resource damages), or death or injury to any Person, and all expenses associated with the protection of wildlife, aquatic species, vegetation, flora and fauna, and any mitigative action required by or under Environmental Laws, in each case to the extent related to any Leased Property,

(iv) any claim concerning any Leased Property's lack of compliance with Environmental Laws, or any act or omission causing an environmental condition on or

with respect to any Leased Property that requires remediation or would allow any governmental agency to record a lien or encumbrance on the land records, or

(v) any residual contamination on or under any Land, or affecting any natural resources on any Land, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Materials on or from any Leased Property; in each case irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, regulations, codes and ordinances;

in any case with respect to the matters described in the foregoing CLAUSES (i) through (v) that arise or occur

(w) prior to or during the Lease Term,

(x) at any time during which a Lessee or any Affiliate thereof owns any interest in or otherwise occupies or possesses any Leased Property or any portion thereof, or

(y) during any period after and during the continuance of any Event of Default;

PROVIDED, HOWEVER, no Lessee shall be required to indemnify any Indemnitee under this SECTION 7.2 for any Claim to the extent that such Claim results from the willful misconduct or gross negligence of such Indemnitee (other than gross negligence or willful misconduct imputed to such Indemnitee solely by reason of any action or inaction of the Construction Agent or any Lessee). It is expressly understood and agreed that the indemnity provided for herein shall survive the expiration or termination of, and shall be separate and independent from any other remedy under this Master Agreement, the Lease or any other Operative Document.

SECTION 7.3 PROCEEDINGS IN RESPECT OF CLAIMS. With respect to any amount that a Lessee is requested by an Indemnitee to pay by reason of SECTION 7.1 or 7.2, such Indemnitee shall, if so requested by such Lessee and prior to any payment, submit such additional information to such Lessee as such Lessee may reasonably request and which is in the possession of, or under the control of, such Indemnitee to substantiate properly the requested payment. In case any action, suit or proceeding shall be brought against any Indemnitee, such Indemnitee promptly shall notify ADESA of the commencement thereof (PROVIDED that the failure of such Indemnitee to promptly notify ADESA shall not affect ADESA's or any Lessee's obligation to indemnify hereunder except to the extent that ADESA's or a Lessee's rights to contest are materially prejudiced by such failure), and such Lessee shall be entitled, at its expense, to participate in, and, to the extent that such Lessee desires to, assume and control the defense thereof with counsel reasonably satisfactory to such Indemnitee; PROVIDED, HOWEVER, that such Indemnitee may pursue a motion to dismiss such Indemnitee from such action, suit or proceeding with counsel of such Indemnitee's choice at the Lessees' expense; and PROVIDED

FURTHER that a Lessee may assume and control the defense of such proceeding only if ADESA, if requested to do so by the Indemnatee, shall have acknowledged in writing its and each Lessee's obligations to fully indemnify such Indemnatee in respect of such action, suit or proceeding, Lessees shall pay all reasonable costs and expenses related to such action, suit or proceeding as and when incurred and the related Lessee shall keep such Indemnatee fully apprised of the status of such action, suit or proceeding and shall provide such Indemnatee with all information with respect to such action, suit or proceeding as such Indemnatee shall reasonably request; and, PROVIDED FURTHER, that no Lessee shall be entitled to assume and control the defense of any such action, suit or proceeding if and to the extent that, (A) in the reasonable opinion of such Indemnatee, (x) such action, suit or proceeding involves any possibility of imposition of criminal liability or any material risk of civil liability on such Indemnatee in excess of \$5,000,000 or (y) such action, suit or proceeding will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) on any Leased Property or any part thereof unless the related Lessee or ADESA shall have posted a bond or other security satisfactory to the relevant Indemnitees in respect to such risk or (z) the control of such action, suit or proceeding would involve an actual or potential conflict of interest, (B) such proceeding involves Claims not fully indemnified by the Lessees which the related Lessee and the Indemnatee have been unable to sever from the indemnified claim(s), or (C) an Event of Default has occurred and is continuing. The Indemnatee may participate in a reasonable manner at its own expense and with its own counsel in any proceeding conducted by a Lessee in accordance with the foregoing.

If a Lessee fails to fulfill the conditions to such Lessee's assuming the defense of any Claim after receiving notice thereof on or prior to the later of (a) the date that is ten (10) days after receiving notice thereof and (b) the date that is ten (10) days prior to the date that an answer or response is required, the Indemnatee may undertake such defense, at the Lessees' expense. No Lessee shall enter into any settlement or other compromise with respect to any Claim which admits any liability or wrong-doing on part of any Indemnatee or which is in excess of \$5,000,000 which is entitled to be indemnified under SECTION 7.1 or 7.2 without the prior written consent of the related Indemnatee, which consent shall not be unreasonably withheld. Unless an Event of Default shall have occurred and be continuing, no Indemnatee shall enter into any settlement or other compromise with respect to any claim which is entitled to be indemnified under SECTION 7.1 or 7.2 without the prior written consent of ADESA, which consent shall not be unreasonably withheld, unless such Indemnatee waives its right to be indemnified under SECTION 7.1 or 7.2 with respect to such Claim.

Upon payment in full of any Claim by the Lessees pursuant to SECTION 7.1 or 7.2 to or on behalf of an Indemnatee, the Lessees, without any further action, shall be subrogated to any and all claims that such Indemnatee may have relating thereto (other than claims in respect of insurance policies maintained by such Indemnatee at its own expense), and such Indemnatee shall execute such instruments of assignment and conveyance, evidence of claims and payment and such other documents, instruments and agreements as may be reasonably necessary to preserve any such claims and otherwise cooperate with the Lessees and give such further assurances as are reasonably necessary or advisable to enable the Lessees vigorously to pursue such claims.

If for any reason the indemnification provided for in SECTION 7.1 or 7.2 is unavailable to an Indemnitee or is insufficient to hold an Indemnitee harmless, then each of ADESA and each Lessee agrees to contribute to the amount paid or payable by such Indemnitee as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnitee on the one hand and by ADESA and the Lessees on the other hand but also the relative fault of such Indemnitee as well as any other relevant equitable considerations. It is expressly understood and agreed that the right to contribution provided for herein shall survive the expiration or termination of and shall be separate and independent from any other remedy under this Master Agreement, the Lease or any other Operative Document.

The provisions of this SECTION 7.3 shall apply to all Claims for which a Lessee or the Construction Agent has an indemnity obligation pursuant to any Operative Document.

SECTION 7.4 GENERAL TAX INDEMNITY. (a) TAX INDEMNITY. Except as otherwise provided in this SECTION 7.4, each of ADESA and each Lessee, jointly and severally, shall pay on an After-Tax Basis, and on written demand shall indemnify and hold each Tax Indemnitee harmless from and against, any and all fees (including, without limitation, documentation, recording, license and registration fees), taxes (including, without limitation, income, gross receipts, sales, rental, use, turnover, value-added, property, excise and stamp taxes), levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon or additions thereto (any of the foregoing being referred to herein as "TAXES" and individually as a "TAX" (for the purposes of this SECTION 7.4, the definition of "Taxes" includes amounts imposed on, incurred by, or asserted against each Tax Indemnitee as the result of any prohibited transaction, within the meaning of Section 406 or 407 of ERISA or Section 4975(c) of the Code, arising out of the transactions contemplated hereby or by any other Operative Document)) imposed on or with respect to any Tax Indemnitee, any Lessee, ADESA, any Leased Property or any portion thereof or any Land, or any sublessee or user thereof, by the United States or by any state or local government or other taxing authority in the United States in connection with or in any way relating to (i) the acquisition, financing, mortgaging, construction, preparation, installation, inspection, delivery, non-delivery, acceptance, rejection, purchase, ownership, possession, rental, lease, sublease, maintenance, repair, storage, transfer of title, redelivery, use, operation, condition, sale, return or other application or disposition of all or any part of any Leased Property or the imposition of any Lien (or incurrence of any liability to refund or pay over any amount as a result of any Lien) thereon, (ii) Basic Rent or Supplemental Rent or the receipts or earnings arising from or received with respect to any Leased Property or any part thereof, or any interest therein or any applications or dispositions thereof, (iii) any other amount paid or payable pursuant to the Note or any other Operative Documents, (iv) any Leased Property, any Land or any part thereof or any interest therein (including, without limitation, all assessments payable in respect thereof, including, without limitation, all assessments noted on the related Title Policy), (v) all or any of the Operative Documents, any other documents contemplated thereby, any amendments and supplements thereto, and (vi) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents. Notwithstanding the foregoing, during the Construction Term for any Construction Land Interest, (i) ADESA and the Lessees shall only be obligated to indemnify the Lessor and its

Affiliates, successors, permitted assigns, permitted transferees, employees, officers, directors and agents, with respect to Taxes related to such Construction Land Interest and (ii) Lessor hereby indemnifies the other Tax Indemnitees for such Taxes, to the extent that Lessor receives payment therefor from ADESA or any Lessee.

(b) EXCLUSIONS FROM GENERAL TAX INDEMNITY. SECTION 7.4(a) shall not apply to:

(i) Taxes on, based on, or measured by or with respect to net income of the Lessor, the Agent and the Lenders (including, without limitation, minimum Taxes, capital gains Taxes, Taxes on or measured by items of tax preference or alternative minimum Taxes) other than (A) any such Taxes with respect to any Leased Property or the Transaction that are, or are in the nature of, sales, use, license, rental or property Taxes, and (B) withholding Taxes imposed by the United States or any state in which Leased Property is located (i) on payments with respect to the Notes, to the extent imposed by reason of a change in Applicable Law occurring after the date on which Lender became a Lender hereunder or (ii) on Rent, to the extent the net payment of Rent after deduction of such withholding Taxes would be less than amounts currently payable with respect to the Funded Amounts;

(ii) Taxes on, based on, or in the nature of, or measured by Taxes on doing business and business privilege, franchise, capital, capital stock, net worth, gross receipts or similar Taxes, other than (A) any increase in such Taxes imposed on such Tax Indemnitee by any state in which Leased Property is located, net of any decrease in such taxes realized by such Tax Indemnitee, to the extent that such tax increase would not have occurred if on each Funding Date the Lessor and the Lenders had advanced funds to a Lessee or the Construction Agent in the form of loans secured by the Leased Property in an amount equal to the Funded Amounts funded on such Funding Date, with debt service for such loans equal to the Basic Rent payable on each Payment Date and a principal balance at the maturity of such loans in a total amount equal to the Funded Amounts at the end of the Lease Term, or (B) any Taxes that are or are in the nature of sales, use, rental, license or property Taxes relating to any Leased Property;

(iii) Taxes that are based on, or measured by, the fees or other compensation received by a Person acting as Agent (in its individual capacities) or any Affiliate of any thereof for acting as trustee under the Loan Agreement;

(iv) Taxes that result from any act, event or omission, or are attributable to any period of time, that occurs after the earlier of (A) the expiration of the Lease Term with respect to any Leased Property and, if such Leased Property is required to be returned to the Lessor in accordance with the Lease, such return and (B) the discharge in full of the Lessees' obligations to pay the Lease Balance, or any amount determined by reference thereto, with respect to any Leased Property and all other amounts due under the Lease, unless such Taxes relate to acts, events or matters occurring prior to the earlier

of such times or are imposed on or with respect to any payments due under the Operative Documents after such expiration or discharge;

(v) Taxes imposed on a Tax Indemnitee that result from any voluntary sale, assignment, transfer or other disposition or bankruptcy by such Tax Indemnitee or any related Tax Indemnitee of any interest in any Leased Property or any part thereof, or any interest therein or any interest or obligation arising under the Operative Documents, or from any sale, assignment, transfer or other disposition of any interest in such Tax Indemnitee or any related Tax Indemnitee, it being understood that each of the following shall not be considered a voluntary sale: (A) any substitution, replacement or removal of any of the Leased Property by any Lessee, (B) any sale or transfer resulting from the exercise by any Lessee of any termination option, any purchase option or sale option, (C) any sale or transfer while an Event of Default shall have occurred and be continuing under the Lease, and (D) any sale or transfer resulting from the Lessor's exercise of remedies under the Lease;

(vi) any Tax which is being contested in accordance with the provisions of SECTION 7.4(c), during the pendency of such contest;

(vii) any Tax that is imposed on a Tax Indemnitee as a result of such Tax Indemnitee's gross negligence or willful misconduct (other than gross negligence or willful misconduct imputed to such Tax Indemnitee solely by reason of its interest in any Leased Property);

(viii) any Tax that results from a Tax Indemnitee engaging, with respect to any Leased Property, in transactions unrelated to the Leased Properties or the transactions contemplated by the Operative Documents;

(ix) to the extent of any interest, penalties or additions to tax that result in whole or in part from the failure of a Tax Indemnitee to file a return or pay a Tax that it is required to file or pay in a proper and timely manner, unless such failure (A) results from the transactions contemplated by the Operative Documents in circumstances where a Lessee did not give timely notice to such Tax Indemnitee (and such Tax Indemnitee otherwise had no actual knowledge) of such filing or payment requirement that would have permitted a proper and timely filing of such return or payment of such Tax, as the case may be, or (B) results from the failure of a Lessee to supply information necessary for the proper and timely filing of such return or payment of such Tax, as the case may be, that was not in the possession of such Tax Indemnitee; and

(x) any Tax that results from the breach by the Lessor of its representation and warranty made in SECTION 4.3(g) or the breach of any Lender of its representation and warranty made in SECTION 4.4(b).

(c) CONTESTS. If any claim shall be made against any Tax Indemnitee or if any proceeding shall be commenced against any Tax Indemnitee (including a written notice of such proceeding) for any Taxes as to which the Lessees may have an indemnity obligation pursuant to SECTION 7.4, or if any Tax Indemnitee shall determine that any Taxes as to which the Lessees may have an indemnity obligation pursuant to SECTION 7.4 may be payable, such Tax Indemnitee shall promptly notify ADESA. ADESA shall be entitled, at its expense, to participate in, and, to the extent that ADESA desires to, assume and control the defense thereof; PROVIDED, HOWEVER, that ADESA, shall have acknowledged in writing its and each Lessee's obligation to fully indemnify such Tax Indemnitee in respect of such action, suit or proceeding if the contest is unsuccessful; and, PROVIDED FURTHER, that ADESA shall not be entitled to assume and control the defense of any such action, suit or proceeding (but the Tax Indemnitee shall then contest, at the sole cost and expense of ADESA and the Lessees, on behalf of ADESA with representatives reasonably satisfactory to ADESA or a Lessee) if and to the extent that, (A) in the reasonable opinion of such Tax Indemnitee, such action, suit or proceeding (x) involves any risk of imposition of criminal liability or any material risk of civil liability in excess of \$5,000,000 on such Tax Indemnitee or (y) will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) on any Leased Property or any part thereof unless ADESA or a Lessee shall have posted a bond or other security satisfactory to the relevant Tax Indemnitees in respect to such risk, (B) such proceeding involves Claims not fully indemnified by the Lessees which ADESA and the Tax Indemnitee have been unable to sever from the indemnified claim(s), (C) an Event of Default has occurred and is continuing, (D) such action, suit or proceeding involves matters which extend beyond or are unrelated to the Transaction and if determined adversely could be materially detrimental to the interests of such Tax Indemnitee notwithstanding indemnification by the Lessees or (E) such action, suit or proceeding involves the federal or any state income tax liability of the Tax Indemnitee. With respect to any contests controlled by a Tax Indemnitee, (i) if such contest relates to the federal or any state income tax liability of such Tax Indemnitee, such Tax Indemnitee shall be required to conduct such contest only if ADESA shall have provided to such Tax Indemnitee an opinion of independent tax counsel selected by the Tax Indemnitee and reasonably satisfactory to ADESA stating that a reasonable basis exists to contest such claim or (ii) in the case of an appeal of an adverse determination of any contest relating to any Taxes, an opinion of such counsel to the effect that such appeal is more likely than not to be successful, PROVIDED, HOWEVER, such Tax Indemnitee shall in no event be required to appeal an adverse determination to the United States Supreme Court. The Tax Indemnitee may participate in a reasonable manner at its own expense and with its own counsel in any proceeding conducted by ADESA in accordance with the foregoing.

Each Tax Indemnitee shall, at ADESA's and the Lessees' expense, supply ADESA with such information and documents in such Tax Indemnitee's possession as are reasonably requested by ADESA and are necessary or advisable for ADESA to participate in any action, suit or proceeding to the extent permitted by this SECTION 7.4. Unless an Event of Default shall have occurred and be continuing, no Tax Indemnitee shall enter into any settlement or other compromise with respect to any Claim which is entitled to be indemnified under this SECTION 7.4 without the prior written consent of ADESA, which consent shall not be unreasonably withheld,

unless such Tax Indemnitee waives its right to be indemnified under this SECTION 7.4 with respect to such Claim.

Notwithstanding anything contained herein to the contrary, (a) a Tax Indemnitee will not be required to contest a claim with respect to the imposition of any Tax if such Tax Indemnitee shall waive its right to indemnification under this SECTION 7.4 with respect to such claim (and any related claim with respect to other taxable years the contest of which is precluded as a result of such waiver) and (b) no Tax Indemnitee shall be required to contest any claim if the subject matter thereof shall be of a continuing nature and shall have previously been decided adversely, unless there has been a change in law which in the opinion of Tax Indemnitee's counsel creates substantial authority for the success of such contest. Each Tax Indemnitee and ADESA shall consult in good faith with each other regarding the conduct of such contest controlled by either.

(d) REIMBURSEMENT FOR TAX SAVINGS. If (x) a Tax Indemnitee shall obtain a credit or refund of any Taxes paid by or assessed against ADESA or any Lessee pursuant to this SECTION 7.4 or (y) by reason of the incurrence or imposition of any Tax for which a Tax Indemnitee is indemnified hereunder or any payment made to or for the account of such Tax Indemnitee by ADESA or any Lessee pursuant to this SECTION 7.4, such Tax Indemnitee at any time realizes a reduction in any Taxes for which the Lessees are not required to indemnify such Tax Indemnitee pursuant to this SECTION 7.4, which reduction in Taxes was not taken into account in computing such payment by ADESA or any Lessee to or for the account of such Tax Indemnitee, then such Tax Indemnitee shall promptly pay to ADESA (xx) the amount of such credit or refund, together with the amount of any interest received by such Tax Indemnitee on account of such credit or refund or (yy) an amount equal to such reduction in Taxes, as the case may be; PROVIDED that no such payment shall be made so long as an Event of Default shall have occurred and be continuing (but shall be paid promptly after all Events of Default have been cured) and, PROVIDED, FURTHER, that the amount payable to ADESA by any Tax Indemnitee pursuant to this SECTION 7.4(d) shall not at any time exceed the aggregate amount of all indemnity payments made by ADESA and the Lessees under this SECTION 7.4 to such Tax Indemnitee with respect to the Taxes which gave rise to the credit or refund or with respect to the Tax which gave rise to the reduction in Taxes less the amount of all prior payments made to ADESA by such Tax Indemnitee under this SECTION 7.4(d). Each Tax Indemnitee agrees to act in good faith to claim such refunds and other available Tax benefits, and take such other actions as may be reasonable to minimize any payment due from ADESA or the Lessees pursuant to this SECTION 7.4. The disallowance or reduction of any credit, refund or other tax savings with respect to which a Tax Indemnitee has made a payment to ADESA and the Lessees under this SECTION 7.4(d) shall be treated as a Tax for which ADESA and the Lessees are obligated to indemnify such Tax Indemnitee hereunder without regard to SECTION 7.4(b) hereof.

(e) PAYMENTS. Any Tax indemnifiable under this SECTION 7.4 shall be paid by ADESA or a Lessee directly when due to the applicable taxing authority if direct payment is practicable and permitted. If direct payment to the applicable taxing authority is not permitted or is otherwise not made, any amount payable to a Tax Indemnitee pursuant to SECTION 7.4 shall be paid within thirty (30) days after receipt of a written demand therefor from such Tax Indemnitee

accompanied by a written statement describing in reasonable detail the amount so payable, but not before the date that the relevant Taxes are due. Any payments made pursuant to SECTION 7.4 shall be made to the Tax Indemnitee entitled thereto or ADESA, as the case may be, in immediately available funds at such bank or to such account as specified by the payee in written directions to the payor, or, if no such direction shall have been given, by check of the payor payable to the order of the payee by certified mail, postage prepaid at its address as set forth in this Master Agreement. Upon the request of any Tax Indemnitee with respect to a Tax that ADESA and the Lessees are required to pay, ADESA shall furnish to such Tax Indemnitee the original or a certified copy of a receipt for ADESA's or a Lessee's payment of such Tax or such other evidence of payment as is reasonably acceptable to such Tax Indemnitee.

(f) REPORTS. If ADESA or any Lessee knows of any report, return or statement required to be filed with respect to any Taxes that are subject to indemnification under this SECTION 7.4, such Lessee shall, if such Lessee is permitted by Applicable Law, timely file such report, return or statement (and, to the extent permitted by Applicable Law, show ownership of the applicable Leased Property in such Lessee); PROVIDED, HOWEVER, that if such Lessee is not permitted by Applicable Law or does not have access to the information required to file any such report, return or statement, such Lessee will promptly so notify the appropriate Tax Indemnitee, in which case Tax Indemnitee will file such report. In any case in which the Tax Indemnitee will file any such report, return or statement, the related Lessee shall, upon written request of such Tax Indemnitee, prepare such report, return or statement for filing by such Tax Indemnitee or, if such Tax Indemnitee so requests, provide such Tax Indemnitee with such information as is reasonably available to such Lessee.

(g) VERIFICATION. At ADESA's request, the amount of any indemnity payment by a Lessee or any payment by a Tax Indemnitee to ADESA pursuant to this SECTION 7.4 shall be verified and certified by an independent public accounting firm selected by ADESA and reasonably acceptable to the Tax Indemnitee. Unless such verification shall disclose an error in ADESA's favor of 5% or more of the related indemnity payment, the costs of such verification shall be borne by ADESA; otherwise, such costs shall be borne by the related Tax Indemnitee. In no event shall ADESA or any Lessee have the right to review the Tax Indemnitee's Tax returns or receive any other confidential information from the Tax Indemnitee in connection with such verification. The Tax Indemnitee agrees to cooperate with the independent public accounting firm performing the verification and to supply such firm with all information reasonably necessary (including, without limitation, copies of such Tax Indemnitee's Tax returns) to permit it to accomplish such verification, PROVIDED that the information provided to such firm by such Tax Indemnitee shall be for its confidential use. The parties agree that the sole responsibility of the independent public accounting firm shall be to verify the amount of a payment pursuant to this Master Agreement and that matters of interpretation of this Master Agreement are not within the scope of the independent accounting firm's responsibilities.

SECTION 7.5 INCREASED COSTS, ETC.

(a) ILLEGALITY. Notwithstanding any other provision herein, if any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Funding Party to make or maintain LIBOR Advances as contemplated by this Master Agreement, (a) the commitment of such Funding Party hereunder to continue LIBOR Advances as such and convert Funded Amounts to LIBOR Advances shall forthwith be cancelled and (b) such Funding Party's Funded Amounts then outstanding as LIBOR Advances, if any, shall be converted automatically to Base Rate Advances on the respective last days of the then current Rent Periods with respect to such Funded Amounts or within such earlier period as required by law. If any such conversion of a LIBOR Advance occurs on a day which is not the last day of the then current Rent Period with respect thereto, each of ADESA and each Lessee, jointly and severally, shall pay to such Funding Party such amounts, if any, as may be required pursuant to SECTION 7.5(f).

(b) REQUIREMENTS OF LAW. In the event that Eurocurrency Reserve Requirements or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Funding Party with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Funding Party to any tax of any kind whatsoever with respect to this Master Agreement, any Note or any LIBOR Advance made by it, or change the basis of taxation of payments to such Funding Party in respect thereof (except for taxes covered by SECTION 7.5(d) and changes in franchise taxes or the rate of tax on the overall net income of such Funding Party);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Funding Party which is not otherwise included in the determination of the LIBOR Rate; or

(iii) shall impose on such Funding Party any other condition;

and the result of any of the foregoing is to increase the cost to such Funding Party, by an amount which such Funding Party deems to be material, of making, converting into, continuing or maintaining LIBOR Advances or to reduce any amount receivable hereunder in respect thereof then, in any such case, each of ADESA and each Lessee, jointly and severally, shall promptly pay such Funding Party, upon its demand, any additional amounts necessary to compensate such Funding Party for such increased cost or reduced amount receivable. If any Funding Party becomes entitled to claim any additional amounts pursuant to this subsection in relation to such outstanding LIBOR Advances, it shall promptly notify ADESA, through the Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable

pursuant to this subsection submitted by such Funding Party, through the Agent, to ADESA in good faith and setting forth in reasonable detail the calculation of such amounts shall be conclusive in the absence of manifest error. The provisions of this PARAGRAPH (b) shall survive the termination of this Master Agreement and the Lease and the payment of the Notes and all other amounts payable under the Operative Documents.

(c) CAPITAL ADEQUACY. In the event that any Funding Party or corporation controlling such Funding Party shall have determined that any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Funding Party or such corporation with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof does or shall have the effect of reducing the rate of return on such Funding Party's capital as a consequence of its obligations hereunder to a level below that which such Funding Party could have achieved but for such change or compliance (taking into consideration such Funding Party's policies with respect to capital adequacy) by an amount deemed by such Funding Party to be material, then from time to time, after submission by such Funding Party in good faith to ADESA (with a copy to the Agent) of a written request therefor setting forth in reasonable detail the calculation of such amount (which request shall be conclusive in the absence of manifest error), each of ADESA and each Lessee, jointly and severally, shall pay to such Funding Party such additional amount or amounts as will compensate such Funding Party for such reduction to the extent imposed generally on other lessees or borrowers with whom such Funding Party has similar lease or credit arrangements (but in the case of outstanding Base Rate Advances, without duplication of any amounts already covered by such Funding Party by reason of an adjustment in the applicable Base Rate). The provisions of this PARAGRAPH (c) shall survive the termination of this Master Agreement and the Lease and the payment of the Notes and all other amounts payable under the Operative Documents.

(d) TAXES. Subject to SECTION 7.5(e), all payments made by a Lessee under the Lease and the other Operative Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding, in the case of the Agent and each Funding Party, net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Agent or such Funding Party, as the case may be, as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and the Agent or such Funding Party (excluding a connection arising solely from the Agent or such Funding Party having executed, delivered or performed its obligations or received a payment under, or enforced, this Master Agreement or any other Operative Document) or any political subdivision or taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, duties, charges, fees, deductions and withholdings being hereinafter called "WITHHOLDING TAXES"). If any Withholding Taxes are required to be withheld from any amounts payable to the Agent or any Funding Party hereunder or under any other Operative Document, the amounts so payable to the Agent or such Funding Party (so long as such Funding Party is in compliance with SECTION 7.5(e), as appropriate) shall be increased to the

extent necessary to yield to the Agent or such Funding Party (after payment of all Withholding Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in the Operative Documents. Whenever any Withholding Taxes are payable by a Lessee, as promptly as possible thereafter such Lessee shall send to the Agent for its own account or for the account of such Funding Party, as the case may be, a certified copy of an original official receipt received by such Lessee showing payment thereof. If a Lessee fails to pay any Withholding Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, each of ADESA and each Lessee, jointly and severally, shall indemnify the Agent and the Funding Parties for any incremental taxes, interest or penalties that may become payable by the Agent or any Funding Party as a result of any such failure. The agreements in this subsection shall survive the termination of this Master Agreement and the Lease and the payment of the Notes and all other amounts payable under the Operative Documents.

(e) TAX FORMS. Each Lender to this Master Agreement on the Initial Closing Date that is not incorporated under the laws of the United States of America or a state thereof agrees that, on or prior to the Initial Closing Date, it will deliver to ADESA and the Agent two duly completed copies of (i) United States Internal Revenue Service Form W-8BEN or W-8ECI or successor applicable form, as the case may be, and (ii) an Internal Revenue Service Form W-9 or successor applicable form. Each such Lender also agrees to deliver to ADESA and the Agent two further copies of the said Form W-8BEN or W-8ECI and Form W-9, or successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to ADESA, and such extensions or renewals thereof as may reasonably be requested by ADESA or the Agent, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Funding Party from duly completing and delivering any such form with respect to it and such Funding Party so advises ADESA and the Agent. Such Lender shall certify (i) in the case of a Form W-8BEN or W-8ECI, that it is entitled to receive payments under the Operative Documents without deduction or withholding of any United States federal income taxes and (ii) in the case of a Form W-9, that it is entitled to an exemption from United States backup withholding tax.

(f) BREAKAGE COSTS. Each of ADESA and each Lessee, jointly and severally, agrees to indemnify each Funding Party and to hold each Funding Party harmless from any loss or expense which such Funding Party may sustain or incur as a consequence of (a) default by a Lessee in payment when due of the principal amount of or interest on any LIBOR Advance, (b) default by a Lessee in making a borrowing or conversion after such Lessee or the Construction Agent has given (or is deemed to have given) a notice in accordance with this Master Agreement, (c) default by a Lessee in making any prepayment of LIBOR Advances after such Lessee has given a notice thereof in accordance with the provisions of the Operative Documents or (d) the making of a prepayment, payment or conversion, of LIBOR Advances on a day which is not the last day of a Rent Period with respect thereto, including, without limitation, in each

case, any such loss (other than non-receipt of the Applicable Margin or, without duplication, anticipated profits) or expense arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained (it being understood that any such calculation will be made on notional amounts as the Funding Parties are not required to show that they matched deposits specifically). A certificate as to any additional amounts payable pursuant to this subsection submitted by such Funding Party, through the Agent, to ADESA in good faith shall be conclusive in the absence of manifest error. The provisions of this PARAGRAPH (f) shall survive the termination of this Master Agreement and the Lease and the payment of the Notes and all other amounts payable under the Operative Documents.

