Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-K

(Mark One)
/X/ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended December 31, 1995

/ / 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

Minnesota Power & Light Company
(Exact name of registrant as specified in its charter)

Minnesota	41-0418150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
30 West Superior Street Duluth, Minnesota	55802
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (218) 722-2641

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
5% Cumulative Preferred Stock, par value $100 per share	American Stock Exchange
Serial Preferred Stock, $7.36 Series, cumulative, without par value	American Stock Exchange
8.05% Cumulative Quarterly Income Preferred Securities of MP&L Capital I, a subsidiary of Minnesota Power & Light Company	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Preferred Stock, without par value

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 /X/ 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. /X/

The aggregate market value of voting stock held by nonaffiliates on March 1, 1996, was $909,552,265.

As of March 1, 1996, there were 31,526,956 shares of Minnesota Power & Light Company Common Stock, without par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the Minnesota Power 1995 Annual Report are incorporated by reference in Part II, Items 7 and 8, and portions of the Proxy Statement for the 1996 Annual Meeting of Shareholders are incorporated by reference in Part III.

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Definitions

The following abbreviations or acronyms are used in the text.

Abbreviations or Acronyms	Term
ADESA	ADESA Corporation
BNI Coal	BNI Coal, Ltd.
Boise	Boise Cascade Corp.
Boswell	Boswell Energy Center
Btu	British thermal units
Capital Re	Capital Re Corporation
CIP	Conservation Improvement Program
CPI	Consolidated Papers, Inc.
Company	Minnesota Power & Light Company and its Subsidiaries
Duluth	City of Duluth, Minnesota
Energy Policy Act	National Energy Policy Act of 1992
EPA	Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
FDEP	Florida Department of Environmental Protection
FPSC	Florida Public Service Commission
Heater	Heater Utilities, Inc.
Hibbard	M.L. Hibbard Station
Hibbing Taconite	Hibbing Taconite Co.
Inland	Inland Steel Mining Co.
Laskin	Laskin Energy Center
Lehigh	Lehigh Acquisition Corporation
Manitoba Hydro	Manitoba Hydro Electric Board
MAPP	Mid-Continent Area Power Pool
MBtu	Million British thermal units
Minnesota Power	Minnesota Power & Light Company and its Subsidiaries
Minnkota	Minnkota Power Cooperative, Inc.
MPCA	Minnesota Pollution Control Agency
MPUC	Minnesota Public Utilities Commission
MW	Megawatt(s)
MWh	Megawatt-hour
National	National Steel Pellet Co.
NCUC	North Carolina Utilities Commission
Note_	Note_ to the consolidated financial statements in the Minnesota Power 1995 Annual Report
NPDES	National Pollutant Discharge Elimination System
PSCW	Public Service Commission of Wisconsin
Rainy River	Rainy River Energy Corporation
Reach All	Reach All Partnership
SCPSC	South Carolina Public Service Commission
Square Butte	Square Butte Electric Cooperative
SSU	Southern States Utilities, Inc.
SWL&P	Superior Water, Light and Power Company
Synertec	Synertec, Incorporated
Topeka	Topeka Group Incorporated
UtilEquip	UtilEquip, Incorporated
WPPI	Wisconsin Public Power, Inc. SYSTEM

PART I

Item 1. Business.

Minnesota Power is an operating public utility incorporated under the laws of the State of Minnesota in 1906. Its principal executive office is at 30 West Superior Street, Duluth, Minnesota, 55802; and its telephone number is (218) 722-2641. Minnesota Power has operations in four business segments: (1) electric operations, which include electric and gas services, and coal mining; (2) water operations, which include water and wastewater services; (3) automobile auctions, which also include a finance company and an auto transport company; and (4) investments, which include real estate operations, a 21 percent equity investment in a financial guaranty reinsurance company, and a securities portfolio. As of December 31, 1995, the Company and its subsidiaries had approximately 5,600 employees.

Summary of Earnings Per Share	Year Ended December 31, 1995	1994	1993
Consolidated Earnings Per Share			
Continuing Operations	$2.06	$ 1.99	$ 2.27
Discontinued Operations *	.10	.07	(.07)
Total	$2.16	$ 2.06	$ 2.20
Percentage of Earnings by Business Segment			
Continuing Operations			
Electric Operations	61%	63%	63%
Water Operations	(2)	23	4
Automobile Auctions	0	-	-
Investments	36	11	36
Discontinued Operations *	5	3	(3)
	100%	100%	100%

* On June 30, 1995, the Company sold the interest in its paper and pulp business to CPI for $118 million in cash, plus CPI's assumption of certain debt and lease obligations. The Company is still committed to a maximum guarantee of $95 million to ensure a portion of a $33.4 million annual lease obligation for paper mill equipment under an operating lease extending to 2012. CPI has agreed to indemnify the Company for any payments the Company may make as a result of the Company's obligation relating to this operating lease.

Since 1983 Minnesota Power has been diversifying to reduce its reliance on electricity sales to Minnesota's taconite industry and to gain additional earnings growth potential. Acquisitions have been a primary means of diversification. The Company's most recent acquisition occurred in 1995 when the Company acquired an 80 percent ownership in ADESA, the third largest automobile auction business in the United States. In January 1996 the Company increased its ownership in ADESA to 83 percent.

For a detailed discussion of results of operations and trends, see Management's Discussion and Analysis of Financial Condition and Results of Operations in the Minnesota Power 1995 Annual Report. For business segment information, see Note 1.

The information contained or incorporated by reference in this annual report on Form 10-K reflects a categorization of the Company's business which is different from the categorization used in the annual report on Form 10-K for 1994. Financial data from prior years has been reclassified in this annual report on Form 10-K to present comparable data in all periods.

Electric Operations

Electric operations generate, transmit, distribute and sell electricity. In addition to Minnesota Power, five wholly owned subsidiaries are also included in electric operations - SWL&P, BNI Coal, Rainy River, Synertec and Upper Minnesota Properties, Inc.

- Minnesota Power provides electricity in a 26,000 square mile electric service territory located in northern Minnesota. As of December 31, 1995, Minnesota Power was supplying retail electric service to 122,000 customers in 153 cities, towns and communities, and outlying rural areas. The largest city served is Duluth with a population of 85,000 based on the 1990 census. Wholesale electric service for resale is supplied to 13 municipal distribution systems, one private utility and SWL&P. Wholesale non-firm electric service is provided to two customers. Transmission service (wheeling) is provided to four customers.

- Superior Water, Light and Power Company sells electricity and natural gas, and provides water service in northwestern Wisconsin. As of December 31, 1995, SWL&P served 14,000 electric customers, 11,000 natural gas customers and 10,000 water customers.

- BNI Coal owns and operates a lignite mine in North Dakota. Two electric generating cooperatives, Minnkota and Square Butte, presently consume virtually all of BNI Coal's production of lignite coal under coal supply agreements extending to 2027. Under an agreement with Square Butte, Minnesota Power purchases 71 percent of the output from the Square Butte unit which is capable of generating up to 470 MW. Minnkota has an option to extend its coal supply agreement to 2042. (See - Fuel and Note 12.)

- Rainy River and Synertec provide planning, construction management and operating services to new and expanding businesses, and have the ability to participate as an investor when appropriate.

- Upper Minnesota Properties, Inc. has invested in affordable housing projects located in Minnesota Power's electric service territory.

Electric Sales

The two major industries in Minnesota Power's service territory are taconite production, and paper and wood products manufacturing. These two industries contributed about half of the Company's electric operating revenue from 1993 through 1995.

Over the last five years, 79 percent of the domestic ore consumed by iron and steel plants in the United States has originated from plants within the Company's Minnesota electric service territory. Taconite, an iron-bearing rock of relatively low iron content which 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 47 million tons in 1995, 43 million tons in 1994, 41 million tons in 1993, 40 million tons in 1992, and 41 million tons in 1991. The Company estimates that 1996 Minnesota taconite production will be about 48 million tons. While taconite production is expected to continue near record setting levels, the long-term future of this cyclical industry is less certain. Even with the Company's commitment to help the taconite customers remain competitive, it is possible production will decline gradually some time after the year 2005.

The Company continues to explore opportunities to expand services and assistance provided to its customers, as well as increase sales beyond the Company's traditional service territory.

Summary of Electric Revenue and Income	Year Ended December 31, 1995	1994	1993
Total Electric Revenue and Income (000s)	$498,352	$453,287	$457,719
Percentage of Total Electric Revenue and Income			
Retail			
Industrial			
Taconite and Iron Mining (1)	35%	34%	34%
Paper and Other Wood Products	12	13	14
Other Industrial	7	8	8
Total Industrial	54	55	56
Residential	12	12	11
Commercial	12	12	11
Other Retail	3	3	4
Resale (2)	9	8	7
Other Revenue and Income	10	10	11
	100%	100%	100%

(1) The Company's largest customers, Minntac and Hibbing Taconite, represented 12 percent and 9 percent, respectively, of total electric revenue and income in 1995, and 13 percent and 10 percent, respectively, in 1994 and in 1993.

(2) The Company sold 183 MW of firm energy to resale customers in 1995. (See Regulatory Issues - Federal Energy Regulatory Commission.)

Large Power Customer Contracts

The Company has Large Power Customer contracts with five taconite producers, five paper manufacturers and a pipeline company (Large Power Customers). Large Power Customer contracts require the Company to have a certain amount of capacity available at all times (Firm Power). Each contract requires 10 MW or more of power and payment of a minimum monthly demand charge that covers most of the fixed costs associated with having capacity available to serve the customer, including a return on common equity. Such contracts minimize the impact on earnings that otherwise would result from significant reductions in kilowatt-hour sales to such customers. These contracts, which are subject to MPUC approval, have a minimum contract term of ten years initially, with a four-year cancellation notice required for termination of the contact at or beyond the end of the tenth year. 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.)

As of March 15, 1996, the minimum annual revenue the Company would collect under contracts with these Large Power Customers, assuming no electric energy use by these customers, is estimated to be $103.8, $92.0, $80.1, $62.9 and $49.2 million during the years 1996, 1997, 1998, 1999 and 2000, respectively. The Company believes actual revenue received from these Large Power Customers will be substantially in excess of the minimum contract amounts.

Contract Status for Minnesota Power Large Power Customers
as of March 15, 1996

Plant and Location	Operating Agent	Ownership	Firm Contracted MW	Earliest Termination Date
Eveleth Mines Eveleth, MN	Oglebay Norton Co.	41.7% Rouge Steel Co. 14.4% Oglebay Norton Co. 33.3% AK Steel 10.6% Steel Co. of Canada	67.0	October 31, 1999
Hibbing Taconite Co. Hibbing, MN	Cliffs Mining Company	50% Bethlehem Hibbing Corp. 10% Cliffs Mining Company 6.67% Ontario Hibbing Company 33.33% Hibbing Development Co.	151.5	December 31, 2001
Inland Steel Mining Co. Virginia, MN	Inland Steel Mining Co.	Inland Steel Co.	47.3	October 31, 1997
Minntac (USX) Mt. Iron, MN	U.S. Steel Co.	USX Corp.	198.0	May 23, 1999
National Steel Pellet Co. Keewatin, MN	National Steel Corp.	National Steel Corp.	85.0	October 31, 2004
Blandin Paper Co. Grand Rapids, MN	Blandin Paper Co.	Fletcher Challenge Canada Ltd.	57.0	December 31, 2003
Boise Cascade Corp. International Falls, MN	Boise Cascade Corp.	Boise Cascade Corp.	32.0	December 31, 1998
Lake Superior Paper Industries Duluth, MN	Lake Superior Paper Industries	Consolidated Papers, Inc.	49.5	December 31, 2005
Potlatch Corp. Cloquet, MN	Potlatch Corp.	Potlatch Corp.	17.5	April 30, 1997
Potlatch Corp. Brainerd, MN	Potlatch Corp.	Potlatch Corp.	10.3	November 30, 1999
Lakehead Pipe Line Deer River, MN Floodwood, MN	Lakehead Pipe Line Company Inc.	Lakehead Pipe Line Partners, L.P.	16.5	April 20, 2001

The following terms are used in the contract descriptions footnoted below.

Firm demand is a take-or-pay obligation which is the sum of contract demand plus incremental demand.

Incremental production service is billed on an energy only basis for energy used above a customer's specific demand threshold. This service does not include a take-or-pay obligation.

Interruptible service is electrical service for a customer that may be interrupted by the Company under certain conditions. In return for this service, customers receive a reduced demand charge, but are obligated to the Company for future service requirements.

Replacement firm power service is electric service that is provided when a customer's generating units are unavailable due to planned or unscheduled outages.

Firm contracted MW represents take-or-pay obligation for March 1996.

Eveleth Mines has firm demand through October 1999. Contract and incremental demand through October 1996 total 67 MW, from November 1996 through October 1998 total 51 MW, and from November 1998 through October 1999 total 37.8 MW. This contract also provides for 10 MW of interruptible service and varying amounts of incremental production service for loads above 56 MW.

Hibbing Taconite has contract demand of 112.25 MW through December 2001 and incremental demand of approximately 40 MW through December 1997. This contract also provides for 81 MW of interruptible service and incremental production service thresholds at 151.5 MW in winter and 150.5 MW in summer.

Inland has contract demand of 34 MW and incremental demand of between 10 and 11 MW through October 1997. This contract also provides for 18 MW of interruptible service.

Minntac (USX) has contract demand of 150.4 MW and incremental demand of 47.6 MW through April 1996 and contract demand of 95 MW from May 1996 through May 1999. This contract also provides for 21 MW of interruptible service and incremental production service for loads above 203 MW.

National has contract demand of 63 MW and incremental demand of 22 MW through October 2004. This contract also provides for 39 MW of interruptible service and incremental production service for loads over 85

MW.

Blandin Paper has contract demand of 42.3 MW and incremental demand of 14.7 MW through December 2003. The contract also provides for incremental production service and replacement firm power service.

Boise has contract demand of 32 MW through December 1998.

Lake Superior Paper Industries has contract demand of 38 MW and incremental demand of 10 MW through December 2005. This contract also provides for 31 MW of interruptible service and incremental production service for loads above 52 MW.

Potlatch - Cloquet has a contract demand of 14.7 MW through April 1997.

Potlatch - Brainerd has contract demand of 10 MW through November 1999.

Lakehead Pipe Line has contract and incremental demand of 16.5 MW through April 2001. This contract also provides for incremental production service for loads above 16.5 MW.

Purchased Power

Minnesota Power has contracts to purchase capacity from various entities.

Contract Status of Minnesota Power Purchased Power Contracts

Entity	Contract MW	Contract Period
Participation Power Purchases		
Square Butte	333	May 6, 1977 through December 31, 2007
City of Aitkin	2	May 1, 1993 through April 30, 1998
City of Two Harbors	2	May 1, 1993 through April 30, 1998
LTV Steel	210	May 1, 1995 though April 30, 2000
Basin Electric Power Cooperative	50	July 1, 1995 through April 30, 1996
Silver Bay Power	78	November 1, 1995 through October 31, 2000
Firm Power Purchases		
City of Hibbing	5	May 1, 1996 through October 31, 1996
City of Virginia	5	May 1, 1996 through October 31, 1996
Ontario Hydro	100	July 1, 1995 through April 30, 1996

Participation power purchase contracts require the Company to pay the demand charges for MW under contract and an energy charge for each MWh purchased. The selling entity is obligated to provide energy as scheduled by the Company from the generating unit specified in the contract as energy is available from that unit.

Under an agreement extending through 2007 with Square Butte, Minnesota Power purchases 71 percent of the output of a mine-mouth generating unit located near Center, North Dakota. The Square Butte unit is one of two lignite-fired units at Minnkota Power Cooperative's Milton R. Young Generating Station. Reductions to about 49 percent of the output are provided for in the contract and, at the option of Square Butte, could begin after a five-year advance notice to the Company. The cost of the power and energy purchased is a proportionate share of Square Butte's fixed obligations and operating costs which are not incurred unless production takes place. The Company is responsible for paying all costs and expenses of Square Butte (including leasing, operating and any debt service costs) if not paid by Square Butte when due. These obligations and responsibilities of the Company are absolute and unconditional, whether or not any power is actually delivered to the Company. (See Note 12.)

Firm power purchase contracts require the Company to pay demand charges for MW under contract and an energy charge for each MWh purchased. The selling entity is obligated to provide energy as scheduled by the Company.

Capacity Sales

Minnesota Power has contracts to sell capacity to nonaffiliated utility companies.

Contract Status of Minnesota Power Capacity Sales Contracts

Utility	Contract MW	Contract Period
Participation Power Sales		
Interstate Power Company	55	May 1 through October 31 of each year from 1994 through 2000
	20	November 1, 1997 through April 30, 1998
	35	November 1, 1998 through April 30, 1999
	50	November 1, 1999 through April 30, 2000
Firm Power Sales		
Wisconsin Power & Light Company	30	November 1, 1993 through December 31, 1997
	75	January 1, 1998 through December 31, 2007
Northern States Power Company	150	May 1 through October 31 of each year from 1994 through 1996
Cooperative Power Association	10	April 1, 1997 through September 30, 1997
Minnkota Power Cooperative	10	May 1 through October 31 of each year for 1995 and 1996
United Power Association	25	November 1, 1995 through April 30, 1996
ENRON Corp.	30	May 1 through October 31 of each year for 1996 and 1997

Participation power sales contracts require the purchasing utility to pay the demand charges for MW under contract and an energy charge for each MWh purchased. The Company is obligated to provide energy as scheduled by the purchasing utility from the generating unit specified in the contract as energy is available from that unit.

Firm power sales contracts require the purchasing utility to pay the demand charges for MW under contract and an energy charge for each MWh purchased. The Company is obligated to provide energy as scheduled by the purchasing utility.

Fuel

The Company has experienced no difficulty in obtaining an adequate fuel supply. The Company purchases low-sulfur, sub-bituminous coal from the Powder River Basin coal field located in Montana and Wyoming to meet substantially all of its coal supply requirements. Coal consumption for electric generation at the Company's Minnesota coal-fired generating stations in 1995 was about 3.6 million tons. As of December 31, 1995, the Company had a coal inventory of about 431,305 tons. During 1995, the Company obtained its coal through both long- and short-term agreements. A long-term agreement (January 1993 through May 1997) with Big Sky Coal Company enables the Company to purchase up to 2.5 million tons of coal on an annualized basis from the Big Sky Mine. Additionally, in August 1994 the Company entered into a separate agreement (November 1994 through May 1997) with Big Sky Coal Company to purchase an additional 600,000 tons of coal on an annualized basis from the Big Sky Mine. The Company also obtained coal under one-year agreements from Kennecott Energy Company's Spring Creek Mine and Western Energy Company's Rosebud Mine. The Company will obtain coal in 1996 under a new long-term agreement with Kennecott Energy Company, a one-year agreement with Decker Coal Company, and will continue to obtain coal under its long-term agreements with Big Sky Coal Company. This mix of coal supply options allows the Company to reduce market risk and to take advantage of favorable spot market prices. The Company is exploring future coal supply options and believes that adequate supplies of low-sulfur, sub-bituminous coal will continue to be available.

Burlington Northern Santa Fe Railroad, formerly Burlington Northern Railroad, transports the coal by unit train from Montana or Wyoming to the Company's generating stations. The

Company and Burlington Northern Santa Fe Railroad have two long-term coal freight-rate contracts that provide for coal deliveries through 2002 to Laskin and through 2003 to Boswell. The Company also has a contract with the Duluth Missabe & Iron Range Railway which is the final destination short-hauler to Laskin. This contract provides for deliveries through 2002. The delivered price of coal is subject to periodic adjustments in freight rates.

Summary of Coal Delivered to Minnesota Power	Year Ended December 31, 1995	1994	1993
Average Price Per Ton	$19.17	$19.27	$19.31
Average Price Per MBtu	$1.09	$1.08	$1.07

The generating unit operated by Square Butte, which is capable of generating up to 470 MW, burns North Dakota lignite that is being supplied by BNI Coal, a wholly owned subsidiary of the Company, pursuant to the terms of a contract expiring in 2027. Square Butte's cost of lignite burned in 1995 was approximately 66 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. Under the various agreements with Square Butte, the Company is unconditionally obligated to pay all costs not paid by Square Butte when due. These costs include the price of lignite purchased under a cost-plus contract from BNI Coal. (See Item 2. Properties and Note 12.) BNI Coal has experienced no difficulty in supplying all of Square Butte's lignite requirements.

Regulatory Issues

The Company and its subsidiaries 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 operations.

The Company and its subsidiaries are subject to the jurisdiction of various regulatory authorities. The MPUC has regulatory authority over Minnesota Power's service area, 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 for 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 56 percent, 7 percent, and 6 percent, respectively, of the Company's 1995 total operating revenue and income.

Electric Rates

The Company 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.

The Company's current policy for all contracts with Large Power Customers is to require a minimum initial contract term of ten years with the term perpetuated thereafter (continuous term) subject to a minimum cancellation notice of four years. The Company's Firm Power rate schedules are designed to recover the fixed costs of providing Firm Power to Large Power Customers, including a return on common equity, regardless of the amount of power or energy actually used. A Large Power Customer's monthly demand charge obligation in any particular

month is determined based upon the greater of its actual demand for electricity or the firm demand amount. Contract and rate schedule provisions provide for adjustment if the customer's firm demand amount is set significantly below the customer's actual electric requirements. The rates and corresponding revenue associated with capacity and energy provided under these contracts are subject to change through the regulatory process governing all retail electric rates. Contracts with ten of the eleven Large Power Customers provide for deferral without interest or diminishment 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.

The Company also has contracts with large industrial and commercial customers who require more than 2 MW but less than 10 MW of capacity (Large Light and Power Customers). The terms of these contracts vary depending upon the customers' demand for power and the cost of extending the Company's facilities to provide electric service. Generally, the contracts for less than 3 MW have one-year terms and the contracts ranging from 3 to 10 MW have initial five-year terms. The Company's rate schedule for Large Light and Power Customers is designed to minimize fluctuations in revenue and to recover a significant portion of the fixed costs of providing service to such customers.

The Company 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 it contracted. These conditions are part of all contracts covering power to be supplied to new large industrial and commercial customers and to current contract 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 obsolete rates, without regard to any unexpired term of the existing contract. All rate schedules are subject to approval by appropriate regulatory authorities.

Federal Energy Regulatory Commission

The FERC has jurisdiction over the Company's wholesale electric service resale customers and transmission service (wheeling) customers. In a filing with the FERC on December 22, 1995, the Company requested an overall rate decrease of $138,000 or 0.4 percent with an effective date of January 1, 1996. All of the customers affected by the rate change have submitted written consents to the rate change and effective date. Minor modifications to the rate request were made in an amendment filed on January 16, 1996. The Company expects final rates to be effective by March 31, 1996.

The Company has contracts through at least 2007 with twelve of the thirteen Minnesota municipalities receiving full requirements resale service. The December 1995 FERC filing includes a proposed contract amendment for the remaining full requirements municipality to extend its current contract with the Company from 1999 to 2009. The thirteen contracts for the full requirements customers limit rate increases (including fuel costs) to about 2 percent per year on a cumulative basis. In 1995 the 13 municipal customers purchased 88 MW of Firm Power from the Company.

Two municipalities whose requirements are only partially supplied by the Company have contracts with the Company through 1999. These municipal customers signed amendments under which the Company will provide exclusive brokering service for the municipalities' purchases of economy energy and will supply emergency, scheduled outage and firm energy as required through 1999. In 1995 these two municipalities purchased 168,987 MWh.

A contract between Minnesota Power and SWL&P provides for SWL&P to purchase its power from the Company through at least 1999 and incorporates the same cap on future rate increases as discussed above. The December 1995 FERC filing includes a proposed contract

amendment to extend SWL&P's contract with the Company to at least 2010, with a 2 percent per year cap on rate increases. SWL&P purchased 87 MW of Firm Power from the Company in 1995.

The Company also has a contract through December 2004 to supply electricity to Dahlberg Light and Power Company (Dahlberg), a private utility. Dahlberg purchased 8 MW of Firm Power from the Company in 1995.

The Company's hydroelectric facilities which are located in Minnesota are licensed by the FERC. In 1995 the FERC issued to the Company a 30-year license for the St. Louis River hydroelectric project (87.6 MW generating capability). On May 11, 1995, a final application to relicense the Pillager hydroelectric project (1.5 MW generating capability) was filed with the FERC. (See Environmental Matters - Water.)

Minnesota Public Utilities Commission

In November 1994 the MPUC issued an order granting the Company an overall increase in annual electric operating revenue of $19 million, or 6.4 percent, with an 11.6 percent return on equity. Effective June 1, 1995, rates for large industrial customers increased less than 4 percent, while the rate for small businesses increased 6.5 percent. The rate increases for residential customers were approved to be phased in over three years: 13.5 percent began in June 1995, 3.75 percent in January 1996, and another 3.75 percent will begin in January 1997.

Minnesota requires electric utilities to spend a minimum of 1.5 percent of gross annual electric revenue on conservation improvement programs (CIP) each year. In 1995, 1994 and 1993, the Company spent $14.2, $8 and $4.1 million, respectively, on CIP and expects to spend a total of $6.8 million during 1996. The MPUC allows such conservation expenditures in excess of amounts recovered through current rates to be accumulated in a deferred account for recovery through future rates.

Since January 1994 the Company has been recovering ongoing CIP spending and $8.2 million of CIP spending from previous years. Through a billing adjustment and retail base rates approved by the MPUC, the Company is allowed to recover current and deferred CIP expenditures and the lost margin associated with power saved as a result of these programs. The Company collected $10.8 million and $7.8 million of CIP related revenue in 1995 and 1994.

Minnesota law enables the Company to offer retail customers special rates to meet competition from unregulated energy suppliers or cogenerators. The Company implemented a generation deferral rate in November 1990 for Boise. In March 1994 the MPUC approved an amendment to Boise's contract which includes extension of the generation deferral rate until December 1998. While this rate is lower than the normal retail rate, it provides for recovery of approximately $20 million over the next five years of the Company's fixed costs which would not have been recovered had Boise installed its own generating facilities. In addition, special rates were implemented in 1993 to attract a new commercial customer that has a 1 MW load. Special rates were also implemented in 1995 to retain a commercial customer with a 3 MW load and in 1996 to retain another commercial customer with an 8 MW load.

Public Service Commission of Wisconsin

On June 16, 1995, SWL&P filed an application with the PSCW for authority to increase electric, gas and water rates. The Company requested an overall annual revenue increase of $1.3 million, or 3.2 percent, with a 12 percent return on equity. It is anticipated that the PSCW will approve a $451,000, or 1.1 percent increase, with an 11.6 percent return on equity. A final order is expected on March 29, 1996, with final rates to be effective March 30, 1996.

Capital Expenditure Program

Capital expenditures for the electric operations totaled $38 million during 1995, of which $7 million was for coal operations. Internally generated funds and long-term bank financing were used to fund these capital expenditures.

The Company's electric generating stations have the capacity to meet customer needs through the 1990s without major capacity additions or environmental modifications. Electric operations capital expenditures are expected to be $40 million in 1996, of which $6 million is related to coal operations. Approximately $120 million of electric operations capital expenditures are expected during the period 1997 through 2000, of which $10 million is related to coal operations. The Company's estimates of such capital expenditures and the sources of financing are subject to continuing review and adjustment.

Competition

The competitive landscape of the electric utility industry is changing at both the wholesale and retail levels, and is affecting the way the Company strategically views the future. The enactment of the Energy Policy Act resulted in an increase in the competitive forces that affect two of the three key elements of the electric utility industry, generation and transmission. The third element, distribution, is subject to state regulation. This legislation has resulted in a more competitive market for electricity generally and particularly in wholesale markets.

Wholesale

In 1995 the FERC issued a Notice of Proposed Rule Making (NOPR) on Open Access Non-Discriminatory Transmission Services by Public Utilities and Transmitting Utilities and a supplemental NOPR on Recovery of Stranded Costs. The purpose of the proposed rules is to facilitate wholesale power competition, remove undue discrimination in electric transmission and set standards for recovery of stranded costs through FERC-approved rates for wholesale service. Final FERC rules are expected to be published by mid-1996.

The Energy Policy Act increased competition in the wholesale market by eliminating existing legal barriers with respect to entry into the generation market and the provision of transmission services. First, the Energy Policy Act created a new class of power producers, known as Exempt Wholesale Generators (EWGs). EWGs are exempt from regulation under the Public Utility Holding Company Act of 1935 and EWG sales are generally subject to less regulation than sales by traditional utilities. The fact that EWGs may include independent power producers as well as affiliates of electric utilities marks a further diminution of the role of electric utilities as the exclusive generators of electric energy. Second, the Energy Policy Act authorized the FERC to order utilities which own or operate transmission facilities to provide wholesale transmission services to or from other utilities or entities generating electric energy for sale or resale, provided that the rates charged for transmission services are recovered from the entity seeking the transmission service and not from the transmitting utility's existing wholesale, retail or transmission customers. The Energy Policy Act expressly prohibits the FERC from ordering a utility to provide retail wheeling services to any of its customers.

Regional

The Company is a member of the Mid-Continent Area Power Pool (MAPP). The MAPP enhances electric service reliability, and provides the opportunity for members to enter into various wholesale power transactions and coordinate planning of new generation and transmission facilities. The MAPP membership has approved an agreement that reorganizes the power pool to establish: (1) a regional transmission group to provide comparable and efficient transmission service on a regional basis, coordinate regional transmission planning and

resolve transmission service disputes; (2) a power and energy market for market-based wholesale transactions among interested participants; and (3) a generation reserve sharing pool to maintain and share generation reserves for purposes of further efficiencies. The reorganization is subject to FERC approval.

Retail

In 1995 the MPUC initiated an investigation into structural and regulatory issues in the electric utility industry. To make certain that delivery of electric service continues to be efficient following any restructuring, the MPUC adopted 15 principles to guide a deliberate and orderly approach to developing reasonable restructuring alternatives that ensure the fairness of a competitive market and protect the public interest. In January 1996 the MPUC established a wholesale competition working group in which company representatives will participate to initially address issues related to wholesale competition and then to consider retail competition issues including rate flexibility, innovative regulation, unbundling, safety and reliability.

Large industrial and commercial customers that have the ability to own and operate their own generation facilities may compete directly with the Company to supply their own electric needs. If these facilities are Qualifying Facilities (QFs), the customers that own them may require that the Company purchase the output from them at the Company's "avoided cost" pursuant to the Public Utility Regulatory Policies Act. Additionally, these customers, as well as the balance of the Company's customers, may elect to substitute other sources of energy, such as natural gas, oil or wood, for various end uses rather than continuing to use electric energy. Municipalities may elect to serve customers of the Company lying within municipal boundaries, but must fully compensate the Company for its loss of property and revenue associated with this load. Finally, the prospect that large industrial customers might seek state authorization of retail wheeling in the future would have the effect of substantially increasing competition in the retail segment of the market for electricity.

