

IMPORTANT U.S. FEDERAL INCOME TAX INFORMATION CONCERNING THE ADESA, INC. STOCK DISTRIBUTION

On September 20, 2004, ALLETE, Inc. (“ALLETE”) distributed the stock of ADESA, Inc. (“ADESA”) to stockholders of ALLETE, thus resulting in two separate publicly traded companies: ALLETE and ADESA. Record holders of common stock of ALLETE received a distribution of one share of common stock of ADESA for every share of ALLETE common stock held on September 13, 2004, the record date.

Tax Treatment of the Spin-Off. The distribution of ADESA common stock is structured to qualify as a tax-free stock dividend. The result is that you will not recognize a taxable gain or loss as a result of the receipt of ADESA common stock, except with respect to any cash you may receive for a fractional share.

Fractional Shares. No fractional shares of ADESA common stock were issued.

Tax Basis Allocation. U.S. federal income tax law requires that your tax basis in your ALLETE common stock immediately before the spin-off must be allocated between your shares of ALLETE common stock and the shares of ADESA common stock that you received. This allocation is based on the relative fair market values, immediately after the spin-off, of your ALLETE common stock and your ADESA common stock. U.S. federal tax regulations do not specify how you should determine the relative fair market values of the stocks. You and your tax advisor may find [Attachment 1](#) helpful in determining the fair market values of the stocks.

If you acquired blocks of ALLETE common stock at different times and prices, you will need to calculate a separate tax basis for each block of shares of ALLETE common stock, as well as for the shares of ADESA common stock that you received. You should retain the information in Attachment 1 to support your determination of your basis in your ALLETE and ADESA shares.

Example. If you and your tax advisor use the allocation method in Attachment 1 for purposes of determining the relative fair market values of the ALLETE common stock and the ADESA common stock, the values of the stocks were \$10.74 and \$16.11 respectively. Accordingly, your aggregate tax basis is apportioned 40% to your ALLETE common stock and 60% to the ADESA common stock that you received. The apportionment calculation may be illustrated as follows:

- Assume that on September 13, 2004 you owned 300 shares of ALLETE common stock with a tax basis of \$20 per share for a total tax basis of \$6,000.
- You would have received 300 shares of ADESA common stock (1 share for each ALLETE share you owned).
- You would allocate 40% of your \$6,000 tax basis or \$2,400 to the tax basis of your 100 post-spin, post-split ALLETE shares ($\$2,400 \div 100 = \24.00 per share), and you would allocate 60% of your \$6,000 tax basis or \$3,600 to the tax basis of your 300 ADESA shares ($\$3,600 \div 300 = \12.00 per share).

Tax Information Filing Requirements. United States Treasury Department regulations require that you attach to your income tax return a statement setting forth certain prescribed information about the ADESA distribution. We are enclosing a statement for you to complete and use for this purpose when you file your 2004 federal income tax return. [See Attachment 2](#).

Consult Your Tax Advisor. The information in this enclosure represents our general understanding of existing federal income tax law and regulations, and does not constitute tax advice. It does not purport to be complete or to describe the consequences that may apply to particular categories of stockholders. **You should consult your own tax advisor as to the particular tax consequences to you of the distribution, including the applicability and effect of any federal, state, local and foreign tax laws.**

**INFORMATION FOR USE IN DETERMINING
THE FAIR MARKET VALUES OF ALLETE, INC. AND ADESA, INC. COMMON STOCK
IMMEDIATELY AFTER THE SPIN-OFF**

The spin-off occurred as of 11:59 a.m. Eastern Time on September 20, 2004.

U.S. federal income tax law does not specify how you should determine the fair market values of ALLETE, Inc. common stock and ADESA, Inc. common stock immediately after the spin-off. There are several potential methods of measuring the fair market value of the stocks immediately after the spin-off. One method is to use the opening trading prices of the stocks on the first regular trading day after the spin-off (September 21, 2004).

You and your tax advisor may find the information on the following table useful in connection with your determination of your basis in your ALLETE, Inc. and ADESA, Inc. common stock. An example in the accompanying letter illustrates the use of the allocation percentages.

Stock	Opening Trading Price on September 21, 2004
ALLETE, Inc.	\$32.23
ALLETE, Inc. (adjusted for 1-for-3 reverse stock split)	\$10.74
ADESA, Inc.	\$16.11

Stock	Opening Price Regular Trading Allocation %
ALLETE, Inc.	40.00%
ADESA, Inc.	60.00%

**STATEMENT OF SHAREHOLDER
RECEIVING A DISTRIBUTION OF STOCK
OF ADESA, INC.
FILED PURSUANT TO TREASURY REGULATION SECTION 1.355-5(b)**

1. The undersigned, a shareholder owning common shares of ALLETE, Inc. as of the September 13, 2004 record date received a distribution as of September 20, 2004, from ALLETE, Inc. of shares of common stock of ADESA, Inc., a corporation controlled by ALLETE, Inc., to which Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"), applies.

2. The names and addresses of the corporations involved are:
 - a) ALLETE, Inc.
30 W. Superior Street
Duluth, MN 55802

 - b) ADESA, Inc.
13085 Hamilton Crossing Blvd
Suite 500
Carmel, IN 46032

3. The undersigned surrendered no stock or securities in ALLETE, Inc. in connection with the distribution.

4. The undersigned received _____ whole shares of common stock of ADESA, Inc. in the distribution.

Date

If shares are owned jointly, both taxpayers sign.

Shareholder Signature

Shareholder Signature