(g) ACTION OF AFFECTED FUNDING PARTIES. Each Funding Party agrees to use reasonable efforts (including reasonable efforts to change the booking office for its Loans) to avoid or minimize any illegality pursuant to SECTION 7.5(a) or any amounts which might otherwise be payable pursuant to SECTION 7.5(c) or (d); PROVIDED, HOWEVER, that such efforts shall not cause the imposition on such Funding Party of any additional costs or legal or regulatory burdens reasonably deemed by such Funding Party to be material and shall not be deemed by such Funding Party to be otherwise contrary to its policies. In the event that such reasonable efforts are insufficient to avoid all such illegality or all amounts that might be payable pursuant to SECTION 7.5(c) or (d), then such Funding Party (the "AFFECTED FUNDING PARTY") shall use its reasonable efforts to transfer to any other Funding Party (which itself is not then an Affected Funding Party) its Loans and Commitment, subject to the provisions of SECTION 6.2; PROVIDED, HOWEVER, that such transfer shall not be deemed by such Affected Funding Party, in its sole discretion, to be disadvantageous to it or contrary to its policies. In the event that the Affected Funding Party is unable, or otherwise is unwilling, so to transfer its Loans and Commitment, ADESA may designate an alternate lender (reasonably acceptable to the Agent) to purchase the Affected Funding Party's Loans and Commitment, at par and including accrued interest, and, subject to the provisions of SECTION 6.2, the Affected Funding Party shall transfer its Commitment to such alternate lender and such alternate lender shall become a Funding Party hereunder. Any fee payable to the Agent pursuant to SECTION 6.2 in connection with such transfer shall be for the account of ADESA and the Lessees.

(h) CONSTRUCTION LAND INTERESTS. Any amounts payable by the Lessees pursuant to this SECTION 7.5 with respect to Construction Land Interests during the Construction Term therefor shall be paid with the proceeds of Advances.

SECTION 7.6 END OF TERM INDEMNITY. In the event that at the end of the Lease Term for the Leased Properties: (i) the related Lessee elects the option set forth in Section 14.6 of the Lease, and (ii) after the Lessor receives the sales proceeds from the Leased Properties under Section 14.6 or 14.7 of the Lease, together with Lessees' payment of the Recourse Deficiency Amount, the Lessor shall not have received the entire Lease Balance, then, within 90 days after the end of the Lease Term, the Lessor or the Agent may obtain, at Lessees' sole cost and expense, a report from the Appraiser (or, if the Appraiser is not available, another appraiser reasonably satisfactory to the Lessor or the Agent, as the case may be, and approved by ADESA,

such approval not to be unreasonably withheld) in form and substance reasonably satisfactory to the Lessor and the Agent (the "REPORT") to establish the reason for any decline in value of the Leased Properties from the Lease Balance. The Lessees, jointly and severally, shall promptly reimburse the Lessor for the amount equal to such decline in value to the extent that the Report indicates that such decline was due to:

(v) during the time while any property was a Leased Property, extraordinary use, failure to maintain, to repair, to restore, to rebuild or to replace as required by the Operative Documents, failure to comply with all Applicable Laws, failure to use good workmanship with respect to work performed after the Closing Date related to such Leased Property, method of installation or removal or maintenance, repair, rebuilding or replacement, or any other cause or condition resulting in the Building failing to be of the type and quality contemplated by the Appraisal (excepting in each case ordinary wear and tear) that arose from an act or a failure to act of a Lessee, or

(w) any Alteration made to, or any rebuilding of, any Leased Property or any part thereof by any Lessee, or

(x) any restoration or rebuilding carried out by any Lessee or any condemnation of any portion of any Leased Property pursuant to Article X of the Lease, or

(y) any use of any Leased Property or any part thereof by any Lessee other than as permitted by the Lease, or any act or omission constituting a breach of any requirement, condition, restriction or limitation set forth in the related Deed, related Ground Lease or the related Purchase Agreement, or

(z) the existence or compliance with any IDB Documentation.

ARTICLE VIII.
MISCELLANEOUS

SECTION 8.1 SURVIVAL OF AGREEMENTS. The representations, warranties, covenants, indemnities and agreements of the parties provided for in the Operative Documents, and the parties' obligations under any and all thereof, shall survive the execution and delivery of this Master Agreement and any of the Operative Documents, the transfer of any Land to the Lessor as provided herein (and shall not be merged into any Deed), any disposition of any interest of the Lessor in any Leased Property, the purchase and sale of the Note, payment therefor and any disposition thereof and shall be and continue in effect notwithstanding any investigation made by any party hereto or to any of the other Operative Documents and the fact that any such party may waive compliance with any of the other terms, provisions or conditions of any of the Operative Documents.

SECTION 8.2 DOCUMENTARY CONVENTIONS. The Documentary Conventions shall apply to this Master Agreement.

SECTION 8.3 EXPENSES. Whether or not the transactions herein contemplated are consummated, each of ADESA and the Lessees, jointly and severally, agrees to pay, as Supplemental Rent, all actual, reasonable and documented out-of-pocket costs and expenses of the Lessor, the Agent and the Lenders in connection with the preparation, execution and delivery of the Operative Documents and the documents and instruments referred to therein and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of Mayer, Brown & Platt) and of the Lessor, the Agent and the Lenders in connection with endeavoring to enforce the Operative Documents and the documents and instruments referred to therein (including, without limitation, the reasonable fees actually incurred and disbursements of counsel for the Lessor, the Agent and the Lenders), unless such enforcement action is finally denied by a court on the merits. All references in the Operative Documents to "attorneys' fees" or "reasonable attorneys fees" shall mean reasonable attorneys' fees actually incurred, without regard to any statutory definition thereof. Notwithstanding the foregoing, all such costs and expenses related to the any Construction Land Interest shall be paid with the proceeds of Advances (subject to the conditions set forth in this Master Agreement).

SECTION 8.4 LIABILITIES OF THE FUNDING PARTIES: SHARING OF PAYMENTS.

(a) No Funding Party shall have any obligation to any other Funding Party or to the Guarantor or any Lessee with respect to the transactions contemplated by the Operative Documents except those obligations of such Funding Party expressly set forth in the Operative Documents or except as set forth in the instruments delivered in connection therewith, and no Funding Party shall be liable for performance by any other party hereto of such other party's obligations under the Operative Documents except as otherwise so set forth. No Lender shall have any obligation or duty to ADESA or any Lessee, any other Funding Parties or any other Person with respect to the transactions contemplated hereby except to the extent of the obligations and duties expressly set forth in this Master Agreement or the Loan Agreement.

(b) If any Funding Party shall obtain any payment (whether voluntary or involuntary, or through the exercise of any right of set-off or otherwise) on account of the Advances made by it in excess of its ratable share of payments on account of the Advances obtained by all the Funding Parties, such Funding Parties shall forthwith purchase from the other Funding Parties such participations in the Advances owed to them as shall be necessary to cause such purchasing Funding Party to share the excess payment ratably with each of them, PROVIDED, HOWEVER, that if all or any portion of such excess payment is thereafter recovered from such purchasing Funding Party, such purchase from each Funding Party shall be rescinded and such Funding Party shall repay to the purchasing Funding Party the purchase price to the extent of such Funding Party's ratable share (according to the proportion of (i) the amount of the participation purchased from such Funding Party as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Funding Party's ratable share (according to the proportion of (i) the amount of such Funding Party's required repayment to (ii) the total amount so recovered from the purchasing Funding Party) of any interest or other

amount paid or payable by the purchasing Funding Party in respect of the total amount so recovered. Each Funding Party agrees that any Funding Party so purchasing a participation from another Funding Party pursuant to this SECTION 8.4 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Funding Party were the direct creditor of such Funding Party in the amount of such participation.

SECTION 8.5 LIABILITIES OF THE AGENT. The Agent shall have no duty, liability or obligation to any party to this Master Agreement with respect to the transactions contemplated hereby except those duties, liabilities or obligations expressly set forth in this Master Agreement or the Loan Agreement, and any such duty, liability or obligations of the Agent shall be as expressly limited by this Master Agreement or the Loan Agreement, as the case may be. All parties to this Master Agreement acknowledge that the Agent is not, and will not be, performing any due diligence with respect to documents and information received pursuant to this Master Agreement or any other Operative Agreement including, without limitation, any Environmental Audit, Title Policy or survey. The acceptance by the Agent of any such document or information shall not constitute a waiver by any Funding Party of any representation or warranty of ADESA or any Lessee even if such document or information indicates that any such representation or warranty is untrue.

IN WITNESS WHEREOF, the parties hereto have caused this Master Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written

ADESA CORPORATION, as a Guarantor

/s/ William T. Stackhouse

William T. Stackhouse, Chief
Financial Officer

ADESA CALIFORNIA, INC., as a Lessee

/s/ William T. Stackhouse

William T. Stackhouse, Treasurer

ATLANTIC FINANCIAL GROUP, LTD., as
Lessor

By: Atlantic Financial Managers, Inc.,
its General Partner

By: /s/ Stephen Brookshire

Name Printed: Stephen Brookshire
Title: President

SUNTRUST BANK, as Agent and as a
Lender

By: /s/ W. David Wisdom

Name Printed: W. David Wisdom

Title: Vice President

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MASTER
AGREEMENT

LASALLE BANK NATIONAL ASSOCIATION, as
a Lender

By: /s/ Matthew R. Doye

Name Printed: Matthew R. Doye

Title: Commercial Loan Officer

HARRIS TRUST AND SAVINGS BANK, as a
Lender

By: /s/ THAD D. RASCHE

Name Printed: Thad D. Rasche

Title: Vice President

APPENDIX A
to
Master Agreement

DEFINITIONS, INTERPRETATION AND DOCUMENTARY CONVENTIONS

A. INTERPRETATION. In each Operative Document, unless a clear contrary intention appears:

(i) the singular number includes the plural number and VICE VERSA;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by the Operative Documents;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement (including any Operative Document), document or instrument means such agreement, document or instrument as amended, supplemented, waived, restated or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Operative Documents and reference to any promissory note includes any promissory note which is an extension or renewal thereof or a substitute or replacement therefor;

(v) reference to any Applicable Law means such Applicable Law as amended, waived, restated, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) reference in any Operative Document to any ARTICLE, SECTION, APPENDIX, SCHEDULE or EXHIBIT means such ARTICLE or SECTION thereof or APPENDIX, SCHEDULE or EXHIBIT thereto;

(vii) "hereunder", "hereof", "hereto" and words of similar import shall be deemed references to an Operative Document as a whole and not to any particular ARTICLE, SECTION, paragraph or other provision of such Operative Document;

(viii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;

(ix) "or" is not exclusive; and

(x) relative to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding".

B. ACCOUNTING TERMS. In each Operative Document, unless expressly otherwise provided, accounting terms shall be construed and interpreted, and accounting determinations and computations shall be made, in accordance with GAAP.

C. CONFLICT IN OPERATIVE DOCUMENTS. If there is any conflict between any Operative Documents, each such Operative Document shall be interpreted and construed, if possible, so as to avoid or minimize such conflict but, to the extent (and only to the extent) of such conflict, the Master Agreement shall prevail and control.

D. LEGAL REPRESENTATION OF THE PARTIES. The Operative Documents were negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring any Operative Document to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

E. DEFINED TERMS. Unless a clear contrary intention appears, terms defined herein have the respective indicated meanings when used in each Operative Document.

"A LOAN" means with respect to any Leased Property, the principal portion of the related Loans equal to the Recourse Deficiency Amount for such Leased Property.

"ACQUISITION" means any transaction or series of related transactions for the purpose of, or resulting, directly or indirectly, in (a) the acquisition of all or substantially all the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interest, membership interest, or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation of, or any other combination with, another Person (other than a Person that is a Subsidiary), provided that ADESA or a Subsidiary is the surviving entity.

"ADDITIONAL INSURED" means each of the Agent, each Lender and Lessor.

"ADDRESS" means with respect to any Person, its address set forth in SCHEDULE I hereto or such other address as it shall have identified to the parties to the Master Agreement in writing in the manner provided for the giving of notices thereunder.

"ADESA" means ADESA Corporation, an Indiana corporation.

"ADESA CALIFORNIA" means ADESA California, Inc., a California corporation.

"ADJUSTED LIBO RATE" shall mean, with respect to each Rent Period for a LIBOR Advance, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined pursuant to the following formula:

$$\text{Adjusted LIBO Rate} = \frac{\text{LIBOR}}{1.00 - \text{LIBOR Reserve Percentage}}$$

As used herein, LIBOR Reserve Percentage shall mean, for any Rent Period for a LIBOR Advance, the reserve percentage (expressed as a decimal) equal to the then stated maximum rate of all reserves requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or against any successor category of liabilities as defined in Regulation D).

"ADVANCE" means a LIBOR Advance or a Base Rate Advance.

"AFFILIATE" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified. For purposes of this definition, the term "CONTROL" (including the correlative meanings of the terms "CONTROLLED BY" and "UNDER COMMON CONTROL WITH"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"AFTER-TAX BASIS" means (a) with respect to any payment to be received by an Indemnitee (which, for purposes of this definition, shall include any Tax Indemnitee), the amount of such payment supplemented by a further payment or payments so that, after deducting from such payments the amount of all Taxes (net of any current credits, deductions or other Tax benefits arising from the payment by the Indemnitee of any amount, including Taxes, for which the payment to be received is made) imposed currently on the Indemnitee by any Governmental Authority or taxing authority with respect to such payments, the balance of such payments shall be equal to the original payment to be received and (b) with respect to any payment to be made by any Indemnitee, the amount of such payment supplemented by a further payment or payments so that, after increasing such payment by the amount of any current credits or other Tax benefits realized by the Indemnitee under the laws of any Governmental Authority or taxing authority resulting from the making of such payments, the sum of such payments (net of such credits or benefits) shall be equal to the original payment to be made; PROVIDED, HOWEVER, for the purposes of this definition, and for purposes of any payment to be made to an Indemnitee or by an Indemnitee on an after-tax basis, it shall be assumed that (i) federal, state and local taxes are payable at the highest combined marginal federal and state statutory income tax rate (taking into account the deductibility of state income taxes for federal income tax purposes) applicable to corporations from time to time and (ii) such Indemnitee or the recipient of such payment from an Indemnitee has sufficient income to utilize any deductions, credits (other than foreign tax credits,

the use of which shall be determined on an actual basis) and other Tax benefits arising from any payments described in CLAUSE (b) of this definition.

"AGENT" means SunTrust Bank, a Georgia banking corporation, in its capacity as agent under the Master Agreement and the Loan Agreement.

"ALTERATIONS" means, with respect to any Leased Property, fixtures, alterations, improvements, modifications and additions to such Leased Property.

"AMORTIZATION" shall mean, for any period, amortization expense of the Consolidated Companies determined on a consolidated basis in accordance with GAAP.

"APPLICABLE LAW" means, each as and to the extent applicable: all laws (including Environmental Laws), rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of any Governmental Authority, judgments, decrees, injunctions, writs, and orders or like action of any court, arbitrator or other administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (including those pertaining to health, safety or the environment (including wetlands) and those pertaining to the construction, use or occupancy of any Leased Property).

"APPLICABLE MARGIN" shall mean, for any day, (i) with respect to Base Rate Advances, the applicable rate per annum set forth below under the captions "Base Rate Advances," and (ii) with respect to LIBOR Advances, the applicable rate per annum set forth below under the captions "LIBOR Advances," as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

INDEX DEBT	BASE RATE ADVANCES	LIBOR ADVANCES
Category 1	0.00%	0.875%
Category 2	0.00%	1.00%
Category 3	0.25%	1.375%
Category 4	0.75%	1.875%
Category 5	1.25%	2.25%

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by Moody's and

S&P for the Index Debt shall fall within different Categories, the Applicable Margin shall be based on the higher of the two ratings, PROVIDED that if the difference in such ratings is more than two notches, then the Category that is one Category below the highest rating shall apply; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the earlier of (i) the date on which it is first announced by the applicable rating agency and (ii) the date on which ADESA gives notice of such change to the Agent. For the purposes hereof, ADESA shall be required to notify the Agent of such change immediately upon gaining knowledge of such change. Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, ADESA and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Margin shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"APPRAISAL" is defined in Section 3.1 of the Master Agreement.

"APPRAISER" means an MAI appraiser reasonably satisfactory to the Agent.

"ARCHITECT" means with respect to any Leased Property the architect engaged in connection with the construction of the related Building, if any, who may be an employee of the General Contractor for such Leased Property.

"ARCHITECT'S AGREEMENT" means, with respect to any Leased Property, the architectural services agreement, if any, between the related Lessee and the related Architect.

"ASSIGNMENT OF LEASE AND RENTS" means, with respect to any Leased Property, the Assignment of Lease and Rents, dated as of the related Closing Date, from the Lessor to the Agent, substantially in the form of Exhibit B to the Master Agreement.

"AUTHORITY" means a development or similar authority of any state, county or municipality that is an issuer of Bonds.

"AWARD" means any award or payment received by or payable to the Lessor or a Lessee on account of any Condemnation or Event of Taking (less the actual costs, fees and expenses, including reasonable attorneys' fees, incurred in the collection thereof, for which the Person incurring the same shall be reimbursed from such award or payment).

"B LOAN" means with respect to any Leased Property, the excess of the principal of the Loans related to such Leased Property over the Recourse Deficiency Amount for such Leased Property.

"BANKRUPTCY CODE" means the Bankruptcy Reform Act of 1978, as amended.

"BASE RATE" means (with any change in the Base Rate to be effective as of the date of change of either of the following rates) the higher of (i) the rate which the Agent publicly announces from time to time as its prime lending rate, as in effect from time to time, and (ii) the Federal Funds Rate, as in effect from time to time, PLUS one-half of one percent (0.50%) per annum. The Agent's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to customers; the Agent may make commercial loans or other loans at rates of interest at, above or below the Agent's prime lending rate. The Base Rate is determined daily.

"BASE RATE ADVANCE" means that portion of the Funded Amount bearing interest at the Base Rate.

"BASE LEASE TERM" means, with respect to any Leased Property, (a) the period commencing on the Completion Date for such Leased Property (or the Closing Date, if such Leased Property is not a Construction Land Interest) and ending on July 30, 2006 or (b) such shorter period as may result from earlier termination of the Lease as provided therein.

"BASIC RENT" means, for any Lease Term, the rent payable pursuant to Section 3.1 of the Lease, determined in accordance with the following: each installment of Basic Rent payable on any Payment Date shall be in an amount equal to the sum of (A) the aggregate amount of Lender Basic Rent payable on such Payment Date, PLUS (B) the aggregate amount of Lessor Basic Rent payable on such Payment Date.

"BONDS" means industrial revenue or development bonds issued by a state, county or municipal authority in connection with any Leased Property.

"BUILDING" means, with respect to any Leased Property, (i) the buildings, structures and improvements located or to be located on the related Land, along with all fixtures used or useful in connection with the operation of such Leased Property, including all furnaces, boilers, compressors, elevators, fittings, pipings, connectives, conduits, ducts, partitions, equipment and apparatus of every kind and description now or hereafter affixed or attached or used or useful in connection with the Building, (ii) all equipment and other personal property financed by the Lessor and/or the Lenders and (iii) all Alterations (including all restorations, repairs, replacements and rebuilding of such buildings, improvements and structures) thereto (but in each case excluding trade fixtures financed other than by the Lessor or the Lenders).

"BUSINESS DAY" means any day other than a Saturday, Sunday or other day on which banks are required or authorized to be closed for business in Atlanta, Georgia and, if the applicable Business Day relates to a LIBOR Advance, on which trading is not carried on by and between banks in the London interbank market.

"CAPITAL LEASE" shall mean, as applied to any Person, any lease of any asset by that Person as lessee which, in accordance with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"CASUALTY" means an event of damage or casualty relating to all or part of any Leased Property that does not constitute an Event of Loss.

"CATEGORY 1" means A- or higher by S&P or A3 or higher by Moody's.

"CATEGORY 2" means BBB+ or higher by S&P or Baa1 or higher by Moody's (but not Category 1).

"CATEGORY 3" means BBB or higher by S&P or Baa2 or higher by Moody's (but not Category 1 or Category 2).

"CATEGORY 4" means BBB- or higher by S&P or Baa3 or higher by Moody's (but not Category 1, Category 2 or Category 3).

"CATEGORY 5" means lower than BBB- by S&P and lower than Baa3 by Moody's.

"CLAIMS" means liabilities, obligations, damages, losses, demands, penalties, fines, claims, actions, suits, judgments, proceedings, settlements, utility charges, costs, expenses and disbursements (including, without limitation, reasonable legal fees and expenses) of any kind and nature whatsoever.

"CLOSING DATE" means, with respect to each parcel of Land, the date on which such Land is acquired by the Lessor pursuant to a Purchase Agreement or such Land is leased to the Lessor pursuant to a Ground Lease and the initial Funding occurs with respect to such Land under the Master Agreement.

"CODE" or "TAX CODE" means the Internal Revenue Code of 1986, as amended from time to time and any successor statute.

"COMMITMENT" means as to each Funding Party, its obligation to make Fundings as investments in each Leased Property, or to make Loans to the Lessor, in an aggregate amount not to exceed at any one time outstanding the amount set forth for such Funding Party on Schedule 2.2 to the Master Agreement (as it may be adjusted from time to time pursuant to Section 6 of the Master Agreement).

"COMMITMENT PERCENTAGE" means as to any Funding Party, at a particular time, the percentage of the aggregate Commitments in effect at such time represented by such Funding Party's Commitment, as such percentage is shown for such Funding Party on Schedule 2.2 to the Master Agreement (as it may be adjusted from time to time pursuant to Section 6 of the Master Agreement).

"COMPLETION DATE" with respect to any Leased Property that is a Construction Land Interest means the Business Day on which the conditions specified in Section 3.5 of the Master Agreement have been satisfied or waived with respect to such Leased Property.

"CONDEMNATION" means any condemnation, requisition, confiscation, seizure, permanent use or other taking or sale of the use, occupancy or title to any Leased Property or any part thereof in, by or on account of any actual eminent domain proceeding or other action by any Governmental Authority or other Person under the power of eminent domain or any transfer in lieu of or in anticipation thereof, which in any case does not constitute an Event of Taking. A Condemnation shall be deemed to have "occurred" on the earliest of the dates that use is prevented or occupancy or title is taken.

"CONSOLIDATED COMPANIES" shall mean, collectively, ADESA and all of its Subsidiaries, if any, and "Consolidated Company" shall mean, individually, ADESA or any of its Subsidiaries, if any.

"CONSOLIDATED LEASE EXPENSE" shall mean rental expense under Operating Leases of the Consolidated Companies on a consolidated basis for the applicable period, as determined in accordance with GAAP. Except as expressly provided otherwise, the applicable period shall be for the four consecutive Fiscal Quarters ending as of the date of determination.

"CONSTRUCTION" means, with respect to any Leased Property, the construction of the related Building pursuant to the related Plans and Specifications.

"CONSTRUCTION AGENCY AGREEMENT" means the Construction Agency Agreement, dated as of July 30, 2001, between ADESA California and the Lessor.

"CONSTRUCTION AGENT" means ADESA California in its capacity as construction agent pursuant to the Construction Agency Agreement.

"CONSTRUCTION BUDGET" is defined in Section 2.4 of the Construction Agency Agreement.

"CONSTRUCTION CONDITIONS" means the conditions set forth in Section 3.5 of the Master Agreement.

"CONSTRUCTION CONTRACT" means, with respect to any Leased Property, that certain construction contract, if any, between the related Lessee or the Construction Agent and a General Contractor for the Construction of the related Building, which contract shall be assigned to the Lessor, and such assignment shall be consented to by such General Contractor, pursuant to an assignment of such construction contract substantially in the form of the Security Agreement and Assignment set forth as Exhibit D to the Master Agreement.

"CONSTRUCTION COSTS" means, with respect to any Leased Property, all costs of acquisition or ground lease, as applicable, of the related Land, all closing, development and transaction costs

related thereto, including fees, costs and expenses of attorneys, architects, surveyors, engineers, title and other insurance companies, appraisers and environmental firms, all costs of Construction, and all interest and Yield accrued on the Funded Amounts related to such Leased Property during the Construction Term therefor.

"CONSTRUCTION FAILURE EVENT" is defined in Section 5.1 of the Construction Agency Agreement.

"CONSTRUCTION FAILURE PAYMENT" means, with respect to any Leased Property and as of any date of calculation, an amount equal to (i) 100% of the related Raw Land Cost, plus (ii) the excess of (A) 89.9% of the Project Costs (exclusive of Raw Land Cost) incurred as of the date of calculation, minus (B) the sum of (1) Force Majeure Losses incurred with respect to such Leased Property during the Construction Term, and (2) the Present Value of any payments (other than Unrestricted Indemnification Amounts) paid or payable by the Construction Agent under the Operative Documents that the Construction Agent is legally required to pay as of the date of calculation (PROVIDED that such payments shall not include any amounts that are payable by the Construction Agent that require the approval or consent but have not been approved or consented to by the Agent in accordance with Section 3.4 of the Construction Agency Agreement) that have not been reimbursed as of the date of calculation.

"CONSTRUCTION FORCE MAJEURE DECLARATION" is defined in Section 3.4 of the Construction Agency Agreement.

"CONSTRUCTION FORCE MAJEURE EVENT" means, with respect to any Leased Property:

- (a) an act of God arising after the related Closing Date, or
- (b) any change in any state or local law, regulation or other legal requirement arising after such Closing Date and relating to the use of the Land or the construction of a building on the Land, or
- (c) strikes, lockouts, labor troubles, unavailability of materials (including delays in delivery), riots, insurrections or other causes beyond a Lessee's control

which prevents the Construction Agent from completing the Construction prior to the Scheduled Construction Termination Date and which could not have been avoided or which cannot be remedied by the Construction Agent through the exercise of all commercially reasonable efforts or the expenditure of funds and, in the case of (b) above, the existence or potentiality of which was not known to and could not have been discovered prior to such Closing Date through the exercise of reasonable due diligence by the Construction Agent.

"CONSTRUCTION LAND INTEREST" means each parcel of Land on which the related Lessee intends to build a Building and for which the Completion Date has not yet occurred.

"CONSTRUCTION TERM" means, with respect to any Leased Property, the period commencing on the related Closing Date and ending on the related Construction Term Expiration Date, or such shorter period as may result from earlier termination of the Lease as provided therein.

"CONSTRUCTION TERM EXPIRATION DATE" means, with respect to any Leased Property, the earliest of the following:

- (a) the related Completion Date,
- (b) the date on which the aggregate Funded Amounts equal the Commitments, and
- (c) the related Scheduled Construction Termination Date.

"CONTRACTUAL OBLIGATION", as applied to any Person, means any provision of any Securities issued by that Person or any indenture, mortgage, deed of trust, contract, undertaking, agreement, instrument or other document to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject (including, without limitation, any restrictive covenant affecting any of the properties of such Person).

"CURRENCY CONTRACTS" shall mean any forward contracts, futures contracts, foreign exchange contracts, currency swap agreements, and other similar agreements and arrangements entered into by any Consolidated Company designed to protect any Consolidated Company against fluctuations in foreign exchange rates.

"DEED" means, with respect to any Land, a general warranty deed (or, if the related Title Policy is acceptable to the related Lessee and the Agent, a special or limited warranty deed, provided that unless consented to by the related Lessee, the Lessor and the Agent, such deed is not the equivalent of a quit-claim deed in the applicable jurisdiction), dated on or before the applicable Closing Date, from the applicable Seller to the Lessor, conveying such Land.

"DEFAULT" means an Event of Default or a Potential Event of Default.

"DEPRECIATION" shall mean, for any period, depreciation expense of the Consolidated Companies determined on a consolidated basis in accordance with GAAP.

"DOCUMENTARY CONVENTIONS" means the provisions set forth in PARAGRAPH F of this Appendix A.

"EBITDA" shall mean, for any period (which period, for the purposes of calculating the Total Funded Debt to EBITDA Ratio, shall be four Fiscal Quarters), an amount equal to the sum of (i) Net Income (Loss) for such period PLUS (ii) to the extent deducted in determining Net Income (Loss) for such period, (A) Interest Expense, (B) Income Taxes, (C) Depreciation, (D) Amortization and (E) all other non-cash charges determined on a consolidated basis in

accordance with GAAP, in each case for such period; PROVIDED, HOWEVER, that with respect to any Person, or substantially all of the assets of a Person, that becomes a Subsidiary of, or was merged with or consolidated into, or acquired by, a Consolidated Company in accordance with the terms of the Master Agreement during such period, "EBITDA" shall also include the EBITDA of such Person or the EBITDA attributable to such assets during such period as if such Person or assets were acquired as of the first day of such period.

"ENGINEER" means, with respect to any Leased Property, the engineer engaged in connection with the construction of the related Building, if any, who may be an employee of the General Contractor for such Leased Property.

"ENGINEER'S AGREEMENT" means, with respect to any Leased Property the engineering services agreement, if any, between the Construction Agent, in its capacity as agent for Lessor, and the related Engineer.

"ENVIRONMENTAL AUDIT" means, with respect to each parcel of Land, a Phase I Environmental Assessment and, if recommended in such Phase I Environmental Assessment, a Phase II Environmental Assessment, dated no more than six months prior to the related Closing Date, by an environmental services firm satisfactory to the Agent.