Customers

Minnesota Power anticipates that its Large Power Customers will continue to aggressively seek lower energy costs through negotiations with the Company and consideration of alternative suppliers. With electric rates among the lowest in the United States and with its long-term wholesale and large power retail contracts in place, Minnesota Power believes it is well positioned to address competitive pressures. The Company remains opposed to retail wheeling because it would benefit only a few large customers while potentially adversely impacting smaller customers' rates and shareholder returns.

In addition to providing electricity, the Company offers its customers a wide variety of value-added services, including conservation improvement services, to meet their energy needs. The Company also has obtained MPUC approval to offer interruptible rates to Large Power Customers. Furthermore, the Company may offer competitive rates within its service territory to serve customers that could otherwise obtain their energy needs from an unregulated energy supplier or by generating their own electricity with MPUC approval.

Franchises

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

Environmental Matters

The Company's electric operations are subject to regulation by various federal, state and local authorities in the areas of air quality, water quality, solid wastes, and other environmental matters. The Company considers its electric operations to be in substantial compliance with those environmental regulations currently applicable to its operations and believes all necessary permits to conduct such operations have been obtained. The Company does not currently anticipate that its 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

The Federal Clean Air Act Amendments of 1990 (Clean Air Act) require that specified fossil-fueled generating plants meet new sulfur dioxide and nitrogen oxide emission standards beginning January 1, 1995 (Phase I) and that virtually all generating plants meet more strict emission standards beginning January 1, 2000 (Phase II). None of Minnesota Power's generating facilities are covered by the Phase I requirements of the Clean Air Act. However, Phase II requirements apply to the Company's Boswell, Laskin and Hibbard plants, as well as Square Butte.

The Clean Air Act creates emission allowances for sulfur dioxide based on formulas relating to the permitted 1985 emissions rate and a baseline of average fossil fuel consumed in the years 1985, 1986 and 1987. Each allowance is an authorization to emit one ton of sulfur dioxide, and each utility must have sufficient allowances to cover its annual emissions. 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. Phase II sulfur dioxide emission requirements are currently being met by Boswell Unit 4. Some moderate reductions in emissions may be necessary for Boswell Units 1, 2 and 3, Laskin Units 1 and 2, and Square Butte to meet the Phase II sulfur dioxide emission requirements. The Company believes it is in a good position to comply with the sulfur dioxide standards without extensive modifications. Any required reductions at the Minnesota generating facilities are expected to be achieved through the use of lower sulfur coal. Square Butte anticipates meeting any required reductions through increased use of existing scrubbers.

The Clean Air Act requires the EPA to set the nitrogen oxide limitations by January 1, 1997, for Phase II generating units. To meet anticipated Phase II nitrogen oxide limitations, the Company expects to install at its plants any necessary low-nitrogen oxide burner technology by the year 2000. The total cost of compliance with the nitrogen oxide limitations for Boswell and Laskin is currently estimated to be $9 to $11 million. The costs of complying with the nitrogen oxide limitations at Hibbard and Square Butte are not determinable until regulations applicable to these plants are promulgated by the EPA.

The Company is participating in a voluntary program (Climate Challenge) with the U.S. Department of Energy to identify activities that the Company has taken and additional measures that the Company may undertake on a voluntary basis that will result in limitations, reductions or sequestrations of greenhouse gas emissions by the year 2000. Section 1605 of the Energy Policy Act mandates timely and acceptable definitions of greenhouse gas accounting guidelines and greenhouse gas crediting guidelines. The Company has agreed to participate in this voluntary program provided that such participation is consistent with the Company's integrated resource planning process, does not have a material adverse effect on the Company's competitive position with respect to rates and costs, and continues to be acceptable to the Company's regulators.

The costs to Minnesota Power associated with Climate Challenge participation are minor, reflecting program facilitation and voluntary reporting costs. Minnesota Power project activities to reduce, sequester or offset greenhouse gas emissions were selected because they were financially sound. Additional funds were not required to achieve greenhouse gas offsets beyond those required to facilitate projects which were justified for other applications.

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 that NPDES permits be obtained from the EPA (or, when delegated, from individual state pollution control agencies) for any wastewater discharged into navigable waters. The Company has obtained all necessary NPDES permits to conduct its electric operations.

Summary of National Pollutant Discharge Elimination System Permits

Facility	Issue Date	Expiration Date
Laskin	December 22, 1993	October 31, 1998
Boswell	February 4, 1993	December 31, 1997
Hibbard	September 29, 1994	June 30, 1999
Arrowhead DC Terminal	May 24, 1991	March 31, 1996 *
General Office Building/ Lake Superior Plaza	May 1, 1995	December 31, 1997
Square Butte	July 1, 1995	June 30, 2000

* On October 2, 1995, a renewal application of this permit was submitted to the MPCA. A new permit is expected to be issued in the second quarter of 1996. Permits are extended by the timely filing of a renewal application which stays the expiration of the previously issued permit.

The Company holds from the FERC licenses authorizing the ownership and operation of seven hydroelectric generating projects with a total generating capacity of 121 MW. In 1991 the Company submitted applications for new licenses for four of the projects. By orders issued in 1993, the FERC granted new licenses with terms of 30 years each, expiring December 31, 2023, for the Little Falls (4.7 MW), Sylvan (1.8 MW), and Prairie River (1.1 MW) projects.

On July 13, 1995, the FERC issued to the Company a 30-year license for the St. Louis River hydroelectric project (87.6 MW), with an effective date of July 1, 1995. The Company filed a request for rehearing of the FERC's order for the purpose of challenging certain terms and conditions of the license which, if accepted by the Company, would alter the Company's operation of the project. In addition to the Company's request for rehearing, certain intervenors in the relicensing proceeding filed requests for rehearing for the purpose of obtaining other changes to the terms and conditions of the license which, if granted by the FERC, could result in further changes in the Company's operation of the project. Currently, the FERC is reviewing the requests for rehearing.

An application to relicense the Pillager project (1.5 MW) was filed with the FERC on May 11, 1995. The FERC will perform an engineering, environmental and economic analysis of that application in order to determine whether to issue a new license for the project. The current license for the project expires on May 11, 1997. Should the FERC not reach a final determination to issue a new license by that date, the Company expects that the FERC will issue an annual license allowing for the continued operation of the project until the FERC issues an order disposing of the application.

The two remaining hydroelectric projects, Blanchard (18 MW) and Winton (4 MW) have FERC licenses that expire in 2003.

Solid Waste

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

In response to EPA Region V's request for utilities to participate in their Great Lakes Initiative by voluntarily removing remaining polychlorinated biphenyl (PCB) inventories, the Company is scheduling replacement of PCB-contaminated oil from substation equipment by 1998 and removal of PCB capacitors by 2004. The total cost is expected to be between $1.5 and $2 million of which $200,000 was expended through December 31, 1995. The Company expects to expend about $70,000 in 1996.

In 1990 the Company was notified by the EPA and the MPCA that it had been named as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act pertaining to the cleanup of pollution at a northern Minnesota oil refinery site (Arrowhead Site). In 1994 a settlement was reached regarding cleanup at the Arrowhead Site. The total costs to remediate the Arrowhead Site are currently estimated at $37 million. Funding under the proposal is shared by several governmental entities and about 130 companies. Under the terms of the settlement, Minnesota Power's share of remediation costs is approximately $314,000, which has been paid. In addition, the Company has spent about $600,000 to date on legal and other costs. Remediation efforts began in 1995 and will continue in 1996 with no expected increase in costs.

Mining Control and Reclamation

BNI Coal's mining operations are governed by the Federal Surface Mining Control and Reclamation Act of 1977. This Act, together with the rules and regulations adopted thereunder by the Department of the Interior, Office of Surface Mining Reclamation and Enforcement (OSM), governs the approval or disapproval of all mining permits on federally owned land and the actions of the OSM in approving or disapproving state regulatory programs regulating mining activities. The North Dakota Reclamation of Strip Mined Lands Act and rules and regulations enacted thereunder in 1969, as subsequently amended by the North Dakota Mining and Reclamation Act and rules and regulations enacted thereunder in 1977, govern the reclamation of surface mined lands and are generally as stringent or more stringent than the federal rules and regulations. Compliance is monitored by the North Dakota Public Service Commission. The federal and state laws and regulations require a wide range of procedures including water management, topsoil and subsoil segregation, stockpiling and revegetation, and the posting of performance bonds to assure compliance. In general, these laws and regulations require the reclaiming of mined lands to a level of usefulness equal to or greater than that available before active mining. The Company considers BNI Coal to be in substantial compliance with those environmental regulations currently applicable to its operations and believes all necessary permits to conduct such operations have been obtained.

Water Operations

Water operations include SSU and Heater, both wholly owned subsidiaries of the Company. These water operations have been upgrading existing facilities, building new facilities and acquiring new systems.

- SSU owns and operates water and wastewater treatment facilities in Florida. SSU is the largest private water supplier in Florida. As of December 31, 1995, SSU served 117,000 water customers and 53,000 wastewater treatment customers.

  In 1995 SSU acquired the assets of Orange Osceola Utilities, Inc. located near Kissimmee, Florida, for $13 million. The 17,000 water and wastewater customers acquired in this transaction offset the 15,000 customers lost with the sale of Venice Gardens' assets in December 1994.

- Heater owns and operates four companies which provide water and wastewater treatment services in North Carolina and South Carolina. As of December 31, 1995, these companies served 26,000 water customers and 3,000 wastewater treatment customers.

  In January 1995 the town of Seabrook Island, South Carolina initiated an eminent domain action to acquire the assets of Heater's wholly owned subsidiary, Heater of Seabrook (Seabrook). A tentative agreement has been reached to sell the assets to the town for $5.9 million. Seabrook currently serves 3,000 customers. (See South Carolina Public Service Commission.)

Regulatory Issues

Florida Public Service Commission

The following summarizes current rate proceedings with the FPSC and county commissions.

- On August 2, 1995, the FPSC accepted SSU's June 1995 filing which requested an $18.1 million, or 39 percent, annual increase in water and wastewater treatment rates. On November 1, 1995, the FPSC denied SSU's original $12 million interim rate request for two reasons: (1) it was based on uniform rates which were deemed improper by a court order issued subsequent to SSU's original filing, and (2) the FPSC had not yet formulated a policy on allowable investments and expenses to be included in a forward-looking interim test year. SSU submitted additional information to support interim rate approval of $12 million based on a forward-looking test year and $8.4 million based on a historical test year. On January 4, 1996, the FPSC permitted SSU to implement an interim rate increase (based on a historical test year) of $7.9 million, on an annualized basis, over revenue previously collected under a uniform rate structure. Interim rates went into effect on January 23, 1996. Hearings with respect to the $18.1 million request are anticipated to take place beginning in April 1996 and final rates are anticipated to become effective in the fourth quarter of 1996.

  The primary reasons for seeking higher rates are to include in rate base for earning purposes (1) new facilities added since 1991 and (2) mandated regulatory compliance cost increases during the same period, particularly for environmental protection. The filing also includes water conservation incentives and a request for approval of a consistent policy on charges for service availability.

- In connection with SSU's 1992 consolidated rate filing, the FPSC issued an order (Uniform Rates Order) in March 1993 requiring statewide uniform rates for 90 water and 37 wastewater service areas. In September 1993 rates were implemented pursuant to the Uniform Rates Order which increased SSU's revenue by $6.7 million.

  In October 1993 Citrus County, Florida and a customer group appealed the FPSC's Uniform Rates Order, challenging the uniform statewide rate structure. With "uniform rates," all customers in a uniform rate area pay the same rates for water and wastewater services. Uniform rates are an alternative to "stand-alone" rates which are calculated based on the cost of serving each service area.

  In April 1995 the Florida First District Court of Appeals reversed the Uniform Rates Order and, in October 1995 the FPSC ordered SSU to refund about $10 million (Refund Order), including interest, to customers who had paid more since September 1993 under uniform rates than they would have paid under stand-alone rates. Under the Refund Order, the collection of the $10 million from customers who paid less under uniform rates would not be permitted.

  Responding to a Florida Supreme Court decision addressing the issue of retroactive ratemaking and principles of equity with respect to another utility company, on March 5, 1996, the FPSC voted to reconsider the Refund Order at an unspecified date. Briefs on the reconsideration are due April 1, 1996. SSU continues to believe that it would be improper for the FPSC to order a refund to one group of customers without permitting recovery of a similar amount from the remaining customers since the First District Court of Appeals affirmed SSU's total revenue requirement for operations in Florida. No provision for refund has been recorded.

  In September 1993 the FPSC initiated a separate but related proceeding for the purpose of determining if, as a matter of policy, uniform statewide rates are appropriate for SSU. In September 1994 the FPSC issued an order declaring that uniform statewide rates represent good public policy.

- In June 1994 the FPSC issued an order declining to issue a declaratory statement which would have acknowledged FPSC jurisdiction over SSU service areas in Hillsborough and Polk Counties. Instead the FPSC opened an investigation to determine if SSU is a single system pursuant to Florida statutes. In June 1995 the FPSC voted to assume jurisdiction over SSU facilities statewide and thus to regard SSU as a single system rather than as a utility made up of more than 150 systems. Several counties appealed this decision to the Florida District Court of Appeals.

- In April 1994 the Hernando County Board of County Commissioners issued an order rescinding FPSC jurisdiction in Hernando County. In June 1994 the FPSC issued an order acknowledging that Hernando County has jurisdiction over privately-owned water and wastewater facilities located in the County as of April 5, 1994. In April 1994 SSU filed a court action before the Florida Circuit Court for Hernando County to stay the change in jurisdiction. In April 1995 the Hernando County Board of County Commissioners issued an order which, among other things, purported to require SSU to file a rate proceeding with Hernando County in June 1995. SSU amended its complaint in the Hernando County Court to include a request for stay of this County action. This court action is pending.

  In April 1994 SSU also requested the FPSC to retain interim jurisdiction over SSU's facilities in Hernando County until jurisdictional determinations are made by the courts. In June 1994 the FPSC issued an order denying SSU's request. SSU

appealed this order to Florida's First District Court of Appeals. The Court of Appeals affirmed the FPSC's action. SSU believes that a jurisdictional change should not be made at this time because of the FPSC determination that SSU's facilities in all counties within Florida constitute a single system subject to the sole jurisdiction of the FPSC. As indicated above, several counties appealed this determination to the First District Court of Appeals.

- In March 1996 the Collier County Board of County Commissioners passed a resolution and adopted an ordinance rescinding FPSC jurisdiction in Collier County. SSU's position is that Collier County cannot regulate SSU's facilities in Collier County as a result of the FPSC's "single system" determination. As indicated above, several counties, including Collier County, have appealed the FPSC's determination to the First District Court of Appeals.

South Carolina Public Service Commission

The following summarizes Heater's current rate proceedings with the SCPSC.

- In October 1994 residents of Seabrook Island, South Carolina voted to allow the town to purchase or acquire through eminent domain powers the town's current water and wastewater treatment facilities owned by Seabrook. Seabrook currently serves 3,000 customers. In January 1995 the town of Seabrook Island initiated an eminent domain action to acquire the assets of Seabrook. In February 1995, Seabrook filed actions in South Carolina state court and federal court, challenging the town of Seabrook Island's authority to acquire these systems by eminent domain. In March 1996 a tentative agreement was reached to sell the assets to the town for $5.9 million. This sale is subject to negotiation of a definitive purchase agreement and regulatory approval.

- In July 1994 Upstate Heater Utilities (Upstate), a wholly owned subsidiary of Heater, filed a request for a $71,000 annual rate increase with the SCPSC. In December 1994 the SCPSC denied the request for an annual rate increase primarily due to customer opposition. In January 1995 Upstate filed for reconsideration and the SCPSC denied the request. In February 1995 Upstate filed an appeal in the Circuit Court of South Carolina. In July 1995 the Circuit Court of South Carolina issued an order vacating the SCPSC's December 1994 order which denied Upstate's request for an annual rate increase. The case was remanded to the SCPSC for the establishment of rates which are fair and reasonable. In September 1995, the SCPSC issued a second final order granting an annual increase of $8,000. A motion for reconsideration was filed and denied in October 1995. An appeal by Upstate to the Circuit Court of South Carolina was filed in November 1995. In January 1996 the requested rates were implemented under surety bond pending the final decision of this appeal. The final decision of the appeal is expected in 1997.

- In January 1994 Seabrook filed with the SCPSC a request for a $263,000 annual rate increase for operations at Seabrook Island, South Carolina. In July 1994 the SCPSC denied the request. Seabrook filed a motion for reconsideration in July 1994 maintaining that the resulting 3.98 percent return on equity was inadequate. In August 1994 the SCPSC denied reconsideration. In September 1994 Seabrook filed an appeal in the Circuit Court of South Carolina and subsequently provided notice to the customers and implemented the requested rates under surety bond in January 1995, pending the final decision on the appeal. In July 1995 the Circuit Court of South Carolina issued an order affirming the SCPSC's July 1994 order which denied

Seabrook's request for an annual rate increase. An appeal to the South Carolina Supreme Court was filed in October 1995. A final decision on the appeal is expected in 1997.

- In July 1992 Heater filed with the SCPSC a request for a $233,000 rate increase for operations near Columbia, South Carolina. In January 1993 the SCPSC denied the rate increase request. In March 1993 Heater filed with the Circuit Court of South Carolina an appeal of the SCPSC's denial of the request. In September 1993 the requested rates were implemented, under surety bond, pending the decision on the appeal. As a condition to the SCPSC's grant to Heater of a $110,000 annual increase in May 1994, Heater was required to cease charging the increased rates under surety bond. In October 1995 this case was heard before the South Carolina Supreme Court. In December 1995 the South Carolina Supreme Court issued an order reversing the SCPSC's January 1993 order, which denied Heater's request for an annual rate increase. The case was remanded to the SCPSC for proceedings consistent with the court opinion.

  In January 1996 the SCPSC ordered that a 9.28 percent operating margin was appropriate for Heater during the period in which the requested rates were charged under surety bond. The 9.28 percent operating margin equated to a total refund of $54,000, including interest, which was refunded to customers in February 1996.

North Carolina Utilities Commission

The following summarizes Heater's current rate proceedings with the NCUC.

- In August 1995 Heater filed with the NCUC for approval of a surcharge that would allow Heater to recover $297,000 in additional testing costs required by the EPA in excess of costs included in the current rate structure. A final order is anticipated in April 1996.

- In March 1995 Brookwood Water Corporation, a wholly owned subsidiary of Heater, filed with the NCUC for a $120,000 annual rate increase. In October 1995 a final order was issued granting an $85,000 annual increase.

- In February 1995 Heater filed for a $314,000 annual rate increase with the NCUC. In December 1995 a final order was issued granting a $308,000 annual increase.

Capital Expenditure Program

Capital expenditures for the water operations totaled $34 million during 1995. Expenditures were funded with the proceeds from long-term bonds issued by SSU and internally generated funds. Capital expenditures for the Company's water operations are expected to be $25 million in 1996 for upgrades, water reuse projects and new water facilities, and to total approximately $90 million during the period 1997 through 2000.

Competition

The regulated water and wastewater services industry is experiencing a series of transformations including privatization, consolidation and regionalization. These new trends are a direct result of expanded environmental regulations and increasingly limited water supply and wastewater disposal options. Consequently, growth in the industry will be realized by those service providers who make adequate capital investment to achieve these transformations.

Since economic regulation has not kept pace with the investment demands placed on private utilities, regulatory lag has delayed the recovery of private utilities' service costs.

Historically, competition and change have been minimal in the water and wastewater industry. During the next five years, however, the Company believes that the water and wastewater industry will become more competitive and innovation-driven. The Company is focused on the application of technology to reduce costs and increase efficiency, objectives that are critical in the competitive pursuit of regulated, as well as unregulated, markets.

Franchises

SSU provides water and wastewater treatment services in 22 counties regulated by the FPSC, holds franchises in two counties which to date have retained authority to regulate such operations, and is contesting the jurisdiction of two other counties over SSU facilities in light of the FPSC's "single system" determination. (See Regulatory Issues - Florida Public Service Commission.)

All of the water and wastewater services of Heater are under the jurisdiction of the SCPSC and the NCUC. These commissions grant franchises for Heater's service territory when the rates are authorized.

Environmental Matters

The Company's water operations are subject to regulation by various federal, state and local authorities in the areas of water quality, solid wastes, and other environmental matters. The Company considers its water operations to generally be in compliance with those environmental regulations currently applicable to its operations and have the permits necessary to conduct such operations. Except as noted below, the Company does not currently anticipate that its 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.

In October 1992 the EPA issued a Request for Information to SSU regarding operations of SSU's facilities in the University Shores service area in Orange County, Florida. The request was made to obtain more details concerning exceedances of the NPDES permit for effluent quality. The requested information was compiled and sent to the EPA in late 1992 and supplemented in February 1993. In February 1993 the EPA issued a Notice to Show Cause letter to request SSU representatives to meet and discuss the exceedances. SSU met with the EPA in March 1993 and received an additional Request for Information from the EPA in April 1993. The requested information was supplied to the EPA in June 1993. At that time, SSU was attempting to determine a feasible method to eliminate surface water discharges allowed by the NPDES permit. SSU signed an agreement with Orange County Utilities (OCU) to construct an interconnect between the two collection systems so that a portion of the sewage flow at University Shores facilities could be sent to OCU. The construction of the interconnect was completed in September 1994 thereby allowing SSU to eliminate effluent discharges by the University Shores facilities to surface waters. Additional information on the project was requested by the EPA in November 1994 and SSU supplied the requested information to the EPA in December 1994. SSU has received no further communication from the EPA regarding this matter and is unable to determine what further action, if any, may be required. The interconnect with OCU, for a portion of the sewage flow, has alleviated the need for discharge of effluent to surface water. The operating permit is in the process of being renewed.

In September 1993 the EPA issued an Administrative Order to SSU regarding operations of SSU's facilities in the Woodmere service area in Duval County, Florida (Woodmere facilities). The Order required monthly toxicity testing of the effluent for at least one year because of toxicity test failures during 1992 and 1993. In September 1994, because of additional 1993 and 1994 toxicity test failures at the Woodmere facilities, the EPA required implementation of a Toxicity Reduction Evaluation (TRE) plan to determine the cause of the toxicity. The TRE plan was expected to take approximately 15 months to complete. In 1995 SSU determined that the toxicity test failures were presumably due to inappropriate salt water test species. A request was filed with the EPA in February 1995 to change testing requirements to fresh water species for consistency with the FDEP wastewater permit for the Woodmere facilities, since the body of water affected is a fresh water body. A permit renewal application was filed with the FDEP in November 1995, since the permitting authority was delegated by the EPA to the FDEP in May 1995. The FDEP has responded with a request for some additional information to complete the application. The requested information was forwarded to the FDEP in February 1996. SSU representatives met with the FDEP in February 1996 and the FDEP indicated a willingness to issue a permit with fresh water test species as the requirement. This permit modification is expected to be included in the permit renewal. The EPA has retained the authority over the pending enforcement action concerning this system. SSU is unable to determine what further action, if any, may be required.

In March 1995 the Administrative Order issued in August 1994 for SSU's facilities in the Beacon Hills service area in Duval County, Florida was satisfied after additional bioassay testing conducted between September 1994 and February 1995 met EPA requirements. SSU will also petition the FDEP to change test species at Beacon Hills from salt to fresh water species as requested for the Woodmere facilities. The Administrative Order has officially been closed and SSU will submit a request to the FDEP to change testing requirements during the permit renewal process.

In 1995 SSU invested approximately $11.1 million of a $28.7 million annual capital expenditure budget (or approximately 39 percent) in facilities necessary to comply with environmental requirements. In 1996 SSU expects that approximately $9.6 million of the $19.5 million annual capital expenditure budget (or approximately 49 percent) will be necessary to comply with environmental requirements.

Automobile Auctions

Minnesota Power has an 83 percent ownership interest in ADESA, the third largest automobile auction business in the United States. ADESA, headquartered in Indianapolis, Indiana, owns and operates 19 automobile 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. Two wholly owned subsidiaries of ADESA, Automotive Finance Company and ADESA Auto Transport, perform related services. Sellers at ADESA's auctions include domestic and foreign auto manufacturers, car dealers, fleet/lease companies, banks and finance companies.

The Company acquired 80 percent of ADESA on July 1, 1995, for $167 million in cash. Proceeds from the sale of the Company's paper and pulp business combined with proceeds from the sale of securities investments were used to fund this acquisition. Acquired goodwill and other intangible assets associated with this acquisition are being amortized on a straight line basis over periods not exceeding 40 years. In January 1996 the Company provided an additional $15 million of capital in exchange for 1,982,346 original issue common stock shares of ADESA. This capital contribution increased the Company's ownership interest in ADESA to

83 percent. Put and call agreements with ADESA's four top executives provide ADESA management the right to sell to Minnesota Power, and Minnesota Power the right to purchase, ADESA management's 17 percent retained ownership interest in ADESA, in increments during the years 1997, 1998 and 1999, at a price based on ADESA's financial performance.

Capital Expenditure Program

Capital expenditures for automobile auction site relocation and development were $43 million for the six months ended December 31, 1995. Capital expenditures for the automobile auction business are expected to be $28 million in 1996. In September 1995 ADESA opened the world's largest indoor automobile auction facility in Framingham, Massachusetts. Expansion projects at Manville, New Jersey and Jacksonville, Florida and a relocation project in Indianapolis, Indiana began operations in the first quarter of 1996.

Competition

Within the automobile auction industry, ADESA's competition includes independently owned auctions as well as major chains and associations with auctions in geographic proximity to those of ADESA. ADESA competes with other auctions for a supply of automobiles to be sold by ADESA on consignment for automobile dealers, financial institutions and other sellers. ADESA also competes for a supply of rental repurchase vehicles from automobile manufacturers for auctions at factory sales. ADESA competes for these sellers of automobiles by attempting to attract a large number of dealers to purchase vehicles, which ensures competitive prices and supports the volume of vehicles auctioned, and by providing a full range of services including floorplan financing, reconditioning services which prepare automobiles for auction, transporting automobiles and the prompt processing of sale transactions.

Auto auction sales for the industry are expected to rise at a rate of 6 percent to 8 percent annually. ADESA expects to participate in this industry's growth through acquisitions, greenfield start-ups and expanded services.

Environmental Matters

The Company's automobile auction business is subject to regulation by various federal, state and local authorities in the areas of air quality, water quality, solid wastes, and other environmental matters. The Company considers operations of this business to be in substantial compliance with those environmental regulations currently applicable to its operations and believes all necessary permits to conduct such operations have been obtained. The Company does not currently anticipate that its 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

The Investments segment is comprised of real estate operations, financial guaranty reinsurance and a portfolio of securities. The Company ceased operations at Reach All, the truck-mounted lifting equipment business, and sold Reach All's assets in 1995.

- Real Estate Operations. The Company owns 80 percent of Lehigh, a Florida real estate company. Lehigh currently owns 4,000 acres of land and approximately 8,000 homesites near Fort Myers, Florida and 1,250 homesites in Citrus County, Florida. The real estate strategy is to acquire large residential community properties at low cost, adding value, and selling them at going market prices.

- Reinsurance. Minnesota Power has a 21 percent equity investment in Capital Re. Capital Re is a Delaware holding company engaged primarily in financial and mortgage guaranty reinsurance through its wholly owned subsidiaries, Capital Reinsurance Company and Capital Mortgage Reinsurance Company. Capital Reinsurance Company is a reinsurer of financial guarantees of municipal and non-municipal debt obligations. Capital Mortgage Reinsurance Company is a reinsurer of residential mortgage guaranty insurance. The Company's equity investment in Capital Re at December 31, 1995, was $93 million.

- Securities Portfolio. Minnesota Power manages a securities portfolio which is intended to provide funds for reinvestment, business acquisitions and other corporate purposes. The Company plans to continue to concentrate on market neutral strategies that provide stable and acceptable returns without sacrificing needed liquidity. Returns will continue to be partially dependent on general market yields. As of December 31, 1995, the Company had approximately $106 million invested in the securities portfolio.

Environmental Matters

Certain businesses included in the Company's investments segment are subject to regulation by various federal, state and local authorities in the areas of air quality, water quality, solid wastes, and other environmental matters. The Company considers these businesses to be in substantial compliance with those environmental regulations currently applicable to its operations and believes all necessary permits to conduct such operations have been obtained. The Company does not currently anticipate that its 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
Arend J. Sandbulte, Age 62	
Chairman	January 22, 1996
Chairman and Chief Executive Officer	May 9, 1995
Chairman, President and Chief Executive Officer	May 9, 1989
Edwin L. Russell, Age 51	
President and Chief Executive Officer	January 22, 1996
President	May 9, 1995
Robert D. Edwards, Age 51	
Executive Vice President and President - MP Electric	July 26, 1995
Executive Vice President and Chief Operating Officer	March 1, 1993
Group Vice President - Corporate Services and Chief Financial Officer	January 1, 1991
John A. Cirello, Age 52	
Executive Vice President and President and Chief Executive Officer - Southern States Utilities	July 24, 1995
D. Michael Hockett, Age 53	
Chairman and Chief Executive Officer - ADESA	July 1, 1995
Donnie R. Crandell, Age 52	
Senior Vice President and President - MP Real Estate Holdings	January 1, 1996
Senior Vice President - Corporate Development	December 1, 1994
Retired	February 28, 1994
Vice President - Corporate Development	March 1, 1993
David G. Gartzke, Age 52	
Senior Vice President-Finance and Chief Financial Officer	December 1, 1994
Vice President - Finance and Chief Financial Officer	March 1, 1993
Vice President - Finance and Treasurer	January 1, 1991
Philip R. Halverson, Age 47	
Vice President, General Counsel and Corporate Secretary	January 1, 1996
General Counsel and Corporate Secretary	March 1, 1993
General Counsel and Assistant Secretary	January 23, 1991
James A. Roberts, Age 45	
Vice President - Corporate Relations	January 1, 1996
Geraldine R. VanTassel, Age 54	
Vice President - Corporate Information Services	January 1, 1996
Vice President - Corporate Resource Planning	March 1, 1993
Corporate Controller	June 1, 1992
Larry S. Wechter, Age 40	
President, ADESA	October 17, 1995
Executive Vice President, ADESA	July 1, 1995
Mark A. Schober, Age 40	
Corporate Controller	March 1, 1993
James K. Vizanko, Age 42	
Corporate Treasurer	March 1, 1993

All of the executive officers above, except Mr. Russell, Mr. Cirello, Mr. Hockett, Mr. Crandell and Mr. Wechter, had been employed by the Company for more than five years in executive or management positions. Mr. Russell was previously Group Vice President of J. M. Huber Corporation, a $1.5 billion diversified manufacturing and natural resources company; Mr. Cirello was President of Metcalf & Eddy Services, Inc. from 1992 to 1995, responsible for $64 million in water/wastewater operation services, and before that was Vice President - Eastern Region of Chemical Waste Management; Mr. Hockett was previously Chief Executive Officer and President of ADESA and Chief Executive Officer of four auto auction companies that became subsidiaries of ADESA when it was formed in 1992; Mr. Crandell was director of business development of the Company, vice president of Topeka and vice president of business development for Topeka prior to March 1, 1993; and Mr. Wechter was previously Executive Vice President, Vice President, Chief Financial Officer and Treasurer of ADESA, and Chief Financial Officer and Treasurer of four auto auction companies that became subsidiaries of ADESA when it was formed in 1992. Prior to election to the positions shown above, the following executive officers held other positions with the Company after January 1, 1991: Mr. Halverson was director of legal services and assistant general counsel, and assistant secretary; Mr. Roberts was director of corporate relations and director of governmental relations; Ms. VanTassel was director of internal audit and leader of the organizational development team; Mr. Schober was director of internal audit; and Mr. Vizanko was director of investments and analysis, and manager of financial planning and analysis. There are no family relationships between any executive officers of the Company. All officers and directors are elected or appointed annually.

The present term of office of the above executive officers extends to the first meeting of the Company's Board of Directors after the next annual meeting of shareholders. Both meetings are scheduled for May 14, 1996.

Item 2. Properties.

The Company had an annual and all-time record net peak load of 1,435 MW on December 13, 1995. The Company's average 1995 load factor was 83 percent. Information with respect to existing power supply sources is shown below.

Power Supply	Unit No.	Year Installed	Net Winter Capability (MW)	Net Electric Requirements (MWh)	(%)
Steam					
Coal-Fired					
Boswell Energy Center					
near Grand Rapids, MN	1	1958	69		
	2	1960	69		
	3	1973	350		
	4	1980	428		
			916	5,723,173	46.8%
Laskin Energy Center					
Hoyt Lakes, MN	1	1953	55		
	2	1953	55		
			110	278,962	2.3
Total Steam			1,026	6,002,135	49.1
Hydro					
Group consisting of ten stations in MN		Various	121	698,525	5.7
Purchased Power					
Square Butte burns lignite in Center, ND			333	1,950,302	16.0
All other - net			-	3,574,435	29.2
Total Purchased Power			333	5,524,737	45.2
For the Year Ended December 31, 1995			1,480	12,225,397	100.0%

The Company has electric transmission and distribution lines of 500 kilovolts (kV) (7.8 miles), 230 kV (606.4 miles), 161 kV (42.8 miles), 138 kV (5.8 miles), 115 kV (1,239.6 miles) and less than 115 kV (6,001.3 miles). The Company owns and operates 180 substations with a total capacity of 8,545.7 megavoltamperes. Some of the transmission and distribution lines interconnect with other utilities.

The Company owns and has a substantial investment in offices and service buildings, area headquarters, an energy control center, repair shops, motor vehicles, construction equipment and tools, office furniture and equipment, and leases offices and storerooms in various localities within the Company's service territory. It also owns miscellaneous parcels of real estate not presently used in electric operations.

Substantially all of the electric plant of the Company is subject to the lien of its Mortgage and Deed of Trust which secures first mortgage bonds issued by the Company. The Company's properties are held by it in fee and are free from other encumbrances, subject to minor exceptions, none of which are of such a nature as to substantially impair the usefulness to the Company of such properties. Other property, including certain offices and equipment, is utilized under leases. In general, some of the electric lines are located on land not owned in fee, but are covered by necessary consents of various governmental authorities or by appropriate rights obtained from owners of private property. These consents and rights are deemed adequate for

the purposes for which the properties are being used. In September 1990 the Company sold a portion of Boswell Unit 4 to WPPI. WPPI has the right to use the Company's transmission line facilities to transport its share of generation.

Substantially all of the plant of SWL&P is subject to the lien of its Mortgage and Deed of Trust which secures first mortgage bonds issued by SWL&P. Substantially all of SSU's properties used in the operation of its respective water businesses are encumbered by mortgages. Approximately one-half of BNI Coal's equipment is leased under a leveraged lease agreement which expires in 2002. The remaining property and equipment are owned by BNI Coal.

The MAPP membership consists of various entities located in North Dakota, South Dakota, eastern Montana, Nebraska, Iowa, Minnesota, western Wisconsin, upper Michigan, Manitoba and Saskatchewan. These entities are investor-owned utilities including the Company, rural electric generation and transmission cooperatives, public power districts, municipal electric systems, municipal organizations, and the Western Area Power Administration Billings, Montana. MAPP operates pursuant to an agreement, dated March 31, 1972, as amended, among its members. This agreement provides for the members to coordinate the installation and operation of generating plants and transmission line facilities. The MAPP membership is in the process of reorganizing. (See Item 1. Electric Operations - Competition - Regional.)

Manitoba Hydro has export licenses from the National Energy Board in Calgary until November 1, 2005, to export up to 16.7 billion kilowatt-hours a year of energy and short-term firm hydroelectric power to other Canadian utilities and four utility companies in the United States, including the Company. Manitoba Hydro presently exports approximately 12 billion kilowatt-hours a year. When it is available and economical, the Company purchases energy and power from Manitoba Hydro that can be delivered through Minnesota Power's transmission lines.

For information with respect to the properties of the Company's water operations see Part 1. Business - Water Operations.

The following table sets forth the 19 auto auctions currently owned or leased by ADESA. Each auction has a multi-lane, drive-through auction facility, as well as additional buildings for reconditioning, registration, maintenance, body work and other ancillary and administrative services. Each auction also has secure parking areas in which it stores vehicles for auction. All automobile auction property owned by ADESA is subject to liens securing various notes payable.

ADESA Auction Locations	Year Operations Commenced	Property Owned or Leased	Acreage Total	Acreage In Use	No. Auction Lanes
United States					
Austin, Texas	1990	Leased	70	20	6
Birmingham, Alabama	1987	Owned	148	100	10
Buffalo, New York	1992	Owned	133	70	8
Charlotte, North Carolina	1994	Leased	56	40	8
Cincinnati-Dayton, Ohio	1986	Owned	60	40	5
Cleveland, Ohio	1994	Leased	40	40	6
Concord, Massachusetts	1947	Owned	60	60	5
Framingham, Massachusetts	1995	Leased	168	148	12
Indianapolis, Indiana	1983	Owned	70	70	8
Jacksonville, Florida	1996	Owned	90	40	6
Knoxville, Tennessee	1984	Leased	60	60	6
Lexington, Kentucky	1982	Owned	35	20	6
Memphis, Tennessee	1990	Owned	155	85	6
Miami, Florida	1994	Leased	28	28	6
Newark, New Jersey	1996	Owned	203	180	8
Sarasota/Bradenton, Florida	1990	Owned	15	15	6
Canada					
Montreal, Quebec	1974	Owned	70	70	6
Ottawa, Ontario	1990	Owned	65	45	5
Halifax, Nova Scotia	1993	Leased	10	10	2

The auction facilities located in Charlotte, North Carolina, Framingham, Massachusetts and Knoxville, Tennessee are leased from an unrelated third party. The leases have five year terms ending on April 1, 2000 and no renewal options. At the beginning of the fourth year of the leases, ADESA has the option to purchase the leased facilities for an aggregate of $26.5 million. In the event that ADESA does not exercise its option to purchase, it is required to guarantee any deficiency in sale proceeds the lessor realizes in disposing of the leased properties should the proceeds be less than $25,705,000. ADESA is entitled to receive any excess sales proceeds over the option price. ADESA has guaranteed the payment of principal and interest on an aggregate of $25,705,000 of the lessor's 9.82% mortgage notes payable, due August 1, 2000. ADESA's other leased auction facilities are leased pursuant to lease agreements with terms expiring through March 1, 1999.

Item 3. Legal Proceedings.

Material legal and regulatory proceedings are included in the discussion of the Company's 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 1995.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

The Company has paid dividends without interruption on its common stock since 1948. A quarterly dividend of $.51 per share on the common stock was paid on March 1, 1996, to the holders of record on February 15, 1996. The Company's common stock is listed on The New York Stock Exchange. Dividends paid per share and the high and low prices for the Company's common stock for the periods indicated as reported by The Wall Street Journal, Midwest Edition, were as follows:

		Price Range		Dividends Paid Per Share	
	Quarter	High	Low	Quarterly	Annual
1995	- First	$ 26 3/8	$ 24 1/4	$ .51	
	- Second	28	25 1/4	.51	
	- Third	28 1/8	26 3/8	.51	
	- Fourth	29 1/4	27 1/2	.51	$2.04
1994	- First	$ 33	$ 28	$ .505	
	- Second	30 1/8	25	.505	
	- Third	28 1/8	25	.505	
	- Fourth	26 5/8	24 3/4	.505	$2.02

The amount and timing of dividends payable on the Company's common stock are within the sole discretion of the Company's Board of Directors. In 1995 the Company paid out 94 percent of its per share earnings in dividends. Over the longer term, the Company's goal is to reduce dividend payout to between 75 percent and 80 percent of per share earnings. This is expected to be accomplished by increasing earnings rather than reducing dividends.

The Company's Articles of Incorporation, Mortgage and Deed of Trust and preferred stock purchase agreements contain provisions which under certain circumstances would restrict the payment of common stock dividends. As of December 31, 1995, no retained earnings were restricted as a result of these provisions. At March 1, 1996, there were 25,975 common stock shareholders of record.

Item 6. Selected Financial Data.

	1995	1994	1993	1992	1991
	In thousands except per share amounts				
Operating Revenue and Income	$ 672,917	$ 582,167	$ 582,495	$ 575,503	$ 587,489
Income (Loss)					
Continuing Operations	$ 61,857	$ 59,465	$ 64,374	$67,821	$ 70,854
Discontinued Operations	2,848	1,868	(1,753)	636	4,627
Before Extraordinary Item	64,705	61,333	62,621	68,457	75,481
Extraordinary Gain	-	-	-	4,831	-
Net Income	$ 64,705	$ 61,333	$ 62,621	$73,288	$ 75,481
Earnings Per Share					
Continuing Operations	$ 2.06	$ 1.99	$ 2.27	$2.29	$2.31
Discontinued Operations	.10	.07	(.07)	.02	.15
Before Extraordinary Item	2.16	2.06	2.20	2.31	2.46
Extraordinary Item	-	-	-	0.16	-
Total	$ 2.16	$ 2.06	$ 2.20	$2.47	$2.46
Dividends Per Share	$ 2.04	$ 2.02	$ 1.98	$1.94	$1.90
Total Assets	$1,947,625	$1,807,798	$1,760,526	$1,625,504	$1,586,519
Long-Term Debt	$ 639,548	$ 601,317	$ 611,144	$ 541,960	$ 533,989
Redeemable Preferred Stock	$ 20,000	$ 20,000	$ 20,000	$21,000	$ 24,000

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The management's discussion and analysis of financial condition and results of operations appearing on pages 14 through 20 of the Minnesota Power 1995 Annual Report are incorporated by reference in this Form 10-K Annual Report.

On March 20, 1996, MP&L Capital I, a Delaware statutory business trust, all of the common interests of which are owned by the Company, issued 3,000,000 shares of 8.05% Cumulative Quarterly Income Preferred Securities. The net proceeds of $72.6 million were used to purchase Junior Subordinated Debentures of the Company. The proceeds of such purchase will be applied by the Company for general corporate purposes, which may include the acquisition of outstanding securities of the Company.

Item 8. Financial Statements and Supplementary Data.

The financial statements, together with the report thereon of Price Waterhouse LLP dated January 22, 1996 appearing on pages 21 through 39 of the Minnesota Power 1995 Annual Report, are incorporated by reference in this Form 10-K Annual Report.

[Logo]
Ernst & Young LLP One Indiana Square Phone: 317 681-7000
Suite 3400 Fax: 317 681-7216
Indianapolis, Indiana 46204-2094

Report of Independent Auditors

The Board of Directors and Shareholders
ADESA Corporation

We have audited the consolidated balance sheet of ADESA Corporation, an 80% owned subsidiary of Minnesota Power & Light Company (MPL), as of December 31, 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for the period from July 1, 1995 (date of acquisition by MPL) to December 31, 1995 (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ADESA Corporation at December 31, 1995, and the consolidated results of its operations and its cash flows for the period from July 1, 1995 to December 31, 1995, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

January 17, 1996, except for
Note 13, as to which the date
is January 19, 1996

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required for this Item is incorporated by reference herein from the "Election of Directors" section in the Company's Proxy Statement for the 1996 Annual Meeting of Shareholders, except for information with respect to executive officers which is set forth in Part I hereof.

Item 11. Executive Compensation.

The information required for this Item is incorporated by reference herein from the "Compensation of Executive Officers" section in the Company's Proxy Statement for the 1996 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 the Company's Proxy Statement for the 1996 Annual Meeting of Shareholders, except that the information presented in the table on page 3 of the Proxy Statement is revised with respect to the number of shares of common stock of the Company beneficially owned as of March 15, 1996, by directors, nominees for director, and executive officers as follows:

Name of Beneficial Owner	Shares*	Name of Beneficial Owner	Shares*
Merrill K. Cragun	3,200	Charles A. Russell	7,264
Dennis E. Evans	5,400	Edwin L. Russell	16,557
D. Michael Hockett	0	Arend J. Sandbulte	31,055
Sr. Kathleen Hofer	0	Nick Smith	1,225
Peter J. Johnson	3,840	Bruce W. Stender	1,461
Jack R. Kelly, Jr	1,500	Donald C. Wegmiller	2,891
George L. Mayer	1,000	Donnie R. Crandell	2,373
Paula F. McQueen	2,200	Robert D. Edwards	10,035
Robert S. Nickoloff	6,926	David G. Gartzke	4,734
Jack I. Rajala	8,260	Jack R. McDonald	10,219
Directors and Executive Officers as a Group (26 in Group)			144,659

* Each director, nominee for director, and executive officer owns only a fraction of 1 percent of any class of Company stock and all directors and executive officers as a group also own less than 1 percent of any class.

Mr. Hockett, Director of Minnesota Power and Chairman and CEO of ADESA, holds a 15 percent ownership interest in ADESA, which links his financial interest with that of the Company.

Consistent with her vows as a member of the Benedictine Order, Sr. Kathleen Hofer owns no stock of the Company.

Voting and investment power for all shares is shared with his spouse.

Includes 16,209 shares for which voting and investment power is shared with his spouse and 348 shares owned as custodian for his children.

Includes 3,634 shares for which voting and investment power is shared with his spouse.

Includes 505 shares owned by his spouse.

Includes 2,420 shares owned by his spouse.

Item 13. Certain Relationships and Related Transactions.

The information required for this Item is incorporated by reference herein from the "Certain Relationships and Related Transactions" section in the Company's Proxy Statement for the 1996 Annual Meeting of Shareholders.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

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

(1) Financial Statements

	Pages in Annual Report*
Minnesota Power	
Report of Independent Accountants	21
Consolidated Balance Sheet at December 31, 1995 and 1994	22
For the three years ended December 31, 1995	
Consolidated Statement of Income	23
Consolidated Statement of Retained Earnings	23
Consolidated Statement of Cash Flows	24
Notes to Consolidated Financial Statements	25-39

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* Incorporated by reference herein from the Minnesota Power 1995 Annual Report.

	Page
(2) Financial Statement Schedules	
Report of Independent Accountants on Financial Statement Schedule	37
Minnesota Power and Subsidiaries Schedule:	
II-Valuation and Qualifying Accounts and Reserves	38

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

(3) Exhibits including those incorporated by reference

Exhibit Number

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

*3(a)1 - Articles of Incorporation, restated as of July 27, 1988 (filed as Exhibit 3(a), File No. 33-24936).

*3(a)2 - Certificate Fixing Terms of Serial Preferred Stock A, $7.125 Series (filed as Exhibit 3(a)2, File No. 33-50143).

*3(a)3 - Certificate Fixing Terms of Serial Preferred Stock A, $6.70 Series (filed as Exhibit 3(a)3, File No. 33-50143).

*3(b) - Bylaws as amended January 23, 1991 (filed as Exhibit 3(b), File No. 33-45549).

*4(a)1 - Mortgage and Deed of Trust, dated as of September 1, 1945, between the Company and Irving Trust Company (now The Bank of New York) and Richard H. West (W.T. Cunningham, successor), Trustees (filed as Exhibit 7(c), File No. 2-5865).

*4(a)2 - Supplemental Indentures to 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)

Exhibit Number		
*4(b)	-	Mortgage and Deed of Trust, dated as of March 1, 1943, between Superior Water, Light and Power Company and Chemical Bank & Trust Company (Chemical Bank, successor) and Howard B. Smith (Steven F. Lasher, successor), as Trustees (filed as Exhibit 7(c), File No. 2-8668), as supplemented and modified by First Supplemental Indenture thereto dated as of March 1, 1951 (filed as Exhibit 2(d)(1), File No. 2-59690), Second Supplemental Indenture thereto dated as of March 1, 1962 (filed as Exhibit 2(d)1, File No. 2-27794), Third Supplemental Indenture thereto dated July 1, 1976 (filed as Exhibit 2(e)1, File No. 2-57478), Fourth Supplemental Indenture thereto dated as of March 1, 1985 (filed as Exhibit 4(b), File No. 2-78641) and Fifth Supplemental Indenture thereto dated as of December 1, 1992 (filed as Exhibit 4(b)1 to Form 10-K for the year ended December 31, 1992, File No. 1-3548).
*4(c)	-	Indenture, dated as of March 1, 1993, between Southern States Utilities, Inc. and Nationsbank of Georgia, National Association, as Trustee (filed as Exhibit 4(d) to Form 10-K for the year ended December 31, 1992, File No. 1-3548).
+10(a)	-	Minnesota Power Executive Annual Incentive Plan, effective January 1, 1996.
+10(b)	-	Minnesota Power and Affiliated Companies Supplemental Executive Retirement Plan, as amended and restated, effective August 1, 1994.
+*10(c)	-	Executive Investment Plan-I, as amended and restated, effective November 1, 1988 (filed as Exhibit 10(c) to Form 10-K for the year ended December 31, 1988, File No. 1-3548).
+*10(d)	-	Executive Investment Plan-II, as amended and restated, effective November 1, 1988 (filed as Exhibit 10(d) to Form 10-K for the year ended December 31, 1988, File No. 1-3548).
+*10(e)	-	Executive Long-Term Incentive Plan, as amended and restated, effective January 1, 1994.
+*10(f)	-	Directors' Long-Term Incentive Plan, as amended and restated, effective January 1, 1994.
+*10(g)	-	Deferred Compensation Trust Agreement, as amended and restated, effective January 1, 1989 (filed as Exhibit 10(f) to Form 10-K for the year ended December 31, 1988, File No. 1-3548).
+*10(h)	-	Minnesota Power Director Stock Plan, effective January 1, 1995 (filed as Exhibit 10 to Form 10-Q for the quarter ended March 31, 1995, File No. 1-3548).
10(i)	-	Asset Holdings III, L.P. Note Purchase Agreement, dated as of November 22, 1994.

Exhibit Number		
10(j)	-	Lease and Development Agreement, dated as of November 28, 1994 between Asset Holdings III, L.P., as Lessor and A.D.E. of Knoxville, Inc., as Lessee.
10(k)	-	Lease and Development Agreement, dated as of November 28, 1994 between Asset Holdings III, L.P., as Lessor and ADESA-Charlotte, Inc., as Lessee.
10(l)	-	Lease and Development Agreement, dated as of December 21, 1994 between Asset Holdings III, L.P., as Lessor and Auto Dealers Exchange of Concord, Inc., as Lessee.
10(m)	-	Guaranty and Purchase Option Agreement between Asset Holdings III, L.P. and ADESA Corporation, dated as of November 28, 1994.
10(n)	-	Fourth Amended and Restated Credit Agreement, dated July 28, 1995.
10(o)	-	First Amendment to the Fourth Amended and Restated Credit Agreement, dated January 18, 1996.
+10(p)	-	Employment Agreement dated May 8, 1995 between Edwin L. Russell and Minnesota Power.
+10(q)	-	Employment Agreement dated May 1, 1995 between Robert D. Edwards and Minnesota Power.
+10(r)	-	Employment Agreement dated February 23, 1995 between D. Michael Hockett and Minnesota Power.
+10(s)	-	Employment Agreement dated May 1, 1995 between David G. Gartzke and Minnesota Power.
+10(t)	-	Employment Agreement dated February 23, 1995 between Larry S. Wechter and Minnesota Power.
+10(u)	-	Employment Agreement dated December 11, 1995 between Jack R. McDonald and Minnesota Power.
+10(v)	-	Put and Call Agreement dated February 23, 1995 between Minnesota Power, ADESA and D. Michael Hockett, Larry S. Wechter, David H. Hill, Jerry Williams, and John E. Fuller.
+10(w)	-	Stock Purchase Agreement dated February 23, 1995 between ADESA and D. Michael Hockett.
+10(x)	-	Stock Purchase Agreement dated February 23, 1995 between ADESA and Larry S. Wechter.

Exhibit Number		
12	-	Computation of Ratios of Earnings to Fixed Charges and Supplemental Ratios of Earnings to Fixed Charges.
13	-	Minnesota Power 1995 Annual Report - Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Company's financial statements listed in Item 14 (a)(1) of this report.
*21	-	Subsidiaries of the Registrant (reference is made to the Company's Form U-3A-2 for the year ended December 31, 1995, File No. 69-78).
23(a)	-	Consent of Independent Accountants.
23(b)	-	Consent of Independent Auditors.
23(c)	-	Consent of General Counsel.
*27	-	Financial Data Schedule (filed as Exhibit 27 to Form 8-K dated February 16, 1996, File No. 1-3548).

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* 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 dated and filed on January 8, 1996, with respect to Item 5. Other Events.

Report on Form 8-K dated and filed on February 16, 1996, with respect to Item 7. Financial Statements and Exhibits.

Report on Form 8-K dated and filed on March 11, 1996, with respect to Item 5. Other Events.

Report of Independent Accountants
on Financial Statement Schedule

To the Board of Directors
of Minnesota Power

Our audits of the consolidated financial statements referred to in our report dated January 22, 1996, appearing on page 21 of the 1995 Annual Report to Shareholders of Minnesota Power (which report and consolidated financial statements are incorporated by reference in this Annual Report on 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. We did not audit the Financial Statements of ADESA Corporation, an 80% owned subsidiary acquired July 1, 1995, which statements reflect an allowance for estimated uncollectible trade accounts receivable of $2,418,000 at December 31, 1995 and a provision for bad debts of $2,353,000 charged to income for the six months then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for ADESA Corporation, is based solely on the report of the other auditors.

Price Waterhouse LLP
Minneapolis, Minnesota
January 22, 1996

Schedule II

Minnesota Power and Subsidiaries

Valuation and Qualifying Accounts and Reserves
For the Years Ended December 31, 1995, 1994 and 1993
In thousands

	Balance at Beginning of Year	Additions Charged to Income	Additions Other Changes	Deductions from Reserves	Balance at End of Period
Reserve deducted from related assets					
Provision for uncollectible accounts					
1995 Trade accounts receivable	$ 1,041	$ 3,004	$ 1,453	$ 2,173	$ 3,325
Other accounts receivable	2,773	186	-	1,807	1,152
1994 Trade accounts receivable	1,565	722	116	1,362	1,041
Other accounts receivable	1,135	1,845	-	207	2,773
1993 Trade accounts receivable	1,538	492	151	616	1,565
Other accounts receivable	1,490	494	-	849	1,135
Deferred asset valuation allowance					
1995 Deferred tax assets	26,878	(17,935)	-	-	8,943
1994 Deferred tax assets	31,475	-	(4,597)	-	26,878
1993 Deferred tax assets	-	-	31,475	-	31,475

Provision for uncollectible accounts includes bad debts written off.
The deferred tax asset valuation allowance was reduced by $18.4 million based on the results of a project which analyzed the economic feasibility of realizing future tax benefits available to the Company. (See Note 14.)

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.

MINNESOTA POWER & LIGHT COMPANY
(Registrant)

Dated: March 28, 1996 By EDWIN L. RUSSELL

Edwin L. Russell
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
EDWIN L. RUSSELL --- Edwin L. Russell	President, Chief Executive Officer and Director	March 28, 1996
D.G. GARTZKE --- D.G. Gartzke	Senior Vice President- Finance and Chief Financial Officer	March 28, 1996
MARK A. SCHOBER --- Mark A. Schober	Corporate Controller	March 28, 1996

Signature	Title	Date
MERRILL K. CRAGUN Merrill K. Cragun	Director	March 28, 1996
DENNIS E. EVANS Dennis E. Evans	Director	March 28, 1996
SISTER KATHLEEN HOFER Sister Kathleen Hofer	Director	March 28, 1996
D. MICHAEL HOCKETT D. Michael Hockett	Director	March 28, 1996
PETER J. JOHNSON Peter J. Johnson	Director	March 28, 1996
JACK R. KELLY, JR. Jack R. Kelly, Jr.	Director	March 28, 1996
PAULA F. MCQUEEN Paula F. McQueen	Director	March 28, 1996
ROBERT S. NICKOLOFF Robert S. Nickoloff	Director	March 28, 1996
JACK I. RAJALA Jack I. Rajala	Director	March 28, 1996
CHARLES A. RUSSELL Charles A. Russell	Director	March 28, 1996
AREND J. SANDBULTE Arend J. Sandbulte	Chairman and Director	March 28, 1996
NICK SMITH Nick Smith	Director	March 28, 1996
BRUCE W. STENDER Bruce W. Stender	Director	March 28, 1996
DONALD C. WEGMILLER Donald C. Wegmiller	Director	March 28, 1996

MINNESOTA POWER

EXECUTIVE ANNUAL INCENTIVE PLAN

Effective 01/01/96

MINNESOTA POWER
EXECUTIVE ANNUAL INCENTIVE PLAN

Article 1. Establishment and Purpose

1.1 Establishment of the Plan. Minnesota Power & Light Company, a Minnesota Corporation (the "Company"), hereby establishes an annual incentive compensation plan (the "Plan"), as set forth in this document. The Plan allows for annual cash payments to Participants based on the Company's annual performance relative to both financial and nonfinancial goals.

The Plan shall be effective as of January 1, 1996 and shall remain in effect until superseded by a new plan, as approved by the Board of Directors.

1.2 Purpose of the Plan. The purpose of the Plan is to motivate Eligible Employees to work toward improved annual performance in two areas:

- Financial health of the Participant's business unit (financial)
- Business unit operations (nonfinancial)

The Plan is further intended to assist the Company in its ability to attract and retain the services of Participants upon whom the successful conduct of its operations is largely dependent.

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below and, when such meaning is intended, the initial letter of the word is capitalized:

2.1 "Award" means the payment made to the Participant based on Business Unit financial and nonfinancial performance.

2.2 "Business Unit" means any subsidiary or division of the Company labeled as a business unit for the purposes of the Plan.

2.3 "Change in Control" of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

(a) the dissolution of the Company;

(b) a reorganization, merger or consolidation of the Company with one or more unrelated corporations, as a result of which the Company is not the surviving corporation;

(c) the sale, exchange, transfer or other disposition of shares of the common stock of the Company (or shares of the stock of any person that is a shareholder of the Company) in one or more transaction, related or unrelated, to one or more persons unrelated to the Company if, as a result of such transactions, any person (or any person and its affiliates) owns more than twenty percent of the voting power of the outstanding common stock of the Company; or

(d) the sale of all or substantially all the assets of the Company.

2.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.5 "Committee" means the Executive Compensation Committee, appointed by the Board of Directors to administer the Plan.

2.6 "Disability" shall have the meaning ascribed to such term under Section 22(e)(3) of the Code.

2.7 "Eligible Employee" means an employee who is eligible to participate in the Plan, as approved by the Committee.

2.8 "Participant" means an employee who has received an Award under the Plan.

2.9 "Performance Year" shall mean the period from January 1 through December 31 of any given year upon which the next Award payout is based.

2.10 "Proration" means an award calculation that accounts for time spent in a position or Business Unit, based on the number of whole months spent, counting a whole month in the calculation if the Participant was in the position or Business Unit as of the 15th of the month or after.

2.11 "Retirement" shall have the meaning ascribed to such term in the tax-qualified defined benefit pension plan maintained by the Company.

2.12 "Target Award" means the percent of base salary set out at the beginning of the Performance Year, a percentage of which is earned based on performance.

Article 3. Administration

3.1 The Committee. The Plan shall be administered by the Executive Compensation Committee of the Board.

3.2 Authority of the Committee. The Committee shall have full power to

- determine the size of Awards under the Plan;
- determine the terms and conditions under which Awards will be made;
- to interpret the Plan as it deems appropriate;
- to establish, amend or waive rules relating to the administration of the Plan;
- delegate its authority as it deems appropriate.

3.3 Costs. The Company shall pay all costs of administration of the Plan.

Article 4. Funding

4.1 Required Funding. The required funding for Awards under the Plan will be determined before the start of each Performance Year by summing the Target Awards of the Participants.

4.2 Adjustments. As soon as practical after the end of the Performance Year, Awards will be calculated and the funded Award pool will be adjusted accordingly. If the sum total of actual Awards is greater than the sum total of Target Awards, the difference will be paid out of the additional Company profit generated by the results causing the higher payout.

Article 5. Eligibility and Participation

5.1 Eligibility. Persons eligible to participate in the Plan include all officers and key employees of the Company and its Business Units, as determined by the Business Unit heads and approved by the Committee, including employees who are members of the Board.

5.2 Actual Participation. As performance warrants, all Eligible Employees will receive awards under the Plan. The Committee reserves the right to select from all Eligible Employees, an employee or employees who will not receive awards under the Plan.

Article 6. Performance Measurement

6.1 Financial Measures Employed. Within 90 days of the start of the Performance Year, the Committee shall approve financial performance goals for each Business Unit, such as the following:

(a) return on gross investment (ROGI)
(b) free cash flow
(c) revenue growth
(d) earnings before interest, taxes, depreciation, amortization and leases (EBITDAL)
(e) earnings per share (EPS)

6.2 Nonfinancial Measures Employed. Within 90 days of the start of the Performance Year, the Committee will approve nonfinancial performance goals based on strategic objectives for each Business Unit.

Article 7. Award Determination

7.1 Award Calculation. As soon as possible after the close of the Performance Year, based on audited financial statements (for financial goals) and other records (for nonfinancial goals), each Participant's award shall be calculated.

7.2 Payout. As soon as is practical after the award calculation, actual payouts shall be made to Participants.

Article 8. Other Awards

The Committee shall have the right to make other Awards which it deems appropriate based on outstanding individual or team performance. The Committee may grant shares of the Company's common stock in lieu of cash from time to time.

Article 9. Beneficiary Designation

Each Participant under the Plan may name any beneficiary to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

Article 10. Deferrals

The Committee may permit a Participant to defer such Participant's receipt of the payment of cash due to the Participant based on satisfaction of the financial and nonfinancial goals. If any such deferral election is permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

Article 11. New Hires

Eligible new employees may participate in the Plan. The Award paid will reflect a Prorated adjustment based upon the number of months employed during the Performance Year.