"ENVIRONMENTAL LAWS" means and include the Resource Conservation and Recovery Act of 1976, (RCRA) 42 U.S.C. Sections 6901-6987, as amended by the Hazardous and Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Sections 9601-9657, (CERCLA), the Hazardous Materials Transportation Act of 1975, 49 U.S.C. Sections 1801-1812, the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2671, the Clean Air Act, 42 U.S.C. Sections 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Sections 136 et seq., and all similar federal, state and local environmental laws, ordinances, rules, orders, statutes, decrees, judgments, injunctions, codes and regulations, and any other federal, state or local laws, ordinances, rules, codes and regulations, and any other federal, state or local laws, ordinances, rules, codes and regulations relating to the environment, human health or natural resources or the regulation or control of or imposing liability or standards of conduct concerning human health, the environment, Hazardous Materials or the clean-up or other remediation of any Leased Property, or any part thereof, as any of the foregoing may have been from time to time amended, supplemented or supplanted.

"ENVIRONMENTAL PERMITS" means all permits, licenses, authorizations, certificates and approvals of Governmental Authorities required by Environmental Laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statute.

"ERISA AFFILIATE" shall mean any corporation or trade or business that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as

ADESA or is under common control (within the meaning of Section 414(c) of the Code) with ADESA.

"EVENT OF DEFAULT" means any event or condition designated as an "Event of Default" in Article XII of the Lease.

"EVENT OF LOSS" is defined in Section 10.1 of the Lease.

"EVENT OF TAKING" is defined in Section 10.2 of the Lease.

"FAIR MARKET SALES VALUE" means, with respect to any Leased Property or any portion thereof, the fair market sales value as determined by an independent appraiser chosen by the Agent, and, unless an Event of Default has occurred, reasonably acceptable to the related Lessee, that would be obtained in an arm's-length transaction between an informed and willing buyer (other than a lessee currently in possession) and an informed and willing seller, under no compulsion, respectively, to buy or sell and neither of which is related to the Lessor or the related Lessee, for the purchase of such Leased Property. Such fair market sales value shall be calculated as the value for such Leased Property, assuming, in the determination of such fair market sales value, that such Leased Property is in the condition and repair required to be maintained by the terms of the Lease (unless such fair market sales value is being determined for purposes of Section 13.1 of the Lease and except as otherwise specifically provided in the Lease or the Master Agreement, in which case this assumption shall not be made).

"FEDERAL FUNDS RATE" means for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of Atlanta, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent.

"FEE PERCENTAGE" shall mean, for any day, the applicable rate per annum set forth below based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

INDEX DEBT	FEE PERCENTAGE
Category 1	0.125%
Category 2	0.125%

Category 3	0.175%
Category 4	0.25%
Category 5	0.50%

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Fee Percentage shall be based on the higher of the two ratings, PROVIDED that if the difference in such ratings is more than two notches, then the Category that is one Category below the highest rating shall apply; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the earlier of (i) the date on which it is first announced by the applicable rating agency and (ii) the date on which ADESA gives notice of such change to the Agent. For the purposes hereof, ADESA shall be required to notify the Agent of such change immediately upon gaining knowledge of such change. Each change in the Fee Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, ADESA and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Fee Percentage shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"FINAL RENT PAYMENT DATE" with respect to any Leased Property is defined in Section 13.1(e) of the Lease.

"FINANCIAL OFFICER" shall mean the chief financial officer, principal accounting officer, treasurer or controller of ADESA whose signature and incumbency shall have been certified to the Agent and the Funding Parties from time to time. Unless otherwise specified, all references to a Financial Officer herein shall mean a Financial Officer of ADESA.

"FISCAL QUARTER" shall mean a fiscal quarter of ADESA.

"FIXED CHARGE COVERAGE RATIO" shall mean, as of any date of determination, the ratio of (a) the sum of (i) EBITDA measured for the four consecutive Fiscal Quarters ending on such date, or if such date of determination is not the last day of any Fiscal Quarter, then ending immediately prior to such date of determination, plus (ii) Consolidated Lease Expense, to (b) the sum of (i) the current maturities of all Long Term Indebtedness scheduled during the four

consecutive Fiscal Quarters immediately following the Fiscal Quarter in which such date occurs, PLUS (ii) Consolidated Lease Expense, PLUS (iii) Interest Expense measured for the four consecutive Fiscal Quarters ending on such date, or if such date of determination is not the last day of any Fiscal Quarter, then ending immediately prior to such date of determination.

"FORCE MAJEURE LOSSES" means, with respect to any Leased Property and as of any date of calculation, the loss incurred by the Lessor in connection with a Construction Force Majeure Event with respect to which a Construction Force Majeure Declaration has been made, measured by the sum of (i) the lower of (A) the insurance proceeds paid with respect thereto plus the related deductible amount and (B) the reduction in Fair Market Sales Value of the Leased Property as a result of the Construction Force Majeure Event as set forth in an Appraisal, plus (ii) other direct costs incurred by the Lessor or by the Construction Agent that the Lessor has consented to in accordance with Section 3.4 of the Construction Agency Agreement in connection with such Construction Force Majeure Event to the extent such costs are not covered by insurance; PROVIDED that insurance proceeds shall be used in such calculation only to the extent the event giving rise to the loss can be remediated for an amount equal to the resulting insurance proceeds plus the deductible; PROVIDED, FURTHER, that it is expressly understood and agreed that Force Majeure Losses shall not include the costs of repairing damage occasioned not as a result of the Construction Force Majeure Event, but as a result of the Construction Agent's failure to take all reasonable steps to minimize the damages caused by such Construction Force Majeure Event.

"FUNDED AMOUNT" means, as to the Lessor, the Lessor's Invested Amounts, and, as to each Lender, the outstanding principal amount of such Lender's Loans.

"FUNDING" means any funding by the Funding Parties pursuant to Section 2.2 of the Master Agreement.

"FUNDING DATE" means each Closing Date and each other date on which a Funding occurs under Section 2 of the Master Agreement.

"FUNDING PARTIES" means the Lessor and the Lenders, collectively.

"FUNDING PARTY BALANCE" means, with respect to any Leased Property, (i) for the Lessor as of any date of determination, an amount equal to the sum of the outstanding related Lessor's Invested Amount, all accrued and unpaid Yield on such outstanding related Lessor's Invested Amount, all unpaid related fees owing to the Lessor under the Operative Documents, and all other related amounts owing to the Lessor by the Lessees under the Operative Documents, and (ii) for each Lender as of any date of determination, an amount equal to the sum of the outstanding principal of such Lender's related Loans, all accrued and unpaid interest thereon, all unpaid related fees owing to such Lender under the Operative Documents, and all other related amounts owing to such Lender by the Lessees under the Operative Documents.

"FUNDING REQUEST" is defined in Section 2.2 of the Master Agreement.

"FUNDING TERMINATION DATE" means the earliest of (i) the date that is two years after the Initial Closing Date and (ii) the termination of the Commitments pursuant to Section 5.2 of the Loan Agreement.

"FUTURE VALUE" means, with respect to any component of the Recourse Deficiency Percentage, the accreted value of such component as of the end of the Base Lease Term, that is giving effect to the time value of money using the Implicit Rate.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"GENERAL CONTRACTOR" with respect to any Leased Property means the general contractor therefor selected by the Construction Agent.

"GENERAL PARTNER" means Atlantic Financial Managers, Inc., a Texas corporation.

"GOVERNMENTAL ACTION" means all permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Governmental Authority, or required by any Applicable Law and shall include, without limitation, all citations, environmental and operating permits and licenses that are required for the use, occupancy, zoning and operation of any Leased Property.

"GOVERNMENTAL AUTHORITY" shall include the country, the state, county, city and political subdivisions in which any Person or such Person's Property is located or which exercises valid jurisdiction over any such Person or such Person's Property, and any court, agency, department, commission, board, bureau or instrumentality of any of them, including monetary authorities which exercises valid jurisdiction over any such Person or such Person's Property. Unless otherwise specified, all references to Governmental Authority herein shall mean a Governmental Authority having jurisdiction over, where applicable, ADESA, the Subsidiaries or any of their Property or the Agent or any Funding Party.

"GOVERNMENTAL REQUIREMENT" shall mean any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other directive or requirement, including Environmental Laws and occupational, safety and health standards or controls, of any Governmental Authority.

"GROUND LEASE" means, with respect to any Land, the ground lease between the related Ground Lessor and the Lessor pursuant to which a leasehold estate is conveyed in the Land to the Lessor.

"GROUND LESSOR" means, as to any Land, the ground lessor of such Land.

"GUARANTOR" means the Parent, in its capacity as guarantor under the Guaranty Agreement to which it is a party and ADESA, in its capacity as guarantor under the Guaranty Agreement to which it is a party.

"GUARANTY" shall mean any contractual obligation, contingent or otherwise, of a Person with respect to any Indebtedness or other obligation or liability of another Person, including without limitation, any such Indebtedness, obligation or liability directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including contractual obligations (contingent or otherwise) arising through any agreement to purchase, repurchase, or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or any agreement to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition, or to make any payment other than for value received. The amount of any Guaranty shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which guaranty is made or, if not so stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"GUARANTY AGREEMENT" means each of the Guaranties, dated as of July 30, 2001, by the Parent and ADESA, respectively, in favor of the Funding Parties.

"HAZARDOUS MATERIAL" means any substance, waste or material which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, including petroleum, crude oil or any fraction thereof, petroleum derivatives, by products and other hydrocarbons, or which is or becomes regulated under any Environmental Law by any Governmental Authority, including any agency, department, commission, board or instrumentality of the United States, any jurisdiction in which a Leased Property is located or any political subdivision thereof and also including, without limitation, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls ("PCBs") and radon gas.

"IDB DOCUMENTATION" means the Bonds, each IDB Lease and all other agreements, documents, contracts and instruments entered into in connection with any Bonds or IDB Property.

"IDB PROPERTY" means each Leased Property that is the subject of Bonds.

"IDB LEASE" means a lease between the Lessor and an Authority with respect to a Leased Property.

"IMPLICIT RATE" means the weighted average of the Lessor Rate and the rate at which interest on the Lenders' Loans is capitalized, each as in effect on the date of calculation based on the outstanding Funded Amounts.

"INCOME TAXES" shall mean, for any period, any provision made by any of the Consolidated Companies in respect of such period for income taxes or other taxes payable by any Consolidated Company in respect of its income or profits.

"INDEBTEDNESS" of any Person shall mean, without duplication (a) all obligations of such Person for borrowed money; (b) all obligations of such person evidenced by bonds, debentures, notes, drafts, bankers' acceptances or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable incurred in the ordinary course of business that are not past due by more than ninety (90) days), (d) all obligations of such Person under leases required to be capitalized under GAAP, (e) all obligations or liabilities of others secured by any Lien upon property owned by such Person whether or not such obligation or liability is assumed, (f) all obligations of such Person under Interest Rate Contracts or Currency Contracts, (g) all obligations of such Person in respect of letters of credit issued for its account (including all contingent reimbursement obligations, whether or not any draws under such letters of credit have been presented for payment) and all drafts, bankers' acceptances or similar instruments issued in connection therewith, (h) all Guaranties of such Person of the type of Indebtedness described above, but excluding all items of shareholders' equity or capital stock or surplus or general contingency or deferred tax reserves), (i) the purchase price for any asset leased to such Person pursuant to a Synthetic Lease that such Person would have to pay to acquire the asset at the end of the term of the Synthetic Lease, and (j) all other obligations and liabilities of such Person that are required by GAAP to be shown as liabilities on a balance sheet for such Person (other than reserves required under GAAP).

"INDEMNITEE" means the Agent (in its individual capacity and in its capacity as Agent), each Lender and the Lessor, and their respective Affiliates, successors, permitted assigns, permitted transferees, employees, officers, directors and agents; PROVIDED, HOWEVER, that in no event shall any Lessee or the Guarantor be an Indemnitee.

"INDEX DEBT" means senior, unsecured, long-term indebtedness for borrowed money of the Parent that is not guaranteed by any other Person or subject to any other credit enhancement.

"INITIAL CLOSING DATE" means the Closing Date for the first Leased Property acquired by the Lessor.

"INTEREST EXPENSE" shall mean, for any period, all interest expense of the Consolidated Companies (including without limitation, interest expense attributable to capitalized leases in accordance with GAAP, all capitalized interest, all commissions, discounts and other fees and charges owed with respect to bankers acceptance financing, and total interest expense (whether

shown as interest expense or as loss and expenses on sale of receivables) under a receivables purchase facility) determined on a consolidated basis in accordance with GAAP.

"INTEREST RATE CONTRACTS" shall mean any forward contracts, future contracts, interest rate exchange agreements, interest rate cap agreements, interest rate collar agreements, and other similar agreements and arrangements entered into by any Consolidated Company designed to protect any Consolidated Company against fluctuations in interest rates.

"INVESTMENT" in any Person shall mean: (a) the acquisition of capital stock, bonds, notes, debentures, partnership, or other ownership interests, other securities, or Indebtedness of such Person; (b) any deposit with, or loan or other extension of credit to, such Person; (c) any Guarantee of Indebtedness or other liabilities of such Person; and (d) any amount committed to be lent to such Person.

"KNOWLEDGE" means the actual knowledge of any executive officer of the related Lessee, or of any other officer or employee of the related Lessee that is primarily responsible for the construction, operation or management of the related Leased Property or the Transaction.

"JOINDER AGREEMENT" means an agreement substantially in the form of Exhibit E to the Master Agreement pursuant to which a Subsidiary of ADESA shall become a Lessee.

"LAND" means the land described in Appendix B to the related Lease Supplement.

"LEASE" means the Master Lease Agreement, dated as of July 30, 2001, among the Lessees and the Lessor, together with each Lease Supplement.

"LEASE BALANCE" means, with respect to all of the Leased Properties, as of any date of determination, an amount equal to the aggregate sum of the outstanding Funded Amounts of all Funding Parties, all accrued and unpaid interest on the Loans, all accrued and unpaid Yield on the Lessor's Invested Amounts, all unpaid fees owing to the Funding Parties under the Operative Documents, and all other amounts owing to the Funding Parties by any Lessee under the Operative Documents.

"LEASE SUPPLEMENT" is defined in Section 2.2 of the Lease.

"LEASE TERM" with respect to any (i) Leased Property that is a Construction Land Interest, means the period from the Closing Date for such Leased Property to the Completion Date for such Leased Property (or such shorter period as may result from earlier termination of the Lease as provided therein) PLUS the Base Lease Term therefor and (ii) any other Leased Property, the Base Lease Term therefor.

"LEASE TERMINATION DATE" means the last day of the Lease Term.

"LEASED PROPERTY" means Land and the related Building(s). For purposes of the Lease, "Leased Property" means the Land identified in a Lease Supplement to the Lease and the Buildings related thereto, unless the context provides otherwise.

"LEASED PROPERTY BALANCE" means, with respect to any Leased Property, as of any date of determination, an amount equal to the aggregate sum of the outstanding related Funded Amounts of all Funding Parties, all accrued and unpaid interest on the related Loans, all accrued and unpaid Yield on the related Lessor's Invested Amounts, all related unpaid fees owing to the Funding Parties under the Operative Documents, and all other amounts owing to the Funding Parties by the related Lessee under the Operative Documents.

"LENDER BASIC RENT" means, for any Rent Period under the Lease, the aggregate amount of interest accrued on the Loans pursuant to Section 2.4 of the Loan Agreement during such Rent Period.

"LENDERS" means such financial institutions as are, or who may hereafter become, parties to the Loan Agreement as lenders to the Lessor.

"LENDING OFFICE" for each Lender means the office such Lender designates in writing from time to time to ADESA and the Agent.

"LESSEE" is defined in the preamble to the Master Agreement. The "related" Lessee with respect to any Leased Property means the Lessee that is a party to the Lease Supplement for such Leased Property or that is leasing such Leased Property, as the case may be.

"LESSOR" is defined in the preamble to the Master Agreement.

"LESSOR BASIC RENT" means, for any Rent Period, the aggregate amount of Yield accrued and unpaid on the Lessor's Invested Amounts under Section 2.3(a) of the Master Agreement during such Rent Period.

"LESSOR LIENS" means Liens on or against any Leased Property, the Lease, any other Operative Document or any payment of Rent (a) which result from any act or omission of, or any Claim against, the Lessor, or any Person claiming through the Lessor unrelated to the transactions contemplated by the Operative Documents or from Lessor's failure to perform as required under the Operative Documents or (b) which result from any Tax owed by the Lessor, or any Person claiming through the Lessor, except any Tax for which a Lessee is obligated to indemnify (including, without limitation, in the foregoing exception, any assessments with respect to any Leased Property noted on the related Title Policy or assessed in connection with any construction or development by a Lessee or the Construction Agent).

"LESSOR RATE" is defined in the Lessor Side Letter.

"LESSOR SIDE LETTER" means the letter agreement, dated as of July 30, 2001, between ADESA and the Lessor.

"LESSOR'S INVESTED AMOUNT" means the amounts funded by the Lessor pursuant to Section 2 of the Master Agreement that are not proceeds of Loans by a Lender, as such amount may be increased during the related Construction Term pursuant to Section 2.3(c) of the Master Agreement.

"LIBOR" means, for any Rent Period, with respect to LIBOR Advances the offered rate for deposits in U.S. Dollars, for a period comparable to the Rent Period and in an amount comparable to such Advances, appearing on the Telerate Screen Page 3750 as of 11:00 A.M. (London, England time) on the day that is two London Business Days prior to the first day of the Rent Period. If two or more of such rates appear on the Telerate Screen Page 3750, the rate for that Rent Period shall be the arithmetic mean of such rates. If the foregoing rate is unavailable from the Telerate Screen for any reason, then such rate shall be determined by the Agent from the Reuters Screen LIBO Page or, if such rate is also unavailable on such service, then on any other interest rate reporting service of recognized standing designated in writing by the Agent to ADESA and the other Lenders; in any such case rounded, if necessary, to the next higher 1/100 of 1.0%, if the rate is not such a multiple.

"LIBOR ADVANCE" means that portion of the Funded Amount bearing interest at a rate based on the Adjusted LIBO Rate.

"LIEN" shall mean any mortgage, pledge, security interest, lien, charge, hypothecation, assignment, deposit arrangement, title retention, preferential right, trust or other arrangement having the practical effect of the foregoing and shall include the interest of a vendor or lessor under any conditional sale agreement, capitalized lease or other title retention agreement.

"LIMITED EVENT OF DEFAULT" means an Event of Default under PARAGRAPH (e), (j) or (k) of Article XII of the Lease, solely if the breach of the related covenant, representation or warranty was based on a subjective interpretation of the term "diligently," "Material Adverse Effect," "material" or "diligently."

"LOAN" shall have the meaning specified in Section 2.1 of the Loan Agreement.

"LOAN AGREEMENT" means the Loan Agreement, dated as of July 30, 2001, among the Lessor, the Agent and the Lenders.

"LOAN DOCUMENTS" means the Loan Agreement, the Note, the Assignments of Lease and Rents, the Mortgages and all documents and instruments executed and delivered in connection with each of the foregoing.

"LOAN EVENT OF DEFAULT" means any of the events specified in Section 5.1 of the Loan Agreement, PROVIDED that any requirement for the giving of notice, the lapse of time, or both, or any other condition, event or act has been satisfied.

"LOAN POTENTIAL EVENT OF DEFAULT" means any event, condition or failure which, with notice or lapse of time or both, would become a Loan Event of Default.

"LONG TERM INDEBTEDNESS" shall mean (a) all Indebtedness which at the time of incurrence or issuance, has a final maturity or term greater than one year or which is renewable at the option of the obligor thereof for a term of greater than one year from the date of original incurrence or issuance or (b) Indebtedness which at the time of incurrence or issuance has a final maturity or term of less than one year and which is intended to be repaid out of proceeds of other Long Term Indebtedness.

"LOSS PROCEEDS" is defined in Section 10.6 of the Lease.

"MARGIN REGULATIONS" means Regulations T, U and X of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time.

"MARGIN STOCK" shall have the meaning set forth in Regulation U of the Board of Governors of the Federal Reserve System as the same may be amended or interpreted from time to time.

"MASTER AGREEMENT" means the Master Agreement, dated as of July 30, 2001, among ADESA, as a Guarantor, the Lessees, the Lessor, the Agent and the Lenders.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of ADESA and its Subsidiaries taken as a whole, or of the Parent, (b) the ability of the Parent, ADESA or any Lessee to perform any of its respective obligations under the Operative Documents to which it is a party, (c) the rights of or benefits available to the Funding Parties under the Operative Documents, (d) the value, utility or useful life of any Leased Property or (e) the priority, perfection or status of the Agent's or any Funding Party's interest in any Leased Property or in the Lease, the Guaranty or the Construction Agency Agreement.

"MOODY'S" means Moody's Investors Service, Inc.

"MORTGAGE" means, with respect to any Leased Property, that certain mortgage, deed of trust or security deed, dated as of the related Closing Date, by the Lessor to the Agent, substantially in the form of Exhibit D-1 or D-2, as applicable, attached to the Master Agreement, with such modifications as are satisfactory to the Lessor and the Agent in conformity with Applicable Law to assure customary remedies in favor of the Agent in the jurisdiction where the Leased Property is located.

"MULTIEMPLOYER PLAN" shall mean a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been made by ADESA or any ERISA Affiliate and which is covered by Title IV of ERISA.

"NET INCOME (LOSS)" shall mean, for any period, the net income (or loss), after deducting all operating expenses, provisions for taxes and reserves (including reserves for deferred income tax) and all other proper deductions, of the Consolidated Companies for such period (taken as a single accounting period) determined on a consolidated basis in conformity with GAAP, including any income or loss of any Person accrued prior to the date such Person becomes a Subsidiary of any Consolidated Company or is merged into or consolidated with any Consolidated Company or all or substantially all of such Person's assets are acquired by any Consolidated Company, but excluding therefrom (to the extent otherwise included therein) (i) any extraordinary items, and (ii) any equity interest of the Consolidated Companies in the unremitted earnings of any Person that is not a Subsidiary.

"NET WORTH" shall mean, as of any date, total stockholders' equity of ADESA and its Subsidiaries determined on a consolidated basis.

"NOTE" means the note issued by the Lessor under the Loan Agreement, and any and all notes issued in replacement or exchange therefor in accordance with the provisions thereof.

"OBLIGATIONS" means all indebtedness (whether principal, interest, fees or otherwise), obligations and liabilities of each Guarantor and each Lessee to the Funding Parties (including without limitation all extensions, renewals, modifications, rearrangements, restructures, replacements and refinancings thereof, whether or not the same involve modifications to interest rates or other payment terms of such indebtedness, obligations and liabilities), whether arising under any of the Operative Documents or otherwise, and whether now existing or hereafter created, absolute or contingent, direct or indirect, joint or several, secured or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, or acquired by Funding Parties outright, conditionally or as collateral security from another, including but not limited to the obligation of each Guarantor and each Lessee to repay future advances by the Funding Parties, whether or not made pursuant to commitment and whether or not presently contemplated by each Guarantor or any Lessee and the Funding Parties under the Operative Documents.

"OBLIGOR" means each Lessee, the Construction Agent and each Guarantor.

"OFFICER'S CERTIFICATE" of a Person means a certificate signed by the Chairman of the Board, the President, any Vice President, any Senior Vice President, any Administrative Vice President, the Treasurer, any Assistant Treasurer, the Controller or the Secretary of such Person, signing alone.

"OPERATING LEASE" shall mean, as applied to any Person, any lease (including, without limitation, leases which may be terminated by the lessee at any time) of any asset which is not a Capital Lease other than any such lease in which that Person is the lessor.

"OPERATIVE DOCUMENTS" means the Master Agreement, the Guaranty Agreements, the Purchase Agreements, the Deeds, the Lease, each Security Agreement and Assignment, the Loan Agreement, the Assignments of Lease and Rents, the Mortgages, the Note, the Ground Leases, the Joinder Agreements, the IDB Documentation, the Construction Agency Agreement, and the other documents delivered in connection with the transactions contemplated by the Master Agreement.

"OVERDUE RATE" means the lesser of (a) the highest interest rate permitted by Applicable Law and (b) an interest rate per annum (calculated on the basis of a 365-day (or 366-day, if appropriate) year equal to 2.0% above the Base Rate in effect from time to time or, in the case of Yield, 2% above the Lessor Rate.

"PARENT" means ALLETE Inc., a Minnesota corporation.

"PARTIAL PURCHASE OPTION" is defined in Section 14.1(b) of the Lease.

"PARTNERSHIP AGREEMENT" means the Agreement of Limited Partnership of Atlantic Financial Group, Ltd., dated as of February 28, 1996, among the General Partner and the persons listed on Schedule A thereto as limited partners.

"PAYMENT DATE" means the last day of each Rent Period.

"PBG" means the Pension Benefit Guaranty Corporation, or any entity succeeding to any or all of its functions.

"PERMITTED INVESTMENTS" means: (a) direct obligations of the United States of America, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States of America, or of any agency thereof, in either case maturing not more than 90 days from the date of acquisition thereof; (b) certificates of deposit issued by any Lender or by any bank or trust company organized under the laws of the United States of America or any state thereof whose short-term unsecured debt is rated A-1 or better or P-1 by S&P or Moody's, respectively, and having capital, surplus and undivided profits of at least \$500,000,000, maturing not more than 90 days from the date of acquisition thereof; (c) commercial paper rated A-1 or better or P-1 by S&P or Moody's, respectively, maturing not more than one month from the date of acquisition thereof; (d) commercial paper of any Lender (or any Affiliate thereof located in the United States of America) that is rated A-1 or better or P-1 by S&P or Moody's, respectively, maturing not more than one month from the date of acquisition thereof; (e) repurchase agreements entered into with any Lender or with any bank or trust company satisfying the conditions of CLAUSE (b) hereof that is secured by any obligation of the type described in CLAUSES

(a) through (d) of this definition; and (f) money market funds acceptable to the Required Lenders.

"PERMITTED LEASE BALANCE" means, with respect to any Leased Property and calculated as of any date, (i) the Leased Property Balance with respect to such Leased Property as of the date of such calculation, MINUS (ii) Force Majeure Losses with respect to such Leased Property, PLUS (iii) the amount of insurance proceeds applied towards the remediation of such Force Majeure Losses. For purposes of this definition, Leased Property means the Raw Land and/or the Building subject to a particular Lease Supplement.

"PERMITTED LIEN" means: (a) Liens for Taxes not assessed or, if assessed, not yet due and payable, or are being contested in good faith by appropriate proceedings; (b) repairman's, mechanic's, carrier's or other similar Liens arising in the ordinary course of business or by operation of law securing obligations that are not more than 30 days overdue, which have been bonded or which are being contested in good faith by appropriate proceedings; (c) Lessor Liens; (d) Liens of subleases permitted by the Lease; (e) Liens arising out of judgments or awards with respect to which appeals or other proceedings for review are being prosecuted in good faith and for which adequate provisions have been made; (f) easements, rights of way and other encumbrances on title to real property to the extent permitted by the Lease; and (g) Liens described on the Title Policy delivered in connection with the related Leased Property on the Closing Date therefor, but only if, in the case of Liens being contested as described in CLAUSE (a), (b) or (e) above, (i) adequate reserves have been provided by the related Lessee for the payment of the Taxes or other obligations; and (ii) such proceedings, or the continued existence of such Lien, do not give rise to any substantial likelihood of the sale, forfeiture or other loss of the related Leased Property or any interests therein, or any likelihood of criminal liability on the part of the Agent or any Funding Party.

"PERSON" means an individual, corporation, company, partnership, limited liability company, joint venture, voluntary association, trust, unincorporated organization or government or any agency, instrumentality or political subdivision thereof or any other form of entity.

"PLAN" shall mean an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA other than a Multiemployer Plan.

"PLANS AND SPECIFICATIONS" means with respect to any Building the final plans and specifications for such Building, which may be standard forms for buildings of that type, and, if applicable, referred to by the Appraiser in the Appraisal, as such Plans and Specifications may be hereafter amended, supplemented or otherwise modified from time to time.

"POTENTIAL EVENT OF DEFAULT" means any event, condition or failure which, with notice or lapse of time or both, would become an Event of Default.

"PRESENT VALUE" with respect to any payment to be made in the future means the amount of such payment, discounted to present value as of the date of calculation employing a discount

rate equal to the Implicit Rate, and, with respect to any payment made prior to the date of such calculation means the amount of such payment, plus interest on such amount calculated at the Implicit Rate for such Leased Property.

"PROJECT COSTS" means, as of any date and with respect to any Leased Property, those portions, in the aggregate, of the Funded Amount for such Leased Property as of such date that, when expended by the Lessor, were, or would have been, capitalized by Lessor in accordance with GAAP. For purposes of calculating the Construction Failure Payment, "Project Costs" shall also include other costs related to Construction paid to third parties other than the Funding Parties as described in EITF 97-10. For purposes of calculating the Recourse Deficiency Percentage, as used in this definition, Leased Property means the Raw Land and/or the Building subject to a particular Lease Supplement.

"PROPERTY" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"PURCHASE AGREEMENT" means with respect to any Land, the purchase agreement or option agreement, as the case may be, with the Seller for the conveyance of such Land to the Lessor.

"PURCHASE OPTION" is defined in Section 14.1(a) of the Lease.

"QUARTERLY PAYMENT DATE" means the last Business Day of each March, June, September and December of each year.

"RATING AGENCY" means either Moody's or S&P.

"RAW LAND" means, with respect to any Leased Property, the parcel of land described in the related Lease Supplement, excluding any improvements thereon.

"RAW LAND COST" means, with respect to any Leased Property, the acquisition cost of the Raw Land.

"RECOURSE DEFICIENCY AMOUNT" means, with respect to any Leased Property, calculated as of the Completion Date, in the case of Leased Properties that shall have been subject to the Construction Agency Agreement, or the Closing Date, in the case of all other Leased Properties, for such Leased Property, the result of (A) the Recourse Deficiency Percentage times (B) the Project Costs for such Leased Property; PROVIDED, HOWEVER, that, if Raw Land is leased pursuant to a separate Lease Supplement, the Recourse Deficiency Amount with respect to such Leased Property shall equal the Raw Land Cost with respect to such Raw Land. For purposes of this definition, Leased Property means the Raw Land and/or the Building subject to a particular Lease Supplement.

"RECOURSE DEFICIENCY PERCENTAGE" means, with respect to any Leased Property, the percentage set forth in the related Lease Supplement calculated as follows and expressed as a

percentage: (a) the Future Value of: ((i) 89.9% of (x) the estimated Project Cost (estimated as of the Closing Date for such Leased Property based upon the Construction Budget as of such date) or (y) the actual Project Cost in the case of Leased Properties not subject to the Construction Agency Agreement, less (ii) the Present Value, as of such date, of any "minimum lease payments" with respect to such Leased Property as such term is used in Section 7(d) of Financial Accounting Standard No. 13 (excluding for purposes of this calculation the Recourse Deficiency Amount)), divided by (b) such estimated or actual Project Cost, as the case may be.

"REGULATION D" means Regulation D of the Board of Governors of the Federal Reserve System (or any successor), as the same may be amended or supplemented from time to time.

"REGULATION U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"REGULATIONS" means the income tax regulations promulgated from time to time under and pursuant to the Code.

"RELEASE" means the release, deposit, disposal or leak of any Hazardous Material into or upon or under any land or water or air, or otherwise into the environment, including, without limitation, by means of burial, disposal, discharge, emission, injection, spillage, leakage, seepage, leaching, dumping, pumping, pouring, escaping, emptying, placement and the like.

"RELEASE DATE" means, with respect to any Leased Property, the earlier of (i) the date that the Lease Balance has been paid in full, and (ii) the date on which the Agent gives written notice to the Lessor that the Lenders release any and all interest they may have in such Leased Property, and all proceeds thereof, and any rights to direct, consent or deny consent to any action by the Lessor with respect to such Leased Property.

"REMARKETING OPTION" is defined in Section 14.6 of the Lease.

"RENT" means Basic Rent and Supplemental Rent, collectively.

"RENT PERIOD" means, in the case of Base Rate Advances, the period from, and including, a Quarterly Payment Date to, but excluding, the next succeeding Quarterly Payment Date and (y) in the case of LIBOR Advances:

- (1) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such LIBOR Advance and ending one, two or three months thereafter, as selected by ADESA in its Funding Notice or Payment Date Notice, as the case may be, given with respect thereto; and
- (2) thereafter, each period commencing on the last day of the next preceding Rent Period applicable to such LIBOR Advance and ending one, two or three months

thereafter, as selected by ADESA by irrevocable notice to the Agent in its related Payment Date Notice;

PROVIDED that:

(a) The initial Rent Period for any Funding shall commence on the Funding Date of such Funding and each Rent Period occurring thereafter in respect of such Funding shall commence on the day on which the next preceding Rent Period expires;

(b) If any Rent Period would otherwise expire on a day which is not a Business Day, such Rent Period shall expire on the next succeeding Business Day, PROVIDED that if any Rent Period in respect of LIBOR Advances would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Rent Period shall expire on the next preceding Business Day;

(c) Any Rent Period in respect of LIBOR Advances which begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Rent Period shall, subject to PARAGRAPH (d) below, expire on the last Business Day of such calendar month;

(d) No Rent Period shall extend beyond the Lease Termination Date; and

(e) At any one time, there shall be no more than five (5) Rent Periods.

"REPORT" is defined in Section 7.6 of the Master Agreement.

"REPORTABLE EVENT" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the post-event notice requirement is waived.

"REQUIRED FUNDING PARTIES" means, at any time, Funding Parties holding an aggregate outstanding principal amount of Funded Amounts equal to at least 66-2/3% of the aggregate outstanding principal amount of all Funded Amounts.

"REQUIRED LENDERS" means, at any time, Funding Parties holding an aggregate outstanding principal amount of Loans equal to at least 66-2/3% of the aggregate outstanding principal amount of all Loans.

"REQUIREMENT OF LAW" means, as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"RESPONSIBLE OFFICER" means the Chairman or Vice Chairman of the Board of Directors, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, any Senior Vice President or Executive Vice President, any Vice President, any Administrative Vice President, the Secretary, any Assistant Secretary, the Treasurer, or any Assistant Treasurer.

"REUTERS SCREEN" means, when used in connection with any designated page and LIBOR, the display page so designated on the Reuters Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying rates comparable to LIBOR).

"S&P" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Corporation.

"SCHEDULED CONSTRUCTION TERMINATION DATE" means with respect to any Building eighteen (18) months after the Closing Date for the related Land, subject to the occurrence of a Construction Force Majeure Event, but in no event later than the Lease Termination Date.

"SEC" means the United States Securities and Exchange Commission, or any successor Governmental Authority.

"SECURITIES" means any stock, shares, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities", or any certificates of interest, shares, or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire any of the foregoing.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SECURITIES EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"SECURITY AGREEMENT AND ASSIGNMENT" means, with respect to any Leased Property, the Security Agreement and Assignment (Construction Contract, Architect's Agreement, Permits, Licenses and Governmental Approvals, and Plans, Specifications and Drawings) from the Construction Agent to the Lessor, substantially in the form of Exhibit C to the Master Agreement.

"SELLER" means as to any Leased Property, the seller thereof to the Lessor on the related Closing Date.

"SUBSIDIARY" shall mean, with respect to any Person, any corporation or other entity (including, without limitation, partnerships, joint ventures, and associations) regardless of its jurisdiction of organization of formation, at least a majority of the total combined voting power of all classes of voting stock or other ownership interests of which shall, at the time as of which

any determination is being made, be owned by such Person, either directly or indirectly through one or more other Subsidiaries.

"SUNTRUST BANK" is defined in the preamble to the Master Agreement.

"SUPPLEMENTAL RENT" means any and all amounts, liabilities and obligations other than Basic Rent which a Lessee assumes or agrees or is otherwise obligated to pay under the Lease or any other Operative Document (whether or not designated as Supplemental Rent) to the Lessor, the Agent, any Lender or any other party, including amounts under Article XVI of the Lease, and indemnities and damages for breach of any covenants, representations, warranties or agreements, and all overdue or late payment charges in respect of any Funded Amount.

"SYNTHETIC LEASE" shall mean a so-called "synthetic" lease that is not treated as a capital lease under GAAP, but that is treated as a financing under the Code.

"TAX" or "TAXES" is defined in Section 7.4 of the Master Agreement.

"TAX CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time and any successor statute.

"TAX INDEMNITEE" means the Lessor, the Agent, each Lender and their respective Affiliates, successors, permitted assigns, permitted transferees, employees, officers, directors and agents thereof, PROVIDED, HOWEVER, that in no event shall any Lessee or any Guarantor be a Tax Indemnitee.

"TELERATE" means, when used in connection with any designated page and LIBOR, the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service for the purpose of displaying rates comparable to LIBOR).

"TITLE INSURANCE COMPANY" means the company that has or will issue the title policies with respect to a Leased Property, which company shall be reasonably acceptable to the Agent.

"TITLE POLICY" is defined in Section 3.1 of the Master Agreement.

"TOTAL FUNDED DEBT" shall mean all outstanding Indebtedness of the Consolidated Companies measured on a consolidated basis.

"TOTAL FUNDED DEBT TO EBITDA RATIO" shall mean, as of any date of determination, the ratio of (i) Total Funded Debt as of such date to (ii) EBITDA measured for the four Fiscal Quarter period ending on such date, or if such date is not the last day of any Fiscal Quarter, then ending immediately prior to such date.

"TRANSACTION" means all the transactions and activities referred to in or contemplated by the Operative Documents.

"UCC" means the Uniform Commercial Code of Georgia, as in effect from time to time.

"UNRESTRICTED ENVIRONMENTAL INDEMNIFICATION AMOUNTS" means, with respect to any Leased Property, any Unrestricted Indemnification Amounts of the type described in subpart (i)(D) of the definition of Unrestricted Indemnification Amounts.

"UNRESTRICTED INDEMNIFICATION AMOUNTS" means, with respect to any Leased Property (i) any amounts payable by the Construction Agent with respect to such Leased Property pursuant to (A) Section 3.3(ii) of the Construction Agency Agreement, (B) Section 3.3(iii) of the Construction Agency Agreement, (C) that portion of Section 3.3(i) of the Construction Agency Agreement within the parenthetical phrase within such Section 3.3(i) relating to Claims for personal injury or damage to property, or (D) any provision of any Operative Document requiring indemnification for Claims arising from environmental conditions with respect to such Leased Property and (ii) any other amounts that EITF 97-10 allows a Lessee to pay that are capitalizable under GAAP and are not required to be included in the calculation of a Lessee's maximum guaranty amount under EITF 97-10.

"YIELD" is defined in Section 2.3 of the Master Agreement.

F. DOCUMENTARY CONVENTIONS. The following provisions shall be applicable to each Operative Document.

SECTION 1. NOTICES. All notices, requests, demands or other communications to or upon the respective parties to each agreement to which the Documentary Conventions apply shall be addressed to such parties at the addresses therefor as set forth in SCHEDULE I hereto, or such other address as any such party shall specify to the other parties hereto, and shall be deemed to have been given (i) the Business Day after being sent, if sent by overnight courier service; (ii) the Business Day received, if sent by messenger; (iii) the day sent, if sent by facsimile and confirmed electronically or otherwise during business hours of a Business Day (or on the next Business Day if otherwise sent by facsimile and confirmed electronically or otherwise); or (iv) three Business Days after being sent, if sent by registered or certified mail, postage prepaid.

SECTION 2. COUNTERPARTS. Each agreement to which the Documentary Conventions apply may be executed by the parties thereto in separate counterparts (including by facsimile), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 3. AMENDMENTS. No Operative Document nor any of the terms thereof may be terminated, amended, supplemented, waived or modified with respect to the Lessees or any Funding Party, except (a) in the case of a termination, amendment, supplement, waiver or modification to be binding on the Lessees, with the written agreement or consent of ADESA, and (b) in the case of a termination, amendment, supplement, waiver or modification to be

binding on the Funding Parties, with the written agreement or consent of the Required Funding Parties; PROVIDED, HOWEVER, that

(x) notwithstanding the foregoing provisions of this SECTION 3, the consent of each Funding Party affected thereby shall be required for any amendment, modification or waiver:

(i) amending, modifying, waiving or supplementing any of the provisions of Section 6 of the Master Agreement or the representations of such Funding Party in SECTION 4.2 or 4.3 of the Master Agreement or this SECTION 3 or changing the definition of "REQUIRED FUNDING PARTIES" or "REQUIRED LENDERS";

(ii) increasing the Commitment of such Funding Party or reducing any amount payable to such Funding Party under the Operative Documents or extending the time for payment of any such amount, including, without limitation, any Rent, any Funded Amount, any fees, any indemnity, the Leased Property Balance, the Lease Balance, any Funding Party Balance, Recourse Deficiency Amount, interest or Yield; or

(iii) consenting to any assignment of the Lease or the extension of the Lease Term, releasing any of the collateral assigned to the Agent pursuant to any Mortgage and any Assignment of Lease and Rents (but excluding a release of any rights that the Agent may have in any Leased Property, or the proceeds thereof as contemplated in the definition of "Release Date"), releasing any Lessee from its obligations in respect of the payments of Rent and the Lease Balance, releasing any Guarantor from its obligations under the Guaranty Agreement to which it is a party or the other Operative Documents or changing the absolute and unconditional character of any such obligation;

(y) no such termination, amendment, supplement, waiver or modification shall, without the written agreement or consent of the Lessor, the Agent and the Required Lenders, be made to the Lease or the Construction Agency Agreement; and

(z) subject to the foregoing CLAUSES (x) and (y), so long as no Event of Default has occurred and is continuing, the Lessor, the Agent and the Lenders may not amend, supplement, waive or modify any terms of the Loan Agreement, the Mortgages and the Assignments of Lease and Rents without the consent of ADESA (such consent not to be unreasonably withheld or delayed); PROVIDED that in no event may the Loan Agreement be amended so as to increase the amount of Basic Rent payable by any Lessee without the consent of ADESA.

SECTION 4. HEADINGS, ETC. The Table of Contents and headings of the various Articles and Sections of each agreement to which the Documentary Conventions apply are for

convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof.

SECTION 5. PARTIES IN INTEREST. Except as expressly provided therein, none of the provisions of any agreement to which the Documentary Conventions apply is intended for the benefit of any Person except the parties thereto and their respective successors and permitted assigns.

SECTION 6. GOVERNING LAW. EACH AGREEMENT TO WHICH THE DOCUMENTARY CONVENTIONS APPLY HAS BEEN DELIVERED IN, AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

SECTION 7. SEVERABILITY. Any provision of each agreement to which the Documentary Conventions apply that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 8. SUBMISSION TO JURISDICTION; WAIVERS. Each party to an agreement to which the Documentary Conventions apply hereby irrevocably and unconditionally:

(i) submits for itself and its property in any legal action or proceeding relating to the Master Agreement or any other Operative Document, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of Georgia sitting in Fulton County, Georgia, the courts of the United States of America for the Northern District of Georgia, and appellate courts from any thereof; PROVIDED that this provision shall not limit a party's right to remove such legal action or proceeding from a Georgia state court to a Federal court sitting in the Northern District of Georgia.

(ii) consents that any such action or proceedings may be brought to such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address set forth in SCHEDULE I hereto or at such other address of which the other parties hereto shall have been notified pursuant to SECTION 1; and

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law.

EACH PARTY TO EACH AGREEMENT TO WHICH THE DOCUMENTARY CONVENTIONS APPLY HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO SUCH AGREEMENT, ANY OTHER OPERATIVE DOCUMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY.

SECTION 9. NO ORAL AGREEMENTS. THE OPERATIVE DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER THEREOF. THE OPERATIVE DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES OR ANY COURSE OF PRIOR DEALINGS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

SECTION 10. CONSTRUCTION. No agreement to which the Documentary Conventions apply shall be construed more strictly against any one party, it being recognized that all parties have contributed substantially and materially to the preparation and negotiations of the Operative Documents.

SCHEDULE I

ADDRESSES FOR NOTICES

ADESA or any Lessee: ADESA Corporation
310 E. 96th Street, Suite 400
Indianapolis, IN 46240
Attn: William T. Stackhause; copy to Karen C. Turner
Fax No.: 317/815-3656

Lessor: Atlantic Financial Group, Ltd.
2808 Fairmount, Suite 250
Dallas, Texas 75201
Attn: Stephen Brookshire
Fax No.: 214/871-9237

Lenders: SunTrust Bank
MC 1106
200 South Orange Avenue
Orlando, Florida 32801
Attn: Ed Wooten
Fax No.: 407/237-4076

with a copy to:

SunTrust Capital Markets, Inc.
303 Peachtree Street, Suite 2400
MC 3951
Atlanta, Georgia 30308
Attn: Robert Kennedy
Fax No.: 404/230-1344

Harris Trust and Savings Bank
111 West Monroe
10th Floor West
Chicago, Illinois 60603
Attn: Thad Rasche
Fax No.: 312/461-5225

LaSalle Bank National Association
One American Square
Suite 1600
Indianapolis, Indiana 46282
Attn: Matthew Doye
Fax No.: 317/756-7021

SCHEDULE 2.2

AMOUNT OF EACH FUNDING PARTY'S COMMITMENT

Lessor Commitment Percentage:	3.5%
Lessor Commitment:	\$1,575,000
Lender Commitment Percentages:	
SunTrust Bank	32.1667%
Harris Trust and Savings Bank	32.1667%
LaSalle Bank National Association	32.1667%
Lender Commitments:	
SunTrust Bank	\$14,475,000
Harris Trust and Savings Bank	\$14,475,000
LaSalle Bank National Association	\$14,475,000

SCHEDULE 8.2

ADDRESSES FOR NOTICES

ADESA or any Lessee:

ADESA Corporation
310 E. 96th Street, Suite 400
Indianapolis, IN 46240
Attn: William T. Stackhouse; copy to Karen C. Turner
Fax No.: 317/815-3656

Lessor:

Atlantic Financial Group, Ltd.
2808 Fairmount, Suite 250
Dallas, Texas 75201
Attn: Stephen Brookshire
Fax No.: 214/871-9237

Lenders:

SunTrust Bank
MC 1106
200 South Orange Avenue
Orlando, Florida 32801
Attn: Ed Wooten
Fax No.: 407/237-4076

with a copy to:

SunTrust Capital Markets, Inc.
303 Peachtree Street, Suite 2400
MC 3951
Atlanta, Georgia 30308
Attn: Robert Kennedy
Fax No.: 404/230-1344

Harris Trust and Savings Bank
111 West Monroe
10th Floor West
Chicago, Illinois 60603
Attn: Thad Rasche
Fax No.: 312/461-5225

LaSalle Bank National Association
One American Square
Suite 1600
Indianapolis, Indiana 46282

Attn: Matthew Doye
Fax No.: 317/756-7021

=====

MASTER LEASE AGREEMENT

Dated as of July 30, 2001

between

ATLANTIC FINANCIAL GROUP, LTD., as Lessor,

and

ADESA CALIFORNIA, INC. AND CERTAIN OTHER SUBSIDIARIES
OF ADESA CORPORATION, as Lessees

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EXHIBIT A Lease Supplement

THIS MASTER LEASE AGREEMENT (as from time to time amended or supplemented, this "LEASE"), dated as of July 30, 2001, is among ATLANTIC FINANCIAL GROUP, LTD., a Texas limited partnership (together with its successors and assigns hereunder, the "LESSOR"), as Lessor, and ADESA CALIFORNIA, INC., a California corporation, and certain other Subsidiaries of ADESA Corporation hereafter parties hereto (individually, with its successors and permitted assigns hereunder, each a "LESSEE" and collectively, the "LESSEES"), as Lessees.

PRELIMINARY STATEMENT

A. Lessor will purchase, or acquire a leasehold interest in, from one or more third parties designated by the Construction Agent, on a Closing Date, certain parcels of real property to be specified by the Construction Agent, together with any improvements thereon.

B. Lessor desires to lease to each Lessee, and each Lessee desires to lease from Lessor, certain of such properties as described on the Lease Supplement(s) to which such Lessee is a party.

C. If applicable, the Construction Agent will, on behalf of Lessor, cause to be constructed, certain improvements on such parcels of real property which as constructed will be the property of Lessor and will become part of such property subject to the terms of this Lease.

In consideration of the mutual agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, Lessor and Lessees hereby agree as follows:

ARTICLE I. DEFINITIONS

Terms used herein and not otherwise defined shall have the meanings assigned thereto in Appendix A to the Master Agreement, dated as of July 30, 2001 (as amended, supplemented or otherwise modified from time to time, the "MASTER AGREEMENT") among ADESA, as a Guarantor, the Lessees, Lessor, the financial institutions party thereto as Lenders and SunTrust Bank, as Agent, for all purposes hereof.

ARTICLE II. LEASE OF LEASED PROPERTY

Section 2.1 ACCEPTANCE AND LEASE OF PROPERTY. On each Closing Date for Land, Lessor, subject to the satisfaction or waiver of the conditions set forth in Section 3 of the Master Agreement, hereby agrees to accept delivery on such Closing Date of such Land (through a Deed

or a Ground Lease, as applicable) pursuant to the terms of the Master Agreement, together with any Building or Buildings and other improvements thereon, and simultaneously to lease to the related Lessee hereunder for the Lease Term, Lessor's interest in such Land and in such Building or Buildings and other improvements, together with any Building which thereafter may be constructed thereon pursuant to the Construction Agency Agreement, and such related Lessee hereby agrees, expressly for the direct benefit of Lessor, commencing on such Closing Date for the Lease Term, to lease from Lessor Lessor's interest in such Land to be delivered on such Closing Date, together with, in the case of Land, Lessor's interest in the Building or Buildings and other improvements thereon and/or which thereafter may be constructed thereon pursuant to the Construction Agency Agreement.

Section 2.2 ACCEPTANCE PROCEDURE. Lessor hereby authorizes one or more employees of the related Lessee, to be designated by such Lessee, as the authorized representative or representatives of Lessor to accept delivery on behalf of Lessor of that Leased Property identified on the applicable Funding Request. Each Lessee hereby agrees that such acceptance of delivery by such authorized representative or representatives and the execution and delivery by such Lessee on each Closing Date for property to be leased hereunder of a Lease Supplement in substantially the form of EXHIBIT A hereto (each, a "LEASE SUPPLEMENT") (appropriately completed) shall, without further act, constitute the irrevocable acceptance by such Lessee of that Leased Property which is the subject thereof for all purposes of this Lease and the other Operative Documents on the terms set forth therein and herein, and that such Leased Property, together with, in the case of Land, any and all Buildings and other improvements thereon and/or to be constructed thereon pursuant to the Construction Agency Agreement, shall be deemed to be included in the leasehold estate of this Lease and shall be subject to the terms and conditions of this Lease as of such Closing Date. The demise and lease of each parcel of Land and each Building pursuant to this SECTION 2.2 shall include any additional right, title or interest in each such parcel of Land and each such Building which may at any time be acquired by Lessor, the intent being that all right, title and interest of Lessor in and to each such parcel of Land and each such Building shall at all times be demised and leased to the related Lessee hereunder.

ARTICLE III.
RENT

Section 3.1 BASIC RENT. Beginning with and including the first Payment Date occurring after the Initial Closing Date, each Lessee shall pay to the Agent the Basic Rent for the Leased Properties subject to a Lease Supplement to which such Lessee is a party, in installments, payable in arrears on each Payment Date during the Lease Term, subject to Section 2.3(c) of the Master Agreement.

Section 3.2 SUPPLEMENTAL RENT. Each Lessee shall pay to the Agent, or to whomever shall be entitled thereto as expressly provided herein or in any other Operative Document, any and all Supplemental Rent on the date the same shall become due and payable and in the event of any failure on the part of such Lessee to pay any Supplemental Rent, the Agent shall have all

rights, powers and remedies provided for herein or by law or in equity or otherwise in the case of nonpayment of Basic Rent. All Supplemental Rent to be paid pursuant to this SECTION 3.2 shall be payable in the type of funds and in the manner set forth in SECTION 3.3.

Section 3.3 METHOD OF PAYMENT. Basic Rent shall be paid to the Agent, and Supplemental Rent (including amounts due under ARTICLE XIV hereof) shall be paid to the Agent (or to such Person as may be entitled thereto) or, in each case, to such Person as the Agent (or such other Person) shall specify in writing to the related Lessee, and at such place as the Agent (or such other Person) shall specify in writing to the related Lessee. Each payment of Rent (including payments under ARTICLE XIV hereof) shall be made by the Lessees prior to 12:00 p.m. (noon) Atlanta, Georgia time at the place of payment in funds consisting of lawful currency of the United States of America which shall be immediately available on the scheduled date when such payment shall be due, unless such scheduled date shall not be a Business Day, in which case such payment shall be made on the next succeeding Business Day.

Section 3.4 LATE PAYMENT. If any Basic Rent shall not be paid on the date when due, the related Lessee shall pay to the Agent, as Supplemental Rent, interest (to the maximum extent permitted by law) on such overdue amount from and including the due date thereof to but excluding the Business Day of payment thereof at the Overdue Rate.

Section 3.5 NET LEASE; NO SETOFF, ETC. This Lease is a net lease and notwithstanding any other provision of this Lease, each Lessee shall pay all Basic Rent and Supplemental Rent, and all costs, charges, assessments and other expenses foreseen or unforeseen, for which such Lessee or any Indemnitee is or shall become liable by reason of such Lessee's or such Indemnitee's estate, right, title or interest in the Leased Properties, or that are connected with or arise out of the acquisition (except the initial costs of purchase by Lessor of its interest in any Leased Property, which costs, subject to the terms of the Master Agreement, shall be funded by the Funding Parties pursuant to the Master Agreement), construction (except Construction Costs which costs, subject to the terms of the Master Agreement, shall be funded under the Master Agreement), installation, possession, use, occupancy, maintenance, ownership, leasing, repairs and rebuilding of, or addition to, the Leased Properties or any portion thereof, and any other amounts payable hereunder and under the other Operative Documents without counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and each Lessee's obligation to pay all such amounts throughout the Lease Term, including the Construction Term, is absolute and unconditional. The obligations and liabilities of each Lessee hereunder shall in no way be released, discharged or otherwise affected for any reason, including without limitation: (a) any defect in the condition, merchantability, design, quality or fitness for use of any Leased Property or any part thereof, or the failure of any Leased Property to comply with all Applicable Law, including any inability to occupy or use any Leased Property by reason of such non-compliance; (b) any damage to, removal, abandonment, salvage, loss, contamination of or Release from, scrapping or destruction of or any requisition or taking of any Leased Property or any part thereof; (c) any restriction, prevention or curtailment of or interference with any use of any Leased Property or any part thereof including eviction; (d) any

defect in title to or rights to any Leased Property or any Lien on such title or rights or on any Leased Property; (e) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Lessor, the Agent or any Lender; (f) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to any Lessee, Lessor, any Lender, the Agent or any other Person, or any action taken with respect to this Lease by any trustee or receiver of any Lessee, Lessor, any Lender, the Agent, any Ground Lessor or any other Person, or by any court, in any such proceeding; (g) any claim that any Lessee has or might have against any Person, including without limitation, Lessor, any vendor, manufacturer, contractor of or for any Leased Property or any part thereof, the Agent, any Ground Lessor, any Governmental Authority, or any Lender; (h) any failure on the part of Lessor to perform or comply with any of the terms of this Lease, any other Operative Document, any applicable IDB Documentation or of any other agreement; (i) any invalidity or unenforceability or illegality or disaffirmance of this Lease against or by any Lessee or any provision hereof or any of the other Operative Documents or any provision of any thereof whether or not related to the Transaction; (j) the impossibility or illegality of performance by any Lessee, Lessor or both; (k) any action by any court, administrative agency or other Governmental Authority; (l) any restriction, prevention or curtailment of or interference with the Construction or any use of any Leased Property or any part thereof; or (m) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not any Lessee shall have notice or knowledge of any of the foregoing. Except as specifically set forth in ARTICLES XIV or X of this Lease, this Lease shall be noncancellable by each Lessee in any circumstance whatsoever and each Lessee, to the extent permitted by Applicable Law, waives all rights now or hereafter conferred by statute or otherwise to quit, terminate or surrender this Lease, or to any diminution, abatement or reduction of Rent payable by such Lessee hereunder. Each payment of Rent made by a Lessee hereunder shall be final and such Lessee shall not seek or have any right to recover all or any part of such payment from Lessor, the Agent, any Lender or any party to any agreements related thereto for any reason whatsoever. Each Lessee assumes the sole responsibility for the condition, use, operation, maintenance, and management of the Leased Properties leased by it and Lessor shall have no responsibility in respect thereof and shall have no liability for damage to the property of either any Lessee or any subtenant of any Lessee on any account or for any reason whatsoever, other than solely by reason of Lessor's willful misconduct or gross negligence (except for willful misconduct and gross negligence imputed to Lessor solely as a result of its interest in any Leased Property).

Section 3.6 CERTAIN TAXES. Without limiting the generality of SECTION 3.5, each Lessee agrees to pay when due all real estate taxes, personal property taxes, gross sales taxes, including any sales or lease tax imposed upon the rental payments hereunder or under a sublease, occupational license taxes, water charges, sewer charges, assessments of any nature and all other governmental impositions and charges of every kind and nature whatsoever (the "TAX(ES)"), when the same shall be due and payable without penalty or interest; PROVIDED, HOWEVER, that this Section shall not apply to any of the taxes covered by the exclusion described in Section 7.4(b) of the Master Agreement. It is the intention of the parties hereto that, insofar as the same may lawfully be done, Lessor shall be, except as specifically provided for herein, free from all

expenses in any way related to the Leased Properties and the use and occupancy thereof. Any tax relating to a fiscal period of any taxing authority falling partially within and partially outside the Lease Term, shall be apportioned and adjusted between Lessor and the related Lessee. Each Lessee covenants to furnish Lessor and the Agent, upon the Agent's written request, within forty-five (45) days after the last date when any tax must be paid by such Lessee as provided in this SECTION 3.6, official receipts of the appropriate taxing, authority or other proof satisfactory to Lessor, evidencing the payment thereof.

So long as no Event of Default has occurred and is continuing, the related Lessee may defer payment of a tax so long as the validity or the amount thereof is contested by such Lessee with diligence and in good faith; PROVIDED, HOWEVER, that such Lessee shall pay the tax in sufficient time to prevent delivery of a tax deed. Such contest shall be at the related Lessee's sole cost and expense. Each Lessee covenants to indemnify and save harmless Lessor, the Agent and each Lender from any actual and reasonable costs or expenses incurred by Lessor, the Agent or any Lender as a result of such contest, which indemnification shall survive the termination of this Lease; PROVIDED that neither the Agent nor any Lender shall be entitled to claim any indemnity against any Lessee pursuant to this sentence with respect to any Construction Land Interest during the Construction Term therefor.