Article 12. Transfers

Transferred employees are eligible to earn a Prorated Award based on a sum of (i) the performance of the first Business Unit and Prorated for the number of months spent in the Business Unit during the Performance Year and (ii) the performance of the Business Unit to which the Participant is transferred and Prorated for the number of months spent in the Business Unit, assuming the employee is eligible based on position level in both Business Units.

Article 13. Promotions

Promoted employees are eligible to earn a Prorated Award based on a sum of (i) the award that would have been earned under the first position Prorated for the number of months spent in the position during the Performance Year and (ii) the award earned under the new position Prorated for the number of months spent in the position, assuming the employee is eligible based on position level in both positions.

Article 14. Retirement or Disability

In the case of Retirement or Disability, the Participant will receive a Prorated Award based on the number of months spent in the employ of the Company during the Performance Year.

Article 15. Death

Prorated Awards earned based on the number of months during the Performance Year spent in the employ of the Company until death will be paid to the Participant's beneficiary or, if no beneficiary is named, to the Participant's estate.

Article 16. Termination

Termination other than for retirement, disability or death before December 31 of any Performance Year results in forfeiture of any Award.

Article 17. Rights of Employees

17.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, for any reason or for no reason in the Company's sole discretion, nor confer upon any Participant any right to continue in the employ of the Company.

17.2 Participation. No employee shall have the right to be selected to receive an Award under the Plan, or, having been so selected, to be selected to receive a future Award.

Article 18. Change-in-Control

Upon the occurrence of a Change-in-Control, as defined herein, Awards under the Plan will be calculated as if the end of the Performance Year had occurred, based on the Company's performance to date.

Article 19. Withholding

The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to an Award made under the Plan.

MINNESOTA POWER

By E.L. Russell

Its Chief Executive Officer

Attest:

By James A. Roberts

Vice President, Corporate Relations

MINNESOTA POWER AND AFFILIATED COMPANIES

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(As Amended and Restated
Effective August 1, 1994)

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MINNESOTA POWER AND AFFILIATED COMPANIES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(As Amended and Restated
Effective August 1, 1994)

SECTION 1. ESTABLISHMENT AND PURPOSE

1.1 Establishment of Plan. MINNESOTA POWER & LIGHT COMPANY (the "Company" and also sometimes "Minnesota Power") established, effective as of July 1, 1980, a Supplemental Retirement Plan for eligible executives of the Company, such Plan to be known as the SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (THE "PLAN"). The Plan was established in order to provide supplemental current or retirement benefits payable as provided hereafter solely from the general assets of the Company. The Plan is intended to be exempt from the participation, vesting, funding, and fiduciary requirements of Title 1 of the Employee Retirement Income Security Act of 1974. Effective as of January 1, 1981, the Plan was amended to include compensation attributable to the Company's Incentive Compensation Plan in determining benefits under this Plan. Effective as of January 1, 1982, the plan was amended to change the manner in which Incentive Awards are accounted for when determining benefits payable at retirement under Section 4.1. Effective December 1, 1982, the Plan was amended to change the deferral and cash payment options of the Plan. The Plan was amended including revisions through and including May 10, 1983, and restated in its entirety as of January 1, 1983. The revisions included a provision to provide benefits that are above the limitations under section 415 of the Internal Revenue Code. Effective January 1, 1984, the Plan was amended to provide for a predetermined interest rate of 10.5% to be used in determining the value of certain benefits under Subsection 4.1(b) (1). Effective January 1, 1987 the Plan was amended to provide for two additional investment choices for monies deferred under the Plan and to make other minor changes to the Plan. Effective August 1, 1987, the Plan has been amended to provide for a fixed rate of return of 8% under Section 4.4(a) for deferral elections made after that date rather than a return that is the greater of 10.5% or the Company's actual overall percentage return on capital, and to make a minor change in

the Plan name. Effective May 1, 1988 the Plan was amended so that benefits under Subsection 4.1(c) and (d) are available only to active participants who were age 60 or older as of said date. Effective November 1, 1988, the Plan has been amended to make revisions in certain discretions available to the Company and to eligible participants. Effective January 1, 1990, the Plan has been amended to remove participant choice with respect to the payment of benefits under section 4.1(b). The Plan has also been amended to eliminate the make-up of the 2% CORE benefits, which were eliminated under the Supplemental Retirement Plan to account for the Employee Stock Ownership Plan, and to provide for a make-up of the Employee Stock Ownership Plan Partnership account allocation contribution. Effective August 1, 1992, the Plan was amended to change the date retirement benefits are due and payable from the last day of the month to the first day of the month. Effective March 1, 1994, the Plan was amended to calculate the monthly benefit provided under Section 4.1(b) using a final average earnings calculation which combines Results Sharing with Incentive Compensation. Effective August 1, 1994, the Plan was amended at Section 3.1 eliminate the eligibility option of annual compensation in excess of $100,000, to allow voluntary deferrals up to 15% of annual salary less deferrals allowable pursuant to the Supplemental Retirement Plan, to provide for a present value calculation at Section 4.1(d) using the interest assumption used for funding purposes under the Minnesota Power and Affiliated Companies Employees Retirement Plan A, to change options for measuring indexes for monies deferred under the Plan provided in Section 4.5, and to make other minor administrative changes.

1.2 Purpose of the Plan. It is the purpose of this Plan to provide eligible executives with benefits that will compensate them for limitations which apply to the Minnesota Power and Affiliated Companies Supplemental Retirement Plan (sometimes hereinafter the "Supplemental Retirement Plan") and the Minnesota Power and Affiliated Companies Employee Stock Ownership Plan and Trust (sometimes hereinafter the "Employee Stock Ownership Plan") and to provide for the inclusion of compensation attributable to the Minnesota Power and Affiliated Companies Incentive Compensation Plan (sometimes hereinafter the "Incentive Compensation Plan"), effective January 1, 1981, in determining benefits under this plan.

SECTION 2. DEFINITIONS

2.1 Definitions. Whenever used in the Plan, the following terms shall have the respective meanings set forth below, unless otherwise expressly provided herein, and when the defined meaning is intended, the term is capitalized:

(a) "Committee" means the committee with authority to administer the Plan as provided under Subsection 5.1.

(b) "Company" means Minnesota Power & Light Company, also sometimes referred to as Minnesota Power, and its affiliated companies, Superior Water, Light and Power Company and Topeka Group, Inc.

(c) "Compensation" means the annual compensation of the employee for the Plan year (excluding expense reimbursements and payment of any Incentive Award previously deferred in a prior Plan year under the Incentive Compensation Plan) as stated in the payroll records of the Company and reportable on Treasury Form W-2 (or any comparable successor form), including any amounts paid as bonuses or as other special pay which the Company pays to the employee during such year, plus any amount of annual compensation pay converted to employee benefit contributions or contributions to the Company's Executive Investment Plan I or Executive Investment Plan II, plus any Incentive Award eligible for payment but first deferred during such year, but excluding any amounts paid under this Plan and imputed income (whether such imputed income is from automobile use, life insurance premiums or any other source). In the case of an employee who is employed jointly by the Company and an affiliated company (as defined under the Supplemental Retirement Plan) Compensation as defined in this subsection shall include amounts received from all such companies. Compensation shall not include amounts which an employee elects to receive in cash or defers under this Plan, under the Supplemental Retirement Plan or under the Flexible Compensation Plan for Nonunion Employees (sometimes referred to hereinafter as the Flexible Compensation Program).

(d) "Pay" means the annual salary as of October 1 of the year prior to the year for which an allocation is made under this Plan. In the case of a participant who is employed jointly by the Company and an affiliated company (as defined in the Supplemental Retirement Plan), Pay as defined in this subsection shall include amounts received from all such companies.

(e) "Retire" and "Retirement" mean a participant's termination of employment after attaining "Early Retirement Age" as defined in the Supplemental Retirement Plan.

(f) "Incentive Award" means the annual award received by a participant under the Company's Incentive Compensation Plan, and/or the Company's Strategic Goals Incentive Compensation Program.

(g) "Supplemental Salary Reduction Agreement" means an agreement entered into by a participant and the Company in December of a Fiscal year under which the participant irrevocably agrees to forego up to 15% of compensation that would otherwise be paid to the participant during the next Fiscal Year less amounts allowable to be contributed on behalf of the participant pursuant to Subsection 3.2(b) of the Supplemental Retirement Plan.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology used herein shall also include the feminine, and the use of any term herein in the singular may also include the plural.

SECTION 3. ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. Any employee of the Company who is a participant in the Minnesota Power and Affiliated Companies Supplemental Retirement Plan, in the Minnesota Power and Affiliated Companies Incentive Compensation Plan, in the Minnesota Power and Affiliated Companies Retirement Plan A, in the Minnesota Power and Affiliated Companies Flexible Compensation Plan for Nonunion Employees and in

the Minnesota Power and Affiliated Companies Employee Stock Ownership Plan shall be eligible to participate In this Plan beginning with the first calendar year in which such employee becomes eligible to receive Incentive Awards under the Minnesota Power and Affiliated Companies Incentive Compensation Plan.

3.2 Participation. Each employee who meets the requirements of Subsection 3.1 shall become a participant on the day upon which the employee receives an Incentive Award under the Minnesota Power and Affiliated Companies Incentive Compensation Plan.

An employee who becomes a participant shall remain eligible to have an account in the Plan as a participant hereunder, without regard to Compensation and/or Incentive Awards received in subsequent years, until the first to occur of (i) the employee's Retirement, or (ii) the date upon which the employee's employment terminates for any reason.

An employee who was a participant, but is not currently eligible for benefits will not receive account additions described in Section 4.

SECTION 4. BENEFITS

4.1 Amount of Deferred Compensation.

(a) For each calendar year ending on or after December 31, 1980, and except as hereinafter specifically provided in this Section 4, the Company shall credit each participant who qualifies:

(1) An amount, if greater than zero, equal to seven percent of Compensation (excluding imputed income reported on Treasury Form W-2) in excess of Social Security Wage Base for such year less the total of (i) the Employee Stock Ownership Plan's Partnership allocation percent of such plan year, and (ii) three percent of the participant's Pay plus Incentive Award for such year (provided, however, that this section 4.1(a) (1) shall only apply to

those employees who are in Management Salary Grade IV and above before July 1, 1980.

(2) An amount equal to three percent of (i) the total of the participant's Incentive Award for such year, plus (ii) the amount of the participant's annual salary for the prior year that has been deferred pursuant to the terms of the Minnesota Power and Affiliated Companies Executive Investment Plan I and the Minnesota Power and Affiliated Companies Executive Investment Plan II, plus any amount of the participant's annual salary not included in calculating benefits under the Company's Flexible Compensation Program for nonunion employees for such year due to limitations under Code Section 404(I).

(3) An amount equal to a percentage of the total of the participant's Incentive Award for such year plus the amount of the participant's annual salary for the prior year that has been deferred pursuant to the terms of the Minnesota Power and Affiliated Companies Executive Investment Plan I and the Minnesota Power and Affiliated Companies Executive Investment Plan II, plus any amount of the participant's annual salary not included in calculating benefits under the Company's Flexible Compensation Program for nonunion employees for such year due to limitations under Code Section 404(I), such percentage to equal the percentage attributable to the participant under the Company's Flexible Compensation Program for nonunion employees for such year for life insurance coverage.

(4) An amount equal to the greater of:
(a) two percent, or

(b) the applicable percent being contributed under Subsection 4.1(g) of the Company's Employee Stock Ownership Plan of the following:

(i) the total of the participant's Incentive Award for such year, plus

(ii) the amount of the participant's annual salary for the prior year that has been deferred pursuant to the terms of the Minnesota Power and Affiliated Companies Executive Investment Plan I and II, plus any amount of the participant's annual salary not included in calculating benefits under the Company's Flexible Compensation Program for nonunion employees for such year due to limitations under Code Section 404(I).

(5) An amount, if greater than zero, equal to (i) minus (ii) provided the actual Company contribution for the participant to the Supplemental Retirement Plan and the Employee Stock Ownership Plan for the calendar year is the maximum amount permitted under Section 415 of the Internal Revenue Code.

(i) The maximum Company contribution that could be made to the Supplemental Retirement Plan and the Employee Stock Ownership Plan for the calendar year if the limitations on annual additions under Section 415 of the Internal Revenue Code did not exist.

(ii) The actual Company contribution made to the Supplemental Retirement Plan and the Employee Stock Ownership Plan for the calendar year.

(b) An amount, equal to the amount for which a participant has elected to reduce his or her annual salary pursuant to a Supplemental Salary Reduction Agreement for the prior year, not to exceed 15% of the participant's annual salary less the amount allowable to be deferred under the Supplemental Retirement Plan.

(c) At the Retirement of a participant, the Company shall credit each participant who qualifies under Subsection 3.2 with deferred compensation equal to the present worth, actuarially determined, of (1) minus (2) provided the difference is greater than zero.

(1) The monthly retirement benefit that would be provided by Retirement Plan A if (i) the largest sum of four Incentive Awards plus Results Sharing (if any) during any consecutive 48-month period in the most recent 15-year period had been added to the total of the Final Average Earning computation in Subsection 2.1(g) of Retirement Plan A (calculated by not including Results Sharing Awards) (the periods covering Final Average Earnings and the four consecutive Incentive Awards plus Results Sharing need not cover the same 48-month period, but Incentive Awards and Results Sharing Awards must have been awarded during the same year), plus any deferral of annual salary (during the period for which Final Average Earnings are computed) pursuant to the Minnesota Power and Affiliated Companies Executive Investment Plan I and the Minnesota Power and Affiliated Companies Executive Investment Plan II, plus any annual salary not included in calculating benefits under Retirement Plan A due to limitation under code Section 404(I), and (ii) the limitation on annual benefits contained in Section 415 of the Internal Revenue Code did not exist.

(2) The actual monthly retirement benefit provided by Retirement Plan A.

In determining present worth, both the dollar limitation under Section 415 of the Internal Revenue Code and the Consumer Price Index used to calculate the cost-of-living adjustments under Subsection 4.8 of Retirement Plan A, shall be assumed to increase after the participant's Retirement at the same average annual rate as the increase in the Consumer Price Index for the five year period ending on the later of the June 30th or the December 31st immediately preceding Retirement. The

present worth calculation also shall be subject to the continuation of a portion of the retirement benefit to the surviving spouse following the death of the retired participant in a manner similar to Subsection 4.1(c) or 4.2(c) of Retirement Plan A. The interest rate to be used in determining present worth shall be an annual percentage rate of 8%.

(d) At the death of a participant who has attained age 50 and 10 years of service, and who qualifies under Subsection 3.2 and for whom a survivor income benefit is payable under Subsection 4.10 of Retirement Plan A, the Company shall credit the participant with deferred compensation equal to the present worth, actuarially determined, of (1) minus (2) provided the difference is greater than zero.

(1) The monthly survivor income benefit that would be provided under Subsection 4.10(b) (2) of Retirement Plan A if any amount of base salary deferred pursuant to the Company's Executive Investment Plans I and II had been included in calculating the participant's "monthly rate of compensation from the Employer."

(2) The actual monthly survivor income benefit provided under Subsection 4.10(b)(2) of Retirement Plan A.

In determining present worth under (c) above, the Consumer Price Index used to calculate the cost-of-living adjustments under Subsection 4.8 of Retirement Plan A shall be assumed to increase after the participant's death at the same average annual rate as the increase in the Consumer Price Index for the five year period ending on the later of the June 30th or the December 31st immediately preceding death. The interest rate to be used in determining present worth shall be an annual percentage rate used for purposes of calculating funding necessary for Retirement Plan A. The probability of remarriage by the surviving spouse shall be taken into account in determining present worth.

4.2 Allocation of Deferred Compensation. The deferred compensation amounts specified in the preceding subsection shall be allocated to the account of a participant at the end of the Plan year only if one of the following conditions is satisfied:

(a) The participant is in the employment of the Company on the last day of the calendar year;

(b) The participant died while employed by the Company during such calendar year;

(c) The participant Retired during such calendar year;

(d) The participant terminates his or her employment on account of disability (as defined in the Supplemental Retirement Plan) during such calendar year; or

(e) The participant was on leave of absence at the close of such calendar year and received Compensation from the Company during such year.

4.3 Elections for Payment Options.

(a) Subject to the provisions of Subsections 4.6, 4.7, 4.8 and 4.9 hereof, each participant shall have the right to elect to have all or any portion of the benefit amounts allocated to said participant under Subsection 4.2 for a calendar year paid under one of the following options:

(1) In cash (either partially or totally);

(2) deferred to a date specified by the participant (at which time such benefit amounts shall be paid in cash), with the latest deferral date to be the earlier of (i) the first April 1st to occur after the participant attains age 70 1/2 or (ii) such date selected by the participant up to five years after the date of the participant's Retirement; or

(3) deferred to the earlier to occur of the following events:

(i) The Retirement of the participant or, if elected, up to five years after Retirement but in no event later than the first April 1st to occur after the participant attains age 70 1/2 (in which case the participant may also elect to receive the participant's benefit amount in equal monthly installments commencing on the first day of the month following the date of the participant's Retirement) or the first day of the month after such later date as is elected by the participant as hereinabove provided in this Subsection 4.3(a) (3) (i), and continuing thereafter for a period of fifteen (15), ten (10) or five (5) years, as is elected by the participant.

(ii) the death of the participant.

(iii) the disability of the participant.

(iv) the termination of the participant's employment other than at Retirement.

Elections under this Subsection 4.3 must be made in writing to the committee prior to the end of the calendar year preceding the year in which benefits are allocated under Subsection 4.2. Such election shall be irrevocable.

(b) Within a reasonable time after the end of each calendar year, but after the participant's allocation for such year has been determined, the Company shall pay to the electing participant, by check, the amount of the participant's allocation which the participant has elected to take in cash for the preceding calendar year.

(c) If an election is not in effect on the first day of a calendar year, that portion of the participant's deferred compensation amount for such calendar year shall be irrevocably entered on the books of the Company as an account

in the name of the participant to be deferred, adjusted, and paid in accordance with the provisions of Section 4.4.

(d) If payments to a participant are to be made in installments, then the Committee shall calculate the size of each monthly installment under procedures consistent with those used under the Company's Executive Investment Plan I and Executive Investment Plan II. If payments to a participant are to be made in installments, then the supplemental account of the participant shall continue to be adjusted as of the last day of each calendar year as provided in paragraph (a) of Subsection 4.5.

4.4 Normal Form of Payment of Benefits.

(a) Unless a participant elects otherwise in accordance with Subsection 4.3, the Company shall pay each participant the balance credited to the participant's supplemental account in a single sum during the calendar year following the year in which the participant Retires, dies, becomes disabled or terminates employment. Payment shall be made within 30 days after the calculation of amounts deferred under this plan is actually made for the year. Amounts paid shall be reduced by any amounts required to be withheld by state or federal law.

4.5 Maintenance of Accounts.

(a) The Company shall establish and maintain, in the name of each participant, an individual account, to be known as the supplemental account, which shall be credited each year with earnings or losses on the balance outstanding as of the end of the preceding year and with the amount of the annual allocation which the participant does not elect to receive in cash.

For each calendar year the Committee shall adjust the balance, if any, of the participant's supplemental account as of the last day of the preceding calendar year ("Accounting Date"), by multiplying such amount (including any deferred compensation amounts credited as of such date on account

of the preceding year) by one of the multipliers approved by the Employee Benefits Committee, with participant to choose a multiplier or multipliers annually in advance to be effective for the succeeding year.

If the participant has made an election to transfer supplemental account balances among the aforementioned multipliers during the calendar year, such applicable multipliers shall be prorated to reflect that portion of the year that the supplemental account balances were invested in each investment fund. The participant may elect to transfer supplemental account balances among the aforementioned investment fund multipliers effective for any month. The aforementioned investment fund multipliers shall be used only as a performance reference for the participant's supplemental account, and such supplemental account need not be invested in such investment funds by the Committee.

The Committee shall then add to such supplemental account balance, as adjusted for earnings or losses during the year. the allocation of deferred compensation amounts, If any, that the participant has not elected to receive in cash for the calendar year.

(b) The supplemental account of each participant shall be entered on the books of the Company and shall represent a liability, payable when due under this Plan, out of the general assets of the Company. Prior to benefits becoming due hereunder, the Company shall expense the liability for payment of such accounts in accordance with policies determined appropriate by the Company's auditors.

(c) In years when deferred compensation elections are made available under the Company's Executive Investment Plans I and II, each participant shall be entitled to transfer his or her individual account as a Rollover Amount to the Minnesota Power and Affiliated Companies Executive Investment Plan I or the Minnesota Power and Affiliated Companies Executive Investment Plan II, all subject to the specific terms and restrictions in said Plans, provided that the transfer of an individual account as a Rollover

Amount shall not result in a deferral or acceleration of the date or dates on which such Rollover Amount would have been received under the terms of this Plan had no transfer occurred.

4.6 Payment of Amount Credited Under Section 4.1(c) Notwithstanding the provisions of Section 4.3, the amount credited to a participant upon Retirement under Section 4.1(c) shall be paid in equal monthly installments commencing on the last day of the month following the date of the Participant's Retirement and continuing for a period of 15 years. Monthly installments shall be calculated in accordance with the provisions of Section 4.3.

4.7 Payment of Unpaid Benefits Upon Participant's Death. If a participant dies while employed by the Company or if a Retired participant dies before receiving all payments which such participant is entitled to receive pursuant to Subsections 4.4, 4.6 or pursuant to an election made under Subsection 4.3 hereof, the amount then standing to the credit of such participant on his or her supplemental account shall be paid in the subsequent calendar year following the date of the participant's death to the participant's beneficiary. A subsequent payment shall be made in a single sum within 30 days after allocation of amounts payable under this plan is actually made for the year in which the participant's date of death occurs.

Each participant may designate, by letter to the Committee, a beneficiary to receive any payment to be made hereunder after the death of the participant. The designation shall take effect upon receipt of the letter by the Committee. A participant may change his or her designated beneficiary or beneficiaries from time to time and each such letter of designation shall revoke any previous designation. If no beneficiary has been designated, or if all designated beneficiaries have predeceased the participant, the deceased participant's estate shall be the participant's beneficiary. If a designated beneficiary shall survive the participant but all designated beneficiaries shall die prior to complete distribution of the benefit payable with respect to the participant, the deceased participant's beneficiary shall be the estate of the last surviving designated beneficiary.

4.8 Distribution Upon Termination Other Than Retirement, Death or Disability. If a participant's employment with the Company terminates for any reason other than Retirement, death or disability, the balance to the credit of the participant's supplemental account as of the Accounting Date immediately preceding or coincident with the date of the participant's termination of employment, shall be paid to the participant in a single sum upon the date of the participant's separation from service, or within 30 days thereafter. If a participant entitled to a benefit under this section dies prior to receiving payment, then such payment shall be made to the participant's beneficiary.

4.9 Distribution Upon Disability. In the event a participant terminates his or her employment on account of disability (as defined in the Supplemental Retirement Plan) prior to Retirement, the balance to the credit of the participant's supplemental account shall be paid to the participant in a single sum in the year after such termination of employment occurs. Payments shall be made within 30 days after the calculation of amounts payable under this plan is actually made for the year in which the participant separated from service on account of disability. If a participant entitled to a benefit under this section dies prior to receiving payment, then such payment shall be made to his or her beneficiary.

SECTION 5. ADMINISTRATION

5.1 Committee. This Plan shall be administered by the committee appointed by the Board of Directors of the Company and known as the Employees' Benefit Plans Committee (the "Committee").

The interpretation and construction by the Committee of any provisions of the Plan shall be final unless otherwise determined by the Board of Directors. Subject to the Board, the Committee is authorized to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary for its administration.

Without limiting the generality of the foregoing, the Committee shall have the authority to calculate amounts allocable to participants, to maintain and adjust supplemental accounts, and to calculate the percentage net return on account balances.

5.2 Uniform Rules. In administering the Plan, the Committee will apply uniform rules to all participants similarly situated.

5.3 Notice of Address. Any payment to a participant or beneficiary, at the last known post office address on file with the Company, shall constitute a complete acquittance and discharge to the Company and any director or officer with respect thereto unless the Company shall have received prior written notice of any change in the address, condition, or status of the distributee. Neither the Company nor any director or officer shall have any duty or obligation to search for or ascertain the whereabouts of any participant or his beneficiary.

5.4 Records. The records of the Committee with respect to the Plan shall be conclusive on all participants. all beneficiaries, and all other persons whomsoever.

5.5 Claims Procedure. If any claim for benefits under the Plan is wholly or partially denied, the claimant shall be given notice in writing, within a reasonable period of time after receipt of the claim by the plan, by registered or certified mail, of such denial, written in a manner calculated to be understood by the claimant, setting forth the specific reasons for such denial, specific reference to pertinent Plan provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and an explanation of the Plan's claim review procedure. The Claimant also shall be advised that he or his duly authorized representative may request a review by the Committee of the decision denying the claim by filing with the Committee, within 60 days after such notice has been received by the claimant, a written request for such review, and that the Claimant may review pertinent documents, and submit issues and comments in writing within the same 60-day period. If such request is so filed, such review shall be made by the Committee within 60 days after receipt of such request; and the claimant shall be given written notice of the decision resulting from such review, and shall include specific reasons for the decision, written in

a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

5.6 Change of Law. The Committee may make payments of any benefits or deferred amounts to be paid under the Plan, to any participant or participants, or to the beneficiary of any participant or participants, in advance of the date when otherwise due, (i) if, based on a change in federal tax law or regulation, published rulings or similar announcements by the Internal Revenue Service, decision by a court of competent jurisdiction involving the Plan, a participant or a beneficiary, or a closing agreement made under Section 7121 of the Internal Revenue Code of 1986 that involves the Plan, a participant or a beneficiary, it determines that a participant or beneficiary will recognize income for federal income tax purposes with respect to amounts that are otherwise not then payable under the Plan; or (ii) if it shall be determined that the Plan is subject to the requirements of Parts 2 and 3 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, because such Plan is not maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

5.7 Generation-Skipping Tax. Notwithstanding any provisions in this Plan to the contrary, the Committee may withhold any benefits payable to a beneficiary as a result of the death of the participant (or the death of any beneficiary designated by the participant) until such time as (i) the Committee is able to determine whether a generation-skipping transfer tax, as defined in Chapter 13 of the Internal Revenue Code of 1986, or any substitute provision therefor, is payable by the Company; and (ii) the Committee has determined the amount of generation-skipping transfer tax that is due, including interest thereon. If any such tax is payable, the Committee shall reduce the benefits otherwise payable hereunder to such beneficiary by the amount necessary to provide said beneficiary with a benefit equal to the amounts that would have been payable if the original benefits had been calculated on the basis of a value for the participant's supplemental account reduced by an amount equal to the generation-skipping transfer tax and any interest thereon that is payable as a result of the death in question. The Committee may also withhold from distribution by further reduction of the then net value of benefits calculated in accordance with the terms of the previous sentence such amounts as the Committee feels are reasonably necessary to pay

additional generation-skipping transfer tax and interest thereon from amounts initially calculated to be due. Any amounts so withheld, and not actually paid as a generation-skipping transfer tax or interest thereon, shall be payable as soon as there is a final determination of the applicable generation-skipping tax and interest thereon.

SECTION 6. GENERAL PROVISIONS

6.1 Nonassignability. Benefits under the Plan are not in any way subject to the debts of other obligations of the persons entitled thereto and may not voluntarily or involuntarily be sold, transferred, or assigned.

6.2 Incompetency. Every person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent and of age until the Committee receives written notice, in a form and manner acceptable to it, that such person is incompetent or a minor, and that a guardian, conservator, statutory committee, or other person legally vested with the care of his or her estate has been appointed. In the event that the Committee finds that any person to whom a benefit Is payable under the PIan is unable to properly care for his or her affairs, or is a minor, then any payment due (unless a prior claim therefor shall have been made by a duly appointed legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment.

In the event a guardian or conservator or statutory committee of the estate of any person receiving or claiming benefits under the Plan shall be appointed by a court of competent jurisdiction, payment shall be made to either guardian or conservator or statutory committee provided that proper proof of appointment is furnished in a form and manner suitable to the Committee. Any payment made under the provisions of this subsection shall be complete discharge of liability therefor under the Plan.

6.3 Employment Rights. The establishment of the Plan shall not be construed as conferring any legal rights upon any participant or any other person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person and/or treat such person without regard to the effect which such treatment might have upon or her as a person covered by this Plan.

6.4 No Individual Liability. It is declared to be the express purpose and intention of the Plan that no liability whatever shall attach to or be incurred by the shareholders, officers, or directors of the Company, or any representatives appointed hereunder by the Company, under or by reason of any of the terms or conditions of the Plan.

6.5 Illegality of Particular Provision. If any particular provision of the Plan shall be found to be illegal or unenforceable, such provision shall not affect the other provisions thereof, but the Plan shall be construed in all respects as if such invalid provision were omitted.

6.6 Contractual Obligations. It is Intended that the Company is under a contractual obligation to make payments to participants from the general funds and assets of the Company in accordance with the terms and conditions of the Plan, with such payments to reduce the amounts allocated to the participant's account hereunder. A participant shall have no rights to such payments. other than as a general, unsecured creditor of the Company.

SECTION 7. AMENDMENT AND TERMINATION

7.1 Amendment and Termination. The Company expects the Plan to be permanent, but since future conditions affecting the Company cannot be anticipated or foreseen, the Company must necessarily and does hereby reserve the fight to amend, modify, or terminate the Plan at any time by written resolution of its Board of Directors. Provided, however, no amendment, termination or other change in the Plan shall reduce the amount allocated to the account of a participant on the date of such amendment, termination or other change, which account balance shall be payable to such participant or such participant's beneficiary as provided herein.

7.2 Reorganization of the Company. In the event of a merger or consolidation of the Company, or the transfer of substantially all of the assets of the Company to another corporation, such continuing, resulting or transferee corporation shall have the right to continue and carry on the Plan and to assume all liabilities of the

Company hereunder without obtaining the consent of any participant or beneficiary. If such successor shall assume the liabilities of the Company hereunder, then the Company shall be relieved of all such liability, and no participant or beneficiary shall have the right to assert any claim against the Company for benefits under or in connection with this Plan.

SECTION 8. APPLICABLE LAWS

8.1 Applicable Laws. The Plan shall be governed by and construed according to the laws of the State of Minnesota.

IN WITNESS WHEREOF, Minnesota Power & Light Company, has caused this instrument to be executed by its duly authorized officers and its corporate seal to be hereunto affixed.

MINNESOTA POWER & LIGHT COMPANY

By R.D. Edwards

Its Executive Vice President

ATTEST:

By Philip R. Halverson

Its Secretary

Exhibit 10(i)

ASSET HOLDINGS III, L.P.