Section 3.7 UTILITY CHARGES. Each Lessee agrees to pay or cause to be paid as and when the same are due and payable all charges for gas, water, sewer, electricity, lights, heat, power, telephone or other communication service and all other utility services used, rendered or supplied to, upon or in connection with the Leased Properties leased by it.

ARTICLE IV. WAIVERS

During the Lease Term, Lessor's interest in the Leased Properties, including the Equipment, the Building(s) (whether or not completed) and the Land, is demised and let by Lessor "AS IS" subject to (a) the rights of any parties in possession thereof, (b) the state of the title thereto existing at the time Lessor acquired its interest in the Leased Properties, (c) any state of facts which an accurate survey or physical inspection might show (including the survey delivered on the related Closing Date), (d) all Applicable Law, and (e) any violations of Applicable Law which may exist upon or subsequent to the commencement of the Lease Term. EACH LESSEE ACKNOWLEDGES THAT, ALTHOUGH LESSOR WILL OWN AND HOLD TITLE TO THE LEASED PROPERTIES, LESSOR IS NOT A MANUFACTURER OF, OR DEALER IN ANY LEASED PROPERTY, AND IS NOT RESPONSIBLE FOR THE DESIGN, DEVELOPMENT, BUDGETING AND CONSTRUCTION OF THE BUILDING(S) OR ANY ALTERATIONS. NEITHER LESSOR, THE AGENT NOR ANY LENDER HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OR SHALL BE DEEMED TO HAVE ANY LIABILITY WHATSOEVER AS TO THE VALUE, MERCHANTABILITY, TITLE, HABITABILITY,

CONDITION, DESIGN, OPERATION, OR FITNESS FOR USE OF THE LEASED PROPERTIES (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED PROPERTIES (OR ANY PART THEREOF), ALL SUCH WARRANTIES BEING HEREBY DISCLAIMED, AND NEITHER LESSOR, THE AGENT NOR ANY LENDER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN OR THE FAILURE OF ANY LEASED PROPERTY, OR ANY PART THEREOF, TO COMPLY WITH ANY APPLICABLE LAW, except that Lessor hereby represents and warrants that each Leased Property is and shall be free of Lessor Liens. As between Lessor and the Lessees, each related Lessee has been afforded full opportunity to inspect each Leased Property, is satisfied with the results of its inspections of such Leased Property and is entering into this Lease solely on the basis of the results of its own inspections and all risks incident to the matters discussed in the two preceding sentences, as between Lessor, the Agent or the Lenders on the one hand, and the Lessees, on the other, are to be borne by the Lessees, except for the foregoing representation and warranty of Lessor relative to the absence of Lessor Liens. The provisions of this ARTICLE IV have been negotiated, and, except to the extent otherwise expressly stated, the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties by Lessor, the Agent or the Lenders, express or implied, with respect to the Leased Properties, that may arise pursuant to any law now or hereafter in effect, or otherwise.

ARTICLE V.
LIENS; EASEMENTS; PARTIAL CONVEYANCES

No Lessee shall directly or indirectly create, incur or assume, and each Lessee shall promptly discharge, any Lien on or with respect to any Leased Property, the title thereto, or any interest therein, including any Liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of any Leased Property or by reason of labor or materials furnished or claimed to have been furnished to a Lessee, or any of its contractors or agents or Alterations constructed by a Lessee, except, in all cases, Permitted Liens.

Notwithstanding the foregoing paragraph, at the request of a Lessee, Lessor shall, from time to time during the Lease Term and upon reasonable advance written notice from such Lessee, and receipt of the materials specified in the next succeeding sentence, consent to and join in any (i) grant of easements, licenses, rights of way and other rights in the nature of easements, including, without limitation, utility easements to facilitate Lessees' use, development and construction of the Leased Properties, (ii) release or termination of easements, licenses, rights of way or other rights in the nature of easements which are for the benefit of the Land or the Building(s) or any portion thereof, (iii) dedication or transfer of portions of the Land, not improved with a Building, for road, highway or other public purposes, (iv) execution of agreements for ingress and egress and amendments to any covenants and restrictions affecting the Land or the Building(s) or any portion thereof and (v) request to any Governmental Authority for platting or subdivision or replatting or resubdivision approval with respect to the

Land or any portion thereof or any parcel of land of which the Land or any portion thereof forms a part or a request for rezoning or any variance from zoning or other governmental requirements. Lessor's obligations pursuant to the preceding sentence shall be subject to the requirements that:

(a) any such action shall be at the sole cost and expense of the requesting Lessee and such Lessee shall pay all actual and reasonable out-of-pocket costs of Lessor, the Agent and any Lender in connection therewith (including, without limitation, the reasonable fees of attorneys, architects, engineers, planners, appraisers and other professionals reasonably retained by Lessor, the Agent or any Lender in connection with any such action),

(b) the requesting Lessee shall have delivered to Lessor and Agent a certificate of a Responsible Officer of such Lessee stating that

(i) such action will not cause any Leased Property, the Land or any Building or any portion thereof to fail to comply in any material respect with the provisions of this Lease or any other Operative Documents or any applicable IDB Documentation, or in any material respect with Applicable Law; and

(ii) such action will not materially reduce the Fair Market Sales Value, utility or useful life of any Leased Property, the Land or any Building nor Lessor's interest therein; and

(c) in the case of any release or conveyance, if Lessor, the Agent or any Lender so reasonably requests, the requesting Lessee will cause to be issued and delivered to Lessor and the Agent by the Title Insurance Company an endorsement to the Title Policy pursuant to which the Title Insurance Company agrees that its liability for the payment of any loss or damage under the terms and provisions of the Title Policy will not be affected by reason of the fact that a portion of the real property referred to in Schedule A of the Title Policy has been released or conveyed by Lessor.

ARTICLE VI.
MAINTENANCE AND REPAIR;
ALTERATIONS, MODIFICATIONS AND ADDITIONS

Section 6.1 MAINTENANCE AND REPAIR; COMPLIANCE WITH LAW. Each Lessee, at its own expense, shall at all times after the Completion Date for the related Leased Property (a) maintain each Leased Property leased by it in good repair and condition (subject to ordinary wear and tear), in accordance with prudent industry standards and, in any event, in no less a manner as other similar property owned or leased by such Lessee or its Affiliates, (b) make all Alterations in accordance with, and maintain (whether or not such maintenance requires structural modifications or Alterations) and operate and otherwise keep each Leased Property in compliance in all material respects with, all Applicable Laws and insurance requirements, and

(c) make all material repairs, replacements and renewals of each Leased Property or any part thereof which may be required to keep such Leased Property in the condition required by the preceding CLAUSES (a) and (b). Each Lessee shall perform the foregoing maintenance obligations regardless of whether any Leased Property is occupied or unoccupied. Each Lessee waives any right that it may now have or hereafter acquire to (i) require Lessor, the Agent or any Lender to maintain, repair, replace, alter, remove or rebuild all or any part of any Leased Property or (ii) make repairs at the expense of Lessor, the Agent or any Lender pursuant to any Applicable Law or other agreements or otherwise. NEITHER LESSOR, THE AGENT NOR ANY LENDER SHALL BE PERSONALLY LIABLE TO ANY LESSEE OR TO ANY CONTRACTORS, SUBCONTRACTORS, LABORERS, MATERIALMEN, SUPPLIERS OR VENDORS FOR SERVICES PERFORMED OR MATERIAL PROVIDED ON OR IN CONNECTION WITH ANY LEASED PROPERTY OR ANY PART THEREOF. Neither Lessor, the Agent nor any Lender shall be required to maintain, alter, repair, rebuild or replace any Leased Property in any way.

Section 6.2 ALTERATIONS. Each Lessee may, with the prior written consent of Lessor, which consent shall not be unreasonably withheld (unless the reasonably anticipated cost of such Alteration is less than \$1,000,000, in which case no such consent shall be required), at such Lessee's own cost and expense, make Alterations which do not materially adversely affect the Fair Market Sales Value, utility, remaining useful life or residual value of the related Leased Property and do not materially violate or conflict with, or constitute or result in a material default under, any Applicable Law or any insurance policy required hereunder.

Section 6.3 TITLE TO ALTERATIONS. Title to all Alterations shall without further act vest in Lessor (subject to each Lessee's right to remove trade fixtures, personal property and equipment which do not constitute Alterations and which were not acquired with funds advanced by Lessor or any Lender) and shall be deemed to constitute a part of the Leased Properties and be subject to this Lease.

ARTICLE VII.
USE

Each Lessee may use each Leased Property leased by it or any part thereof for any lawful purpose, and in a manner consistent with the standards applicable to properties of a similar nature in the geographic area in which such Leased Property is located, PROVIDED that such use does not materially adversely affect the Fair Market Sales Value, utility, remaining useful life or residual value of such Leased Property, and does not materially violate or conflict with, or constitute or result in a material default under, any Applicable Law or any insurance policy required hereunder. In the event that any use of any of the Leased Property changes the character or original intended use of such Leased Property, as such character and intended use existed on the Closing Date therefor, or Completion Date therefor and the Lessees do not purchase the Leased Properties at the end of the Lease Term, the related Lessee, upon request of

Lessor, shall restore such Leased Property to its general character and intended use on the Closing Date or Completion Date therefor, ordinary wear and tear excepted. No Lessee shall commit or permit any waste of any Leased Property or any material part thereof.

ARTICLE VIII.
INSURANCE

The provisions of this ARTICLE VIII shall not apply to any Construction Land Interest during the Construction Term therefor; during the Construction Term for any Leased Property, the Construction Agent shall maintain insurance in accordance with Section 2.9 of the Construction Agency Agreement.

(a) At any time during which any part of any Building or any Alteration is under construction, which construction is reasonably anticipated to cost more than \$1,000,000, and as to any part of any Building or any Alteration under construction, the related Lessee shall maintain, or cause to be maintained, at its sole cost and expense, as a part of its blanket policies or otherwise, "all risks" non-reporting completed value form of builder's risk insurance.

(b) During the Lease Term and with respect to each Leased Property leased by it, each related Lessee shall maintain, or cause to be maintained, at its sole cost and expense, as a part of its blanket policies or otherwise, insurance against loss or damage to any Building by fire and other risks, including comprehensive boiler and machinery coverage, on terms and in amounts no less favorable than insurance covering other similar properties owned or leased by such Lessee or its Affiliates and which is of the type usually carried by corporations engaged in the same or similar business, similarly situated with the related Lessee, and owning or operating similar property, and which cover risks of all kind customarily insured against by such corporations, but in no event less than the replacement cost of such Building from time to time. If at any time during the Lease Term with respect to a Leased Property subject hereto the area in which such Leased Property is located is designated a "100 year flood-prone" area pursuant to the Flood Disaster Protection Act of 1973, or any amendments or supplements thereto, then the related Lessee shall comply with the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973. In addition, the related Lessee will fully comply with the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as each may be amended from time to time, and with any other Applicable Law, concerning flood insurance to the extent that it may apply to any such Leased Property.

(c) During the Lease Term and with respect to each Leased Property leased by it, each related Lessee shall maintain, or cause to be maintained, at its sole cost and expense, commercial general liability insurance which is of the type usually carried by corporations engaged in the same or similar business, similarly situated with the related Lessee, and owning or operating similar property, and which cover risks of all kind customarily insured against by such corporations. Such insurance shall be on terms and in amounts that are no less favorable

than insurance maintained by such Lessee or its Affiliates with respect to similar properties that it owns or leases, but in no event less than \$1,000,000 per occurrence, with an umbrella policy with at least \$10,000,000 per occurrence coverage. Nothing in this ARTICLE VIII shall prohibit any Additional Insured from carrying at its own expense other insurance on or with respect to the Leased Properties, PROVIDED that any insurance carried by such Additional Insured shall not prevent any Lessee from carrying the insurance required hereby.

(d) Each policy of insurance required to be maintained by a Lessee pursuant to PARAGRAPHS (a) and (b) of this ARTICLE VIII shall provide that all insurance proceeds in respect of any loss or occurrence shall be adjusted by such Lessee, except (a) that with respect to any loss, the estimated cost of restoration of which is in excess of the greater of \$5,000,000 and 50% of the Funded Amounts with respect to the related Leased Property, the adjustment thereof shall be subject to the prior written approval of Lessor, which approval shall not be unreasonably withheld, delayed or conditioned, and the insurance proceeds therefor shall be paid to the Agent for application in accordance with this Lease, and (b) if, and for so long as, an Event of Default exists, all losses shall be adjusted solely by, and all insurance proceeds shall be paid solely to, the Agent for application pursuant to this Lease.

(e) On the Initial Closing Date and on each anniversary of the Initial Closing Date, each Lessee shall furnish Lessor, or cause to be furnished to Lessor, with certificates, which may be blanket certificates covering all of the Leased Properties leased by it and other properties owned by such Lessee or its Affiliates, showing the insurance required under this ARTICLE VIII to be in effect and naming the Additional Insureds, as additional insureds (with respect to the insurance described in PARAGRAPH (c)) or, in the case of the Agent with respect to the circumstances described in PARAGRAPH (d), loss payee, as applicable.

(f) Each policy of insurance maintained by, or on behalf of, a Lessee pursuant to this ARTICLE VIII shall (i) provide that such insurance shall be primary, without right of contribution from any other insurance that is covered by any Additional Insured, (ii) provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each Additional Insured, (iii) provide that the related insurer waives any right of set-off or counterclaim against each Additional Insured, (iv) provide that no Additional Insured shall have any obligation or liability for premiums, commissions, assessments or calls in connection with such insurance, (v) contain the waiver of any right of subrogation of the insurer against each Additional Insured, (vi) provide that in respect of the interests of each Additional Insured, such policies shall not be invalidated by any fraud, action, inaction or misrepresentation of any Lessee or any other Person (other than, with respect to such Person, the acts of such Person) and shall insure each Additional Insured regardless of any breach of any terms, conditions or warranty contained in such policy by any Lessee or any other Person (other than, with respect to such Person, breaches or violations by such Person) and (vii) provide that if the related insurer cancels such insurance for any reason whatsoever, or such insurance is allowed to lapse for nonpayment of premium or the scope of coverage thereof is changed in any material way, such cancellation, shall not be effective as to any Additional

Insured until thirty (30) days after written notice is given by such insurer to such Additional Insured or such lapse shall not be effective as to any Additional Insured until ten (10) days after written notice is given by such insurer to such Additional Insured.

(g) All insurance policies carried in accordance with this ARTICLE VIII shall be maintained with insurers of recognized responsibility rated at least A by A.M. Best & Company, and in all cases the insurer shall be qualified to insure risks in the State where each Leased Property is located.

ARTICLE IX.
ASSIGNMENT AND SUBLEASING

No Lessee may assign any of its right, title or interest in, to or under this Lease, except as set forth in the following sentence. Each Lessee may sublease all or any portion of any Leased Property, PROVIDED that with respect to a sublease (a) all obligations of such Lessee shall continue in full effect as obligations of a principal and not of a guarantor or surety, as though no sublease had been made; (b) such sublease shall be expressly subject and subordinate to this Lease, the Loan Agreement and the other Operative Documents; and (c) each such sublease shall terminate on or before the Lease Termination Date. Each Lessee shall give the Agent and Lessor prompt written notice of any such sublease.

Except pursuant to an Operative Document, this Lease shall not be mortgaged or pledged by any Lessee, nor shall any Lessee mortgage or pledge any interest in any Leased Property or any portion thereof. Any such mortgage or pledge shall be void.

ARTICLE X.
LOSS, DESTRUCTION, CONDEMNATION OR DAMAGE

Section 10.1 EVENT OF LOSS. Any event (i) which would otherwise constitute a Casualty during the Base Term, and (ii) which, in the good-faith judgment of the related Lessee, (A) renders repair and restoration of a Leased Property impossible or impractical, or requires repairs to the related Leased Property that, with the exercise of reasonable diligence, are impossible to complete by the Lease Termination Date or (B) requires repairs to a Leased Property that would cost in excess of 50% of the original cost of such Leased Property, and as to which such Lessee has determined not to rebuild, shall constitute an "EVENT OF LOSS". Within sixty (60) days after the occurrence of such event, the related Lessee shall deliver to Lessor an Officer's Certificate notifying Lessor of such event and, in the case of an event described in the foregoing CLAUSE (ii), of such Lessee's determination not to rebuild. In the case of any other event which constitutes a Casualty, the related Lessee shall restore such Leased Property pursuant to SECTION 10.3. If an Event of Loss shall occur, the related Lessee shall pay to Lessor on the earlier of (i) the Lease Termination Date and (ii) the next Payment Date occurring not less than thirty (30) days after the delivery of the Officer's Certificate pursuant to this SECTION 10.1 above an amount equal to the

related Leased Property Balance. Upon Lessor's receipt of such Leased Property Balance on such date, Lessor shall cause Lessor's interest in such Leased Property to be conveyed to the related Lessee in accordance with and subject to the provisions of SECTION 14.5 hereof; upon completion of such purchase, but not prior thereto, this Lease with respect to such Leased Property and all obligations hereunder with respect to such Leased Property shall terminate, except with respect to obligations and liabilities hereunder, actual or contingent, that have arisen or relate to events occurring on or prior to such date of purchase, or which are expressly stated herein to survive termination of this Lease.

Upon the consummation of the purchase of any Leased Property pursuant to this SECTION 10.1, any proceeds derived from insurance required to be maintained by the related Lessee pursuant to this Lease for any Leased Property remaining after payment of such purchase price shall be paid over to, or retained by, such Lessee or as it may direct, and Lessor shall assign to such Lessee, without warranty, all of Lessor's rights to and interest in such insurance required to be maintained by such Lessee pursuant to this Lease.

Section 10.2 EVENT OF TAKING. Any event (i) which constitutes a Condemnation of all of, or substantially all of, a Leased Property, or (ii) (A) which would otherwise constitute a Condemnation and (B) which, in the good-faith judgment of the related Lessee, (1) renders restoration and rebuilding of a Leased Property impossible or impractical, or requires restoration to the related Leased Property that, with the exercise of reasonable diligence, is impossible to complete by the Lease Termination Date or (2) requires repairs to a Leased Property that would cost in excess of 50% of the original cost of such Leased Property, and as to which such Lessee has determined not to rebuild shall constitute an "EVENT OF TAKING". Within sixty (60) days after the occurrence of such event, the related Lessee shall deliver to Lessor an Officer's Certificate notifying Lessor of such event and, in the case of an event described in the foregoing CLAUSE (ii), of such Lessee's determination not to rebuild. In the case of any other event which constitutes a Condemnation, the related Lessee shall restore and rebuild such Leased Property pursuant to SECTION 10.4. If an Event of Taking shall occur, the related Lessee shall pay to Lessor (1) on the earlier of (A) the Lease Termination Date and (B) the next Payment Date occurring not less than thirty (30) days after the occurrence of such Event of Taking, in the case of an Event of Taking described in CLAUSE (i) above, or (2) on the earlier of (A) the Lease Termination Date and (B) the next Payment Date occurring not less than thirty (30) days after the delivery of the Officer's Certificate pursuant to CLAUSE (ii) above, in the case of an Event of Taking described in CLAUSE (ii) above, an amount equal to the related Leased Property Balance. Upon Lessor's receipt of such Leased Property Balance on such date, Lessor shall cause Lessor's interest in such Leased Property, and in all condemnation proceeds related thereto, to be conveyed to the related Lessee in accordance with and subject to the provisions of SECTION 14.5 hereof (provided that such conveyance shall be subject to all rights of the condemning authority); upon completion of such purchase, but not prior thereto, this Lease with respect to such Leased Property and all obligations hereunder with respect to such Leased Property shall terminate, except with respect to obligations and liabilities hereunder, actual or contingent, that have arisen or relate to events

occurring on or prior to such date of purchase, or which are expressly stated herein to survive termination of this Lease.

Upon the consummation of the purchase of such Leased Property pursuant to this SECTION 10.2, all Awards received by Lessor, after deducting any reasonable out-of-pocket costs incurred by Lessor in collecting such Awards, received or payable on account of an Event of Taking with respect to such Leased Property during the related Lease Term shall be promptly paid to the related Lessee, and all rights of Lessor in Awards not then received shall be assigned to Lessee by Lessor.

Section 10.3 CASUALTY. If a Casualty shall occur which is not an Event of Loss, the related Lessee shall rebuild and restore the affected Leased Property, will complete the same prior to the Lease Termination Date, and will cause the condition set forth in Section 3.5 (c) of the Master Agreement to be fulfilled with respect to such restoration and rebuilding prior to the Lease Termination Date, regardless of whether insurance proceeds received as a result of such Casualty are sufficient for such purpose.

Section 10.4 CONDEMNATION. If a Condemnation shall occur which is not an Event of Taking, the related Lessee shall rebuild and restore the affected Leased Property, will complete the same prior to the Lease Termination Date, and will cause the condition set forth in Section 3.5 (c) of the Master Agreement to be fulfilled with respect to such restoration and rebuilding prior to the Lease Termination Date.

Section 10.5 VERIFICATION OF RESTORATION AND REBUILDING. In the event of Casualty or Condemnation that involves, or is reasonably expected to involve, repair or rebuilding costs in excess of \$1,000,000, to verify the related Lessee's compliance with the foregoing SECTION 10.3 or 10.4, as appropriate, Lessor, the Agent, the Lenders and their respective authorized representatives may, upon five (5) Business Days' notice to such Lessee, make a reasonable number of inspections of the affected Leased Property with respect to (i) the extent of the Casualty or Condemnation and (ii) the restoration and rebuilding of the related Building and the Land. All actual and reasonable out-of-pocket costs of such inspections incurred by Lessor, the Agent or any Lender will be paid by the related Lessee promptly after written request. No such inspection shall unreasonably interfere with the related Lessee's operations or the operations of any other occupant of such Leased Property. None of the inspecting parties shall have any duty to make any such inspection or inquiry and none of the inspecting parties shall incur any liability or obligation by reason of making or not making any such inspection or inquiry.

Section 10.6 APPLICATION OF PAYMENTS. All proceeds (except for payments under insurance policies maintained other than pursuant to ARTICLE VIII of this Lease) received at any time by Lessor, any Lessee or the Agent from any insurer, Governmental Authority or other Person with respect to any Condemnation or Casualty to any Leased Property or any part thereof or with respect to an Event of Loss or an Event of Taking, PLUS the amount of any payment that

would have been due from an insurer but for a Lessee's self-insurance or deductibles ("LOSS PROCEEDS"), shall (except to the extent SECTION 10.9 applies) be applied as follows:

(a) In the event the related Lessee purchases such Leased Property pursuant to SECTION 10.1 or SECTION 10.2, such Loss Proceeds shall be applied as set forth in SECTION 10.1 or SECTION 10.2, as the case may be;

(b) In the event of a Casualty at such time when no Event of Default has occurred and is continuing and the related Lessee is obligated to repair and rebuild such Leased Property pursuant to SECTION 10.3, such Lessee may, in good faith and subsequent to the date of such Casualty, certify to Lessor and to the applicable insurer that no Event of Default has occurred and is continuing, in which event the applicable insurer shall pay the Loss Proceeds to such Lessee, unless the estimated cost of restoration exceeds the greater of \$5,000,000 or 50% of the original cost of such Leased Property, in which case such Loss Proceeds shall be paid to the Agent and shall be promptly released to the related Lessee upon certification by such Lessee to the Agent that such Lessee has incurred costs in the amount requested to be released for repair and rebuilding of such Leased Property;

(c) In the event of a Condemnation at such time when no Event of Default has occurred and is continuing and the related Lessee is obligated to repair and rebuild such Leased Property pursuant to SECTION 10.4, such Lessee may, in good faith and subsequent to the date of such Condemnation, certify to Lessor and the Agent that no Event of Default has occurred and is continuing, in which event the applicable Award shall be paid over to such Lessee, unless the estimated cost of restoration exceeds the greater of \$5,000,000 or 50% of the original cost of such Leased Property, in which case such Loss Proceeds shall be paid to the Agent and shall be promptly released to the related Lessee upon certification by such Lessee to the Agent that such Lessee has incurred costs in the amount requested to be released for repair and rebuilding of such Leased Property; and

(d) As provided in SECTION 10.8, if such section is applicable.

During any period of repair or rebuilding pursuant to this ARTICLE X, this Lease will remain in full force and effect and Basic Rent shall continue to accrue and be payable without abatement or reduction. Each Lessee shall maintain records setting forth information relating to the receipt and application of payments in accordance with this SECTION 10.6. Such records shall be kept on file by each Lessee at its offices and shall be made available to Lessor, the Lenders and the Agent upon request.

Section 10.7 PROSECUTION OF AWARDS. (a) If any Condemnation shall occur, the party receiving the notice of such Condemnation shall give to the other party and the Agent promptly, but in any event within thirty (30) days after the occurrence thereof, written notice of such occurrence and the date thereof, generally describing the nature and extent of such

Condemnation. With respect to any Event of Taking or any Condemnation, the related Lessee shall control the negotiations with the relevant Governmental Authority as to any proceeding in respect of which Awards are required, under SECTION 10.6, to be assigned or released to such Lessee, unless an Event of Default shall have occurred and be continuing, in which case (i) the Agent (or Lessor if the Loans have been fully paid) shall control such negotiations; and (ii) such Lessee hereby irrevocably assigns, transfers and sets over to Lessor all rights of such Lessee to any Award on account of any Event of Taking or any Condemnation and, if there will not be separate Awards to Lessor and such Lessee on account of such Event of Taking or Condemnation, irrevocably authorizes and empowers the Agent (or Lessor if the Loans have been fully paid) during the continuance of an Event of Default, with full power of substitution, in the name of such Lessee or otherwise (but without limiting the obligations of such Lessee under this ARTICLE X), to file and prosecute what would otherwise be such Lessee's claim for any such Award and to collect, receipt for and retain the same. In any event Lessor and the Agent may participate in such negotiations, and no settlement will be made without the prior consent of the Agent (or Lessor if the Loans have been fully paid), not to be unreasonably withheld.

(b) Notwithstanding the foregoing, each Lessee may prosecute, and Lessor shall have no interest in, any claim with respect to such Lessee's personal property and equipment not financed by or otherwise property of Lessor, business interruption or similar award and such Lessee's relocation expenses.

Section 10.8 APPLICATION OF CERTAIN PAYMENTS NOT RELATING TO AN EVENT OF TAKING. In case of a requisition for temporary use of all or a portion of any Leased Property which is not an Event of Taking, this Lease shall remain in full force and effect with respect to such Leased Property, without any abatement or reduction of Basic Rent, and the Awards for such Leased Property shall, unless an Event of Default has occurred and is continuing, be paid to the related Lessee.

Section 10.9 OTHER DISPOSITIONS. Notwithstanding the foregoing provisions of this ARTICLE X, so long as an Event of Default shall have occurred and be continuing, any amount that would otherwise be payable to or for the account of, or that would otherwise be retained by, Lessee pursuant to this ARTICLE X shall be paid to the Agent (or Lessor if the Loans have been fully paid) as security for the obligations of the Lessees under this Lease and, at such time thereafter as no Event of Default shall be continuing, such amount shall be paid promptly to the related Lessee to the extent not previously applied by Lessor or the Agent in accordance with the terms of this Lease or the other Operative Documents.

Section 10.10 NO RENT ABATEMENT. Rent shall not abate hereunder by reason of any Casualty, any Event of Loss, any Event of Taking or any Condemnation of any Leased Property, and each Lessee shall continue to perform and fulfill all of such Lessee's obligations, covenants and agreements hereunder notwithstanding such Casualty, Event of Loss, Event of Taking or Condemnation until the Lease Termination Date.

ARTICLE XI.
INTEREST CONVEYED TO LESSEES

Notwithstanding anything contained in this Lease to the contrary, in the event there is a conflict between other provisions of this Lease and this ARTICLE XI, this ARTICLE XI shall control. Each Lessee and Lessor intend that this Lease be treated, for accounting purposes, as an operating lease. For purposes of federal and state income taxes, and commercial and bankruptcy law, each Lessee and Lessor intend that the transaction represented by this Lease be treated as a financing transaction; for such purposes, it is the intention of the parties hereto (i) that this Lease be treated as a mortgage or deed of trust (whichever is applicable in the jurisdictions in which the Leased Properties are located) and security agreement, encumbering the Leased Properties, and that each Lessee, as grantor, hereby grants to Lessor, as mortgagee or beneficiary and secured party, or any successor thereto, a first and paramount Lien on each Leased Property in which such Lessee has an interest, (ii) that Lessor shall have, as a result of such determination, all of the rights, powers and remedies of a mortgagee, deed of trust beneficiary or secured party available under Applicable Law to take possession of and sell (whether by foreclosure or otherwise) any Leased Property, (iii) that the effective date of such mortgage, security deed or deed of trust shall be the effective date of this Lease, or the related Lease Supplement, if later, (iv) that the recording of this Lease or a Lease Supplement shall be deemed to be the recording of such mortgage, security deed or deed of trust, (v) that the obligations secured by such mortgage, security deed or deed of trust shall include the Funded Amounts and all Basic Rent and Supplemental Rent hereunder and all other obligations of and amounts due from each Lessee hereunder and under the Operative Documents and (vi) that the related Lessee will be treated as the owner of the Leased Properties leased by such Lessee for tax purposes, and that Lessor and the related Lessee shall each report the transactions contemplated by this Lease consistent with such treatment and shall take no position contrary thereto, unless otherwise required by a determination pursuant to Section 1313 of the Code or similar provision of state or local law.