Note Purchase Agreement

DATED AS OF NOVEMBER 22, 1994

$9,408,030 9.82% SERIES A FIRST MORTGAGE NOTES DUE APRIL 1, 2000
$16,296,970 9.82% SERIES B FIRST MORTGAGE NOTES DUE APRIL 1, 2000

GUARANTIED BY
ADESA CORPORATION

TABLE OF CONTENTS
(Not a Part of the Agreement)

ASSET HOLDING III, L.P.
c/o JH Management Corp.
One International Place
Boston, MA 02110-2624

ADESA CORPORATION
1919 South Post Road
Indianapolis, IN 46239

NOTE PURCHASE AGREEMENT

$9,408,030 9.82% SERIES A FIRST MORTGAGE NOTES DUE APRIL 1, 2000
$16,296,970 9.82% SERIES B FIRST MORTGAGE NOTES DUE APRIL 1, 2000

Dated as of November 22, 1994

Principal Mutual Life Insurance Company
711 High Street
Des Moines, IA 50392

Ladies and Gentlemen:

ASSET HOLDING III, L.P. (together with its successors and assigns permitted pursuant to this Agreement, the "Company"), an Ohio limited partnership, and ADESA CORPORATION (together with its successors and assigns permitted pursuant to this Agreement, the "Guarantor"), an Indiana corporation, hereby agree with you as follows:

1. PURCHASE AND SALE OF NOTES

1.1 Authorization of Notes.

(a) Issuance of Notes. The Company will authorize the issue of Nine Million Four Hundred Eight Thousand Thirty Dollars ($9,408,030) in aggregate principal amount of its 9.82% Series A First Mortgage Notes due April 1, 2000 (the "Series A Notes") and Sixteen Million Two Hundred Ninety-Six Thousand Nine Hundred Seventy Dollars ($16,292,970) in aggregate principal amount of its 9.82% Series B First Mortgage Notes due April 1, 2000 (the "Series B Notes"). The Series A Notes and the Series B Notes shall be issuable as more particularly provided herein and in the Collateral Trust Indenture, dated as of the date hereof (as the same may be amended from time to time, the "Indenture"), from the Company, as grantor, to PNC Bank, Kentucky, Inc., a Kentucky banking corporation, as security trustee (the "Security Trustee"), in the form of Exhibit A hereto. Each series of Notes shall

(i) bear interest on the unpaid principal amount thereof from the date of issuance thereof at the rate of nine and eight-two one-hundredths percent (9.82%) per annum (computed on the basis of a calendar year consisting of twelve 30-day months), payable monthly on the first (1st) day of each month commencing on the later of January 1, 1995 or the payment date next succeeding the date of such Note;

(ii) bear interest, payable on demand, on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the lesser of

(A) the highest rate allowed by applicable law, or

(B) eleven and eighty-two one-hundredths percent (11.82%) per annum;

(iii) be prepayable only as provided in the Indenture;

(iv) mature on April 1, 2000; and

(iv) be in the form of Exhibit A to the Indenture.

The term "Notes" as used in this Agreement and in the Indenture shall include each Series A Note and each Series B Note delivered pursuant to this Agreement and the Indenture and each Note delivered in substitution, replacement or exchange for any such Note pursuant to Section 2.7 of the Indenture.

(b) Purchase and Sale of Notes.

(i) Initial Purchase and Sale of Notes. The Company hereby agrees to sell to you and, subject in all respects to the terms and conditions set forth in the Indenture and herein, you hereby agree to purchase from the Company on the Initial Closing Date the aggregate principal amount of each series of Notes (the "Initial Notes") set forth below your name on Annex 1 hereto and designated as the Initial Notes, at a price equal to one hundred percent (100%) of the principal amount thereof (the "Initial Note Purchase").

(ii) Second Purchase and Sale of Notes. The Company hereby agrees to sell to you and, subject in all respects to the terms and conditions set forth in the Indenture and herein (including, without limitation, Section 4.2 hereof), you hereby agree to purchase from the Company on the Second Closing Date the aggregate principal amounts of each series of Notes (the "Second Notes") set forth below your name on Annex 1 hereto and designated as the Second Notes, at a price equal to one hundred percent (100%) of the principal amount thereof (the "Second Note Purchase").

(c) Purchase Request. The Company shall deliver a Purchase Request in connection with the Second Note Purchase which shall be in the form of Exhibit B hereto and shall specify the following:

(i) the aggregate principal amount of Second Notes subject to such Purchase Request;

(ii) the proposed date of closing the issuance and sale of the Second Notes; and

(iii) the account and depository institution to which the purchase price for the Second Notes should be wired upon the purchase of the Second Notes.

The Purchase Request shall also certify that the representations and warranties contained in Section 3 hereof are true and correct on and as of the date of the Purchase Request and that there exists no Event of Default or Default at such time.

1.2 The Closings.

(a) The Initial Closing. The closing of the Initial Note Purchase (the "Initial Closing") will be held on November 29, 1994, or such later date (not later than November 30, 1994) as may be agreed to by you and the Company (the "Initial Closing Date"), at 10:00 a.m., local time, at the office of Hebb & Gitlin, One State Street, Hartford, Connecticut 06103. At the Closing, the Company will deliver to you one or more Notes (as indicated below your name on Annex 1), in the series and denominations indicated on Annex 1, in the aggregate principal amount of your Initial Note Purchase, dated the Initial Closing Date and payable to you or payable as indicated on Annex 1, against payment by federal funds wire transfer in immediately available funds of the purchase price thereof, as directed by the Company on Annex 2.

(b) The Second Closing. The closing of the Second Note Purchase (the "Second Closing") will be held on the Second Closing Date. On the Second Closing Date, the Company will deliver to you, at the offices of Hebb & Gitlin as set forth in Section 1.2(a) above, one or more Notes (registered as set forth on Annex 1 hereto), in the series and denominations indicated on Annex 1, in the aggregate principal amount of your Second Note Purchase, dated the Second Closing Date and payable to you or payable as indicated on Annex 1, against payment by federal funds wire transfer in immediately available funds of the purchase price thereof, as directed by the Company in the Purchase Request.

(c) Determination of the Second Closing Date. The date of the Second Closing (the "Second Closing Date") shall be a Business Day that is the later of the day proposed as the Second Closing Date by the Company in the Purchase Request or the date five (5) Business Days from the date of the delivery of the Purchase Request; provided, that in no event shall the Second Closing Date be later than January 13, 1995.

1.3 Purchase for Investment; ERISA

(a) Purchase for Investment. You represent to the Company and the Guarantor that you are purchasing the Notes issued from time to time pursuant to this Agreement, in the aggregate amounts provided herein, for your own account for investment and with no present intention of distributing the Notes or any part thereof, but without prejudice to your right at all times to:

(i) sell or otherwise dispose of all or any part of the Notes under a registration statement filed under the Securities Act, or in a transaction exempt from the registration requirements of the Securities Act; and

(ii) have control over the disposition of all of your assets to the fullest extent required by any applicable insurance law.

It is understood that, in making the representations set out in Section 3.12(a) and Section 3.14(a) of this Agreement, the Company and the Guarantor are relying, to the extent applicable, upon your representations in the immediately preceding sentence.

(b) ERISA. You represent, with respect to the funds with which you are acquiring the Notes, that all of such funds are from or attributable to one or more of:

(i) General Account -- your general account assets or assets of one or more segments of such general account, as the case may be;

(ii) Separate Account -- a "separate account" (as defined in section 3 of ERISA),

(A) 10% Pooled Separate Account -- in respect of which all requirements for an exemption under DOL Prohibited Transaction Class Exemption 90-1 are met with respect to the use of such funds to purchase the Notes,

(B) Identified Plan Assets -- that is comprised of employee benefit plans identified by you in writing and with respect to which the Company and the Guarantor hereby warrant and represent that, as of the Initial Closing Date and as of the Second Closing Date, neither the Company, the Guarantor nor any ERISA Affiliate is a "party in interest" (as defined in section 3 of ERISA) or a "disqualified person" (as defined in section 4975 of the IRC) with respect to any plan so identified, or

(C) Guaranteed Separate Account -- that is maintained solely in connection with fixed contractual obligations of an insurance company, under which any amounts payable, or credited, to any employee benefit plan having an interest in such account and to any participant or beneficiary of such plan (including an annuitant) are not affected in any manner by the investment performance of the separate account (as provided by 29 C.F.R. Section 2510.3-101(h)(1)(iii));

(iii) Qualified Professional Asset Manager -- an "investment fund" managed by a "qualified professional asset manager" (as such terms are defined in Part V of DOL Prohibited Transaction Class Exemption 84-14) and all requirements for an exemption under such Exemption are met with respect to the use of such funds to purchase the Notes; or

(iv) Excluded Plan -- an employee benefit plan that is excluded from the provisions of section 406 of ERISA by virtue of section 4(b) of ERISA.

1.4 Failure to Tender, Failure of Conditions.

If at either Closing the Company fails to tender to you the Notes to be purchased by you at such Closing, or if the conditions specified in Section 4 hereof to be fulfilled at such Closing have not been fulfilled, you may thereupon elect to be relieved of all further obligations hereunder. Nothing in this Section 1.4 shall operate to relieve the company or the Guarantor from any of its respective obligations hereunder or to waive your rights against the Company or the Guarantor.

1.5 Expenses.

(a) Generally, Whether or not the Notes are sold, the company will promptly (and in any event within thirty (30) days of receiving any statement or invoice therefor) pay all fees, expenses and costs relating hereto, including, but not limited to:

(i) the cost of reproducing this Agreement, the Indenture, the Notes and the other documents delivered in connection with each Closing;

(ii) the fees and disbursements of your special counsel incurred in connection herewith;

(iii) the fees of the Security Trustee;

(iv) the cost of delivering to your home office or custodian bank, insured to your satisfaction, the Notes purchased by you at each Closing;

(v) the fees, expenses and costs incurred in complying with each of the conditions to closing set forth in Section 4 hereof, including, without limitation, title insurance premiums, survey expenses, and all fees taxes and expenses for the recording, registration and filing of the Collateral Documents and for the issuance and sale of the Notes; and

(v) the cost of obtaining private placement numbers for the Notes.

(b) Counsel. Without limiting the generality of the foregoing, it is agreed and understood that the company will pay, at each closing, the statement for reasonable fees and disbursements of your special counsel presented at such Closing and the Company will also pay, upon receipt of any statement therefor, each additional statement for reasonable fees and disbursements of your special counsel rendered after each such

Closing in connection with the issuance of the Notes or the matters referred to in Section 1.5(a) hereof.

(c) Survival. The obligations of the Company under this Section 1.5 and Section 9.6 of this Agreement shall survive the payment of the Notes and the termination hereof.

2. APPLICATION OF PROCEEDS; SECURITY.

2.1 Application of Proceeds of the Notes.

(a) Series A Notes. The proceeds from the sale of the Series A Notes will be used by the Company to pay for the acquisition of the Mortgaged Land and related transaction costs, including interest on the Notes.

(b) Series B Notes. The proceeds from the sale of the Series B Notes will be used to pay (i) the purchase price of the Mortgaged Improvements, (ii) the costs and expenses incurred in connection with construction and improvement of the Mortgaged Improvements now existing or hereafter constructed and (iii) related transaction costs, including interest on the Notes.

2.2 Security for the Notes. The Notes will be secured by (a) the Indenture, pursuant to which certain real and personal property of the Company more particularly described therein is being held in trust by the Security Trustee for your benefit, (b) the Mortgages, pursuant to which the company has granted liens in favor of the Security Trustee on all of the Company's right, title and interest in and to the Mortgaged Properties and certain other property more particularly described therein and (c) the Assignments of Leases and Rents pursuant to which the Company has pledged and assigned to the Security Trustee all of the Company's right, title and interest in and to the Leases and certain other property more particularly described therein.

3. WARRANTIES AND REPRESENTATIONS

To induce you to enter into this Agreement and to purchase the Notes at the times and in the amounts provided herein, each of the Company (with respect to itself and not with respect to the Guarantor and the Subsidiaries) and the Guarantor warrants and represents, as follows:

3.1 Nature of Business.

Prior to the Initial Closing Date the Company has not engaged in any business. The Private Placement Memorandum, dated September 8, 1994 (as supplemented November 29, 1994), prepared by the Guarantor with the assistance of Banc One Capital Corporation, as placement agent (together with all exhibits and annexes thereto, the "Placement Memorandum") (a copy of which previously has been delivered to you), correctly describes the general nature of the business and principal Properties of the Company, the Guarantor and the Subsidiaries.

3.2 Financial Statements; Indebtedness; Material Adverse Change.

(a) Financial Statements. the Guarantor has provided you with (i) the audited consolidated financial statements of the Guarantor and its consolidated subsidiaries for the years ended December 31, 1992 and 1993 and (ii) the consolidated financial statements of the Guarantor and its consolidated subsidiaries for the six month period ending June 30, 1994. Such financial statements have been prepared in accordance with GAAP consistently applied, and present fairly, in all material respects, the financial position of the Guarantor and its Subsidiaries as of such dates and the results of their operations and cash flows for such periods (subject, in the case of such interim statements, to normal year end adjustments). All such financial statements include the accounts of all subsidiaries of the Guarantor for the respective periods during which a subsidiary relationship has existed.

(b) Debt. The Company has no outstanding Debt except the Debt evidenced by the Notes. Part 3.2(b) of Annex 3 hereto lists all debt of the Guarantor and the Subsidiaries as of October 31, 1994, and provides the following information with respect to each item of such Debt:

(i) the holder thereof,

(ii) the outstanding amount,

(iii) the portion which is classified as current under GAAP, and

(iv) the collateral securing such Debt, if any.

(c) Material Adverse Change. Since December 31, 1993, there has been no change in the business, prospects, profits, Properties or condition (financial or otherwise) of the guarantor or any of the Subsidiaries, except changes in the ordinary course of business that, in the aggregate for all such changes, could not reasonably be expected to have a Material Adverse Effect.

(d) Other Financial Information. All statements or summaries of historical or pro forma financial condition and performance of the Company, the Guarantor and the Subsidiaries included in the Placement Memorandum or delivered to you by the Company or the Guarantor are complete and correct in all material respects, and such pro forma statements have been prepared based on assumptions and estimates which are set forth in the Placement Memorandum and which are reasonable in light of the circumstances existing at the time such assumptions and estimates were made, based on the best information available to management of the Guarantor and the Subsidiaries at the time of the preparation thereof. Such assumptions continue to be reasonable, based on the best information available to the management of the Company, the Guarantor and the Subsidiaries.

3.3 Subsidiaries and Affiliates.

The Company does not own or control any Securities or other equity interest of any Person. Part 3.3 of Annex 3 hereto sets forth:

(a) the name of each of the Subsidiaries, its jurisdiction of incorporation and the percentage of its Voting Stock owned by the Guarantor and each other Subsidiary, and

(b) the name of each Affiliate (other than individuals) and the nature of its affiliation.

Each of the Guarantor and the Subsidiaries has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any Lien (other than a Lien in favor of the Bank securing Debt described in Part 3.2(b) of Annex 3). All such shares have been duly issued and are fully paid and nonassessable.

3.4 Title to Properties; Lease; Patents; Trademarks, etc of Guarantor and the Subsidiaries.

(a) Each of the Guarantor and the subsidiaries has good and marketable title to all of the real Property, and good title to all of the other Property, reflected in the most recent balance sheet referred to in Section 3.2(a) hereof (except as sold or otherwise disposed of in the ordinary course of business). All such Property is free from Liens other than Permitted Liens.

(b) Each of the Guarantor and the Subsidiaries has complied with all obligations under all leases to which it is a party (including, without limitation the Leases). All such leases are in full force and effect and each of the Guarantor and the Subsidiaries enjoys peaceful and undisturbed possession under all such leases.

(c) Each of the Guarantor and the Subsidiaries owns, possesses or has the right to use all of the patents, trademarks, service marks, trade names, copyrights and licenses, and rights with respect thereto, necessary for the present and currently planned future conduct of its business, without any known conflict with the rights of others.

3.5 Taxes.

(a) Taxes of company.

The Company is not in default in the payment of any taxes levied or assessed against it, its assets or the Mortgaged Properties. All tax returns to be filed by the Company, if any, in any jurisdiction have in fact been filed.

(b) Returns of Guarantor Filed; Taxes Paid.

All tax returns to be filed by the Guarantor and each Subsidiary and any other Person with which the Guarantor or any Subsidiary files or has filed a consolidated

return in any jurisdiction have been filed on a timely basis, and all taxes, assessments, fees and other governmental charges upon each of the Guarantor, such Subsidiary and any such Person, and upon any of their respective Properties, income or franchises, that are shown thereon to be due and payable have been paid.

(c) Book Provisions Adequate.

(i) The amount of the liability for taxes reflected in each of the balance sheets referred to in Section 3.2 (a) hereof is in each case an adequate provision for taxes as of the dates of such balance sheets (including, without limitation, any payment due pursuant to any tax sharing agreement) as are or may become payable by any one or more of the Guarantor and the other Persons consolidated with the Guarantor in such financial statements in respect of all tax periods ending on or prior to such dates.

(ii) The Guarantor does not know of any proposed additional tax assessment against it or any such Person that is not reflected in full in the most recent balance sheet referred to in Section 3.2(a) hereof; provided, however, the Guarantor has been advised by the IRS that its federal income tax return for the Guarantor's 1992 tax year is being audited, which audit could result in an additional tax assessment.

3.6 Pending Litigation.

(a) There are no proceedings, actions or investigations pending or, to the knowledge of the Company or the Guarantor threatened against or affecting the Company, the Guarantor or any Subsidiary in any court or before any Governmental Authority or arbitration board or tribunal that, in the aggregate for all such proceedings, action or investigations, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company, the Guarantor nor any subsidiary is in default with respect to any judgment, order, writ, injunction or decree of any court, Governmental Authority, arbitration board or tribunal that, in the aggregate for all such defaults, could reasonably be expected to have a Material Adverse Effect.

3.7 Full Disclosure.

The financial statements referred to in Section 3.2(a) hereof do not, nor does this Agreement, the Indenture, any other Financing Document, the Placement Memorandum or any statement furnished to you by or on behalf of the Company or the Guarantor in connection with this Agreement or any Closing, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein and herein not misleading. There is no fact that has not been disclosed to you in writing that has had or, so far as the Company or the Guarantor can now reasonably foresee, could reasonably be expected to have a Material Adverse Effect.

3.8 Organization and Authority.

(a) The Company. The Company:

(i) is a limited partnership duly organized and validly existing under the laws of the State of Ohio;

(ii) has all legal and partnership power and authority to own and operate the Mortgaged Properties and to carry on its business as now conducted and as presently proposed to be conducted;

(iii) has all licenses, certificates, permits, franchises and other governmental authorizations necessary to own and operate the Mortgaged Properties and to carry on its business as now conducted and as presently proposed to be conducted; and

(iv) has duly qualified or has been duly licensed, and is authorized to do business and is in good standing (to the extent the concept of "good standing" exists in such jurisdiction), as a foreign limited partnership, in each state where any of the Mortgaged Properties is located.

(b) The Guarantor, the General Partner and the Subsidiaries. Each of the Guarantor, the General Partner and the Subsidiaries:

(i) is a corporation duly incorporated, validly existing and in good standing (to the extent the concept of "good standing" exists in such jurisdiction) under the laws of its jurisdiction of incorporation;

(ii) has all legal and corporate power and authority to own and operate its Properties and to carry on its business as now conducted and as presently proposed to be conducted;

(iii) has all licenses, certificates, permits, franchises and other governmental authorizations necessary to own and operate its Properties and to carry on its business as now conducted and as presently proposed to be conducted, except where the failure to have such licenses, certificates, permits, franchises and other governmental authorizations, in the aggregate for all such failures, could reasonably be expected to have a Material Adverse Effect; and

(iv) has duly qualified or has been duly licensed, and is authorized to do business and is in good standing (to the extent the concept of "good standing" exists in such jurisdiction), as foreign corporation, in each state (each of which states is listed in Part 3.8(b) of Annex 3) where the failure to be so qualified or licensed and authorized and in good standing, in the aggregate for all such failures, could reasonably be expected to have a Material Adverse Effect.

3.9 Charter Instruments, Other Agreements, etc.

(a) Charter Instruments. Neither the Company, the Guarantor nor any subsidiary is in violation in any respect of any term of any partnership agreement, charter instrument or bylaw, as the case may be.

(b) Agreements Relating to Debt. Neither the Guarantor nor any Subsidiary is in violation of any term in, and no default or event of default exists under, any agreement or other instrument to which it is a party or by which it or any of its Properties may be bound relating to, or providing the terms of, any Debt specified in Part 3.2(b) of Annex 3 hereto.

(c) Other Agreements. The Company is not a party to any agreement or other instrument other than the Financing Documents. Neither the Guarantor nor any Subsidiary is in violation of any provision of, and no default or event of default exists under, any agreement or other instrument to which it is a party or by which it or any of its Properties may be bound (other than the agreements and other instruments specified in clause (b) of this Section 3.9).

3.10 Restrictions on Company, Guarantor and other Subsidiaries.

Neither the Company, the Guarantor nor any other Subsidiary:

(a) is a party to any contract or agreement, or subject to any charter or other restriction that (in the aggregate for all such contracts, agreements and restrictions) could reasonably be expected to have a Material Adverse Effect; or

(b) is a party to any contract or agreement that restricts the right or ability of such Person to incur Debt, other than this Agreement and the agreements listed in Part 3.10(b) of Annex 3 hereto, none of which restricts the issuance and sale of the Notes, the performance by the Company of its obligations under this Agreement or under the Notes or the performance by the Guarantor of its obligations under this Agreement, including the Unconditional Guaranty.

3.11 Compliance with Law.

Neither the company, the Guarantor nor any Subsidiary is in violation of any law, ordinance, governmental rule or regulation to which it is subject, except for violations which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.12 ERISA.

(a) Relationship of Vested Benefits to Pension Plan Assets. The present value of all benefits; determined as of the most recent valuation date for such benefits as provided in Section 6.7 hereof, vested under each Pension Plan does not exceed the value of the assets of such Pension Plan allocable to such vested benefits, determined as of such date as provided in Section 6.7 hereof.

(b) ERISA Requirements. Each of the Guarantor and the ERISA Affiliates,

(i) has fulfilled all obligations under the minimum funding standards of ERISA and the IRC with respect to each Pension Plan,

(ii) is in compliance in all material respects with all other applicable provisions of ERISA and the IRC with respect to each Pension Plan, and

(iii) has not incurred any liability under Title IV of ERISA to the PBGC (other than in respect of required insurance premiums, all of which that are due having been paid) with respect to any Pension Plan or any trust established thereunder.

No Pension Plan, or trust created thereunder, has incurred any accumulated funding deficiency (as such term is defined in section 302 of ERISA), whether or not waived, as of the last day of the most recently ended plan year of such Pension Plan.

(c) Prohibited Transactions.

(i) The issuance and sale by the company of the Notes to you will not constitute a "prohibited transaction" (as such term is defined in section 406 of ERISA or section 4975 of the IRC) that could subject any Person to the penalty or tax on prohibited transactions imposed by section 502 of ERISA or section 4975 of the IRC, and none of the company, the Guarantor or any ERISA Affiliate, nor any "employee benefit plan" (as such term is hereinafter defined) of the Company, the Guarantor, or any ERISA Affiliate or any trust created thereunder or any trustee or administrator thereof, has engaged in any "prohibited transaction" that could subject any such Person, or any other party dealing with such employee benefit plan or trust, to such penalty or tax. The representation by the Company and the Guarantor in the preceding sentence is made in reliance upon and subject to the accuracy of the representations in Section 1.3(b) hereof as to the source of funds used by you.

(ii) Part 3.12 of Annex 3 hereto completely lists all ERISA Affiliates and all employee benefit plans with respect to which the Guarantor or any "affiliate" (as such term is hereinafter defined) of the Guarantor is a "party-in-interest" (as such term is hereinafter defined) or in respect of which the notes could constitute an "employer security" (as such term is hereinafter defined).

As used in this Section 3.12(c), the terms "employee benefit plan" and "party-in-interest" have the meanings specified in section 3 of ERISA and "affiliate" and "employer security" have the meanings specified in section 407(d) of ERISA.

(d) Reportable Events. No Pension Plan or trust created thereunder has been terminated, and there have been no "reportable events" (as such term is defined in section 4043 of ERISA), with respect to any Pension Plan or trust created thereunder, which reportable event or events will or could result in the termination of such Pension Plan and give rise to a liability of the Guarantor, or any ERISA Affiliate, in respect thereof.

(e) Multiemployer Plans. Neither the Guarantor nor any ERISA Affiliate is, nor has any of them ever been, an employer required to contribute to any Multiemployer Plan.

(f) Multiple Employer Pension Plans. Neither the Guarantor nor any ERISA Affiliate is, nor has any of them ever been, a "contributing sponsor" (as such term is defined in section 4001 of ERISA) in any Multiple Employer Pension Plan.

3.13 Environmental Protection Laws.

(a) Compliance. Each of the Company, the Guarantor and the Subsidiaries is in compliance with all Environmental Protection Laws in effect in each jurisdiction where it is presently doing business, except where any failures to comply with such Environmental Protection Laws, in the aggregate for all such failures, could not reasonably be expected to have a Material Adverse Effect.

(b) Liability. Neither the Company, the Guarantor nor any Subsidiary is subject to any liability under any Environmental Protection Laws, except such liabilities, in the aggregate for all such liabilities, as could not reasonably be expected to have a Material Adverse Effect.

(c) Notices. Neither the Company, the Guarantor nor any Subsidiary has received any:

(i) notice from any Governmental Authority by which any of its present or previously-owned or leased Properties has been identified in any manner by any Governmental Authority as a hazardous substance disposal or removal site, "Super Fund" clean-up site or candidate for removal or closure pursuant to any Environmental Protection Law.

(ii) notice of any Lien arising under or in connection with any Environmental Protection Law that has attached to any revenues of, or to, any of its owned or leased Properties; or

(iii) communication, written or oral, from any Governmental Authority concerning any action or omission by the Company, the Guarantor or such Subsidiary in connection with its ownership or leasing of any Property resulting in the release of any Hazardous Substance or resulting in any violation of any Environmental Protection Law.

3.14 Transactions are Legal and Authorized; Obligations are Enforceable.

(a) Transactions are Legal and Authorized. Each of the issuance, sale and delivery of Notes by the Company, the execution and delivery by the Company and the Guarantor of this Agreement, the Indenture and the other Financing Documents to which each is a party, and compliance by the Company and the Guarantor with all of the provisions of this Agreement, the Indenture and the other Financing Documents to which each is a party, and, when issued, each of the Notes:

(i) is within the power of the Company and the Guarantor; and

(ii) is legal and does not conflict with, result in any breach of any of the provisions of, constitute a default under, or result in the creation of any Lien upon any Property of the Company (other than Liens in favor or the Security Trustee), the Guarantor or any Subsidiary under the provisions of, any partnership agreement, charter instrument, bylaw or other agreement to which any such Person is a party or by which any such Person or any of such Person's Properties may be bound.

(b) Obligations are Enforceable.

(i) This Agreement, the Indenture and the other Financing Documents have been duly authorized by all necessary partnership or corporate action, as the case may be, on the part of the Company and the Guarantor, have been duly executed and delivered by the General Partner, on behalf of the Company, and one or more duly authorized officers of the Guarantor, and each constitutes a legal, valid and binding obligation of the Company or the Guarantor, as the case may be, enforceable in accordance with its respective terms, and

(ii) the Notes have been duly authorized and, when issued, will have been duly executed and delivered by the General Partner, on behalf of the Company, and will constitute legal, valid and binding obligations of the Company, enforceable in accordance with their terms.

3.15 Governmental Consent; Certain Laws.

(a) Governmental Consent. Neither the nature of the Company, the Guarantor or any Subsidiary, or of any of their respective businesses or Properties, nor any relationship between the Company, the Guarantor or any Subsidiary and any other Person, nor any circumstance in connection with the offer, issuance, sale or delivery of the Notes and the execution and delivery of this Agreement, is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority on the part of the company, the Guarantor or any subsidiary as a condition to the execution and delivery of this Agreement or the offer, issuance, sale or delivery of the Notes.

(b) Certain Laws. Neither the Company, the Guarantor nor any Subsidiary is subject to regulation under, or otherwise required to comply with any filing, registration or notice provisions of, (i) the Investment Company Act of 1940, as amended or (ii) the Public Utility Holding Company Act of 1935, as amended.

3.16 Private Offering of Notes.

Neither the Company, the Guarantor, any Subsidiary nor Banc One Capital Corporation (the only Person authorized or employed by the Company or the Guarantor as agent, broker, dealer or otherwise in connection with the offering or sale of the Notes or any similar Security of the Company, other than employees of the Company) has offered any of the Notes or any

similar Security of the Company for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser other than thirty-three (33) other institutional investors, each of whom was offered all or a portion of the Notes at private sale for investment.

3.17 No Defaults; Transactions Prior to Facility Closing Date, etc.

(a) No event has occurred and no condition exists that, upon the execution and delivery of this Agreement or the issuance of any Notes, would constitute a Default or an Event of Default.

(b) Neither the Guarantor nor any Subsidiary has entered into any transaction during the period beginning on July 1, 1994 and ending on the Initial Closing Date that would have been prohibited by Section 6.9 hereof through Section 6.14 hereof, inclusive, had such Sections applied during such period.

3.18 Use of Proceeds of Notes.

(a) Use of Proceeds. The Company will use the proceeds from the sale of the Notes in accordance with Section 2.1.

(b) Margin Securities. None of the transactions contemplated herein and in the Notes (including, without limitation, the use of the proceeds from the sale of the Notes) violates, will violate or will result in a violation of section 7 of the Exchange Act or any regulations issued pursuant thereto, including, without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. The obligations of the Company and the Guarantor under this Agreement and the Notes are not and will not be directly or indirectly secured (within the meaning of such Regulation G) by any Margin Security, and no Notes are being sold on the basis of any such collateral.

(c) Absence of Foreign or Enemy Status. Neither the sale of the Notes nor the use of proceeds from the sale thereof will result in a violation of any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), or any ruling issued thereunder or any enabling legislation or Presidential Executive Order in connection therewith.

3.19 Capitalization.

Part 3.19 of Annex 3 hereto correctly lists the General Partner and Limited Partner and their respective ownership interests and equity contributions.

3.20 Solvency.

The fair value of the business and assets of each of the Company and the Guarantor is in excess of the amount that will be required to pay its respective liabilities (including, without limitation, contingent, subordinated, unmatured and unliquidated liabilities on existing debts, as such liabilities may become absolute and matured), in each case both prior to and after giving

effect to the transactions contemplated by this Agreement and the Notes. After giving effect to the transactions contemplated by this Agreement and the Notes, neither the Company nor the Guarantor will be engaged in any business or transaction, or about to engage in any business or transaction, for which such Person has unreasonably small capital, and neither the company nor the Guarantor has or had any intent to hinder, delay or defraud any entity to which it is, or will become, on or after the Initial Closing Date or the Second Closing Date, indebted or to incur debts that would be beyond its ability to pay as such debts mature.