ARTICLE XII.
EVENTS OF DEFAULT

The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) any Lessee shall fail to make any payment of Basic Rent within five (5) days after the date that such Basic Rent is due;

(b) any Lessee shall fail to make any payment of Rent (other than Basic Rent and other than as set forth in CLAUSE (c)) or any other amount payable hereunder or under any of the other Operative Documents (other than Basic Rent and other than as set forth in CLAUSE (c)), and

such failure shall continue for a period of ten days after written notice thereof from Lessor or the Agent to ADESA;

(c) any Lessee shall fail to pay the Funded Amount or Lease Balance when due pursuant to SECTION 10.1, 10.2, 14.1 or 14.2, or any Lessee shall fail to pay the Recourse Deficiency Amount when required pursuant to ARTICLE XIV or the Construction Agent shall fail to make any payment when due under the Construction Agency Agreement;

(d) any Lessee shall fail to maintain insurance as required by ARTICLE VIII hereof, and such failure shall continue until the earlier of (i) fifteen (15) days after written notice thereof from Lessor and (ii) the day immediately preceding the date on which any applicable insurance coverage would otherwise finally lapse or terminate;

(e) there shall occur any default or event of default with respect to, or any event that might become such with notice or the passage of time or both, or any similar event with respect to, or any event that requires the prepayment (other than mandatory prepayment at a time when no event of default exists with respect to such Indebtedness unless such mandatory prepayment results from a change in control) of, Indebtedness of ADESA or any Subsidiary in the aggregate amount of \$10,000,000 or more, or of the Parent in the aggregate amount of \$20,000,000 or more, or the acceleration of the maturity thereof under the terms of any evidence of Indebtedness or other agreement issued or assumed or entered into by the Parent, ADESA or any Subsidiary, or under the terms of any indenture, agreement or other instrument under which any such Indebtedness in the aggregate amount of \$10,000,000 or more (in the case of ADESA or any Subsidiary) or \$20,000,000 or more (in the case of the Parent) is evidenced, issued, assumed, secured, or guaranteed, and such default, event of default or event shall continue beyond any applicable period of grace;

(f) (i) if the entry of a decree or order by a court or agency or supervisory authority of competent jurisdiction for the appointment of a conservator, receiver, liquidator or trustee for the Parent, ADESA or any Lessee in any bankruptcy, receivership, conservatorship, insolvency or similar proceedings, or for the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 90 consecutive days, or (ii) the consent by the Parent, ADESA or any Lessee to the appointment of a conservator, receiver, liquidator or trustee for the Parent, ADESA or any Lessee in any bankruptcy, receivership, conservatorship, insolvency or similar proceedings of or relating to the Parent, ADESA or any Lessee or relating to substantially all its property, the admission in writing by the Parent, ADESA or any Lessee of its inability to pay its debts generally as they become due, the filing by the Parent, ADESA or any Lessee of a petition to take advantage of any applicable bankruptcy, receivership, conservatorship, insolvency or similar statute, the making by the Parent, ADESA or any Lessee of an assignment for the benefit of its creditors or the voluntary suspension by the Parent, ADESA or any Lessee of payment of its obligations.

(g) an event or condition shall occur or exist with respect to any Plan or Multiemployer Plan if as a result of such event or condition, together with all other such events or conditions, the Parent, ADESA or any ERISA Affiliate shall incur or in the opinion of the Required Lenders shall be reasonably likely to incur a liability to a Plan, a Multiemployer Plan or the PBGC (or any combination of the foregoing) which could, in the determination of the Required Lenders, have a Material Adverse Effect.

(h) (i) one or more non-interlocutory judgments, non-interlocutory orders, decrees of arbitration awards is entered against the Parent, ADESA or any Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of \$5,000,000 or more (in the case of ADESA and its Subsidiaries on a consolidated basis) or \$20,000,000 or more (in the case of the Parent) and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of 60 days after the entry thereof; or

(ii) any non-monetary judgment, order or decree is entered against the Parent, ADESA or any Subsidiary which does or would reasonably be expected to have a material and adverse effect on the business, assets, liabilities, financial condition, continued operations or business prospects of the Parent, ADESA or any Subsidiary, and there shall be a period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(i) if any of the Operative Documents shall be cancelled, terminated, revoked or rescinded or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Operative Documents shall be commenced by or on behalf of any Obligor, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Operative Documents is illegal, invalid or unenforceable in accordance with the terms thereof in any material respect;

(j) any representation or warranty by ADESA or any Lessee in any Operative Document or in any certificate or document delivered to Lessor, the Agent or any Funding Party pursuant to any Operative Document shall have been incorrect in any material respect when made; or

(k) any Lessee or ADESA shall fail in any material respect to timely, perform or observe any covenant or agreement (not included in CLAUSE (a) through (j) of this ARTICLE XII) to be performed or observed by it hereunder or under any other Operative Document and such failure shall continue for a period of thirty (30) days (or 10 Business Days in the case of financial covenants) after such Lessee's or ADESA's receipt of written notice thereof from Lessor, the Agent or any Funding Party or such Lessee or ADESA shall have knowledge of such failure; PROVIDED, HOWEVER, that if such failure is capable of cure, but is not capable of cure

within such thirty day period, so long as such Lessee or ADESA shall be diligently pursuing such cure, such failure shall not constitute an Event of Default unless it shall continue for a period of ninety (90) days after such Lessee's or ADESA's receipt of notice or knowledge thereof.

ARTICLE XIII.
ENFORCEMENT

Section 13.1 REMEDIES. Upon the occurrence and during the continuance of any Event of Default, Lessor may do one or more of the following as Lessor in its sole discretion shall determine, without limiting any other right or remedy Lessor may have on account of such Event of Default (including, without limitation, the obligation of the Lessees to purchase the Leased Properties as set forth in SECTION 14.3):

(a) Lessor may, by notice to ADESA, rescind or terminate this Lease as of the date specified in such notice; however, (A) no reletting, reentry or taking of possession of any Leased Property by Lessor will be construed as an election on Lessor's part to terminate this Lease unless a written notice of such intention is given to ADESA, (B) notwithstanding any reletting, reentry or taking of possession, Lessor may at any time thereafter elect to terminate this Lease for a continuing Event of Default, and (C) no act or thing done by Lessor or any of its agents, representatives or employees and no agreement accepting a surrender of any Leased Property shall be valid unless the same be made in writing and executed by Lessor;

(b) Lessor may (i) demand that the Lessees, and the Lessees shall upon the written demand of Lessor, return the Leased Properties promptly to Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, ARTICLES VI and XIV hereof as if the Leased Properties were being returned at the end of the Lease Term, and Lessor shall not be liable for the reimbursement of any Lessee for any costs and expenses incurred by such Lessee in connection therewith and (ii) without prejudice to any other remedy which Lessor may have for possession of the Leased Properties, and to the extent and in the manner permitted by Applicable Law, enter upon any Leased Property and take immediate possession of (to the exclusion of the related Lessee) any Leased Property or any part thereof and expel or remove the related Lessee and any other person who may be occupying such Leased Property, by summary proceedings or otherwise, all without liability to any Lessee for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise and, in addition to Lessor's other damages, the Lessees shall be responsible for the actual and reasonable costs and expenses of reletting, including brokers' fees and the reasonable out-of-pocket costs of any alterations or repairs made by Lessor;

(c) Lessor may (i) sell all or any part of any Leased Property at public or private sale, as Lessor may determine, free and clear of any rights of any Lessee and without any duty to account to any Lessee with respect to such action or inaction or any proceeds with respect

thereto (except to the extent required by Applicable Law or CLAUSE (ii) below if Lessor shall elect to exercise its rights thereunder) in which event the related Lessee's obligation to pay Basic Rent for such Leased Property hereunder for periods commencing after the date of such sale shall be terminated or proportionately reduced, as the case may be; and (ii) if Lessor shall so elect, demand that the Lessees pay to Lessor, and the Lessees shall pay to Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty (the parties agreeing that Lessor's actual damages would be difficult to predict, but the aforementioned liquidated damages represent a reasonable approximation of such amount) (in lieu of Basic Rent due for periods commencing on or after the Payment Date coinciding with such date of sale (or, if the sale date is not a Payment Date, the Payment Date next preceding the date of such sale)), an amount equal to (a) the excess, if any, of (1) the sum of (A) all Rent due and unpaid to and including such Payment Date and (B) the Lease Balance, computed as of such date, over (2) the net proceeds of such sale (that is, after deducting all out-of-pocket costs and expenses incurred by Lessor, the Agent or any Lender incident to such conveyance (including, without limitation, all costs, expenses, fees, premiums and taxes described in SECTION 14.5(b))); PLUS (b) interest at the Overdue Rate on the foregoing amount from such Payment Date until the date of payment;

(d) Lessor may, at its option, not terminate this Lease, and continue to collect all Basic Rent, Supplemental Rent, and all other amounts (including, without limitation, the Funded Amount) due Lessor (together with all costs of collection) and enforce the Lessees' obligations under this Lease as and when the same become due, or are to be performed, and at the option of Lessor, upon any abandonment of any Leased Property by Lessee or re-entry of same by Lessor, Lessor may, in its sole and absolute discretion, elect not to terminate this Lease with respect thereto and may make such reasonable alterations and necessary repairs in order to relet such Leased Property, and relet such Leased Property or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Lessor in its reasonable discretion may deem advisable; and upon each such reletting all rentals actually received by Lessor from such reletting shall be applied to the Lessees' obligations hereunder in such order, proportion and priority as Lessor may elect in Lessor's sole and absolute discretion. If such rentals received from such reletting during any Rent Period are less than the Rent to be paid during that Rent Period by the Lessees hereunder, the Lessees shall pay any deficiency, as reasonably calculated by Lessor, to Lessor on the Payment Date for such Rent Period;

(e) Lessor may, whether or not Lessor shall have exercised or shall thereafter at any time exercise any of its rights under PARAGRAPH (b), (c) or (d) of this ARTICLE XIII, demand, by written notice to ADESA specifying a date (the "FINAL RENT PAYMENT DATE") not earlier than 30 days after the date of such notice, that Lessees purchase, on the Final Rent Payment Date, all of the remaining Leased Properties in accordance with the provisions of SECTIONS 14.2, 14.4 and 14.5; PROVIDED, HOWEVER, that (1) such purchase shall occur on the date set forth in such notice, notwithstanding the provision in SECTION 14.2 calling for such purchase to occur on the Lease Termination Date; and (2) Lessor's obligations under SECTION 14.5(a) shall be limited to delivery

of a special warranty deed and quit claim bill of sale of such Leased Properties, without recourse or warranty, but free and clear of Lessor Liens and the Liens of the Operative Documents;

(f) Lessor may exercise any other right or remedy that may be available to it under Applicable Law, or proceed by appropriate court action (legal or equitable) to enforce the terms hereof or to recover damages for the breach hereof. Separate suits may be brought to collect any such damages for any Rent Period(s), and such suits shall not in any manner prejudice Lessor's right to collect any such damages for any subsequent Rent Period(s), or Lessor may defer any such suit until after the expiration of the Lease Term, in which event such suit shall be deemed not to have accrued until the expiration of the Lease Term; or

(g) Lessor may retain and apply against Lessor's damages all sums which Lessor would, absent such Event of Default, be required to pay to, or turn over to, a Lessee pursuant to the terms of this Lease.

Section 13.2 REMEDIES CUMULATIVE; NO WAIVER; CONSENTS. To the extent permitted by, and subject to the mandatory requirements of, Applicable Law, each and every right, power and remedy herein specifically given to Lessor or otherwise in this Lease shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Lessor, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any right, power or remedy. No delay or omission by Lessor in the exercise of any right, power or remedy or in the pursuit of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of any Lessee or to be an acquiescence therein. Lessor's consent to any request made by any Lessee shall not be deemed to constitute or preclude the necessity for obtaining Lessor's consent, in the future, to all similar requests. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Potential Event of Default or Event of Default. To the extent permitted by Applicable Law, each Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor to sell, lease or otherwise use any Leased Property or part thereof in mitigation of Lessor's damages upon the occurrence of an Event of Default or that may otherwise limit or modify any of Lessor's rights or remedies under this ARTICLE XIII.

Section 13.3 PURCHASE UPON AN EVENT OF DEFAULT. Upon the occurrence and during the continuance of an Event of Default, until such time as Lessor has performed or undertaken material preparations for the sale or re-lease of the Leased Properties, the Lessees may purchase all, but not less than all, of the Leased Properties for the Lease Balance, including any amounts due pursuant to Section 7.5 of the Master Agreement. Such purchase shall be made in accordance with SECTION 14.5, upon not less than five (5) Business Days' written notice (which

shall be irrevocable) to Lessor, which notice shall set forth the date of purchase (which shall be a date no later than 30 days from the date of such notice).

Section 13.4 LIMITATION ON LIABILITY. Notwithstanding the provisions of SECTION 13.1, the Lessees' recourse liability to Lessor as a consequence of the occurrence of a Limited Event of Default shall be limited to the payment by the Lessees of the Recourse Deficiency Amount; PROVIDED, HOWEVER if Lessor used commercial reasonable standards in determining that such Limited Event of Default occurred, then the Lessor shall be entitled to exercise any of the remedies set forth in SECTION 13.1.

ARTICLE XIV.
SALE, RETURN OR PURCHASE OF LEASED PROPERTY; RENEWAL

Section 14.1 LESSEE'S OPTION TO PURCHASE. (a) Subject to the terms, conditions and provisions set forth in this ARTICLE XIV, each Lessee shall have the option (the "PURCHASE OPTION"), to be exercised as set forth below, to purchase from Lessor, Lessor's interest in all of the Leased Properties; PROVIDED that, except as set forth in PARAGRAPH (b) below, such option must be exercised with respect to all, but not less than all, of the Leased Properties under all of the Lease Supplements. Such option must be exercised by written notice to Lessor not later than twelve months prior to the Lease Termination Date which notice shall be irrevocable; such notice shall specify the date that such purchase shall take place, which date shall be a date occurring not less than thirty (30) days after such notice or the Lease Termination Date (whichever is earlier). If the Purchase Option is exercised pursuant to the foregoing, then, subject to the provisions set forth in this ARTICLE XIV, on the applicable purchase date or the Lease Termination Date, as the case may be, Lessor shall convey to each Lessee, by special warranty deed and bill of sale, without recourse or warranty (other than as to the absence of Lessor Liens and Liens of the Operative Documents) and each Lessee shall purchase from Lessor, Lessor's interest in the Leased Properties leased by such Lessee.

(b) Subject to the terms, conditions and provisions set forth in this ARTICLE XIV, each Lessee shall have the option (the "PARTIAL PURCHASE OPTION"), to be exercised as set forth below, to purchase from Lessor Lessor's interest in any Leased Property leased by such Lessee; PROVIDED that, after giving effect to such purchase no less than one Leased Property remain subject to this Lease. Such option may be exercised by written notice to Lessor at any time prior to the last twelve months of the term of this Lease, which notice shall be irrevocable; such notice shall specify the Leased Property to be purchased and the date that such purchase shall take place, which date shall be a date occurring not less than thirty (30) days after such notice. If a Partial Purchase Option is exercised pursuant to the foregoing, subject to the provisions set forth in this ARTICLE XIV, on the applicable purchase date, Lessor shall convey to the related Lessee, and such Lessee shall purchase from Lessor, Lessor's interest in the Leased Property that is the subject of such Partial Purchase Option pursuant to SECTION 14.5.

Section 14.2 CONVEYANCE TO LESSEE. Unless (a) the Lessees shall have properly exercised the Purchase Option and purchased the Leased Properties pursuant to SECTION 14.1(a) or 14.1(b) hereof, or (b) the Lessees shall have properly exercised the Remarketing Option and shall have fulfilled all of the conditions of SECTION 14.6 hereof, then, subject to the terms, conditions and provisions set forth in this ARTICLE XIV, each Lessee shall purchase from Lessor, and Lessor shall convey to each Lessee, on the Lease Termination Date all of Lessor's interest in the Leased Properties leased to such Lessee. Any Lessee may designate, in a notice given to Lessor not less than ten (10) Business Days prior to the closing of such purchase, or any purchase pursuant to SECTION 14.1(a) or (b), (time being of the essence), the transferee to whom the conveyance shall be made (if other than to such Lessee), in which case such conveyance shall (subject to the terms and conditions set forth herein) be made to such designee; PROVIDED, HOWEVER, that such designation of a transferee shall not cause any Lessee to be released, fully or partially, from any of its obligations under this Lease.

Section 14.3 ACCELERATION OF PURCHASE OBLIGATION. The Lessees shall be obligated to purchase Lessor's interest in the Leased Properties immediately, automatically and without notice upon the occurrence of any Event of Default specified in CLAUSE (f) of ARTICLE XII, for the purchase price set forth in SECTION 14.4. Upon the occurrence and during the continuance of any other Event of Default, the Lessees shall be obligated to purchase Lessor's interest in the Leased Properties for the purchase price set forth in SECTION 14.4 upon notice of such obligation from Lessor.

Section 14.4 DETERMINATION OF PURCHASE PRICE. Upon the purchase by the Lessees of Lessor's interest in the Leased Properties upon the exercise of the Purchase Option or pursuant to SECTION 14.2 or 14.3, the aggregate purchase price for all of the Leased Properties shall be an amount equal to the Lease Balance as of the closing date for such purchase, including any amount due pursuant to Section 7.5(f) of the Master Agreement as a result of such purchase. Upon the purchase by a Lessee of Lessor's interest in a Leased Property upon the exercise of a Partial Purchase Option, the purchase price for such Leased Property shall be an amount equal to the Leased Property Balance for such Leased Property as of the closing date for such purchase, including any amount due pursuant to Section 7.5(f) of the Master Agreement as the result of such purchase.

Section 14.5 PURCHASE PROCEDURE. (a) If a Lessee shall purchase Lessor's interest in a Leased Property pursuant to any provision of this Lease, (i) such Lessee shall accept from Lessor and Lessor shall convey such Leased Property by a duly executed and acknowledged special warranty deed and quit claim bill of sale of such a Leased Property in recordable form, (ii) upon the date fixed for any purchase of Lessor's interest in Leased Property hereunder, the related Lessee(s) shall pay to the order of the Agent (or Lessor if the Loans have been paid in full) the Lease Balance or Leased Property Balance, as applicable, including any amount due pursuant to Section 7.5 of the Master Agreement as a result of such purchase, by wire transfer of immediately available funds, (iii) Lessor will execute and deliver to the related Lessee such other documents, including releases, affidavits, termination agreements and termination statements, as

may be legally required or as may be reasonably requested by such Lessee in order to effect such conveyance, free and clear of Lessor Liens and the Liens of the Operative Documents and (iv) if such Leased Property is subject to a Ground Lease, Lessor will execute and deliver to the related Lessee an assignment or termination of such Ground Lease, as directed by such Lessee, in such form as may be reasonably requested by such Lessee, and such Lessee shall pay any amounts due with respect thereto under such Ground Lease.

(b) Each Lessee shall, at such Lessee's sole cost and expense, obtain all required governmental and regulatory approval and consents and in connection therewith shall make such filings as required by Applicable Law; in the event that Lessor is required by Applicable Law to take any action in connection with such purchase and sale, the Lessees shall pay prior to transfer all reasonable out-of-pocket costs incurred by Lessor in connection therewith. Without limiting the foregoing, all costs incident to such conveyance, including, without limitation, each Lessee's attorneys' fees, Lessor's attorneys' fees, commissions, each Lessee's and Lessor's escrow fees, recording fees, title insurance premiums and all applicable documentary transfer or other transfer taxes and other taxes required to be paid in order to record the transfer documents that might be imposed by reason of such conveyance and the delivery of such deed shall be borne entirely by and paid by the Lessees.

(c) Upon expiration or termination of this Lease resulting in conveyance of Lessor's interest in the title to the Leased Properties to the Lessees, there shall be no apportionment of rents (including, without limitation, water rents and sewer rents), taxes, insurance, utility charges or other charges payable with respect to the Leased Properties, all of such rents, taxes, insurance, utility or other charges due and payable with respect to the Leased Properties prior to termination being payable by the Lessees hereunder and all due after such time being payable by the Lessees as the then owners of the Leased Properties.

Section 14.6 OPTION TO REMARKET. Subject to the fulfillment of each of the conditions set forth in this SECTION 14.6, the Lessees shall have the option to market all of, but not less than all of, the Leased Properties for Lessor (the "REMARKETING OPTION").

The Lessees' effective exercise and consummation of the Remarketing Option shall be subject to the due and timely fulfillment of each of the following provisions, the failure of any of which, unless waived in writing by Lessor and the Lenders, shall render the Remarketing Option and the Lessees' exercise thereof null and void, in which event, each Lessee shall be obligated to perform its obligations under SECTION 14.2.

(a) Not later than twelve months prior to the Lease Termination Date, ADESA shall give to Lessor and the Agent written notice of the Lessees' exercise of the Remarketing Option.

(b) Not later than ten (10) Business Days prior to the Lease Termination Date, each Lessee shall deliver to Lessor and the Agent an environmental assessment of each

Leased Property leased by it dated not earlier than forty-five (45) days prior to the Lease Termination Date. Such environmental assessment shall be prepared by an environmental consultant selected by the related Lessee and reasonably satisfactory to the Required Funding Parties, shall be in form, detail and substance reasonably satisfactory to the Required Funding Parties, and shall otherwise indicate no degradation in environmental conditions beyond those described in the related Environmental Audit and shall not include a recommendation for further investigation to make such determination.

(c) On the date of ADESA's notice to Lessor and the Agent of the Lessees' exercise of the Remarketing Option, each of the Construction Conditions shall have been timely satisfied and no Event of Default or Potential Event of Default shall exist, and thereafter, no Event of Default or Potential Event of Default shall exist under this Lease.

(d) Each Lessee shall have completed all Alterations, restoration and rebuilding of the Leased Properties leased by it pursuant to SECTIONS 6.1, 6.2, 10.3 and 10.4 (as the case may be) and shall have fulfilled in all material respects all of the conditions and requirements in connection therewith pursuant to said SECTIONS, in each case by the date on which Lessor and the Agent receive ADESA's notice of the Lessees' exercise of the Remarketing Option (time being of the essence), regardless of whether the same shall be within such Lessee's control.

(e) Upon request by the Agent, each Lessee shall promptly provide any maintenance records relating to each Leased Property leased by it to Lessor, the Agent and any potential purchaser, and shall otherwise do all things necessary to deliver possession of such Leased Property to the potential purchaser at the appropriate closing date. Each Lessee shall allow Lessor, the Agent and any potential purchaser reasonable access during normal business hours to any Leased Property for the purpose of inspecting the same.

(f) On the Lease Termination Date, each Lessee shall surrender the Leased Properties leased by it in accordance with SECTION 14.8 hereof.

(g) In connection with any such sale of the Leased Properties, each Lessee will provide to the purchaser all customary "seller's" indemnities requested by the potential purchaser (taking into account the location and nature of the Leased Properties), representations and warranties regarding title, absence of Liens (except Lessor Liens and the Liens of the Operative Documents) and the condition of the Leased Properties. Each Lessee shall fulfill all of the requirements set forth in CLAUSE (b) of SECTION 14.5, and such requirements are incorporated herein by reference. As to Lessor, any such sale shall be made on an "as is, with all faults" basis without representation or warranty by Lessor, other than the absence of Lessor Liens and the Liens of the Operative Documents.

(h) In connection with any such sale of Leased Properties, each Lessee shall pay directly, and not from the sale proceeds, all prorations, credits, costs and expenses of the sale of the Leased Properties leased by it, whether incurred by Lessor, any Lender, the Agent or such Lessee, including without limitation, to the extent not paid by the purchaser, the cost of all title insurance, surveys, environmental reports, appraisals, transfer taxes, Lessor's and the Agent's attorneys' fees, such Lessee's attorneys' fees, commissions, escrow fees, recording fees, and all applicable documentary and other transfer taxes.

(i) The Lessees, jointly and severally, shall pay to the Agent on the Lease Termination Date (or to such other Person as Agent shall notify Lessee in writing, or in the case of Supplemental Rent, to the Person entitled thereto) an amount equal to the Recourse Deficiency Amount, PLUS all accrued and unpaid Basic Rent and Supplemental Rent, and all other amounts hereunder which have accrued prior to or as of such date, in the type of funds specified in SECTION 3.3 hereof.

If the Lessees have exercised the Remarketing Option, the following additional provisions shall apply: During the period commencing on the date twelve months prior to the scheduled expiration of the Lease Term, one or more of the Lessees shall, as nonexclusive agent for Lessor, use commercially reasonable efforts to sell Lessor's interest in the Leased Properties and will attempt to obtain the highest purchase price therefor. All such marketing of the Leased Properties shall be at the Lessees' sole expense. Lessee promptly shall submit all bids to Lessor and the Agent; the Agent will have the right to review the same; and the Agent and Lessor will have the right to submit any one or more bids. All bids shall be on an all-cash basis. In no event shall such bidder be a Lessee or any Subsidiary or Affiliate of a Lessee. The written offer must specify the Lease Termination Date as the closing date. If, and only if, the aggregate selling price (net of closing costs and prorations, as reasonably estimated by the Agent) is less than the difference between the Lease Balance at such time minus the Recourse Deficiency Amount, then Lessor or the Agent may, in its sole and absolute discretion, by notice to ADESA, given within 30 days of receipt of such offer, reject such offer to purchase, in which event the parties will proceed according to the provisions of SECTION 14.7 hereof. If neither Lessor nor the Agent rejects such purchase offer as provided above, the closing of such purchase of the Leased Properties by such purchaser shall occur on the Lease Termination Date, contemporaneously with the Lessees' surrender of the Leased Properties in accordance with SECTION 14.8 hereof, and the gross proceeds of the sale (i.e., without deduction for any marketing, closing or other costs, prorations or commissions) shall be paid directly to the Agent (or Lessor if the Funded Amounts have been fully paid); PROVIDED, HOWEVER, that if the sum of the gross proceeds from such sale plus the Recourse Deficiency Amount paid by the Lessees on the Lease Termination Date pursuant to SECTION 14.6(i), minus any and all reasonable costs and expenses (including broker fees, appraisal costs, reasonable legal fees and transfer taxes) incurred by the Agent or Lessor in connection with the marketing of the Leased Properties or the sale thereof exceeds the Lease Balance as of such date, then the excess shall be paid to ADESA on the Lease Termination Date.

No Lessee shall have the right, power or authority to bind Lessor in connection with any proposed sale of the Leased Properties.

Section 14.7 REJECTION OF SALE. Notwithstanding anything contained herein to the contrary, if Lessor or the Agent rejects the purchase offer for the Leased Properties as provided in (and subject to the conditions set forth in) SECTION 14.6, then (a) the Lessees, jointly and severally, shall pay to the Agent the Recourse Deficiency Amount on the Lease Termination Date pursuant to SECTION 14.6(i), and (b) Lessor shall retain title to the Leased Properties.

Section 14.8 RETURN OF LEASED PROPERTY. If Lessor retains title to any Leased Property pursuant to SECTION 14.7 hereof, then each Lessee shall, on the Lease Termination Date, and at its own expense, return possession of the Leased Properties leased by it to Lessor for retention by Lessor or, if the Lessees properly exercise the Remarketing Option and fulfill all of the conditions of SECTION 14.6 hereof and neither Lessor nor the Agent rejects such purchase offer pursuant to SECTION 14.6, then each Lessee shall, on such Lease Termination Date, and at its own cost, transfer possession of the Leased Properties leased by it to the independent purchaser thereof, in each case by surrendering the same into the possession of Lessor or such purchaser, as the case may be, free and clear of all Liens other than Lessor Liens and the Liens of the Operative Documents, in as good condition as it was on the Completion Date therefor in the case of new Construction, or the Closing Date (as modified by Alterations permitted by this Lease), ordinary wear and tear excepted, and in compliance in all material respects with Applicable Law. Each Lessee shall, on and within a reasonable time before and after the Lease Termination Date, cooperate with Lessor and the independent purchaser of any Leased Property leased by such Lessee in order to facilitate the ownership and operation by such purchaser of such Leased Property after the Lease Termination Date, which cooperation shall include the following, all of which such Lessee shall do on or before the Lease Termination Date or as soon thereafter as is reasonably practicable: providing all books and records regarding the related Lessee's maintenance of such Leased Property and all know-how, data and technical information relating thereto, providing a copy of the Plans and Specifications within the possession of such Lessee or ADESA, granting or assigning all licenses (to the extent assignable) necessary for the operation and maintenance of such Leased Property, and cooperating in seeking and obtaining all necessary Governmental Action. Each Lessee shall have also paid the cost of all Alterations commenced prior to the Lease Termination Date. The obligations of such Lessee under this ARTICLE XIV shall survive the expiration or termination of this Lease.

Section 14.9 RENEWAL. Subject to the conditions set forth herein, ADESA may, by written notice to Lessor and the Agent given not later than twelve months and not earlier than sixteen months, prior to the then scheduled Lease Termination Date, request to renew this Lease for five years, commencing on the date following such Lease Termination Date. No later than the date that is 45 days after the date the request to renew has been delivered to each of Lessor and the Agent, the Agent will notify ADESA whether or not Lessor and the Lenders consent to such renewal request (which consent may be granted or denied in the Lessor's and each Lender's sole discretion and may be conditioned on such conditions precedent as may be specified by

Lessor or such Lender). If the Agent fails to respond in such time frame, such failure shall be deemed to be a rejection of such request.