4. CLOSING CONDITIONS

4.1 Initial Closing Conditions. Your obligations to purchase and pay for the initial Notes to be delivered to you at the Initial Closing are subject to satisfaction of the following conditions precedent:

(a) Collateral Documents. On the Initial Closing Date, each of the following documents (collectively called the "Collateral Documents") shall have been duly authorized, executed and delivered by the parties thereto, shall be in full force and effect, and no default shall exist thereunder, and the Security Trustee shall have received a fully executed copy thereof:

(i) the Indenture, in the form of Exhibit A hereto;

(ii) the Deeds of Trust and the Framingham Mortgage, each in substantially the form of Exhibit C and Exhibit D hereto, respectively; and

(iii) the Assignments of Leases and Rents, each in substantially the form of Exhibit E hereto.

The Collateral Documents and any financing statements under the Uniform Commercial Code executed in connection therewith shall have been recorded, registered and filed, if necessary, in such manner as to enable the opinions referred to in Section 4.1(g) to be rendered by the Persons specified thereby.

(b) Leases. On or prior to the Initial Closing Date, each of the Leases shall have been duly authorized, executed and delivered by the parties thereto, shall be in full force and effect, and no default shall exist thereunder, and the Security Trustee shall have received a fully executed copy thereof.

(c) Taxes; Other Charges. All taxes, fees and other charges incurred in connection with the execution, delivery, recording, filing and registration of this Agreement, the Indenture, the Notes and the Collateral Documents shall have been paid.

(d) Status of Title. On the Initial Closing Date, the Company shall have a good and marketable fee estate and each of the Mortgaged Properties, subject only to the Permitted Exceptions.

(e) Mortgage Title Insurance. The Security Trustee shall have received a policy of mortgagee title insurance acceptable to you, or commitments therefor, with

respect to each of the Mortgaged Properties, each of which polices shall (i) insure that the Company is the owner of the subject Mortgaged Property, (ii) insure that the subject Mortgage constitutes a first lien on the Mortgaged Property covered thereby, subject only to Permitted Exceptions, (iii) be satisfactory in form and substance to you and your special counsel, (iv) be in an amount not less than the amount set forth on Part 4.1(e) of Annex 3 hereto with respect to such Mortgaged Property, (v) be issued by a title insurance company which is satisfactory to you and (vi) contain such further endorsements and affirmative coverage as you may reasonably request and as are available (including, without limitation, the deletion of all exceptions to coverage in respect of survey disclosures, mechanic's liens, creditor rights, parties in possession and taxes). All premiums in respect of such title insurance policies shall have been paid in full and evidence thereof shall have been delivered to you.

(f) Survey. You shall have received a copy of a survey of each of the Mortgaged Properties, each of which surveys shall be satisfactory in scope, detail, form and substance to you and your special counsel.

(g) Opinions of Counsel.

You shall have received from

(i) John Witten, Esq, counsel for the Company,

(ii) Jerry Williams, General Counsel of the Guarantor,

(iii) Hebb & Gitlin, a Professional Corporation, your special counsel,

(iv) Bingham, Dana & Gould, local Massachusetts counsel to the Guarantor, and

(v) Long, Ragsdale and Waters, P.C., local Tennessee counsel to the Guarantor,

closing opinions, each dated as of the Initial Closing Date, substantially in the respective forms set forth in Exhibit F-1, Exhibit F-2, Exhibit F-3, Exhibit F-4 and Exhibit F-5 hereto and as to such other matters as each of you may reasonably request. This Section 4.1(g) shall constitute direction by the Company, the Guarantor and the Lessees to such counsel named in the foregoing clause (i), clause (ii), clause (iv) and clause (v) to deliver such closing opinion to you.

(h) Warranties and Representations True.

The warranties and representations contained in Section 3 hereof shall be true on the Initial Closing Date with the same effect as though made on and as of that date.

(i) Material Adverse Change. No material adverse change in the financial condition, business, operations or Property of the Guarantor shall have occurred on or after the date of the last audited financial statements of the Guarantor and its consolidated subsidiaries. No material adverse change in the condition of the Mortgaged Properties or the Property of the Guarantor or the Subsidiaries shall have occurred on or after such date.

(j) Officer's Certificates.

You shall have received:

(i) a certificate dated such Closing Date and signed by a Senior Officer of the General Partner on behalf of the Company, substantially in the form of Exhibit G-1 hereto;

(ii) a certificate dated such Closing Date and signed by a Senior Officer of the Guarantor, substantially in the form of Exhibit G-2 hereto;

(iii) a certificate dated such Closing Date and signed by the Secretary or an Assistant Secretary of the General Partner, substantially in the form of Exhibit H-1 hereto; and

(iv) a certificate dated such Closing Date and signed by the Secretary or an Assistant Secretary of the Guarantor, substantially in the form of Exhibit H-2 hereto.

(k) Good Standing Certificates.

You shall have received certificates, dated on or immediately prior to the Initial Closing Date,

(i) from the Secretary of State (or other appropriate official) of the jurisdiction of organization or incorporation, as the case may be, of the Company, the General Partner, the Guarantor and the Lessees certifying as to the due organization, incorporation and good standing or existence, as the case may be, of the Company, the General Partner, the Guarantor and the Lessees;

(ii) from the Secretary of State (or other appropriate official) of the states of North Carolina and Tennessee and the Commonwealth of Massachusetts certifying as to the due qualification (i) of the Company as a foreign limited partnership and (b) the General Partner as a foreign corporation, in such jurisdictions.

(l) Legality.

The Notes to be acquired by you on the initial Closing Date shall, on the Initial Closing Date, qualify as a legal investment for you under applicable insurance law (without regard to any "basket" or "leeway" provisions), and such acquisition shall not

subject you to any penalty or other onerous condition contained in or pursuant to any such law or regulation, and you shall have received such evidence as you may reasonably request to establish compliance with this condition.

(m) Governmental Approvals. On the Initial Closing Date, all necessary approvals, authorizations and consents, if any, required of all governmental bodies (including courts) having jurisdiction with respect to the Mortgaged Properties, the Company, the Guarantor or the transactions herein contemplated shall have been obtained.

(n) Environmental Assessment. A Phase 1 Environmental Assessment of each of the Mortgaged Properties shall have been performed and you shall have received a Phase 1 Environmental Report relating thereto, and such assessment and such report shall be satisfactory in all respects to you and your special counsel.

(o) Private Placement Number.

The Company shall have obtained or caused to be obtained private placement numbers for the Notes from the CUSIP Service Bureau of Standard & Poor's, a division of McGraw-Hill, Inc. and you shall have been informed of such private placement numbers.

(p) Equity Investment.

You should have received evidence satisfactory to you that the Company has received, as its initial capital, cash in an amount not less than Seven Hundred Ninety-Five Thousand Dollars ($795,000), in the aggregate, from the General Partner and the Limited Partner.

(q) Interest Escrow

The Company shall have arranged for the deposit with the Security Trustee (from the proceeds of the Initial Notes) of the Interest Deposit Amount with respect to the Initial Notes.

(r) Letter from Banc One Capital Corporation

Banc One Capital Corporation shall have delivered to you and your special counsel a letter describing the manner of the offering of the Notes, in form and substance satisfactory to you and your special counsel.

(s) Expenses.

All fees and disbursements required to be paid pursuant to Section 1.5(b) hereof shall have been paid in full.

(t) Compliance with this Agreement.

Each of the Company and the Guarantor shall have performed and complied with all agreements and conditions contained herein and in the Indenture that are required to be performed or complied with by the Company and the Guarantor on or prior to the Initial Closing Date, and such performance and compliance shall remain in effect on the Initial Closing Date.

(u) Proceedings Satisfactory.

All proceedings taken in connection with the issuance and sale of the Initial Notes and all documents and papers relating thereto shall be satisfactory to you and your special counsel. You and your special counsel shall have received, in a timely manner, copies of such documents and papers as you or they may request in connection therewith or in connection with your special counsel's closing opinion, all in form and substance satisfactory to you and your special counsel.

4.2 Second Closing Conditions. Your obligation to purchase and pay for the Second Notes at the Second Closing is subject to, in addition to the conditions set forth in Section 4.1, the timely receipt of the Purchase Request and satisfaction of the following conditions precedent:

(a) Opinions of Counsel.

You shall have received from

(i) John Witten, Esq, Corporate Counsel for Banc One Capital Partner,

(ii) Jerry Williams, Esq, General Counsel of the Guarantor, and

(iii) Hebb & Gitlin, a Professional Corporation, your special counsel,

closing opinions, each dated as of the Second Closing Date, updating the legal opinions delivered on the Initial Closing Date and acceptable to you in form and substance. This Section 4.2(a) shall constitute direction by the Company and the Guarantor to such counsel named in the foregoing clause (i) and clause (ii) to deliver such closing opinion to you.

(b) Warranties and Representations True.

The warranties and representations contained in Section 3 hereof shall be true on the Second Closing Date with the same effect as though made on and as of the Second Closing Date and no Default or Event of Default shall exist.

(c) Material Adverse Change. No material adverse change in the financial condition, business, operations or Property of the Guarantor shall have occurred on or after the Initial Closing Date. No material adverse change in the condition of the Mortgaged Properties shall have occurred on or after such date.

(d) Officer's Certificate.

You shall have received a certificate dated the Second Closing Date and signed by a Senior Officer of the General Partner on behalf of the Company, substantially in the form of Exhibit I hereto.

(e) Legality.

The Notes to be acquired by you on the Second Closing Date shall, on such Closing Date, qualify as a legal investment for you under applicable insurance law (without regard to any "basket" or "leeway" provisions), and such acquisition shall not subject you to any penalty or other onerous condition contained in or pursuant to any such law or regulation, and you shall have received such evidence as you may reasonably request to establish compliance with this condition.

(f) Interest Escrow

The Company shall have arranged for the deposit with the Security Trustee (from the proceeds of the Second Notes) of the Interest Deposit Amount with respect to the Second Notes.

(g) Expenses.

All fees and disbursements required to be paid pursuant to Section 1.5(b) hereof shall have been paid in full.

(h) No Change in Control.

You shall have received satisfactory evidence that no Change in Control or Control Event shall have occurred at any time subsequent to the Initial Closing Date.

(i) Proceedings Satisfactory.

All proceedings taken in connection with the issuance and sale of the Second Notes and all documents and papers relating thereto shall be satisfactory to you and your special counsel. You and your special counsel shall have received, in a timely manner, copies of such documents and papers as you or they may request in connection therewith or in connection with your special counsel's closing opinion, all in form and substance satisfactory to you and your special counsel.

5. GUARANTY AND OTHER RIGHTS AND UNDERTAKINGS

5.1 Guarantied Obligations

The Guarantor, in consideration of the execution and delivery of this Agreement and the purchase of the Notes by the Purchaser, hereby irrevocably, unconditionally and absolutely guarantees to each holder of Notes, as and for the Guarantor's own debt, until final and indefeasible payment has been made:

(a) the due and punctual payment by the Company of

(i) the principal of, and interest, and the Make-Whole Amount (if any) on, the Series A Notes at any time outstanding,

(ii) the principal of, and interest, and the Make-Whole Amount (if any) on, the Series B Notes at any time outstanding, and

(iii) the due and punctual payment of all other amounts payable, and all other indebtedness owing, by the Company to the holders of the Notes under this Agreement, the Indenture, the Notes and any other Financing Document,

in each case, when and as the same shall become due and payable, whether at maturity, pursuant to mandatory or optional prepayment, by acceleration or otherwise, all in accordance with the terms and provisions hereof and thereof; it being the intent of the Guarantor that the guaranty set forth in this Section 5 (the "Unconditional Guaranty") shall be a continuing guaranty of payment and not a guaranty of collection; and

(b) the punctual and faithful performance, keeping, observance, and fulfillment by the Company of all duties, agreements, covenants and obligations of the Company contained in this Agreement, the Indenture, the Notes and the other Financing Documents.

All of the obligations set forth in subsection (a) and subsection (b) of this Section 5.1 are referred to herein as the "Guarantied Obligations."

5.2 Performance Under This Agreement.

In the event the Company fails to pay, perform, keep, observe, or fulfill any Guarantied Obligation in the manner provided in this Agreement, the Indenture, the Notes or in the other Financing Documents, the Guarantor shall cause forthwith to be paid the moneys, or to be performed, kept, observed, or fulfilled each of such obligations, in respect of which such failure has occurred in accordance with the terms and provisions of this Agreement, the Indenture, the Notes and the other Financing Documents. In furtherance of the foregoing, if an Event of Default shall exist, all of the Guarantied Obligations shall, in the manner and subject to the limitations provided herein for the acceleration of the Notes, forthwith become due and payable without notice, regardless of whether the acceleration of the Notes shall be stayed, enjoined, delayed or otherwise prevented.

5.3 Primary Obligation.

The Unconditional Guaranty is a primary, original and immediate obligation of the Guarantor and is an absolute, unconditional, continuing and irrevocable guaranty of payment and performance and shall remain in full force and effect until the full, final and indefeasible payment of the Guarantied Obligations.

5.4 Actions Affecting the Guarantor.

The Guarantor consents and agrees that, without notice to or by the Guarantor and without impairing, releasing, abating, deferring, suspending, reducing, terminating or otherwise affecting the obligations of the Guarantor hereunder, each holder of Notes, in the manner provided herein, by action or inaction, may:

(a) compromise or settle or discharge the performance of, or refuse to (or otherwise not) enforce, or (by action or inaction) release all or any one or more parties to, any one or more of the Notes, this Agreement, the Indenture, or the other Financing Documents:

(b) assign, sell or transfer, or otherwise dispose of, any one or more of the Notes;

(c) grant waivers, extensions, consents and other indulgences to the Company or any other guarantor in respect of any one or more of the Notes, this Agreement, the Indenture or any other Financing Document;

(d) amend, modify or supplement any one or more of the Notes, this Agreement or the Indenture, in accordance with Section 9.5 hereof or Section 12.2 of the Indenture;

(e) amend, modify or supplement any other Financing Document, in a way which does not materially increase the obligations of the Company thereunder;

(f) release or substitute any one or more of the endorsers or guarantors of the Guarantied Obligations whether parties hereto or not; and

(g) sell, exchange, release, surrender or enforce, by action or inaction, any Property at any time pledged or granted as security in respect of the Guarantied Obligations, whether so pledged or granted by such Guarantor or another guarantor of the Company's obligations under this Agreement, the Indenture, the Notes or any other Financing Document.

5.5 Waivers.

To the fullest extent permitted by law, the Guarantor does hereby waive:

(a) any notice of

(i) acceptance of the Unconditional Guaranty;

(ii) any purchase of the Notes under this Agreement or the Indenture, or the creation, existence or acquisition of any of the Guarantied Obligations, or the amount of the Guarantied Obligations, subject to the Guarantor's right to make inquiry of each holder of Notes to ascertain the amount of the Guarantied Obligations owing to such holder of Notes at any reasonable time;

(iii) adverse change in the financial condition of the Company or any other fact that might increase, expand or affect the Guarantor's risk hereunder

(iv) presentment for payment, demand, protest, and notice thereof as to the Notes or any other instrument; and

(v) any kind or nature whatsoever to which the Guarantor might otherwise be entitled (except notices of default and any notice or demand which is specifically required to be given to such Guarantor pursuant to the terms of this Agreement);

(b) the right by statute or otherwise to require any holder of Notes to institute suit against the Company or any other guarantor or to exhaust the rights and remedies of any holder of Notes against the Company or any other guarantor, the Guarantor being bound to the payment of each and all Guarantied Obligations, whether now existing or hereafter accruing, as fully as if such Guarantied Obligations were directly owing to the holders of Notes by the Guarantor;

(c) the benefit of any stay (except in connection with a pending appeal), valuation, appraisal, redemption or extension law now or at any time hereafter in force which, but for this waiver, might be applicable to any sale of Property of the Guarantor made under any judgment, order or decree based on this Agreement, and the Guarantor covenants that it will not at any time insist upon or plead, or in any manner claim or take the benefit or advantage of such law;

(d) any defense of objection to the absolute, primary, continuing nature, or the validity, enforceability or amount, of the Unconditional Guaranty, including, without limitation, any defense based on (and the primary, continuing nature, and the validity, enforceability and amount, of the Unconditional Guaranty shall be unaffected by), any of the following,

(i) any change in future conditions

(ii) any change of law,

(iii) any invalidity or irregularity with respect to the issuance or assumption of any obligations (including, without limitation, this Agreement, the Indenture, the Notes or any other Financing Document) by the Company or any other Person,

(iv) the execution and delivery of any agreement at any time hereafter (including, without limitation, this Agreement, the Indenture, the Notes or any other Financing Document) of the Company or any other Person,

(v) the genuineness, validity, regularity or enforceability of any of the Guarantied Obligations

(vi) any default, failure or delay, willful or otherwise, in the performance of any obligations by the Company or the Guarantor,

(vii) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Company or the Guarantor, or sequestration or seizure of any Property of the Company or the Guarantor, or any merger, consolidation, reorganization, dissolution, liquidation or winding up or change in corporate constitution or corporate identity or loss of corporate identity of the Company or the Guarantor,

(viii) any disability or other defense of the Company or the Guarantor to payment and performance of all Guarantied Obligations other than the defense that the Guarantied Obligations shall have been fully and finally performed and indefeasibly paid,

(ix) the cessation from any cause whatsoever of the liability of the Company or the Guarantor in respect of the Guarantied Obligation, and any other defense that the Guarantor may otherwise have against the Company or any holder of Notes,

(x) impossibility or illegality of performance on the part of the Company or the Guarantor under this Agreement, the Indenture, the Notes or any other Financing Document,

(xi) any change of the circumstances of the Company, the Guarantor or any other Person, whether or not foreseen or foreseeable, whether or not imputable to the Company or the Guarantor, including, without limitation, impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, economic or political conditions, or any other causes affecting performance, or any other force majeure, whether or not beyond the control of the Company or the Guarantor and whether or not of the kind hereinbefore specified,

(xii) any attachment, claim, demand, charge, lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminuation at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid incurred by or against any Person, or any claims, demands, charges, liens or encumbrances of any nature, foreseen or unforeseen, incurred by any Person, or against any sums

payable under this Agreement, the Indenture, the Notes or any other Financing Document that such sums would be rendered inadequate or would be unavailable to make the payment as herein provided,

(xiii) any change in the ownership of the equity securities of the Company or the Guarantor,

(xiv) the lack of due diligence by the holders of the Notes in the collection, protection or realization upon any collateral securing the Notes (including, without limitation any rights of the Guarantor under North Carolina General Statute ss. 26-7), or

(xv) any other action, happening, event or reason whatsoever that shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by the Company or the Guarantor of any of its obligations under this Agreement, the Indenture, the Notes or any other Financing Document.

5.6 Certain Waivers of Subrogation, Reimbursement and Indemnity.

The Guarantor hereby acknowledges and agrees that until such time as the Guarantied Obligations have been finally and indefeasibly paid, the Guarantor shall not have any right of subrogation, reimbursement, or indemnity whatsoever in respect of the Guarantied Obligations, and no right of recourse to or with respect to any assets or Property of the Company. Nothing shall discharge or satisfy the obligations of the Guarantor hereunder except the full and final performance and indefeasible payment of the Guarantied Obligations.

5.7 Invalid Payments.

The Guarantor further agrees that, to the extent the Company makes a payment or payments to any holder of a Note or Notes, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required, for any of the foregoing reasons or for any other reason, to be repaid or paid over to a custodian, trustee, receiver or any other party or officer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, state or federal law, or any common law or equitable cause, then to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made and the Guarantor shall be primarily liable for such obligation.

5.8 Marshaling.

The Guarantor consents and agrees that each holder of Notes, and each Person acting for the benefit of each holder of Notes, shall be under no obligation to marshal any assets in favor of the Guarantor or against or in payment of any or all of the Guarantied Obligations.

5.9 Subordination.

In the event that, for any reason whatsoever, the Company is now or hereafter becomes indebted to the Guarantor in respect of any Indebtedness, the Guarantor agrees that the amount of such Indebtedness, interest thereon, and all other amounts due with respect thereto, shall, at all times during the existence of an Event of Default, be subordinate as to time of payment and in all other respects to all the Guarantied Obligations, and that the Guarantor shall not be entitled to enforce or receive payment thereof until all sums then due and owing to the holders of Notes in respect of the Guarantied Obligations shall have been paid in full, except that such Guarantor may enforce any obligations in respect of any such Indebtedness owing to the Guarantor from the Company so long as all proceeds in respect of any recovery from such enforcement shall be held by the Guarantor in trust for the benefit of the holders of the Notes. If any other payment, other than pursuant to the immediately preceding sentence, shall have been made to the Guarantor by the Company on any such Indebtedness during any time that an Event of Default exists and there are Guarantied Obligations outstanding, the Guarantor shall hold in trust all such payments for the benefit of the holders of Notes.

5.10 Setoff, Counterclaim or Other Deductions.

Except as otherwise required by law, each payment by the guarantor shall be made without setoff, counterclaim or other deduction.

5.11 No Election of Remedies by Noteholders.

Each holder of Notes shall, individually or collectively, have the right to seek recourse against the Guarantor to the fullest extent provided for herein for the Guarantied Obligations. No election to proceed in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of such holder's right to proceed in any other form of action or proceeding or against other parties unless such holder has expressly waived such right in writing. Specifically, but without limiting the generality of the foregoing, no action or proceeding by any holder of Notes against the Company or the Guarantor under any document or instrument evidencing obligations of the Company or the Guarantor to such holder of Notes shall serve to diminish the liability of any Guarantor under this Agreement (including, without limitation, this Section 5), except to the extent that such holder of Notes finally and unconditionally shall have realized payment by such action or proceeding.

5.12 Separate Action; Other Enforcement Rights.

(a) Subject to Section 8.2 of the Indenture, each of the rights and remedies granted under this Section 5 to each holder of Notes in respect of the Notes held by such holder may be exercised by such holder without notice by such holder to, or the consent of or any other action by, any other holder of Notes.

(b) Each holder of Notes may proceed, as provided in Section 5.12(a), to protect and enforce the Unconditional Guaranty by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement contained therein (including, without limitation, in this Section 5) or in execution of aid of any power herein granted or for the recovery of judgment for the obligations

hereby guarantied or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

5.13 Noteholder Setoff.

Each holder of Notes shall have, to the fullest extent permitted by law and this Agreement, a right of set-off against any and all credits and any and all other Property of the Guarantor, now or at any time whatsoever with, or in the possession of, such holder, or anyone acting for such holder, to ensure the full performance of any and all obligations of the Guarantor hereunder.

5.14 Delay or Omission; No Waiver.

No course of dealing on the part of any holder of Notes and no delay or failure on the part of any such Person to exercise any right hereunder (including, without limitation, this Section 5) shall impair such right or operate as a waiver of such right or otherwise prejudice such Person's rights, powers and remedies hereunder. Every right and remedy given by the Unconditional Guaranty or by law to any holder of Notes may be exercised from time to time as often as may be deemed expedient by such Person.

5.15 Restoration of Rights and Remedies.

If any holder of Notes shall have instituted any proceeding to enforce any right or remedy under the Unconditional Guaranty, under any Note held by such holder of Notes, and such proceeding shall have been dismissed, discontinued or abandoned for any reason, or shall have been determined adversely to such holder, then and in every such case each such holder, the Company and the Guarantor shall, except as may be limited or affected by any determination (including, without limitation, any determination in connection with any such dismissal) in such proceeding, be restored severally and respectively to its respective former positions hereunder and thereunder, and thereafter, subject as aforesaid, the rights and remedies of such holders of Notes shall continue as though no such proceeding had been instituted.

5.16 Cumulative Remedies.

No remedy under this Agreement (including, without limitation, this Section 5), the Indenture, the Notes or any other Financing Documents is intended to be exclusive of any other remedy, but each and every remedy shall be cumulative and in addition to any and every other remedy given pursuant to this Agreement (including, without limitation, this Section 5), the Indenture or pursuant to the Notes.

5.17 Execution and Delivery of Notes by Guarantor.

The Guarantor shall, upon the issuance of any new Notes by the Company pursuant to Section 2.7 of the Indenture, cause the confirmation of the Unconditional Guaranty provided for thereon to be duly executed. The failure of the Guarantor to execute and deliver the confirmation as required herein shall not relieve the Guarantor of its Unconditional Guaranty with respect to such Note.

5.18 Survival.

So long as the Guarantied Obligations shall not have been fully and finally performed and indefeasibly paid, the obligations of the Guarantor under this Section 5 shall survive the transfer and payment of any Note and the payment in full of all the Notes.

6. COVENANTS OF THE GUARANTOR

The Guarantor covenants that on and after the Initial Closing Date and so long as any of the Notes shall be outstanding:

6.1 Payment of Taxes and Claims.

The Guarantor will pay, and will cause each Restricted Subsidiary to pay, before they become delinquent:

(a) all taxes, assessments and governmental charges or levies imposed upon it or its Property; and

(b) all claims or demands of materialmen, mechanics, carriers, warehousemen, vendors, landlords and other like Persons that, if unpaid, might result in the creation of a Lien upon its Property;

provided, that items of the foregoing description need not be paid

(i) while being actively contested in good faith and by appropriate proceedings as long as adequate book reserves have been established and maintained and exist with respect thereto, and

(ii) so long as the title of the Company to, and its right to use, such Property, is not materially adversely affected thereby.

6.2 Maintenance of Properties; Corporate Existence; etc.

The Guarantor will, and will cause each Restricted Subsidiary to:

(a) Property - maintain its Property in good condition and working order, ordinary wear and tear excepted, and make all necessary renewals, replacements, additions, betterments and improvements thereto;

(b) Insurance - maintain, with financially sound and reputable insurers, insurance with respect to its Property and business against such casualties and contingencies, of such types (including, without limitation, insurance with respect to losses arising out of Property loss or damage, public liability, business interruption, larceny, workers' compensation, embezzlement or other criminal misappropriation) and in such amounts as is customary in accordance with sound business practices in the case of corporations of established reputations engaged in the same or a similar business and similarly situated; from and after January 1, 1996 all such insurance shall be placed

with insurers accorded a rating by A.M. Best Company of "A" or better and a size rating of "X" or better (or comparable ratings by a comparable rating agency). For purposes of this Section 6.2 and the other Financing Documents, an insurer shall be considered to have satisfied the aforesaid rating and size requirements with respect to any policy to the extent that it has ceded liability under such policy to a reinsurer which satisfies such rating and size requirements pursuant to a reinsurance agreement acceptable to you in all respects, and a cut-through agreement (acceptable to you in all respects) is in effect with respect to such reinsurance agreement.

(c) Financial Records - keep accurate and complete books of records and accounts in which accurate and complete entries shall be made of all its business transactions and that will permit the provision of accurate and complete financial statements in accordance with GAAP;

(d) Corporate Existence and Rights - do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, as the case may be, rights (charter and statutory) and franchises, except where the failure to do so, in the aggregate, could not reasonably be expected to have a Material Adverse Effect; and

(e) Compliance with Law - not be in violation of any law, ordinance or governmental rule or regulation to which it is subject (including, without limitation, any Environmental Protection Law) and not fail to obtain any license, certificate, permit, franchise or other governmental authorization necessary to the ownership of its Properties or to the conduct of its business if such violations or failures to obtain, in the aggregate, could reasonably be expected to have (i) a Material Adverse Effect or (ii) a material adverse effect on the ability of the Guarantor and the Restricted Subsidiaries to conduct in the future the business it conducts at the time of such violation or failure to obtain.

6.3 Maintenance of Office.

The Guarantor will maintain an office at the address of the Guarantor set forth in Section 9.1 hereof where notices, presentations and demands in respect of this Agreement may be made upon the Guarantor. Such office will be maintained at such address until such time as the Guarantor shall notify the holders of the Notes of any change of location of such office, which will in any event be located within the United States of America.

6.4 Line of Business.

The Guarantor will not, and will not permit any Restricted Subsidiary to, engage in any business if, after giving effect thereto, the general nature of the businesses of the Guarantor and the Restricted Subsidiaries, taken as a whole, would no longer be substantially the same as the businesses described in the Placement Memorandum. The guarantor shall manage and operate such businesses in substantially the same manner that they are managed and operated as of the Initial Closing Date.

6.5 Transactions with Affiliates.

The Guarantor will not, and will not permit any Restricted Subsidiary to, enter into any transaction, including, without limitation, the purchase, sale or exchange of Property or the rendering of any service, with any Affiliate, except transactions (a) having terms no less favorable to the Guarantor or such Restricted Subsidiary than those that could be obtained in a comparable arm's-length transaction with a Person not an Affiliate, and (b) approved by a majority of the Guarantor's directors, including a majority of the independent and disinterested directors.

6.6 Private Offering.

The Guarantor will not, and will not permit any Person acting on its behalf to, offer the Notes or any similar Securities for issuance or sale to, or solicit any offer to acquire any of the same from, any Person so as to bring the issuance and sale of the Notes within the provisions of section 5 of the Securities Act.

6.7 Pension Plans.

(a) Compliance. The Guarantor will, and will cause each ERISA Affiliate to, at all times with respect to each Pension Plan, make timely payment of contributions required to meet the minimum funding standard set forth in ERISA or the IRC with respect thereto, and to comply with all other applicable provisions of ERISA and the IRC.

(b) Relationship of Vested Benefits to Pension Plan Assets. The Guarantor will not at any time permit the present value of all employee benefits vested under each Pension Plan to exceed the assets of such Pension Plan allocable to such vested benefits at such time, in each case determined pursuant to Section 6.7(c).

(c) Valuations. All assumptions and methods used to determine the actuarial valuation of vested employee benefits under Pension Plans and the present value of assets of Pension Plans will be reasonable in the good faith judgment of the Guarantor and will comply with all requirements of law.

(d) Prohibited Actions. The Guarantor will not, and will not permit any ERISA Affiliate to:

(i) engage in any "prohibited transaction" (as defined in section 406 of ERISA or section 4975 of the IRC) that would result in the imposition of a material tax or penalty;

(ii) incur with respect to any Pension Plan any "accumulated funding deficiency" (as defined in section 302 of ERISA), whether or not waived:

(iii) terminate any Pension Plan in a manner that could result in the imposition of a Lien on the Property of the Guarantor or any Subsidiary pursuant to section 4068 of ERISA or the creation of any liability under section 4062 of ERISA;

(iv) fail to make any payment required by section 515 of ERISA; or

(v) at any time be an "employer" (as defined in section 3(5) of ERISA) required to contribute to any Multiemployer Plan or a "substantial employer" (as defined in section 4001 of ERISA) required to contribute to any Multiple Employer Pension Plan if, at such time, it could reasonably be expected that the Guarantor or any Subsidiary will incur withdrawal liability in respect of such Multiemployer Plan or Multiple Employer Pension Plan and such liability, if incurred, together with the aggregate amount of all other withdrawal liability as to which there is a reasonable expectation of incurrence by the Guarantor or any Subsidiary under any one or more Multiemployer Plans or Multiple Employer Pension Plans, could reasonably be expected to have a Material Adverse Effect.