ARTICLE XV.
LESSEE'S EQUIPMENT

After any repossession of any Leased Property (whether or not this Lease has been terminated), the related Lessee, at its expense and so long as such removal of such trade fixture, personal property or equipment shall not result in a violation of Applicable Law, shall, within a reasonable time after such repossession or within ninety (90) days after such Lessee's receipt of Lessor's written request (whichever shall first occur), remove all of such Lessee's trade fixtures, personal property and equipment from such Leased Property (to the extent that the same can be readily removed from such Leased Property without causing material damage to such Leased Property); PROVIDED, HOWEVER, that such Lessee shall not remove any such trade fixtures, personal property or equipment that has been financed by Lessor and/or the Lenders under the Operative Documents or otherwise constituting Leased Property (or that constitutes a replacement of such property). Any of a Lessee's trade fixtures, personal property and equipment not so removed by such Lessee within such period shall be considered abandoned by such Lessee, and title thereto shall without further act vest in Lessor, and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without notice to any Lessee and without obligation to account therefor and the related Lessee will pay Lessor, upon written demand, all reasonable costs and expenses incurred by Lessor in removing, storing or disposing of the same and all costs and expenses incurred by Lessor to repair any damage to such Leased Property caused by such removal. Each Lessee will immediately repair at its expense all damage to such Leased Property caused by any such removal (unless such removal is effected by Lessor, in which event such Lessee shall pay all reasonable costs and expenses incurred by Lessor for such repairs). Lessor shall have no liability in exercising Lessor's rights under this ARTICLE XV, nor shall Lessor be responsible for any loss of or damage to any Lessee's personal property and equipment.

ARTICLE XVI.
RIGHT TO PERFORM FOR LESSEE

If any Lessee shall fail to perform or comply with any of its agreements contained herein and either such failure shall continue for a period of 10 or more days after notice to ADESA or to such Lessee by Lessor or the Agent (or such longer time as is reasonably necessary to cure such failure, so long as ADESA or such Lessee is diligently prosecuting such cure) or such failure has resulted in immediate material danger to any Leased Property or Lessor's or the Agent's interest therein, Lessor, upon reasonable notice to ADESA or such Lessee, may perform or comply with such agreement, and Lessor shall not thereby be deemed to have waived any default caused by such failure, and the amount of such payment and the amount of the actual and

reasonable expenses of Lessor (including actual and reasonable attorneys' fees and expenses) incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, shall be deemed Supplemental Rent, payable by the related Lessee to Lessor within thirty (30) days after written demand therefor.

ARTICLE XVII.
MISCELLANEOUS

Section 17.1 REPORTS. To the extent required under Applicable Law and to the extent it is reasonably practical for a Lessee to do so, such Lessee shall prepare and file in timely fashion, or, where such filing is required to be made by Lessor or it is otherwise not reasonably practical for a Lessee to make such filing, Lessee shall prepare and deliver to Lessor (with a copy to the Agent) within a reasonable time prior to the date for filing and Lessor shall file, any material reports with respect to the condition or operation of such Leased Property that shall be required to be filed with any Governmental Authority.

Section 17.2 BINDING EFFECT; SUCCESSORS AND ASSIGNS; SURVIVAL. The terms and provisions of this Lease, and the respective rights and obligations hereunder of Lessor and the Lessees, shall be binding upon their respective successors, legal representatives and assigns (including, in the case of Lessor, any Person to whom Lessor may transfer any Leased Property or any interest therein in accordance with the provisions of the Operative Documents), and inure to the benefit of their respective permitted successors and assigns, and the rights granted hereunder to the Agent and the Lenders shall inure (subject to such conditions as are contained herein) to the benefit of their respective permitted successors and assigns. Each Lessee hereby acknowledges that Lessor has assigned all of its right, title and interest to, in and under this Lease to the Agent and the Lenders pursuant to the Loan Agreement and related Operative Documents, and that all of Lessor's rights hereunder may be exercised by the Agent.

Section 17.3 QUIET ENJOYMENT. Lessor covenants that it will not interfere in the related Lessee's or any of its permitted sublessees' quiet enjoyment of the Leased Properties in accordance with this Lease during the Lease Term, so long as no Event of Default has occurred and is continuing. Such right of quiet enjoyment is independent of, and shall not affect, Lessor's rights otherwise to initiate legal action to enforce the obligations of the Lessees under this Lease.

Section 17.4 DOCUMENTARY CONVENTIONS. The Documentary Conventions shall apply to this Lease.

Section 17.5 LIABILITY OF LESSOR LIMITED. Except as otherwise expressly provided below in this SECTION 17.5, it is expressly understood and agreed by and between each Lessee, Lessor and their respective successors and assigns that nothing herein contained shall be construed as creating any liability of Lessor or any of its Affiliates or any of their respective officers, directors, employees or agents, individually or personally, for any failure to perform

any covenant, either express or implied, contained herein, all such liability (other than that resulting from Lessor's gross negligence or willful misconduct, except to the extent imputed to Lessor by virtue of any Lessee's action or failure to act), if any, being expressly waived by each Lessee and by each and every Person now or hereafter claiming by, through or under any Lessee, and that, so far as Lessor or any of its Affiliates or any of their respective officers, directors, employees or agents, individually or personally, is concerned, each Lessee and any Person claiming by, through or under any Lessee shall look solely to the right, title and interest of Lessor in and to the Leased Properties and any proceeds from Lessor's sale or encumbrance thereof (PROVIDED, HOWEVER, that no Lessee shall be entitled to any double recovery) for the performance of any obligation under this Lease and under the Operative Documents and the satisfaction of any liability arising therefrom (other than that resulting from Lessor's gross negligence or willful misconduct, except to the extent imputed to Lessor by virtue of any Lessee's action or failure to act).

Section 17.6 ESTOPPEL CERTIFICATES. Each party hereto agrees that at any time and from time to time during the Lease Term, it will promptly, but in no event later than thirty (30) days after request by the other party hereto, execute, acknowledge and deliver to such other party or to any prospective purchaser (if such prospective purchaser has signed a commitment or letter of intent to purchase any Leased Property or any part thereof or any Note), assignee or mortgagee or third party designated by such other party, a certificate stating (a) that this Lease is unmodified and in force and effect (or if there have been modifications, that this Lease is in force and effect as modified, and identifying the modification agreements); (b) the date to which Basic Rent has been paid; (c) whether or not there is any existing default by any Lessee in the payment of Basic Rent or any other sum of money hereunder, and whether or not there is any other existing default by either party with respect to which a notice of default has been served, and, if there is any such default, specifying the nature and extent thereof; (d) whether or not, to the knowledge of the signer, there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of the party executing such certificate and (e) other items that may be reasonably requested; PROVIDED that no such certificate may be requested unless the requesting party has a good faith reason for such request.

Section 17.7 NO JOINT VENTURE. Any intention to create a joint venture, partnership or other fiduciary relationship between Lessor and any Lessee is hereby expressly disclaimed.

Section 17.8 NO ACCORD AND SATISFACTION. The acceptance by Lessor of any sums from any Lessee (whether as Basic Rent or otherwise) in amounts which are less than the amounts due and payable by the Lessees hereunder is not intended, nor shall be construed, to constitute an accord and satisfaction of any dispute between Lessor and any Lessee regarding sums due and payable by any Lessee hereunder, unless Lessor specifically deems it as such in writing.

Section 17.9 NO MERGER. In no event shall the leasehold interests, estates or rights of any Lessee hereunder, or of the holder of any Notes secured by a security interest in this Lease, merge with any interests, estates or rights of Lessor in or to the Leased Properties, it being

understood that such leasehold interests, estates and rights of each Lessee hereunder, and of the holder of any Notes secured by a security interest in this Lease, shall be deemed to be separate and distinct from Lessor's interests, estates and rights in or to the Leased Properties, notwithstanding that any such interests, estates or rights shall at any time or times be held by or vested in the same person, corporation or other entity.

Section 17.10 SURVIVAL. The obligations of the parties to be performed under this Lease prior to the Lease Termination Date and the obligations of the parties pursuant to ARTICLES III, X, XI, XIII, SECTIONS 14.2, 14.3, 14.4, 14.5, 14.8, Articles XV and XVI, and SECTION 17.5 shall survive the expiration or termination of this Lease. The extension of any applicable statute of limitations by Lessor, any Lessee, the Agent or any Indemnitee shall not affect such survival.

Section 17.11 CHATTEL PAPER. To the extent that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart other than the sole original counterpart, which shall be identified as the original counterpart by the receipt of the Agent.

Section 17.12 TIME OF ESSENCE. Time is of the essence of this Lease.

Section 17.13 RECORDATION OF LEASE. Each Lessee will, at its expense, cause each Lease Supplement or a memorandum of lease in form and substance reasonably satisfactory to Lessor and such Lessee (if permitted by Applicable Law) to be recorded in the proper office or offices in the States and the municipalities in which the Land is located.

Section 17.14 INVESTMENT OF SECURITY FUNDS. The parties hereto agree that any amounts not payable to a Lessee pursuant to any provision of ARTICLE VIII, X or XIV or this SECTION 17.14 shall be held by the Agent (or Lessor if the Loans have been fully paid) as security for the obligations of the Lessees under this Lease and the Master Agreement and of Lessor under the Loan Agreement. At such time as such amounts are payable to the Lessee, such amounts, net of any amounts previously applied to the Lessees' obligations hereunder or under the Master Agreement (which application is hereby agreed to by Lessee), shall be paid to the related Lessee. Any such amounts which are held by the Agent (or Lessor if the Loans have been fully paid) pending payment to a Lessee shall until paid to such Lessee, as provided hereunder or until applied against the Lessees' obligations herein and under the Master Agreement and distributed as provided in the Loan Agreement or herein (after the Loan Agreement is no longer in effect) in connection with any exercise of remedies hereunder, be invested by the Agent or Lessor, as the case may be, as directed from time to time in writing by Lessee (PROVIDED, HOWEVER, if an Event of Default has occurred and is continuing it will be directed by the Agent or, if the Loans have been fully paid, Lessor) and at the expense and risk of the Lessees, in Permitted Investments. Any gain (including interest received) realized as the result of any such investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) shall be applied in the same manner as the principal invested. Lessee upon demand shall pay to the

Agent or Lessor, as appropriate, the amount of any loss incurred in connection with all such investments and the liquidation thereof.

Section 17.15 GROUND LEASES. Each Lessee will, at its expense, timely perform all of the obligations of Lessor, in its capacity as ground lessee, under each Ground Lease and, if requested by Lessor shall provide satisfactory evidence to Lessor of such performance.

Section 17.16 LAND AND BUILDING. If any Building and the Land on which such Building is located are subject to separate Lease Supplements, at any time that the related Lessee exercises an option to purchase such Building or such Land, or to renew this Lease with respect to such Building or such Land, or is obligated to purchase such Building or such Land as a result of an Event of Loss, an Event of Taking or an Event of Default, such purchase or renewal shall be made simultaneously with respect to all of such Building and such Land.

Section 17.17 JOINT AND SEVERAL. Each obligation of each Lessee hereunder shall be a joint and several obligation of all of the Lessees.

Section 17.18 IDB DOCUMENTATION. If any Leased Property is subject to an IDB Lease, this Lease shall be deemed to be a sublease. Each Lessee hereby agrees to perform all of its obligations and all obligations of Lessor under all IDB Documentation related to any Leased Property. In the event that a Lessee purchases any Leased Property that is the subject of IDB Documentation, such Lessee shall prepay, or cause to be prepaid, the Bonds related to such Leased Property or shall assume all obligations of the Lessor related to such IDB Documentation and cause the Lessor to be released therefrom pursuant to documentation reasonably satisfactory to the Lessor. The parties hereto hereby acknowledge that the Leased Property located in San Joaquin County, California is not subject to any IDB Documentation.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have each caused this Lease Agreement to be duly executed and delivered and attested by their respective officers thereunto duly authorized as of the day and year first above written

Witnessed: ADESA CALIFORNIA, INC., as a Lessee

By: /s/ Denise L. McAtee /s/ W. T. Stackhouse

Name: Denise L. McAtee William T. Stackhouse, Treasurer

By: /s/ Melody L. Dugan

Name: Melody L. Dugan

ATLANTIC FINANCIAL GROUP, LTD.,
as Lessor

By: Atlantic Financial Managers,
Inc., its General Partner

Witnessed:

By: /s/ Pattie Keate

Name: Pattie Keate

By: /s/ Stephen Brookshire

Name: Stephen Brookshire
Title: President

By: /s/ Rori Mitchell

Name: Rori Mitchell

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LEASE
AGREEMENT

STATE OF INDIANA)
) ss.:
COUNTY OF MARION)
)

The foregoing Lease Agreement was acknowledged before me, the undersigned Notary Public, in the County of Marion this 27 day of July, 2001, by William T. Stackhouse, as Treasurer, of ADESA CALIFORNIA, INC., a California corporation, on behalf of the corporation.

[Notarial Seal]

/s/ Denise L. McAtee

Notary Public

Denise L. McAtee

Printed Name
County of Residence: Marion

My commission expires: 4/9/09

DENISE L MC ATEE
NOTARY PUBLIC STATE OF INDIANA
MARION COUNTY
MY COMMISSION EXP. APR. 9, 2009

STATE OF Texas)
-----) ss.:
COUNTY OF Dallas)

The foregoing Lease Agreement was acknowledged before me, the undersigned Notary Public, in the County of Dallas, TX, this 25 day of July, 2001, by STEPHEN S. BROOKSHIRE, as PRESIDENT of Atlantic Financial Group, Ltd., on behalf of such partnership.

[Notarial Seal]

NOTARY PUBLIC LISA M. WILLIAMS
STATE OF TEXAS NOTARY PUBLIC
 State of Texas
 Comm. Exp. 12-17-2001

/s/ Lisa M. Williams

Notary Public

My commission expires: -----

=====

LOAN AGREEMENT

Dated as of July 30, 2001

among

ATLANTIC FINANCIAL GROUP, LTD.
as Lessor and Borrower,

the financial institutions party hereto,

as Lenders

and

SUNTRUST BANK,
as Agent

=====

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EXHIBITS

EXHIBIT A

Form of Note

THIS LOAN AGREEMENT (as it may be amended or modified from time to time in accordance with the provisions hereof, this "LOAN AGREEMENT") dated as of July 30, 2001 is among ATLANTIC FINANCIAL GROUP, LTD., a Texas limited partnership, as lessor and borrower (the "LESSOR"); SUNTRUST BANK and the other financial institutions which are, or may from time to time become, parties hereto as lenders (the "LENDERS") and SUNTRUST BANK, a Georgia banking corporation, as agent for the Lenders (in such capacity, the "AGENT").

PRELIMINARY STATEMENT

In accordance with the terms and provisions of the Master Agreement, the Lease, this Loan Agreement and the other Operative Documents, (i) the Lessor contemplates acquiring the Leased Properties and leasing the Leased Properties to the Lessees, (ii) ADESA California as Construction Agent for the Lessor, wishes, in certain instances, to construct Buildings on the Land for the Lessor and, when completed, to lease the Buildings, or to cause the Buildings to be leased, from the Lessor as part of the Leased Properties under the Lease, (iii) ADESA California wishes to obtain, and the Lessor is willing to provide, funding for the acquisition of the Land and any Buildings thereon and, in certain instances, the construction of the Buildings, and (iv) the Lessor wishes to obtain, and the Lenders are willing to provide, financing of a portion of the funding for the acquisition of the Land and any Buildings thereon and, if applicable, the construction of the Buildings.

In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1 DEFINITIONS; INTERPRETATION

Unless the context shall otherwise require, capitalized terms used and not defined herein shall have the meanings assigned thereto in APPENDIX A to the Master Agreement dated as of July 30, 2001 (as amended, or supplemented or otherwise modified from time to time, the "MASTER AGREEMENT"), among ADESA Corporation, as Guarantor, ADESA California, Inc. and certain other Subsidiaries of ADESA Corporation that may become party thereto, as Lessees, the Lessor, the Lenders and the Agent; and the rules of interpretation set forth in such APPENDIX A shall apply to this Loan Agreement.

SECTION 2 AMOUNT AND TERMS OF COMMITMENTS; REPAYMENT AND PREPAYMENT OF LOANS

SECTION 2.1 COMMITMENT. (a) Subject to the terms and conditions hereof and of the Master Agreement, each Lender agrees to make term loans to the Lessor ("LOANS") from time to time during the period from and including the Initial Closing Date through the Funding Termination Date, on each Closing Date and on each subsequent Funding Date, in the amounts required under Section 2.2 of the Master Agreement. Each such Loan shall consist of an A Loan in the amount of such Lender's pro rata share of the Recourse Deficiency Amount for the related

Leased Property and a B Loan in the amount of such Lender's pro rata share of the remaining principal amount of the Loan related to such Leased Property.

SECTION 2.2 NOTE. The Loans made by each Lender to the Lessor shall be evidenced by a note of the Lessor (the "NOTE"), substantially in the form of EXHIBIT A with appropriate insertions, duly executed by the Lessor and payable to the order of the Agent, on behalf of the Lenders, and in a principal amount equal to the aggregate Commitments of the Lenders (or, if less, the aggregate unpaid principal amount of all Loans made by the Lenders to the Lessor). The Note shall be dated the Initial Closing Date and delivered to the Agent in accordance with Section 3.2 of the Master Agreement. The Agent is hereby authorized to record the date and amount of each Loan made by each Lender to the Lessor on the Note or in its records, and each Lender is hereby authorized to record the date and amount of each Loan made by such Lender to the Lessor in its records, but the failure by the Agent or any Lender to so record such Loan shall not affect or impair any obligations with respect thereto. The Note shall (i) be stated to mature no later than the final Lease Termination Date and (ii) bear interest from the date a Loan is made on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum determined as provided in, and payable as specified in, SECTION 2.4. Upon the occurrence of an Event of Default under clause (f) of Article XII of the Lease, or upon Acceleration as described in SECTION 4.3(b) hereof, the Note shall automatically become due and payable in full.

SECTION 2.3 SCHEDULED PRINCIPAL REPAYMENT. On the Lease Termination Date, the Lessor shall pay the aggregate unpaid principal amount of all Loans as of such date.

SECTION 2.4 INTEREST. (a) Each Loan related to a LIBOR Advance shall bear interest during each Rent Period at a rate equal to the sum of (i) the Adjusted LIBO Rate for such Rent Period, computed using the actual number of days elapsed and a 360 day year, PLUS (ii) the Applicable Margin per annum. Each Loan related to a Base Rate Advance shall bear interest at a rate equal to the sum of (i) the Base Rate in effect from time to time, computed using the actual number of days elapsed and a 360 day year, PLUS (ii) the Applicable Margin per annum.

(b) If all or a portion of the principal amount of or interest on the Loans shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall, without limiting the rights of the Lenders under SECTION 5, bear interest at the Overdue Rate, in each case from the date of nonpayment until paid in full (after as well as before judgment).

(c) Interest accruing on each Loan with respect to any Leased Property during the Construction Term of such Leased Property shall, subject to the limitations set forth in Section 2.3(c) of the Master Agreement, be added to the principal amount of such Loan from time to time. Following the date each Loan is made (or in the case of Loans with respect to a Construction Land Interest, the Construction Term Expiration Date), interest on such Loan shall be payable in arrears on each Payment Date with respect thereto.

(d) Any change in the interest rate on the Loans resulting from a change in the Base Rate shall become effective as of the opening of business on the day on which such Base Rate changes as provided in the definition thereof.

SECTION 2.5 ALLOCATION OF LOANS TO LEASED PROPERTIES. Pursuant to each Funding Request, each Loan shall be allocated to the Leased Property, the cost of acquisition or construction of which the proceeds of such Loan are used to pay. For purposes of the Operative Documents, the "related Loans" with respect to any Leased Property or Loans "related to" any Leased Property shall mean those Loans allocated to such Leased Property as set forth in the foregoing sentence.

SECTION 2.6 PREPAYMENT. Except in conjunction with a payment by a Lessee or the Construction Agent of the Lease Balance, a Construction Failure Payment or a Leased Property Balance pursuant to the terms of the Lease or the Construction Agency Agreement, the Lessor shall have no right to prepay the Loans.

SECTION 3 RECEIPT, DISTRIBUTION AND APPLICATION OF CERTAIN PAYMENTS IN RESPECT OF LEASE AND LEASED PROPERTY.

Payments of Rent, other payments made pursuant to the Operative Documents and proceeds of the Leased Properties shall be distributed as set forth in Section 6 of the Master Agreement.

SECTION 4 THE LESSOR; EXERCISE OF REMEDIES UNDER LEASE

SECTION 4.1 COVENANT OF LESSOR. So long as any Lender's Commitment remains in effect, any Loan remains outstanding and unpaid or any other amount is owing to any Lender with respect to its Funding Party Balances, subject to SECTION 4.2, the Lessor will promptly pay all amounts payable by it under this Loan Agreement and the Note issued by it in accordance with the terms hereof and thereof and shall duly perform each of its obligations under this Loan Agreement and the Note. The Lessor agrees to provide to the Agent a copy of each estoppel certificate that the Lessor proposes to deliver pursuant to Section 17.13 of the Lease at least five (5) days prior to such delivery and to make any corrections thereto reasonably requested by the Agent prior to such delivery. The Lessor shall keep each Leased Property owned by it free and clear of all Lessor Liens. The Lessor shall not reject any sale of any Leased Property pursuant to Section 14.6 of the Lease unless all of the related Loans have been paid in full or the Lenders consent to such rejection. In the event that the Lenders reject any sale of any Leased Property pursuant to Section 14.6 of the Lease, the Lessor agrees to take such action as the Lenders reasonably request to effect a sale or other disposition of such Leased Property, PROVIDED that the Lessor shall not be required to expend its own funds in connection with such sale or disposition. In the event that the Construction Agent returns any Leased Property to the Lessor pursuant to Section 5.3(a) of the Construction Agency Agreement, unless all of the related Loans are paid in full, the Lessor agrees to take such action as the Lenders reasonably request to complete the Construction, or to effect a sale or other disposition, of such Leased Property, PROVIDED that the

Lessor shall not be required to expend its own funds in connection therewith. During the Construction Term for each Leased Property, the Lessor agrees to assume liability for, and to indemnify, protect, defend, save and hold harmless the Agent, each Lender and each of their respective Affiliates, successors, assigns, employees, officers and directors, on an After-Tax Basis, from and against, any and all Claims that may be imposed on, incurred by or asserted or threatened to be asserted against the Agent or any Lender, in any way relating to or arising out of the circumstances described in Section 7.1 or 7.4 of the Master Agreement, PROVIDED that the Lessor shall only be obligated to make a payment pursuant to this sentence to the extent that the Lessor receives payment from the Construction Agent or any other Person with respect to such Claim.

SECTION 4.2 LESSOR OBLIGATIONS NONRECOURSE; PAYMENT FROM CERTAIN LEASE OBLIGATIONS AND CERTAIN PROCEEDS OF LEASED PROPERTY ONLY. All payments to be made by the Lessor in respect of the Loans, the Note and this Loan Agreement shall be made only from certain payments received under the Lease, the Guaranty Agreements, and the Construction Agency Agreement and certain proceeds of the Leased Properties and only to the extent that the Lessor or the Agent shall have received sufficient payments from such sources to make payments in respect of the Loans in accordance with SECTION 3. Each Lender agrees that it will look solely to such sources of payments to the extent available for distribution to such Lender as herein provided and that neither the Lessor nor the Agent is or shall be personally liable to any Lender for any amount payable hereunder or under the Note. Nothing in this Loan Agreement, the Note or any other Operative Document shall be construed as creating any liability (other than for willful misconduct or gross negligence) of the Lessor individually to pay any sum or to perform any covenant, either express or implied, in this Loan Agreement, the Notes or any other Operative Documents (all such liability, if any, being expressly waived by each Lender) and that each Lender, on behalf of itself and its successors and assigns, agrees in the case of any liability of the Lessor hereunder or thereunder (except for such liability attributable to its willful misconduct or gross negligence) that it will look solely to those certain payments received under the Lease, the Guaranty Agreements and the Construction Agency Agreement and those certain proceeds of the Leased Properties, PROVIDED, HOWEVER, that the Lessor in its individual capacity shall in any event be liable with respect to (i) the removal of Lessor's Liens or involving its gross negligence or willful misconduct or (ii) failure to turn over payments the Lessor has received in accordance with SECTION 3; and PROVIDED FURTHER that the foregoing exculpation of the Lessor shall not be deemed to be exculpations of either Guarantor, any Lessee or any other Person.

SECTION 4.3 EXERCISE OF REMEDIES UNDER THE LEASE.

(a) EVENT OF DEFAULT. With respect to any Potential Event of Default as to which notice thereof by the Lessor to ADESA or a Lessee is a requirement to cause such Potential Event of Default to become an Event of Default, the Lessor agrees to give such notice to ADESA or such Lessee promptly upon receipt of a written request by any Lender or the Agent. With respect to any event as to which notice thereof by the Lessor to the Construction Agent is a requirement to cause such event to become a Construction Agency Event of Default, the Lessor agrees to give such notice to the Construction Agent promptly upon receipt of a written request

by any Lender or the Agent. The Lessor shall not, without the prior written consent of the Required Lenders, waive any Event of Default or any Construction Agency Event of Default.

(b) ACCELERATION OF LEASE BALANCE. When an Event of Default or a Construction Failure Event exists, the Lessor shall exercise remedies under Article XIII of the Lease or Section 5 of the Construction Agency Agreement, as the case may be, as directed by the Required Lenders, including, if so directed, demanding payment in full of the Lease Balance by the Lessees (the "ACCELERATION"). The Lessor shall consult with the Lenders regarding actions to be taken in response to such Event of Default or a Construction Failure Event. The Lessor (1) shall not, without the prior written consent of the Required Lenders and (2) shall (subject to the provisions of this SECTION), if so directed by the Required Lenders, do any of the following: commence eviction or foreclosure proceedings, or file a lawsuit against any Lessee under the Lease, or sell the Leased Properties, or exercise other remedies against the Lessees or the Guarantors under the Operative Documents in respect of such Event of Default or a Construction Failure Event; PROVIDED, HOWEVER, that any payments received by the Lessor shall be distributed in accordance with Section 6 of the Master Agreement. Notwithstanding any such consent, direction or approval by the Required Lenders of any such action or omission, the Lessor shall not have any obligation to follow such direction if the same would, in the Lessor's reasonable judgment, require the Lessor to expend its own funds or expose the Lessor to expense, unless Required Lenders provide to the Lessor an indemnity, in form and substance reasonably acceptable to the Lessor, for such liability, loss or damage or unless and until the Lenders advance to the Lessor an amount which is sufficient, in the Lessor's reasonable judgment, to cover such liability, expense, loss or damage (excluding the Lessor's pro rata share thereof, if any). Notwithstanding the foregoing, on and after the related Release Date (and any application otherwise required under Section 6 of the Master Agreement has been made): the Lenders shall have no rights to such Leased Property or any proceeds thereof; the Lenders shall have no rights to direct or give consent to any actions with respect to such Leased Property and the proceeds thereof; the Lessor shall have absolute discretion (but in all events subject to the terms of the Operative Documents) with respect to such exercise of remedies with respect to such Leased Property, and the proceeds thereof, including, without limitation, any foreclosure or sale of such Leased Property; and the Lessor shall have no liability to the Lenders with respect to the Lessor's actions or failure to take any action with respect to such Leased Property.

SECTION 5 LOAN EVENTS OF DEFAULT; REMEDIES

SECTION 5.1 LOAN EVENTS OF DEFAULT. Each of the following events shall constitute a Loan Event of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority) and each such Loan Event of Default shall continue so long as, but only as long as, it shall not have been remedied:

(a) Lessor shall fail to distribute in accordance with the provisions of Section 6 of the Master Agreement any amount received by the Lessor pursuant to any of the

Operative Documents within two (2) Business Days of receipt thereof if and to the extent that the Agent or the Lenders are entitled to such amount or a portion thereof; or

(b) the Lessor shall fail to pay to the Agent, within two (2) Business Days of the Lessor's receipt thereof, any amount which a Lessee or a Guarantor is required, pursuant to the Operative Documents, to pay to the Agent but erroneously pays to the Lessor; or

(c) failure by the Lessor to perform in any material respect any other covenant or condition herein or in any other Operative Document to which the Lessor is a party, which failure shall continue unremedied for thirty (30) days after receipt by the Lessor of written notice thereof from the Agent or any Lender; or

(d) any representation or warranty of the Lessor contained in any Operative Document or in any certificate required to be delivered thereunder shall prove to have been incorrect in a material respect when made and shall not have been cured within thirty (30) days of receipt by the Lessor of written notice thereof from the Agent or any Lender; or

(e) the Lessor or the General Partner shall become bankrupt or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver; or a trustee or a receiver shall be appointed for the Lessor or the General Partner or for substantially all of its property without its consent and shall not be dismissed or stayed within a period of ninety (90) days; or bankruptcy, reorganization or insolvency proceedings shall be instituted by or against the Lessor or the General Partner and, if instituted against the Lessor or the General Partner, shall not be dismissed or stayed for a period of ninety (90) days; or

(f) any Event of Default shall occur and be continuing.

SECTION 5.2 REMEDIES.

(a) Upon the occurrence of a Loan Event of Default hereunder, (i) if such event is a Loan Event of Default specified in CLAUSE (e) of SECTION 5.1 with respect to the Lessor, automatically the Lenders' Commitments shall terminate and the outstanding principal of, and accrued interest on, the Loans shall be immediately due and payable, and (ii) if such event is any other Loan Event of Default, upon written request of the Required Lenders, the Agent shall, by notice of default to the Lessor, declare the Commitments of the Lenders to be terminated forthwith and the outstanding principal of, and accrued interest on, the Loans to be immediately due and payable, whereupon the Commitments of the Lenders shall immediately terminate and the outstanding principal of, and accrued interest on, the Loans shall become immediately due and payable.