6.8 Pro-Rata Offers.

The Guarantor will not, and will not permit any Subsidiary or any Affiliate to, directly or indirectly, acquire or make any offer to acquire any Notes unless the Guarantor or such Subsidiary or Affiliate shall have offered to acquire Notes, pro rata, from all holders of the Notes and upon the same terms.

6.9 Fixed Charge Coverage.

The Guarantor will not permit the ratio (as determined at the end of each fiscal quarter of the Guarantor) of Consolidated Income Available for Fixed Charges for the period of four (4) consecutive fiscal quarters of the Guarantor ended on such date to Consolidated Fixed Charges for such period to be less than 2.0 to 1.0.

6.10 Maintenance of Consolidated Net Worth.

The Guarantor shall at all times maintain Consolidated Adjusted Net Worth of not less than Sixty-Five Million Dollars ($65,000,000).

6.11 Debt Restrictions.

(a) Consolidated Total Debt. The Guarantor will not at any time permit Consolidated Total Debt to exceed fifty-five percent (55%) of Consolidated Total Capitalization.

(b) Restricted Subsidiary Debt; Capital Lease Obligations. The Guarantor will not at any time permit the sum of (i) Total Restricted Subsidiary Debt plus, without duplication, (ii) Capitalized Lease Obligations, to exceed ten percent (10%) of Consolidated Adjusted Net Worth.

(c) Limitation on AFC Debt. The Guarantor will not at any time permit the ratio of Total AFC Debt to AFC Net Worth to be more than 5.0 to 1.0.

(d) Limitation on AFC Advance Loan Ratio. The Guarantor will not at any time permit the Aggregate outstanding amount of AFC Advances to exceed the lesser of

(i) eighty-five percent (85%) of AFC Eligible Receivables at such time or (ii) the aggregate amount of AFC Eligible Receivables multiplied by the advance rate allowed with respect to AFC Eligible Receivables under AFC's primary line of credit at such time.

6.12 Transfers of Property; Subsidiary Stock.

(a) Transfers of Property. The Guarantor will not, nor will it permit any Restricted Subsidiary to, sell (including, without limitation, any sale and subsequent leasing as lessee of such Property), lease as lessor, transfer, or otherwise dispose of (individually, a "Transfer", and collectively "Transfers") any Property of the Guarantor or any Restricted Subsidiary (including, without limitation, Subsidiary Stock), except:

(i) Transfers of inventory and of obsolete or worn out Property, in each case in the ordinary course of business of the Guarantor or such Restricted Subsidiary;

(ii) Transfers from the Guarantor to a Wholly-Owned Restricted Subsidiary;

(iii) Transfers from a Restricted Subsidiary to the Guarantor or another Restricted Subsidiary;

(iv) Transfers of Subsidiary Stock permitted pursuant to the provisions of Section 6.12(b); and

(v) a Transfer of Property to a Person other than an Affiliate for cash consideration which Transfer is deemed, in the good faith opinion of the Board of Directors (or management of the Company in the case of a sale involving assets having an aggregate book value of less than Two Million Five Hundred Thousand Dollars ($2,500,000)), to be for the Fair Market Value of such Property and in the best interests of the Guarantor and provided that each of the following conditions is satisfied with respect to such Transfer:

(A) the sum of

(1) the current book value of such Property, plus

(2) the aggregate book value of each other item of Property of the Guarantor and its Restricted Subsidiaries transferred (other than in Transfers referred to in the foregoing clause (i), clause (ii) or clause (iii) or Transfers referred to in clause (i), clause (ii) or clause (iii) of Section 6.12(b)) during the three hundred sixty-five (365) day period ended as of the date of such Transfer,

would not exceed ten percent (10%) of Consolidated Total Assets determined as at the end of the most recently ended fiscal quarter of the Guarantor prior to such Transfer, and

(B) immediately before and after the consummation of such Transfer, and after giving effect thereto, no Default or Event of Default would exist.

Notwithstanding the foregoing, a Transfer of Property shall be deemed to be excluded from the foregoing provisions of this Section 6.12 (including any calculation made pursuant to Section 6.12(a)(v)(A)(2)) if such Transfer is to a Person other than an Affiliate for cash consideration which Transfer is deemed, in the good faith opinion of the Board of Directors (or management of the Company in the case of a sale involving assets having an aggregate book value of less than Two Million Five Hundred Thousand Dollars ($2,500,000)), to be for the Fair Market Value of such Property and in the best interests of the Company, and;

(I) within one hundred eighty (180) days after such Transfer, the entire proceeds of such Transfer (net of reasonable and ordinary transaction costs and expenses incurred in connection with such Transfer) are applied by the Guarantor or such Restricted Subsidiary to purchase new Property for use in the conduct of the business of the Guarantor or the Restricted Subsidiaries as such businesses were conducted on the Initial Closing Date; or

(II) contemporaneously with such Transfer the entire proceeds of such Transfer are applied to the payment of Senior Funded Debt, provided that any prepayment of Senior Funded Debt under a facility or arrangement that permits the reborrowing of such Debt by the Guarantor or the Restricted Subsidiaries shall not be counted under this clause (II) unless the availability to reborrow such Debt is permanently reduced by an amount equal to the principal amount of such Senior Funded Debt repaid.

(b) Transfers of Subsidiary Stock. The Guarantor will not, nor will it permit any Restricted Subsidiary to, transfer any shares of the stock (or any warrants, rights or options to purchase stock or other Securities exchangeable for or convertible into stock) of a Restricted Subsidiary (such stock, warrants, rights, options and other Securities herein called "Subsidiary Stock"), nor will any Restricted Subsidiary issue, sell or otherwise dispose of any shares of its own Subsidiary Stock, provided that the foregoing restrictions do not apply to:

(i) the issuance by a Subsidiary of shares of its own Subsidiary Stock to either the Guarantor or a Wholly-Owned Restricted Subsidiary;

(ii) Transfers by the Guarantor or a Subsidiary of shares of Subsidiary Stock to the Guarantor or to a Wholly-Owned Restricted Subsidiary;

(iii) the issuance by a Subsidiary of directors' qualifying shares; and

(iv) the Transfer of all of the Subsidiary Stock of a Subsidiary owned by the Guarantor and the Subsidiaries if:

(A) such Transfer satisfies all of the requirements of Section 6.12(a)(v) hereof;

(B) in connection with such Transfer the entire Investment (whether represented by stock, Debt, claims or otherwise) of the Guarantor and the other Subsidiaries in such Subsidiary is Transferred to a Person other than the Guarantor or a Subsidiary not being simultaneously disposed of;

(C) the Subsidiary being disposed of has no continuing Investment in any other Subsidiary not being simultaneously disposed of or in the Guarantor; and

(D) immediately before and after the consummation of such Transfer, and after giving effect thereto, no Default or Event of Default would exist.

For purposes of determining the book value of Property constituting Subsidiary Stock being Transferred as provided in clause (iv) above, such book value shall be deemed to be the aggregate book value of all assets of the Subsidiary that shall have issued such Subsidiary Stock.

6.13 Restricted Payments.

The Guarantor will not, and will not permit any Restricted Subsidiary to, make any Restricted Payment unless, immediately after giving effect to such Restricted Payment,

(a) the aggregate amount of all Restricted Payments declared, paid or made (as the case may be) since July 1, 1994 would not exceed the sum of

(i) an amount equal to fifty percent (50%) of Consolidated Net Income for the cumulative period (treated as one fiscal period) from July 1, 1994 to the date of such Restricted Payment, plus

(ii) the net cash proceeds from the sale of any capital stock of the Guarantor (or debt securities of the Guarantor that are subsequently converted or exchanged or such capital stock, at Fair Market Value, on a dollar for dollar basis) occurring after July 1, 1994; and

(b) no Default or Event of Default exists or would exist.

6.14 Merger and Consolidation.

The Guarantor will not, and will not permit any Restricted Subsidiary to, merge or consolidate with or into, any other Person or permit any other Person to merge or consolidate with or into it (except that a Restricted Subsidiary may merge or consolidate into the Guarantor or another Restricted Subsidiary) provided that the foregoing

restrictions shall not apply to the merger or consolidation of the Guarantor or a Restricted Subsidiary with or into another corporation, if:

(a) with respect to a merger or consolidation involving the Guarantor:

(i) the corporation which results from such merger or consolidation (the "Surviving Corporation") is solvent and is organized under the laws of the United States of America or any state thereof;

(ii) the due and punctual payment of the principal of and Make-Whole Amount, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all the covenants in the Notes, this Agreement, the Indenture and the other Financing Documents to be performed or observed by the Company, are expressly guaranteed by the Surviving Corporation pursuant to a guaranty agreement in substantially the form of the Unconditional Guaranty and approved by the Required Holders, and the Guarantor causes to be delivered to each holder of Notes an opinion of independent counsel, in form, scope and substance satisfactory to the Required Holders, to the effect that such guaranty agreement is enforceable in accordance with its terms; and

(iii) immediately after the consummation of the transaction, and after giving effect thereto, no Default or Event of Default would exist;

(b) with respect to a merger or consolidation involving a Restricted Subsidiary:

(i) the Surviving Corporation is solvent and is organized under the laws of the United States of America or any state thereof;

(ii) such merger or consolidation is undertaken for the primary purpose of providing the Guarantor with the means to acquire (through a Restricted Subsidiary) an automobile auction business;

(iii) all of the Capital Stock of the Surviving Corporation is owned directly or indirectly by the Guarantor; and

(iv) immediately after the consummation of the transaction, and after giving effect thereto, no Default or Event of Default would exist.

7. INFORMATION AS TO THE GUARANTOR

7.1 Financial and Business Information.

The Guarantor will deliver to the Purchaser and to each other holder of Notes:

(a) Quarterly Statements--as soon as practicable after the end of each quarterly fiscal period in each fiscal year of the Guarantor (other than the last quarterly

fiscal period of each such fiscal year), and in any event within sixty (60) days thereafter, duplicate copies of

(i) a consolidated balance sheet of the Guarantor and its consolidated Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of operations, shareholders equity and cash flows of the Guarantor and its consolidated Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP and certified as complete and correct, subject to changes resulting from year-end adjustments, by a Senior Financial Officer, and accompanied by the certificate required by Section 7.2 hereof;

(b) Annual Statements -- as soon as practicable after the end of each fiscal year of the Guarantor, and in any event within one hundred twenty (120) days thereafter, duplicate copies of

(i) consolidated balance sheets of the Guarantor and its consolidated Subsidiaries as at the end of such year, and

(ii) consolidated statements of operations, shareholders' equity, and cash flows of the Guarantor and its consolidated Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP and accompanied by

(A) an opinion of independent certified public accountants of recognized national standing, which opinion shall, without qualification (including, without limitation, qualifications related to the scope of the audit or the ability of the Guarantor or a Subsidiary to continue as a going concern), state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances.

(B) a certification by a Senior Financial Officer that such consolidated financial statements are complete and correct, and

(C) the certificates required by Section 7.2 and Section 7.3 hereof;

(c) Audit Reports -- promptly upon receipt thereof, a copy of each other report submitted to the Guarantor or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Guarantor or any Subsidiary;

(d) SEC and Other Reports -- within fifteen (15) days of their becoming available, one copy, without duplication, of (i) each financial statement, report, notice or proxy statement sent by the Guarantor or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report (including, without limitation, each Annual Report on Form 10-K, each Quarterly Report on Form 10-Q and each Current Report on Form 8-K), each registration statement (other than registration statements on Form S-8) which shall have become effective (without exhibits except as expressly requested by a holder of Notes), and each final prospectus, and all amendments to any of the foregoing, filed by the Guarantor or any Subsidiary with, or received by, such Person in connection therewith from, the Securities and Exchange Commission or any successor agency;

(e) ERISA --

(i) immediately upon becoming aware of the occurrence of any

(A) "reportable event" (as such term is defined in section 4043 of ERISA), or

(B) "prohibited transaction" (as such term is defined in section 406 of ERISA or section 4975 of the IRC),

in connection with any Pension Plan or any trust created thereunder, a written notice specifying the nature thereof, what action the Guarantor is taking or proposes to take with respect thereto and, when known, any action taken by the IRS, the Department of Labor or the PBGC with respect thereto; and

(ii) prompt written notice of and, where applicable, a description of

(A) any notice from the PBGC in respect of the commencement of any proceedings pursuant to section 4042 of ERISA to terminate any Pension Plan or for the appointment of a trustee to administer any Pension Plan,

(B) any distress termination notice delivered to the PBGC under section 4041 of ERISA in respect of any Pension Plan, and any determination of the PBGC in respect thereof,

(C) the placement of any Multiemployer Plan in reorganization status under Title IV of ERISA,

(D) any Multiemployer Plan becoming "insolvent" (as such term is defined in section 4245 of ERISA) under Title IV of ERISA,

(E) the whole or partial withdrawal of the Guarantor or any ERISA Affiliate from any Multiemployer Plan and the withdrawal liability incurred in connection therewith, and

(F) any material increase in contingent liabilities of the Guarantor or any Subsidiary in respect of any post-retirement employee welfare benefits.

(f) Actions, Proceedings -- promptly after the commencement thereof, written notice of any action or proceeding relating to the Guarantor or any Subsidiary in any court or before any Governmental Authority or arbitration board or tribunal as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, is reasonably likely to have a Material Adverse Effect;

(g) Notice of Default or Event of Default -- promptly upon becoming aware of the existence of any condition or event that constitutes a Default or an Event of Default, a written notice specifying the nature and period of existence thereof and what action the Guarantor is taking or proposes to take with respect thereto;

(h) Notice of Claimed Default -- promptly upon becoming aware that the holder of any Note, or of any Debt or other Security of the Guarantor or any Subsidiary, shall have given notice or taken any other action with respect to a claimed Default, Event of Default, default or event of default, a written notice specifying the notice given or action taken by such holder and the nature of the claimed Default, Event of Default, default or event of default and what action the Guarantor is taking or proposes to take with respect thereto;

(i) Notice of Control Event -- promptly (and in any event with three (3) Business Days) upon becoming aware of any Control Event or Change of Control, written notice thereof to the Company and to each holder of Notes.

(j) Information Furnished to Other Creditors -- promptly after any request therefor, copies of any statement, report or certificate furnished to any holder of Debt or the Guarantor or any Subsidiary;

(k) Rule 144A -- promptly after any request therefor, information requested to comply with 17 C.F.R. Section 230.144A, as amended from time to time;

(l) Requested Information -- promptly after any request therefor, such other data and information as from time to time may be reasonably requested by any holder of Notes, including, without limitation, data, information, agreements, instruments or documents relating to the business or financial operations or performance of the Guarantor or any Subsidiary and any financial statements prepared by the Guarantor (in addition to the financial statements specified in clause (a) and clause (b) of this Section 7.1), in each case which may be reasonably requested by any holder of Notes; and

(m) Banking Relationship with Security Trustee -- promptly (and in any event within three (3) Business Days) upon the establishment of any lending relationship

between any one or more of the Guarantor and its Subsidiaries on the one hand and PNC Bank, Kentucky, Inc., or any of its subsidiaries or affiliates, on the other hand, a written notice describing such relationship.

7.2 Officer's Certificates.

Each set of financial statements delivered to each holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations, and, if any Unrestricted Subsidiaries shall exist as such during the period covered by any such financial statement, such calculations shall include, without limitation, adjusting calculations and entries which shall consist of, among other things, adjusting calculations on (x) a consolidated basis for the Guarantor and the Restricted Subsidiaries, (y) a consolidated basis for the Unrestricted Subsidiaries and (z) on a separate basis for AFC) required in order to establish whether the Guarantor was in compliance with the requirements of Section 6.9 through Section 6.14 hereof, inclusive, during the period covered by the income statement then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amounts, ratio or percentage then in existence).

(b) Event of Default -- a statement that the signers have reviewed the relevant terms hereof and have made, or cause to be made, under their supervision, a review of the transactions and conditions of the Guarantor and the Subsidiaries from the beginning of the accounting period covered by the income statement being delivered therewith to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or 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 the Guarantor shall have taken or proposes to take with respect thereto.

7.3 Accountants' Certificates.

Each set of annual financial statements delivered pursuant to Section 7.1(b) hereof shall be accompanied by a certificate of the accountants who certify such financial statements, stating that

(a) they have reviewed this Agreement and stating further, whether, in making their audit, such accountants have become aware of any condition or event that then constitutes a Default or an Event of Default and, if such accountants are aware that any such condition or event then exists, specifying the nature and period of existence thereof, and

(b) they have reviewed the annual certificate of a Senior Financial Officer of the Guarantor provided pursuant to clause (a) of Section 7.2 hereof and that they confirm the calculations contained therein.

7.4 Inspection.

The Guarantor will permit the representatives of each holder of Notes (at the expense of the Guarantor at any time when a Default or an Event of Default exists, and otherwise at the expense of such holder) to visit and inspect any of the Properties of the Guarantor or any other Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants (and by this provision the Guarantor authorizes such accountants to discuss the finances and affairs of the Guarantor and the Subsidiaries), all at such reasonable times and as often as may be reasonably requested.

8. INTERPRETATION OF THIS AGREEMENT

8.1 Terms Defined.

As used herein, the following terms have the respective meanings set forth below or set forth in the Section of this Agreement following such term:

AFC -- means Automotive Finance Corporation, an Indiana corporation, one hundred percent (100%) of the Voting Stock of which is owned by the Guarantor.

AFC Advances -- means at any time the aggregate amount of Debt outstanding under all lines of credit available to AFC at such time.

AFC Eligible Receivables -- means all receivables of AFC which (a) arise from a transaction in the ordinary course of AFC's business, (b) are not subject to any dispute, offset, counterclaim, or other claim or defense on the part of the Person who is obligated under such receivable, and (c) are not due from an account debtor 20% or more of the aggregate accounts of which are sixty or more days past due.

AFC Net Worth -- means, at any time, shareholders' equity of AFC determined in accordance with GAAP, minus the sum, without duplication, of

(a) goodwill, patents, trademarks, trade secrets and other intangible assets, and

(b) accounts receivable and notes receivable due from any Affiliate.

Affiliate -- means, at any time, a Person (other than a Restricted Subsidiary)

(a) that directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with the Guarantor,

(b) that beneficially owns or holds five percent (5%) or more of any class of the equity interest or Voting Stock of the Guarantor,

(c) five percent (5%) or more of the Voting Stock (or in the case of a Person that is not a corporation, five percent (5%) or more of the equity interest) of which is beneficially owned or held by the Guarantor or a Subsidiary, or

(d) that is an officer or director (or a member of the immediate family of an officer or director) of the Guarantor or any Subsidiary,

at such time.

As used in this definition:

Control -- means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Agreement, this -- means this Note Purchase Agreement, as it may be amended and restated from time to time.

Assignments of Leases and Rents -- means each of those certain Assignments of Leases and Rents between the Company and the Security Trustee with respect to the Leases delivered, pursuant to Section 4.1(a) hereof.

Bank -- means Banc One, Indianapolis, National Association.

Bank Loan Agreement -- means that certain Third Amended and Restated Credit Agreement, dated June 30, 1994, among the Guarantor, AFC, ADESA Funding Corporation and the Bank, is in effect on the Initial Closing Date.

Board of Directors -- means the board of directors of the Guarantor or a Subsidiary, as applicable, or any committee thereof that, in the instance, shall have the lawful power to exercise the power and authority of such board of directors.

Business Day -- means, at any time, a day other than a Saturday, a Sunday or a day on which the bank designated by the holder of a Note to receive payments on such Note is required by law (other than a general banking moratorium or holiday for a period exceeding four (4) consecutive days) to be closed.

Capital Lease -- means, at any time, a lease or a conditional sale or other title retention agreement with respect to which the lessee or the purchaser theroef is required to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

Capitalized Lease Obligation -- at any time, shall mean all rental obligations of the Guarantor and the Restricted Subsidiaries which, under GAAP, would be recorded as liabilities on a consolidated balance sheet of such Persons at such time.

Change in Control -- means a "Change in Control" as defined in the Indenture.

Charlotte Property -- means the "Charlotte Property" as such term is defined in the Indenture.

Closings -- means either or both of the Initial Closing and the Second Closing.

Closing Dates -- means either or both of the Initial Closing Date and the Second Closing Date.

Collateral Documents -- Section 4.1(a).

Company -- has the meaning assigned to such term in the introductory sentence hereof.

Consolidated Adjusted Net Worth -- means, at any time, shareholders' equity of the Guarantor and the Subsidiaries determined on a consolidated basis in accordance with GAAP, minus

the sum, without duplication of

(i) the amounts, if any, by which the aggregate value of all Investments (valued as set forth in the definition of "Investment" set forth in this Section 8.1) at such time exceeds ten percent (10%) of shareholders' equity at such time, plus

(ii) the amount at such time attributed to the Guarantor's Investment in AFC, plus

(iii) the amount at such time attributed to the Guarantor's equity contribution to AFC, plus

(iv) assets located, and notes and receivables due from obligors domiciled, outside the United States of America, Puerto Rico or Canada,

all determined on a consolidated basis for such Persons in accordance with GAAP.

Consolidated Fixed Charges -- means, for any period, the sum of

(a) Consolidated Interest Expense for such period, plus

(b) the amount of Operating Rentals payable in respect of such period by the Guarantor and the Restricted Subsidiaries, determined after eliminating intercompany transactions among the Guarantor and the Restricted Subsidiaries.

Consolidated Income Available for Fixed Charges -- means, for any period, the sum of

(a) Consolidated Net Income, plus

(b) the aggregate amount of income taxes and Consolidated Fixed Charges (to the extent, and only to the extent, that such aggregate amount was reflected in the computation of Consolidated Net Income for such period),

in each case accrued for such period by the Guarantor and the Restricted Subsidiaries, determined on a consolidated basis for such Persons.

Consolidated Interest Expense -- means, for any period, the amount of interest accrued or capitalized on, or with respect to, Consolidated Total Debt for such period, including, without limitation, amortization of debt discount, imputed interest on Capital Leases and interest on the Notes.

Consolidated Net Income -- means, for any period, net earnings (or loss) after income taxes of the Guarantor and the Restricted Subsidiaries, determined on a consolidated basis for such Persons, but excluding:

(a) net earnings (or loss) of any Restricted Subsidiary accrued prior to the date it became a Restricted Subsidiary;

(b) any gain or loss (net of tax effects applicable thereto) resulting from the sale, conversion or other disposition of Capital Assets other than in the ordinary course of business;

(c) any extraordinary, unusual or nonrecurring gains or losses;

(d) any gain arising from any reappraisal or write-up of assets;

(e) any portion of the net earnings of any Restricted Subsidiary that for any reason is unavailable for payment of dividends to the Guarantor;

(f) any gain or loss (net of tax effects applicable thereto) during such period resulting from the receipt of any proceeds of any insurance policy;

(g) any earnings of any Person acquired by the Guarantor or any Restricted Subsidiary through purchase, merger or consolidation or otherwise, or earnings of any Person substantially all of whose assets have been acquired by the Guarantor or any Restricted Subsidiary, for any period prior to the date of acquisition;

(h) net earnings of any Person (other than a Restricted Subsidiary) in which the Guarantor or any Restricted Subsidiary shall have an ownership interest unless such net earnings shall have actually been received by the Guarantor or such Restricted Subsidiary in the form of cash distributions; and

(i) any restoration during such period to income of any contingency reserve, except to the extent that provision for such reserve was made during such period out of income accrued during such period.

Consolidated Operating Rental Expense -- means, for any period, the amount of Operating Rentals accrued on, or with respect to, Operating Leases of the Guarantor and the Restricted Subsidiaries having a remaining term in excess of one year, determined on a consolidated basis for such Persons in accordance with GAAP, for such period.

Consolidated Total Assets -- means, at any time, the total amount of all assets of the Guarantor and the Restricted Subsidiaries (less depreciation, depletion and other properly

deductible valuation reserves), determined on a consolidated basis for such Persons in accordance with GAAP.

Consolidated Total Capitalization - means, at any time, the sum of Consolidated Total Debt plus consolidated Adjusted Net Worth, at such time.

Consolidated Total Debt - means, at any time, the aggregate amount of Debt of the Guarantor and the Restricted Subsidiaries, determined on a consolidated basis for such Persons, at such time, including (without duplication) the aggregate principal amount of the Notes then outstanding.

Control Event - means a "Control Event" as such term is defined in the Indenture.

Debt - means, at any time, with respect to any Person, without duplication:

(a) all indebtedness of such Person for borrowed money or for the deferred purchase price of Property acquired by, or services rendered to, such Person,

(b) All indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to any property acquired by such Person,

(c) Capitalized Lease Obligations,

(d) all indebtedness or other payment obligations for the deferred purchase price of property or services secured by any Lien upon or in any Property owned by such Person whether or not such person has assumed or become liable for the payment of such indebtedness,

(e) indebtedness arising under acceptance facilities, in connection with surety or other similar bonds, and the undrawn maximum face amount of all outstanding letters of credit issued for the account of such Person and, without duplication, the outstanding amount of all drafts drawn thereunder,

(f) obligations of such Person with respect to interest rate protection agreements,

(g) all liabilities of such Person in respect of unfunded vested benefits under Pension Plans and all asserted withdrawal liabilities of such Person or a commonly controlled entity to a Multiemployer Plan, and

(h) all direct or indirect Guaranties by such Person of

(i) indebtedness described in this definition of any other Person (other than AFC); or

(ii) indebtedness of any other Person the proceeds of which were utilized to finance Property of the Guarantor.

Deeds of Trusts - means the "Charlotte Deed of Trust" and the "Knoxville Deed of Trust" as such terms are defined in the Indenture.

Default - means a "Default" as such term is defined in the Indenture.

Dollars or $ - means United States of America dollars.

Environmental Protection Law - means any federal, state, county, regional or local law, statute or regulation (including, without limitation, CERCLA, RCRA and SARA) enacted in connection with or relating to the protection or regulation of the environment, including, without limitation, those laws, statutes and regulations regulating the disposal, removal, production, storing, refining, handling, transferring, processing or transporting of Hazardous Substances, and any regulations issued or promulgated in connection with such statutes by any Governmental Authority, and any orders, decrees or judgments issued by any court of competent jurisdiction in connection with any of the foregoing.

As used in this definition:

CERCLA - means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended from time to time (by SARA or otherwise), and all rules and regulations promulgated in connection therewith.

RCRA - means the Resource Conservation and Recovery Act of 1976, as amended from time to time, and all rules and regulations promulgated in connection therewith.

SARA - means the Superfund Amendments and Reauthorization Act of 1986, as amended from time to time, and all rules and regulations promulgated in connection therewith.

ERISA - means the Employee Retirement Income Security Act of 1974, as amended from time to time.

ERISA Affiliate - means any corporation or trade or business that:

(a) is a member of the same "controlled group of corporations" (within the meaning of section 414(b) of the IRC) as the Guarantor; or

(b) is under "common control" (within the meaning of section 414(c) of the IRC) with the Guarantor.

Event of Default - means an "Event of Default" as such term is defined in the Indenture.

Exchange Act - means the Securities Exchange Act of 1934, as amended from time to time.

Fair Market Value - means, at any time, with respect to any Property, the value of such Property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller, each under no compulsion to buy or sell.

Financing Documents - means this Agreement, the Indenture, the Notes, the Collateral Documents and any other agreements and instruments entered into in connection with the transactions contemplated hereby.

Framingham Mortgage - means the "Framingham Mortgage" as such term is defined in the Indenture.

Framingham Property - means the "Framingham Property" as such term is defined in the Indenture.

GAAP - means accounting principles as promulgated from time to time in statements, opinions and pronouncements by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board and in such statements, opinions and pronouncements of such other entities with respect to financial accounting of for-profit entities as shall be accepted by a substantial segment of the accounting profession in the United States of America.

General Partner - Asset Holdings Corporation III, a Delaware corporation, the sole general partner of the Company.

Governmental Authority - means:

(a) the government of

(i) the United States of America and any state or other political subdivision thereof, or

(ii) any other jurisdiction (A) in which the Company, the Guarantor or any Subsidiary conducts all or any part of its business or (B) that asserts jurisdiction over the conduct of the affairs or Properties of the Company, the Guarantor or any Subsidiary; and

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

Guarantied Obligations - Section 5.1(a).

Guarantor - has the meaning assigned to such term in the introductory sentence hereof.

Guaranty - means, with respect to any Person (for the purposes of this definition, the "General Guarantor"), any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of the General Guarantor guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person (the "Primary Obligor") in any manner, whether directly or indirectly, including, without limitation, obligations incurred through an agreement, contingent or otherwise, by the General Guarantor:

(a) to purchase such indebtedness or obligation or any Property constituting security therefor;

(b) to advance or supply funds

(i) for the purpose of payment of such indebtedness, dividend or other obligation, or

(ii) to maintain working capital or other balance sheet condition or any income statement condition of the Primary Obligor or otherwise to advance or make available funds for the purchase or payment of such indebtedness, dividend or other obligation;

(c) to lease Property or to purchase Securities or other Property or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of the Primary Obligor to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of the indebtedness or obligation of the Primary Obligor against loss in respect thereof.

For purposes of computing the amount of any Guaranty in connection with any computation of indebtedness or other liability, it shall be assumed that the indebtedness or other liabilities that are the subject of such Guaranty are direct obligations of the issuer of such Guaranty.

Hazardous Substances - means any and all pollutants, contaminants, toxic or hazardous wastes and any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be, in each of the foregoing cases, restricted, prohibited or penalized by any applicable law.

Indenture - Section 1.1(a)

Initial Note Purchase - Section 1.1(b).

Initial Notes - Section 1.1(b).

Initial Closing - Section 1.2(a).

Initial Closing Date - Section 1.2(a).

Institutional Investor - means the Purchaser, any affiliate of any of the Purchaser and any holder or beneficial owner of Notes that is an "accredited investor" as defined in section 2(15) of the Securities Act.

Interest Deposit Amount - with respect to any Note, means the amount of interest scheduled to accrue on such Note from the date of issuance thereof to and including June 30, 1995.

Investment - means any investment, made in cash or by delivery of Property, by the Guarantor or any Restricted Subsidiary:

(a) in any Person, whether by acquisition of stock, indebtedness or other obligation or Security, or by loan, Guaranty, advance, capital contribution or otherwise; or

(b) in any Property.

Investments shall be valued at cost less any net return of capital through the sale or liquidation thereof or other return of capital thereon.