(b) When a Loan Event of Default exists, the Agent may, and upon the written instructions of the Required Lenders shall, exercise any or all of the rights and powers and pursue any and all of the remedies available to it hereunder, under the Note, the Mortgages and the Assignments of Lease and Rents and shall have and may exercise any and all rights and remedies available under the Uniform Commercial Code or any provision of law. When a Loan Event of Default exists, the Agent may, and upon the written instructions of the Required Lenders shall, have the right to exercise all rights of the Lessor under the Lease pursuant to the terms and in the manner provided for in the Mortgages and the Assignments of Lease and Rents.

(c) Except as expressly provided above, no remedy under this SECTION 5.2 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy provided under this SECTION 5.2 or under the other Operative Documents or otherwise available at law or in equity. The exercise by the Agent or any Lender of any one or more of such remedies shall not preclude the simultaneous or later exercise of any other remedy or remedies. No express or implied waiver by the Agent or any Lender of any Loan Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Loan Event of Default. The failure or delay of the Agent or any Lender in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Agent or any Lender shall not exhaust the same or constitute a waiver of any other right provided herein.

SECTION 6 THE AGENT

SECTION 6.1 APPOINTMENT. Each Lender hereby irrevocably designates and appoints the Agent as the agent of such Lender under this Loan Agreement and the other Operative Documents, and each such Lender irrevocably authorizes the Agent, in such capacity, to take such action on its behalf under the provisions of this Loan Agreement and the other Operative Documents and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Loan Agreement and the other Operative Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Loan Agreement, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Loan Agreement or any other Operative Document or otherwise exist against the Agent.

SECTION 6.2 DELEGATION OF DUTIES. The Agent may execute any of its duties under this Loan Agreement and the other Operative Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 6.3 EXCULPATORY PROVISIONS. Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Loan Agreement or any other Operative Document (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Lessor or any Lessee or any officer thereof contained in this Loan Agreement or any other Operative Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Loan Agreement or any other Operative Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Loan Agreement or any other Operative Document or for any failure of the Lessor or any Lessee to perform its obligations hereunder or thereunder. The Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Loan Agreement or any other Operative Document, or to inspect the properties, books or records of the Lessor, any Guarantor or any Lessee.

SECTION 6.4 RELIANCE BY AGENT. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Lessor or any Lessee), independent accountants and other experts selected by the Agent. The Agent may deem and treat each Lender as the owner of its pro rata share of the Loans for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Loan Agreement or any other Operative Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Funding Parties against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Subject to the Operative Documents, the Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Loan Agreement and the other Operative Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of an interest in the Note.

SECTION 6.5 NOTICE OF DEFAULT. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Loan Potential Event of Default or Loan Event of Default hereunder unless the Agent has received notice from a Lender referring to this Loan Agreement, describing such Loan Potential Event of Default or Loan Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give notice thereof to the Lenders. The Agent shall take such action, subject to the Operative Documents with respect to such Loan Potential Event of Default or Loan Event of Default as shall be reasonably directed by the Required Lenders; PROVIDED that unless and until the Agent

shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Loan Potential Event of Default or Loan Event of Default as it shall deem advisable in the best interests of the Lenders.

SECTION 6.6 NON-RELIANCE ON AGENT AND OTHER LENDERS. Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Lessor, any Guarantor or any Lessee, shall be deemed to constitute any representation or warranty by the Agent to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Lessor, each Guarantor and each Lessee and made its own decision to make its Loans hereunder and enter into this Loan Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Loan Agreement and the other Operative Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Lessor, each Guarantor and each Lessee. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Lessor, any Guarantor or any Lessee which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

SECTION 6.7 INDEMNIFICATION. The Lenders agree to indemnify the Agent in its capacity as such (to the extent not reimbursed by a Lessee and without limiting the obligation of any Lessee to do so), ratably according to the percentage each Lender's Commitment bears to the total Commitments of all of the Lenders on the date on which indemnification is sought under this SECTION 6.7 (or, if indemnification is sought after the date upon which the Lenders' Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with the percentage that each Lender's Commitment bears to the Commitments of all of the Lenders immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Note) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of, the Commitments, this Loan Agreement, any of the other Operative Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; PROVIDED that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Agent's gross

negligence or willful misconduct. The agreements in this SECTION 6.7 shall survive the payment of the Note and all other amounts payable hereunder.

SECTION 6.8 AGENT IN ITS INDIVIDUAL CAPACITY. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Lessor, any Guarantor or any Lessee as though the Agent were not the Agent hereunder and under the other Operative Documents. With respect to Loans made or renewed by it, the Agent shall have the same rights and powers under this Loan Agreement and the other Operative Documents as any Lender and may exercise the same as though it were not the Agent, and the terms "Lender" and "Lenders" shall include the Agent in its individual capacity. Each Lender acknowledges that the Agent in its individual capacity has had and continues to have other business relations and transactions with ADESA, ADESA's Affiliates and the Lessor.

SECTION 6.9 SUCCESSOR AGENT. The Agent may resign as Agent upon 20 days' notice to the Lenders effective upon the appointment of a successor agent. The Required Lenders may remove the Agent for cause upon 10 days' notice to the Agent effective upon the appointment of a successor agent. If the Agent shall resign or be removed as Agent under this Loan Agreement and the other Operative Documents, then the Required Lenders shall appoint a successor agent for the Lenders, which successor agent shall be a commercial bank organized under the laws of the United States of America or any State thereof or under the laws of another country which is doing business in the United States of America and having a combined capital, surplus and undivided profits of at least \$100,000,000, whereupon such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon such appointment and approval, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Loan Agreement or any holders of an interest in the Note. After any retiring Agent's resignation or removal as Agent, all of the provisions of this SECTION 6 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Loan Agreement and the other Operative Documents.

SECTION 7 MISCELLANEOUS

SECTION 7.1 DOCUMENTARY CONVENTIONS. The Documentary Conventions shall apply to this Loan Agreement.

SECTION 7.2 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 7.3 SUCCESSORS AND ASSIGNS. This Loan Agreement shall be binding upon and inure to the benefit of the Lessor, the Agent, the Lenders, all future holders of an interest in the Note and their respective successors and permitted assigns.

SECTION 7.4 SURVIVAL AND TERMINATION OF AGREEMENT. All covenants, agreements, representations and warranties made herein and in any certificate, document or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Loan Agreement and the Note, and shall continue in full force and effect so long as any amount payable to any Lender under or in connection with this Loan Agreement or the Note is unpaid, at which time this Loan Agreement shall terminate.

IN WITNESS THEREOF, the parties hereto have caused this Loan Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

SUNTRUST BANK, as Agent

By: /s/ W. David Wisdom

Name: W. David Wisdom

Title: Vice President

ATLANTIC FINANCIAL GROUP, LTD., as
Lessor and Borrower

By: Atlantic Financial Managers, Inc.,
its General Partner

By: /s/ Stephen Brookshire

Name: Stephen Brookshire
Title: President

SUNTRUST BANK,
as a Lender

By: /s/ W. David Wisdom

Name: W. David Wisdom

Title: Vice President

LASALLE BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Matthew R. Doye

Name: Matthew R. Doye

Title: Commercial Loan Officer

HARRIS TRUST AND SAVINGS BANK,
as a Lender

By: /s/ Thad D. Rasche

Name: Thad D. Rasche

Title: Vice President

EXHIBIT A TO
LOAN AGREEMENT

NOTE

Atlanta, Georgia
July 30, 2001

\$43,425,000

FOR VALUE RECEIVED, the undersigned, ATLANTIC FINANCIAL GROUP, LTD. ("LESSOR") promises to pay to the order of SUNTRUST BANK, in its capacity as Agent (as defined below), for the ratable benefit of the Lenders, at the office of the Agent at 303 Peachtree Street, Atlanta, Georgia 30308 or such other address as the holder hereof shall have previously designated in writing to the Lessor, the aggregate unpaid principal amount of all Loans made by the Lenders to, or for the benefit of, the Lessor, as recorded either on the grid attached to this Note or in the records of the Agent or the Lenders (and such recordation shall constitute PRIMA FACIE evidence of the information so recorded; PROVIDED, HOWEVER, that the failure to make any such recordation shall not in any way affect the Lessor's obligation to repay this Note). The principal amount of each Loan evidenced hereby shall be payable on or prior to the Lease Termination Date as provided in the Loan Agreement.

The Lessor further promises to pay interest on the unpaid principal amount of this Note from time to time outstanding, payable as provided in the Loan Agreement, at the rates PER ANNUM provided in the Loan Agreement; PROVIDED, HOWEVER, that such interest rate shall not at any time exceed the maximum rate permitted by law. All payments of principal of and interest on this Note shall be payable in lawful currency of the United States of America at the office of the Agent as provided above or such other address as the holder hereof shall have designated to the Lessor, in immediately available funds.

This Note is the Note referred to in that certain Loan Agreement, dated as of July 30, 2001, among the Lessor, the lenders from time to time party thereto, and SunTrust Bank, as agent (the "AGENT") for such lenders (as it may be amended or modified from time to time, herein called the "LOAN AGREEMENT"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Loan Agreement. This Note is secured pursuant to the other Loan Documents from the Lessor to the Agent referred to in the Loan Agreement (including, without limitation, the Mortgages) and reference is hereby made to the Loan Agreement and such other Loan Documents for a statement of the terms and provisions of such security.

All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest, and notice of dishonor, notice of the existence, creation or nonpayment of all or any of the Loans and all other notices whatsoever.

This Note shall be governed by and construed in accordance with the laws of the State of Georgia, without regard to conflicts of law principles.

All payments and other obligations to be made or performed by the Lessor in respect of the Loans and this Note shall be made only from certain payments received under the Lease, the Guaranty Agreements and the Construction Agency Agreement and certain proceeds of the Leased Properties and only to the extent that the Lessor shall have received sufficient payments from such sources to make payments in respect of the Loans in accordance with and subject to the priorities set forth in the Loan Agreement. Each Lender agrees that it will look solely to such sources of payments to the extent available for distribution to the Lenders or the Agent as provided in the Loan Agreement and that neither the Lessor, nor any of its partners, nor the Agent is or shall be personally liable to any Lender for any amount payable hereunder or under the Loan Agreement. Notwithstanding anything to the contrary contained herein, nothing in this Note shall be construed as creating any liability (other than for willful misconduct, gross negligence or misrepresentation) of Lessor individually to pay any sum or to perform any covenant, condition, obligation or warranty either express or implied, in this Note (all such liability, if any, being expressly waived by each Lender) and that each Lender, on behalf of itself and its successors and assigns, agrees in the case of any liability of Lessor hereunder (other than for willful misconduct or gross negligence) that it will look solely to those certain payments received under the Lease, the Guaranty Agreements and the Construction Agency Agreement and those certain proceeds of the Leased Properties as provided in the Loan Agreement; PROVIDED, HOWEVER, that Lessor in its individual capacity shall in any event be liable with respect to (i) the removal of Lessor Liens, (ii) its gross negligence or willful misconduct or (iii) failure to turn over payments the Lessor has received in accordance with the Loan Agreement and the Master Agreement; and PROVIDED FURTHER that the foregoing exculpation of the Lessor shall not be deemed to be exculpations of either Guarantor, any Lessee or any other Person.

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed by its duly authorized officer as of the day and year first above written.

ATLANTIC FINANCIAL GROUP, LTD.

By: Atlantic Financial Managers,
Inc., its General Partner

By: Stephen Brookshire

Name Printed: Stephen Brookshire
Title: President

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GUARANTY AGREEMENT

from

ALLETE INC.

Dated as of July 30, 2001

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GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of July 30, 2001 (as amended or otherwise modified from time to time, this "GUARANTY"), is made by ALLETE INC., a Minnesota corporation ("GUARANTOR").

W I T N E S S E T H:

WHEREAS, ADESA Corporation, as a Guarantor, ADESA California, Inc. and certain other Subsidiaries of ADESA Corporation that are or may become party thereto, as Lessees, Atlantic Financial Group, Ltd., as Lessor, the financial institutions party thereto, as Lenders, and SunTrust Bank, as Agent, have entered into that certain Master Agreement, dated as of July 30, 2001 (as it may be modified, amended or restated from time to time as and to the extent permitted thereby, the "MASTER AGREEMENT"; and, unless otherwise defined herein, terms which are defined or defined by reference in the Master Agreement (including Appendix A thereto) shall have the same meanings when used herein as such terms have therein); and

WHEREAS, it is a condition precedent to the Funding Parties consummating the transactions to be consummated on the Initial Closing Date that the Guarantor execute and deliver this Guaranty; and

WHEREAS, it is in the best interests of the Guarantor that the transactions contemplated by the Master Agreement be consummated on the Initial Closing Date; and

WHEREAS, this Guaranty, and the execution, delivery and performance hereof, have been duly authorized by all necessary corporate action of Guarantor; and

WHEREAS, this Guaranty is offered by the Guarantor as an inducement to the Funding Parties to consummate the transactions contemplated in the Master Agreement, which transactions, if consummated, will be of benefit to Guarantor;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Guarantor, the Guarantor hereby agrees as follows:

SECTION 1. GUARANTY. Guarantor hereby unconditionally guarantees to the Agent and the Funding Parties the full and prompt payment when due, whether by acceleration or otherwise, and at all times thereafter, and the full and prompt performance, of all of the Liabilities (as hereinafter defined), including rent, interest and Yield on any such Liabilities, whether accruing before or after any bankruptcy or insolvency case or proceeding involving Guarantor, any Lessee or any other Person and, if rent, interest or Yield on any portion of such obligations ceases to accrue by operation of law by reason of the commencement of such case or

proceeding, including such rent, interest and earnings as would have accrued on any such portion of such obligations if such case or proceeding had not commenced, and further agrees to pay all reasonable expenses (including reasonable attorneys' fees and legal expenses) actually paid or incurred by each of the Funding Parties in endeavoring to collect the Liabilities, or any part thereof, and in enforcing this Guaranty. Notwithstanding the foregoing, during the Construction Term for any Leased Property, only the Lessor shall be entitled to make a claim under this Guaranty for Liabilities related to such Leased Property. The term "LIABILITIES", as used herein, shall mean all of the following, in each case howsoever created, arising or evidenced, whether direct or indirect, joint or several, absolute or contingent, or now or hereafter existing, or due or to become due: all amounts payable by the Lessees or the Construction Agent to the Agent and the Funding Parties under the Lease (including, without limitation, Basic Rent, Supplemental Rent and the Recourse Deficiency Amount), the Master Agreement, the Construction Agency Agreement or any other Operative Document; PROVIDED, HOWEVER, that the Guarantor will not be obligated to pay to the Agent and Funding Parties under this Guaranty any amounts greater than the Lessees and the Construction Agent would have had to pay to the Agent and the Funding Parties under the Lease, the Master Agreement, the Construction Agency Agreement and the other Operative Documents assuming that such documents were enforced in accordance with their terms (and without giving effect to any discharge or limitation thereon resulting or arising by reason of the bankruptcy or insolvency of a Lessee), plus all actual and reasonable costs of enforcing this Guaranty.

By way of extension but not in limitation of any of its other obligations hereunder, Guarantor stipulates and agrees that if any foreclosure proceedings are commenced with respect to any Leased Property and result in the entering of a foreclosure judgment, any such foreclosure judgment, to the extent related to the Liabilities and payable to any of the Funding Parties, shall be treated as part of the Liabilities, and Guarantor unconditionally guarantees the full and prompt payment of such judgment.

SECTION 2. BANKRUPTCY. Guarantor agrees that, in the event any bankruptcy, reorganization or insolvency proceeding shall be instituted by or against Guarantor and, if instituted against Guarantor, shall not be dismissed or stayed for a period of ninety (90) days, and if such event shall occur at a time when any of the Liabilities may not then be due and payable, Guarantor will pay to the Funding Parties forthwith the full amount which would be payable hereunder by Guarantor if all Liabilities were then due and payable.

SECTION 3. CONTINUING GUARANTY. THIS GUARANTY SHALL IN ALL RESPECTS BE A CONTINUING, ABSOLUTE AND UNCONDITIONAL GUARANTY OF PROMPT AND COMPLETE PAYMENT AND PERFORMANCE (AND NOT MERELY OF COLLECTION), AND SHALL REMAIN IN FULL FORCE AND EFFECT (NOTWITHSTANDING, WITHOUT LIMITATION, THE DISSOLUTION OF GUARANTOR) UNTIL THE TERMINATION OF THE COMMITMENTS AND THE FULL AND FINAL PAYMENT OF ALL OF THE LIABILITIES.

SECTION 4. REINSTATEMENT. Guarantor further agrees that, if at any time all or any part of any payment theretofore applied to any of the Liabilities is or must be rescinded or returned for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Guarantor or any Lessee), such Liabilities shall, for the purposes of this Guaranty, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall continue to be effective or be reinstated, as the case may be, as to such Liabilities, all as though such application had not been made.

SECTION 5. CERTAIN ACTIONS. The Funding Parties may, from time to time at their discretion and without notice to Guarantor (but subject to the terms of the other Operative Documents), take any or all of the following actions without impairing Guarantor's obligations hereunder: (a) retain or obtain (i) a security interest in any Lessee's interests in the Lease or the Leased Property and (ii) a lien or a security interest hereafter granted by any Person upon or in any property, in each case to secure any of the Liabilities or any obligation hereunder; (b) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to the Guarantors, with respect to any of the Liabilities; (c) extend or renew for one or more periods (regardless of whether longer than the original period), or release or compromise any obligation of Guarantor hereunder or any obligation of any nature of any other obligor (including, without limitation, the Lessor and the Lessees) with respect to any of the Liabilities; (d) release or fail to perfect its Lien upon or security interest in, or impair, surrender, release or permit any substitution or exchange for, all or any part of any property securing any of the Liabilities or any obligation hereunder, or extend or renew for one or more periods (regardless of whether longer than the original period) or release or compromise any obligations of any nature of any obligor with respect to any such property; and (e) resort to Guarantor for payment of any of the Liabilities, regardless of whether the Agent or any other Person shall have resorted to any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any Lessee or any other obligor primarily or secondarily obligated with respect to any of the Liabilities (all of the actions referred to in this CLAUSE (e) being hereby expressly waived by Guarantor).

SECTION 6. APPLICATION. Any amounts received by any Funding Party from whatever source on account of the Liabilities shall be applied by it toward the payment of such of the Liabilities, and in such order of application, as is set forth in the Operative Documents.

SECTION 7. WAIVER. Guarantor expressly waives: (a) any defense based upon any legal disability or other defense of any Lessee, any other guarantor or other person, or by reason of the cessation or limitation of the liability of any Lessee from any cause other than full payment of all sums payable under the Operative Documents; (b) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of any Lessee or any principal of any Lessee or any defect in the formation of any Lessee or any principal of any Lessee; (c) any defense based upon the application by any Lessee of the proceeds of the Advances for purposes other than the purposes represented by the Lessees and/or the Construction Agent to the Funding Parties or intended or understood by the Funding Parties

or Guarantor; (d) any and all rights and defenses arising out of an election of remedies by the Agent or any Funding Party, even though that election of remedies may adversely affect Guarantor's rights of subrogation and reimbursement against the principal; (e) any defense based upon a Funding Party's or the Agent's failure to disclose to Guarantor any information concerning any Lessee's financial condition or any other circumstances bearing on any Lessee's ability to pay all sums payable under the Operative Documents; (f) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (g) any defense based upon the Agent's or any Funding Party's election, in any proceeding instituted under Bankruptcy Code (defined below), of the application of Section 1111(b)(2) of Bankruptcy Code or any successor statute; (h) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Bankruptcy Code; (i) any right of subrogation, any right to enforce any remedy which the Agent or any Funding Party may have against any Lessee and any right to participate in, or benefit from, any security for the Operative Documents now or hereafter held by the Agent or any Funding Party (except as set forth in SECTION 9); (j) presentment, demand, protest and notice of any kind; (k) the benefit of any statute of limitations affecting the liability of Guarantor hereunder or the enforcement hereof; (l) any right to require the Agent or any Funding Party to institute suit or exhaust remedies against any Lessee or others liable for any of such indebtedness, to enforce the Agent's or any Funding Party's rights against any collateral which shall have been given to secure the Liabilities, to enforce the Agent's or any Funding Party's rights against any other guarantors of such indebtedness, to join any Lessee or any others liable on such indebtedness in any action seeking to enforce this Guaranty, to resort to any other means of obtaining payment of such indebtedness; (m) notices of disbursement of Advance proceeds, acceptance hereof, proof of non-payment, default under any Operative Document, notices and demands of any kind; and (n) all diligence in collection of or realization upon the Liabilities or any thereof. Guarantor further waives any and all rights and defenses that Guarantor may have because any Lessee's debt is secured by real property; this means, among other things, that: (1) the Agent and the Funding Parties may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by any Lessee; (2) if the Agent or any Funding Party forecloses on any real property collateral pledged by any Lessee, then (A) the amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (B) the Agent and the Funding Parties may collect from Guarantor even if the Agent or any Funding Party, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from any Lessee. The foregoing sentence is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because any Lessee's debt is secured by real property. These rights and defenses being waived by Guarantor include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure. Without limiting the generality of the foregoing or any other provision hereof, Guarantor further expressly waives to the extent permitted by law any and all rights and defenses, including without limitation any rights of subrogation, reimbursement, indemnification and contribution, which might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855, inclusive, 2899 and 3433, or under California Code of Civil Procedure Sections 580a, 580b, 580d and 726, or any of such sections. Finally, Guarantor agrees that the

performance of any act or any payment which tolls any statute of limitations applicable to any of the other Operative Documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder.

SECTION 8. ASSIGNMENT. Subject to Section 6 of the Master Agreement, each Funding Party may, from time to time, whether before or after any discontinuance of this Guaranty, at its sole discretion and without notice to Guarantor, assign or transfer any or all of its portion of the Liabilities or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Liabilities shall be and remain Liabilities for the purposes of this Guaranty, and each and every such immediate and successive assignee or transferee of any of the Liabilities or of any interest therein shall, to the extent of such assignee's or transferee's interest in the Liabilities, be entitled to the benefits of this Guaranty to the same extent as if such assignee or transferee were such Funding Party.

SECTION 9. SUBROGATION. The undersigned shall be subrogated to the rights of the Agent and the Funding Parties under the Liabilities and this Guaranty in respect of the Liabilities and all other amounts paid or payable by the undersigned under this Guaranty. The undersigned shall not exercise any right of subrogation against, and shall not require the Agent and the Funding Parties to marshal any assets held as collateral security for, any Lessee or any other party liable on the Liabilities unless and until all Liabilities hereunder have been paid in full.

SECTION 10. MISCELLANEOUS. No delay in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. No action permitted hereunder shall in any way affect or impair any Funding Party's rights or Guarantor's obligations under this Guaranty. For the purposes of this Guaranty, Liabilities shall include all of the obligations described in the definition thereof, notwithstanding any right or power of any Lessee or the Lessor or anyone else to assert any claim or defense (other than final payment or full performance) as to the invalidity or unenforceability of any such obligation, and no such claim or defense shall affect or impair the obligations of Guarantor hereunder. Guarantor hereby acknowledges that there are no conditions to the effectiveness of this Guaranty.

This Guaranty shall be binding upon Guarantor and upon Guarantor's successors and permitted assigns; and all references herein to Guarantor shall be deemed to include any successor or successors thereof, whether immediate or remote, to such Person; provided that Guarantor shall not assign its obligations hereunder, in whole or in part, without the prior written consent of the Funding Parties, except that if Guarantor is a party to an internal reorganization pursuant to which all or substantially all of Guarantor's common stock is exchanged for the common stock of an entity that becomes the parent of Guarantor, the Guarantor may assign and delegate its rights and obligations under this Guaranty to Guarantor's new parent so long as (i) such new parent is at least of the same credit quality (as reasonably determined by the Funding Parties) as Guarantor immediately prior to such reorganization and (ii) such new parent executes and delivers to the Agent such assumption agreements, certificates and opinions as the Agent reasonably requests. Upon any such delegation and assumption of obligations in accordance

with the previous sentence, Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

The Documentary Conventions shall apply to this Guaranty.

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

ALLETE, INC.

By: /s/ Philip R. Halverson

Name Printed: Philip R. Halverson
Title: Vice President, General Counsel
and Secretary

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GUARANTY

ALLETE
 COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND
 SUPPLEMENTAL RATIOS OF EARNINGS TO FIXED CHARGES

FOR THE YEAR ENDED DECEMBER 31	2001	2000	1999	1998	1997

Millions Except Ratios					
Income from Continuing Operations Before Income Taxes	\$201.8	\$213.1	\$106.5	\$128.7	\$111.2
Add (Deduct)					
Undistributed Income from Less than 50%					
Owned Equity Investments	-	-	(0.6)	(14.1)	(13.9)
Minority Interest	0.1	-	1.8	2.0	2.3
	201.9	213.1	107.7	116.6	99.6

Fixed Charges					
Interest on Long-Term Debt	74.0	54.5	48.4	48.5	50.4
Capitalized Interest	1.0	0.9	0.7	1.0	1.5
Other Interest Charges - Net	12.9	15.9	12.0	17.1	14.3
Interest Component of All Rentals	10.4	8.5	4.8	5.7	3.7
Distributions on Redeemable Preferred Securities of Subsidiary	6.0	6.0	6.0	6.0	6.0
Total Fixed Charges	104.3	85.8	71.9	78.3	75.9

Earnings Before Income Taxes and Fixed Charges (Excluding Capitalized Interest)	\$305.2	\$298.0	\$178.9	\$193.9	\$174.0

Ratio of Earnings to Fixed Charges	2.93	3.47	2.49	2.48	2.29

Earnings Before Income Taxes and Fixed Charges (Excluding Capitalized Interest)	\$305.2	\$298.0	\$178.9	\$193.9	\$174.0

Supplemental Charges	14.2	14.8	15.4	14.5	12.0

Earnings Before Income Taxes and Fixed and Supplemental Charges (Excluding Capitalized Interest)	\$319.4	\$312.8	\$194.3	\$208.4	\$186.0

Total Fixed Charges	\$104.3	\$85.8	\$71.9	\$78.3	\$75.9
Supplemental Charges	14.2	14.8	15.4	14.5	12.0

Fixed and Supplemental Charges	\$118.5	\$100.6	\$87.3	\$92.8	\$87.9

Supplemental Ratio of Earnings to Fixed Charges	2.70	3.11	2.23	2.25	2.12

THE SUPPLEMENTAL RATIO OF EARNINGS TO FIXED CHARGES INCLUDES MINNESOTA POWER'S OBLIGATION UNDER A CONTRACT WITH SQUARE BUTTE WHICH EXTENDS THROUGH 2026, PURSUANT TO WHICH MINNESOTA POWER IS ENTITLED TO APPROXIMATELY 71% OF THE OUTPUT OF A 455-MEGAWATT COAL-FIRED GENERATING UNIT (UNIT). MINNESOTA POWER IS OBLIGATED TO PAY ITS PRO RATA SHARE OF SQUARE BUTTE'S COSTS BASED ON UNIT OUTPUT ENTITLEMENT. MINNESOTA POWER'S PAYMENT OBLIGATION IS SUSPENDED IF SQUARE BUTTE FAILS TO DELIVER ANY POWER, WHETHER PRODUCED OR PURCHASED, FOR A PERIOD OF ONE YEAR. SQUARE BUTTE'S FIXED COSTS CONSIST PRIMARILY OF DEBT SERVICE. VARIABLE OPERATING COSTS INCLUDE THE PRICE OF COAL PURCHASED FROM BNI COAL UNDER A LONG-TERM CONTRACT. (SEE NOTE 13.)

PRICewaterhouseCOOPERS LLP
650 Third Avenue South
Park Building
Suite 1300
Minneapolis, MN 55402-4333
Telephone (612) 596 6000
Facsimile (612) 373 7160

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-51989, 333-26755, 333-16463, 333-16445, 333-82901) of ALLETE, Inc. of our report dated January 21, 2002 appearing on page 42 of this Annual Report on Form 10-K for the year ended December 31, 2001. We also consent to the incorporation by reference of our report dated January 21, 2002 relating to the Financial Statement Schedule, which appears on page 62 of this Form 10-K for the year ended December 31, 2001.

We also consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (Nos. 333-02109, 333-40797, 333-58945, 333-41882, 333-54330, 333-57104, 333-71320) of ALLETE, Inc. of our report dated January 21, 2002 appearing on page 42 of this Annual Report on Form 10-K for the year ended December 31, 2001. We also consent to the incorporation by reference of our report dated January 21, 2002 relating to the Financial Statement Schedule, which appears on page 62 of this Form 10-K for the year ended December 31, 2001.

PricewaterhouseCoopers LLP

PRICewaterhouseCOOPERS LLP
Minneapolis, Minnesota
February 7, 2002

CONSENT OF GENERAL COUNSEL

The statements of law and legal conclusions under "Item 1. Business" in ALLETE's Annual Report on Form 10-K for the year ended December 31, 2001 have been reviewed by me and are set forth therein in reliance upon my opinion as an expert.

I hereby consent to the incorporation by reference of such statements of law and legal conclusions in Registration Statement Nos. 333-02109, 333-40797, 333-58945, 333-41882, 333-54330, 333-57104 and 333-71320 on Form S-3, and Registration Statement Nos. 33-51989, 333-26755, 333-16463, 333-16445 and 333-82901 on Form S-8.

Philip R. Halverson

Philip R. Halverson
Duluth, Minnesota
February 7, 2002