IRC - means the Internal Revenue Code of 1986, together with all rules and regulations promulgated pursuant thereto, as amended from time to time.

IRS - means the Internal Revenue Service and any successor agency.

Knoxville Property - means the "Knoxville Property" as such term is defined in the Indenture.

Leases - means the "Leases" as defined in the Indenture.

Lessees - means ADESA-Charlotte, Inc., A.D.E. of Knoxville, Inc. and Auto Dealers Exchange of Concord, Inc.

Lien - means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, sale with recourse or a trust receipt, or a lease, consignment or bailment for security purposes. The term "Lien" includes, without limitation, reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting real Property and includes, without limitation, with respect to stock, stockholder agreements, voting trust agreements, buy-back agreements and all similar arrangements. For the purposes hereof, the Company and each Subsidiary shall be deemed to be the owner of any Property that it shall have acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention or vesting is deemed a Lien. The term "Lien" does not include negative pledge clauses in agreements relating to the borrowing of money.

Limited Partner - means January Partnership Ltd., an Ohio limited partnership.

Make-Whole Amount - means the "Make-Whole Amount" as such term is defined in the Indenture.

Margin Security - means "margin stock" within the meaning of Regulations G, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, as amended from time to time.

Material Adverse Effect - means a material adverse effect on

(a) the Mortgaged Properties,

(b) the business, profits, Properties or financial condition of the Guarantor and the Subsidiaries, taken as a whole,

(c) the ability of the Company to perform its obligations set forth in this Agreement and in the Notes,

(d) the ability of the Guarantor to perform its obligations set forth in this Agreement, or

(e) the validity or enforceability of any material term or provision of this Agreement, the Indenture, the Notes or any other Financing Document.

Mortgaged Improvements - means the "Mortgaged Improvements" as defined in the Indenture.

Mortgaged Land - means the "Mortgaged Land" as such term is defined in the Indenture.

Mortgaged Properties - means the "Mortgaged Properties" as such term is defined in the Indenture.

Mortgages - means the "Mortgages" as such term is defined in the Indenture.

Multiemployer Plan - means any "multiemployer plan" (as defined in section 3(37) of ERISA) in respect of which the Company or any ERISA Affiliate is an "employer" (as such term is defined in section 3 of ERISA).

Notes - Section 1.1(a).

Operating Lease - means, with respect to any Person, any lease other than a Capital Lease.

Operating Rentals - means, at any time, all fixed payments which the lessee is required to make by the terms of any Operating Lease but shall not include amounts required to be paid in respect of maintenance, repairs, income taxes, Property taxes, insurance, assessments or other similar charges or additional rentals (in excess of fixed minimums) based upon a percentage of gross receipts.

PBGC - means the Pension Benefit Guaranty Corporation and any successor corporation or governmental agency.

Pension Plan - means, at any time, any "employee pension benefit plan" (as such term is defined in section 3 of ERISA) maintained at such time by the Guarantor or any ERISA Affiliate for employees of the Guarantor or such ERISA Affiliate, excluding any Multiemployer Plan.

Permitted Exceptions - means "Permitted Exceptions" as defined in the Indenture.

Permitted Liens - means

(i) Taxes, etc. - Liens securing Property taxes, assessments or governmental charges or levies or the claims or demands of materialmen, mechanics, carriers, warehousemen, vendors, landlords and other like Persons, so long as

(A) the payment thereof is being actively contested in good faith and by appropriate proceedings and adequate book reserves have been established and maintained and exist with respect thereto, and

(B) the title of the Guarantor or the Subsidiary, as the case may be, to, and its right to use, such Property, is not materially adversely affected thereby;

(ii) Certain Encumbrances - Liens in the nature of reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other similar title exceptions or encumbrances affecting real Property, provided that such exceptions and encumbrances do not in the aggregate materially detract from the value of such Properties or materially interfere with the use of such Property in the ordinary conduct of the business of the Guarantor and the Subsidiaries, taken as a whole; and

(iii) Debt - Liens securing Debt of the Guarantor or the Subsidiaries provided that such Debt is permitted pursuant to Section 6.11 hereof.

Person - means an individual, sole proprietorship, partnership, corporation, limited liability company, trust, joint venture, unincorporated organization, or a government or agency or political subdivision thereof.

Placement memorandum - Section 3.1.

Property - means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

Purchase Request - means a document which conforms to Section 1.1(c).

Purchaser - means Principal Mutual Life Insurance Company.

Required Holders - means, at any time, the holders of more than sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by any one or more of the Company, the Guarantor, any Subsidiary and any Affiliate).

Restricted Investment - means, at any time, all Investments except the following:

(a) Investments in Property to be used in the ordinary course of business of the Guarantor and the Restricted Subsidiaries;

(b) Investments in AFC, a Restricted Subsidiary or any corporation that concurrently with such Investment becomes a Restricted Subsidiary;

(c) Investments in direct obligations of (or obligations guarantied by), (i) the United States of America or (ii) any agency of the United States of America the obligations of which agency carry the full faith and credit of the United States of America, provided that in each case such obligations mature within one (1) year from the date of acquisition thereof;

(d) Investments in negotiable certificates of deposit issued by commercial banks organized under the laws of the United States of America or any state thereof, having assets of at least Five Hundred Million Dollars ($500,000,000) and the long-term unsecured debt obligations of which are rated "AA" or higher by Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., Aa" or higher by Moody's Investors Service, Inc. or an equivalent or higher rating by another credit rating agency of recognized national standing in the United States of America, provided that such certificates of deposit mature within one (1) year from the date of acquisition thereof;

(e) Investments in commercial paper of corporations organized under the laws of the United States of America or any state thereof that at the time of acquisition thereof have a rating of at least "A-1" or higher by Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., "Prime-1" or higher by Moody's Investors Service, Inc. or an equivalent or higher rating by another credit rating agency of recognized national standing in the United States of America; and

(f) Investments in entities other than Restricted Subsidiaries and AFC, provided that the aggregate amount of all such Investments does not at any time exceed the greater of (A) Ten Million Dollars ($10,000,000) or (B) ten percent (10%) of Consolidated Adjusted Net Worth as determined immediately prior to the making of such Investment;

Restricted Payment - means and includes:

(a) any dividend or other distribution (whether in the form of cash or any other Property), direct or indirect, on account of any shares of capital stock of the Guarantor or any Subsidiary (other than capital stock owned legally and beneficially by the Guarantor or any of the Wholly-Owned Restricted Subsidiaries), now or hereafter outstanding, except a dividend payable solely in shares of common stock of the Guarantor or such Subsidiary, as the case may be, and

(b) any optional or mandatory redemption, retirement, purchase or other acquisition, direct or indirect, of any shares of capital stock of the Guarantor or any Subsidiary (other than capital stock owned legally and beneficially by the Guarantor or

any of the Wholly-Owned Restricted Subsidiaries), now or hereafter outstanding, or of any warrants, rights, or options to acquire any shares of such capital stock, and

(c) any Restricted Investment.

Restricted Subsidiary - a Subsidiary other than AFC (a) which is organized under the laws of, and conducts substantially all of its business within, the United States of America, Puerto Rico or Canada and (b) which is engaged in the used automobile auction business.

Second Closing - Section 1.2(b).

Second Closing Date - Section 1.2(c).

Second Collateral Documents - Section 4.2(a).

Second Note Purchase - Section 1.1(b).

Second Notes - Section 1.1(b).

Securities Act - means the Securities Act of 1933, as amended from time to time.

Security - means "security" as defined in section 2(1) of the Securities Act.

Security Trustee - Section 1.1.

Senior Financial Officer - with respect to any corporation, means the chief financial officer, the principal accounting officer, the treasurer or the comptroller of such corporation.

Senior Funded Debt - means and includes all debt of the Guarantor now or hereafter existing, having a final maturity of more than one year from the date of origin thereof (or which is renewable or extendible at the option of the Guarantor for a period or periods of more than one year from such date of origin) or outstanding under revolving credit agreements or other similar agreements providing for borrowings for over one year from the date of origin thereof or is extendible or renewable at the option of the Guarantor to a time more than (1) year after such date of origin (but excluding therefrom all payments in respect of such Debt that are due and payable within one (1) year of such time).

Senior Officer - with respect to any corporation, means the chief executive officer, the chief operating officer, the president, the chief financial officer, the treasurer or the secretary of such corporation.

Series A Notes - has the meaning set forth in Section 1.1.

Series B Notes - has the meaning set forth in Section 1.1.

Subordinated Debt - shall have the meaning set forth in the Bank Loan Agreement.

Subsidiary - means, at any time, any other corporation of which the Guarantor owns, directly or indirectly, more than eighty percent (80%) (by number of votes) of each class of the Voting Stock of such corporation at such time.

Subsidiary Stock - Section 6.12(b).

Surviving Corporation - Section 6.13.

Total Restricted Subsidiary Debt - means, at any time, the aggregate amount of Debt of the Restricted Subsidiaries (other than Debt owing to the Guarantor), determined on a combined basis for such Persons at such time after eliminating inter-company transactions among the Restricted Subsidiaries.

Total AFC Debt - means, at any time, the aggregate amount of Debt of AFC (other than Subordinated Debt) outstanding, at such time.

Transfers - Section 6.12(a).

Unconditional Guaranty - Section 5.1(a).

Unrestricted Subsidiary - means AFC and any other Subsidiary which is not a Restricted Subsidiary.

Voting Stock - means capital stock of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect corporate directors (or Persons performing similar functions).

Wholly-Owned Restricted Subsidiary - means any Restricted Subsidiary of which one hundred percent of the Voting Securities thereof are owned by the Guarantor.

8.2 GAAP.

Unless otherwise provided herein, all financial statements delivered in connection herewith will be prepared in accordance with GAAP as in effect on the date of, or during the period covered by, such financial statements. Where the character or amount of any asset or liability or item of income or expense, or any consolidation or other accounting computation is required to be made for any purpose hereunder, it shall be done in accordance with GAAP as in effect on the date of, or at the end of the period covered by, the financial statements from which such asset, liability, item of income, or item of expense, is derived, or, in the case of any such computation, as in effect on the date as of which such computation is required to be determined, provided, that if any term defined herein includes or excludes amounts, items or concepts that would not be included in or excluded from such term if such term were defined with reference solely to GAAP, such term will be deemed to include or exclude such amounts, items or concepts as set forth herein. Whenever a calculation based on the consolidated financial position or consolidated results of operations of a group of Persons is required hereby, investments by members of the group in Persons which are excluded hereby from such group shall be accounted for using the cost method.

8.3 Directly or Indirectly.

Where any provision herein refers to action to be taken by any Person, or that such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, including actions taken by or on behalf of any partnership in which such Person is a general partner.

8.4 Section Headings and Table of Contents and Construction.

(a) Section Headings and Table of Contents, etc. The titles of the Sections of this Agreement and the Table of Contents of this Agreement appear as a matter of convenience only, do not constitute a part of this Agreement and shall not affect the construction hereof. The words "herein," "hereof," "hereunder" and "hereto" refer to this Agreement as whole and not to any particular Section or other subdivision.

(b) Construction. Each covenant contained herein shall be construed (absent an express contrary provision herein) as being independent of each other covenant contained herein, and compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other covenants.

8.5 Governing Law.

THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT EXCLUDING ANY OTHER CHOICE OF LAW AND CONFLICT OF LAW RULES.

9. MISCELLANEOUS

9.1 Communications.

(a) Method; Address. All communications hereunder or under the Notes shall be in writing, shall be hand delivered, deposited into the United States mail (registered or certified mail), postage prepaid, sent by overnight courier or sent by facsimile transmission (confirmed by delivery by overnight courier) and shall be addressed,

(i) if to the Company,

Asset Holdings III, L.P.
c/o JH Management Corp
One International Place
Boston, MA 02110-2624
Telephone: (617) 951-7423
Facsimile: (617) 951-7050,

or at such other address as the Company shall have furnished in writing to the Guarantor, the Purchaser and all other holders of the Notes at the time outstanding,

(ii) if to the Guarantor:

ADESA Corporation
1919 South Post Road
Indianapolis, IN 46239
Attention: Chief Financial Officer
Telephone: (317) 862-7220
Facsimile: (317) 862-7307,

or at such other address as the Guarantor shall have furnished in writing to the Company, the Purchaser and all other holders of the Notes at the time outstanding,

(iii) if to any of the holders of the Notes,

(A) if any of such holders is the Purchaser, at its addresses set forth on Annex 1 hereto (and also to any parties referred to on such Annex 1 that are required to receive notices in addition to such holder), and

(B) if any of such holders are not the Purchaser, at their respective addresses set forth in the register for the registration and transfer of Notes maintained pursuant to Section 2.4 of the Indenture,

or to any such party at such other address as such party shall have furnished in writing to the Security Trustee for entry upon the register maintained pursuant to Section 2.4 of the Indenture.

(b) When Given. Any communication properly addressed and set in accordance with Section 9.1(a) hereof shall be deemed to be received when actually received at the address of the addressee.

9.2 Reproduction of Documents.

This Agreement, the Indenture and the other Financing Documents and all documents relating hereto or thereto, including, without limitation,

(a) consents, waivers and modifications that may hereafter be executed,

(b) documents received by you at any closing of your purchase of the Notes (except the Notes themselves), and

(c) financial statements, certificates and other information previously or hereafter furnished to the Purchaser or any other holder of Notes,

may be reproduced by any holder of Notes by any photographic, photostatic, microfilm, microcard, miniature photographic, digital or other similar process and each holder of Notes may destroy any original document so reproduced. The Company and the Guarantor agree and stipulate that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such holder of Notes in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. Nothing in this Section 9.2 shall prohibit the Company, the Guarantor or any holder of Notes from contesting the validity or the accuracy of any such reproduction.

9.3 Survival.

All warranties, representations, certifications and covenants made by the Company or the Guarantor herein, in the Indenture, in any other Financing Document or in any certificate or other instrument delivered by any such Person or on behalf of any such Person hereunder shall be considered to have been relied upon by you and shall survive the delivery to you of the Notes regardless of any investigation made by you or on your behalf. All statements in any such certificate or other instrument shall constitute warranties and representations by the Company or the Guarantor, as the case may be, hereunder.

9.4 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto. The provisions hereof are intended to be for the benefit of all holders, form time to time, of Notes, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights hereunder shall have been made by the Purchaser or the Purchaser's successor or assign.

9.5 Amendment and Waiver.

(a) General Requirements. This Agreement may be amended, and the observance of any term hereof or thereof may be waived, with (and only with) the written consent of (i) in the case of Section 1 through and Section 4, inclusive, and Section 9 (and the definitions set forth in Section 8 hereof of any defined terms used in such Sections), the Company, the Guarantor and the Required Holders, and (ii) with respect to all other Sections hereof, the Guarantor and the Required Holders, provided that no such amendment or waiver shall, without the written consent of the holders of all Notes at the time outstanding, amend (i) Section 5, (ii) the definition of "Required Holders," or (iii) this Section 9.5.

(b) Solicitation.

(i) Solicitation. Neither the Company nor the Guarantor shall solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions hereof or of the Indenture or the Notes unless the Purchaser and each other holder of the Notes (irrespective of the amount of Notes then owned by it) shall be provided by the Company or the Guarantor, as the case may be, with sufficient information to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or consent effected pursuant to the provisions of this Section 9.5 shall be delivered by the

Company or the Guarantor, as the case may be, to the Purchaser and each other holder of outstanding Notes forthwith following the date on which the same shall have been executed and delivered by all holders of outstanding Notes required to consent or agree to such waiver or consent.

(ii) Payment. Neither the Company nor the Guarantor shall, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to the Purchaser or any other holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, ratably to the Purchaser and the other holders of all Notes then outstanding.

(iii) Scope of Consent. Any consent made pursuant to this Section 9.5 by a holder of Notes that has transferred or has agreed to transfer its Notes to the Company, the Guarantor, any Subsidiary or any Affiliate and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force and effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force and effect, retroactive to the date such amendment or waiver initially took or takes effect, except solely as to such holder.

(c) Binding Effect. Except as provided in Section 9.5(a) and Section 9.5(b)(iii) hereof, any amendment or waiver consented to as provided in this Section 9.5 shall apply equally to the Purchaser and all other holders of Notes and shall be binding upon them and upon each future holder of any Note and upon the Company and the Guarantor whether or not such Note shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon.

9.6 Expenses.

The Company shall pay when billed

(a) all expenses incurred by the Purchaser and any other holder of Notes in connection with the enforcement of any rights under this Agreement and the Notes (including, without limitation, all fees and expenses of the Purchaser's or such other holder's special counsel), and

(b) all expenses relating to the consideration, negotiation, preparation or execution of any amendments, waivers or consents pursuant to Section 9.5 and the other terms and provisions hereof, whether or not any such amendments, waivers or consents are executed, including, without limitation any amendments, waivers or consents resulting

from any work-out, restructuring or similar proceedings relating to the performance by the Company of its obligations under this Agreement or the Notes.

9.7 Jurisdiction; Service of Process.

THE COMPANY AND THE GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES, OR ANY ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT IN RESPECT OF ANY BREACH HEREUNDER OR UNDER THE NOTES, BROUGHT BY THE PURCHASER OR ANY OTHER REGISTERED HOLDER OF A NOTE AGAINST THE COMPANY, THE GUARANTOR OR ANY OF THEIR RESPECTIVE PROPERTY, MAY BE BROUGHT BY SUCH PERSON IN THE COURTS OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN OR EASTERN DISTRICT OF NEW YORK OR ANY STATE COURT IN NEW YORK, AS THE PURCHASER OR OTHER REGISTERED HOLDER OF A NOTE MAY IN ITS SOLE DISCRETION ELECT, AND BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, THE COMPANY AND THE GUARANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMIT TO THE NON-EXCLUSIVE IN PERSONAM JURISDICTION OF EACH SUCH COURT, AND AGREE THAT PROCESS SERVED EITHER PERSONALLY OR BY REGISTERED MAIL SHALL CONSTITUTE, TO THE EXTENT PERMITTED BY LAW, ADEQUATE SERVICE OF PROCESS IN ANY SUCH SUIT, AND THE COMPANY AND THE GUARANTOR IRREVOCABLY WAIVE AND AGREE NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, ANY CLAIM THAT SUCH PERSON IS NOT SUBJECT TO THE IN PERSONAM JURISDICTION OF ANY SUCH COURT. RECEIPT OF PROCESS SO SERVED SHALL BE CONCLUSIVELY PRESUMED AS EVIDENCED BY A DELIVERY RECEIPT FURNISHED BY THE UNITED STATES POSTAL SERVICE OR ANY COMMERCIAL DELIVERY SERVICE. IN ADDITION, THE COMPANY AND THE GUARANTOR HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT SUCH PERSON MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND/OR THE NOTES, BOUGHT IN SUCH COURTS, AND HEREBY IRREVOCABLY WAIVE ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF THE PURCHASER OR OTHER REGISTERED HOLDER OF A NOTE TO SERVE ANY SUCH WRITS, PROCESS OR SUMMONSES IN ANY MANNER PERMITTED BY APPLICABLE LAW OR TO OBTAIN JURISDICTION OVER THE COMPANY OR THE GUARANTOR IN SUCH OTHER JURISDICTION, AND IN SUCH MANNER, AS MAY BE PERMITTED BY APPLICABLE LAW. THE COMPANY AND THE GUARANTOR AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

9.8 Company Obligations Nonrecourse.

Anything contained herein in the Indenture or in the Notes to the contrary notwithstanding and provided that the Company shall not conduct any business except that contemplated by the Financing Documents, no recourse shall be had for the payment of any amount owed pursuant to this Agreement or any claim based hereon or otherwise in respect hereof or based on or in respect of the Indenture or the Notes against any partner of the Company (or any partner of any partner of the Company) or any incorporator, any past, present or future subscriber to the capital

stock thereof or any stockholder, officer, employee, agent or director of any corporate partner thereof for any deficiency or any other sum owing pursuant to this Agreement or arising under or with respect to the Indenture or the Notes. The foregoing provisions of this Section 9.8 shall not prevent recourse to the Company or to the Trust Estate (as defined in the Indenture) or constitute a waiver, release or discharge of any indebtedness or obligation evidenced by this Agreement, the Notes or secured by the Indenture, but the same shall continue until paid or discharged. The foregoing provisions of this Section 9.8 shall not limit the right of any Person to name any partner of the Company or any transferee of any interest in the Trust Estate as a party defendant in any action or suit for a judicial foreclosure of or in the exercise of any other remedy under this Agreement, the Indenture or the Notes, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against such Person, and provided further, that the foregoing provisions shall not preclude the Security Trustee or the holders of any of the Notes from pursuing any rights or remedies against (i) the Guarantor under the Unconditional Guaranty, (ii) the Company or any partner of the Company or other Person set forth above due to any fraud by the Company, such partner or such other Person in connection with transactions described in the Indenture or this Agreement or (iii) the Company or any partner due to any material misrepresentation by the Company with respect to any representation made in the Indenture or in this Agreement.

9.9 Duplicate Originals, Execution in Counterpart.

Two (2) or more duplicate originals hereof may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument. This Agreement may be executed in one or more counterparts and shall be effective when at least one counterpart shall have been executed by each party hereto, and each set of counterparts that, collectively, show execution by each party hereto shall constitute one duplicate original.

[Remainder of page intentionally blank; next page is signature page.]

If this Agreement is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart hereof and returning such counterpart to the Company and the Guarantor, whereupon this Agreement shall become binding between us in accordance with its terms.

Very truly yours,

ASSET HOLDINGS III, L.P.
By: ASSET HOLDINGS CORPORATION III,
its General Partner

By LANNHI TRAN

Name: LANNHI TRAN
Title: Vice President

ADESA CORPORATION

By LARRY S. Wechter

Name: Larry S. Wechter
Title: Chief Financial Officer
Vice President and Treasurer

Accepted:

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By Sarah J. Pitts

Name: Sarah J. Pitts
Title: Counsel

By Warren Shank

Name: Warren Shank
Title: Counsel

[Signature Page to NOTE PURCHASE AGREEMENT of ASSET HOLDINGS III, L.P. in connection with the issuance of its 9.82% Series A First Mortgage Notes due April 1, 2000 and its 9.82% Series B First Mortgage Notes due April 1, 2000]

ANNEX 1
INFORMATION AS TO PURCHASERS

Purchaser Name	PRINCIPAL MUTUAL LIFE INSURANCE COMPANY
Name in Which Notes are to be Registered	Principal Mutual Life Insurance Company
Initial Notes	
Series A	RA-1; $9,408,030
Series B	RB-1; $7,391,970
Second Notes	
Series B	RB-2; $8,905,000
Address for Delivery of Purchase Requests	Principal Mutual Life Insurance Company 711 High Street Des Moines, Iowa 50392 Attention: Investment Department - Securities Division Vice President (515) 247-5365

ANNEX 1
INFORMATION AS TO PURCHASER (Cont.)

Purchaser Name	PRINCIPAL MUTUAL LIFE INSURANCE COMPANY
Payment on Account of Note	
Method	Federal Funds Wire Transfer
Account Information	Norwest Bank Iowa, N.A. 7th & Walnut Streets Des Moines, Iowa 50309 ABA No. 073 000 228 With respect to the Series A Notes, include the following: for deposit in the account of: Principal Mutual Life Insurance Company Account No. 014752 Reference: Series A Note Bond No. 1-B-60241 Tax Identification No. 42-0127290 With respect to the Series B Notes, include the following: for deposit in the account of: Principal Mutual Life Insurance Company Account No. 014752 Reference: Series B Note Bond No. 1-B-60293 Tax Identification No. 42-0127290
Address for Notices Related to Payments	Principal Mutual Life Insurance Company 711 High Street Des Moines, Iowa 50392 Attention: Investment Department-Accounting & Treasury Telephone No.: (515) 248-2643

ANNEX 1
INFORMATION AS TO PURCHASER (Cont.)

Purchaser Name	PRINCIPAL MUTUAL LIFE INSURANCE COMPANY
Information to Accompany Payments and Notices Related to Payments	Name of Company: Asset Holdings III Description of Security: 9.82% Series A/B First Mortgage Notes (specify series) Due April 1, 2000 Series A PPN: 04542@AA 3 Series B PPN: 04542@AB 1 Due Date and Application (as among principal, premium and interest) of the payment being made: Name and address of Bank (or Trustee) from which wire transfer was sent
Address for All other Notices	Principal Mutual Life Insurance Company 711 High Street Des Moines, Iowa 50392 Attention: Investment Department-Securities Division Telephone No: (515) 248-2490
Instructions re Delivery of Securities	Sarah Pitts, Esq. Principal Mutual Life Insurance Company 711 High Street Des Moines, Iowa 50392-0301
Tax Identification Number	42-0127290

ANNEX 2
PAYMENT INSTRUCTIONS

The purchase price of the Initial Note Purchase shall be paid by federal funds wire transfer as set forth below:

Amount	Destination
$7,496,000	Chicago Title Insurance Company Bank of America Illinois Chicago, Illinois ABA Routing Number: 071000039 FOR CREDIT TO: CHICAGO TITLE and TRUST COMPANY, NT Account Number: 49-14562 Notify: Escrow Number: NT 001705685 1 Escrow Officer: Diane K. Nelson Closing Division: National Phone (312) 223-2345
$2,057,562.75	PNC Bank, Kentucky, Inc. Louisville, Kentucky PNC Bank LSVL ABA # 083000108 Credit Account Name: Corporate Trust Clearing Credit Account Number: 3000991469 Attention: David Metcalf Reference: Asset Holdings III, Interest Escrow Account Number 4822498
$48,527.50	PNC Bank, Kentucky, Inc. Louisville, Kentucky PNC Bank LSVL ABA # 083000108 Credit Account Name: Corporate Trust Clearing Credit Account Number: 3000991469 Attention: David Metcalf Reference: Cash Pledge Account Number 4822480

ANNEX 2
PAYMENT INSTRUCTIONS (con't)

$7,197,909.75

First National Bank of Boston
100 Federal Street
Boston, Massachusetts 02110

ABA No. 011-000-390

Credit Account of: Commonwealth Land Title
Insurance Company

Account No. 539-46504

ANNEX 3
INFORMATION AS TO COMPANY, GUARANTOR AND SUBSIDIARIES

(INFORMATION TO BE SUPPLIED BY THE COMPANY AND THE GUARANTOR)

3.2(b). Debt.

	Description		Current	Long Term	Total
Bank One	ADESA Corp	Corestates-Frons	$ 4,713,163.00	$22,190,837.00	$26,904,000.00
Bank One	ADESA Corp	Line of Credit	$ 8,520,000.00		$ 8,520,000.00
Bank One	ADESA Corp	Revolver		$13,900,000.00	$13,900,000.00
Bank One	AFC	Line of Credit	$ 9,000,000.00		$ 9,000,000.00
ADESA Canada		5 Yr. Loan		$ 50,051.00	$ 50,051.00
ADESA Canada		Vendor Take Back		$ 572,958.00	$ 572,958.00
ADESA Canada		Mortgage		$ 393,276.00	$ 393,276.00
			$22,233,163.00	$37,107,122.00	$59,340,285.00

See respective credit agreements for collateral

As of 10/31/94

3.3.Subsidiaries and Affiliates.

Name of Affiliate	Nature of Affiliation
ADESA Austin, Inc.	Wholly-owned subsidiary of ADESA Corporation
ADESA Auto Transport, Inc.	Wholly-owned subsidiary of ADESA Corporation
ADESA Canada, Inc.	ADESA Corporation holds 87% of the stock
ADESA-Charlotte, Inc.	Wholly-owned subsidiary of ADESA Corporation
ADESA Funding Corporation	Wholly-owned subsidiary of ADESA Corporation
ADESA Indianapolis, Inc.	Wholly-owned subsidiary of ADESA Corporation
ADESA New Jersey, Inc.	Wholly-owned subsidiary of ADESA Corporation
ADESA Ohio, Inc.	Wholly-owned subsidiary of ADESA Corporation
ADESA-Ottawa, Inc.	Wholly-owned subsidiary of ADESA Canada, Inc.
ADESA Remarketing Services, Inc.	Wholly-owned subsidiary of ADESA Canada, Inc.
ADESA South Florida, LLC	ADESA Corporation holds 51% of the membership interests
A.D.E. of Birmingham, Inc.	Wholly-owned subsidiary of ADESA Corporation
A.D.E. of Jacksonville, Inc.	Wholly-owned subsidiary of ADESA Corporation
A.D.E. of Knoxville, Inc.	Wholly-owned subsidiary of ADESA Corporation
A.D.E. of Lexington, Inc.	Wholly-owned subsidiary of ADESA Corporation
A.D.E. Management Company	Wholly-owned subsidiary of ADESA Corporation

Name of Affiliate	Nature of Affiliation
Auto Banc Corporation	Wholly-owned subsidiary of ADESA Corporation
Auto Dealers Exchange of Concord, Inc.	Wholly-owned subsidiary of ADESA Corporation
Auto Dealers Exchange of Memphis, Inc.	Wholly-owned subsidiary of ADESA Corporation
Automotive Finance Corporation	Wholly-owned subsidiary of ADESA Corporation
Greater Buffalo Auto Auction, Inc.	Wholly-owned subsidiary of ADESA Corporation
Greater Halifax Auto Dealers Exchange Inc.	Wholly-owned subsidiary of ADESA Canada, Inc.
3095-0539 Quebec Inc.	Wholly-owned subsidiary of ADESA Canada, Inc.
3095-1115 Quebec Inc.	Wholly-owned subsidiary of ADESA Canada, Inc.

3.10(b). Restrictions on Company, Guarantor and Subsidiaries.

None

3.12 ERISA Affiliates of the Guarantor.

See Part 3.3 Subsidiaries and Affiliates of Annex 3 above.

3.19 Capitalization.

Partner	Equity Interest	Equity Investment
Asset Holdings III Corporation, a Delaware corporation (General Partner)	81.25%	$645,937.50
January Partnership Ltd., an Ohio limited partnership (Limited Partner)	18.75%	$149,062.50

4.1(e). Title Insurance.

Charlotte Property	$ 6,700,000
Framingham Property	$15,504,000
Knoxville Property	$ 4,296,000

- ---

LEASE AND DEVELOPMENT AGREEMENT

Dated as of November 28, 1994

between

ASSET HOLDINGS III, L.P., as Lessor

and

A.D.E. of Knoxville, Inc., as Lessee

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LEASE AND DEVELOPMENT AGREEMENT

THIS LEASE AND DEVELOPMENT AGREEMENT ("Lease"), dated as of November 28, 1994, is between Asset Holdings III, L.P. ("Lessor"), an Ohio limited partnership, as Lessor, and A.D.E, of Knoxville, Inc., ("Lessee") a Tennessee corporation, as Lessee.

ADESA Corporation ("ADESA"), an Indiana corporation, has guaranteed the payment and performance of certain obligations under this Lease pursuant to a Guaranty and Purchase Option Agreement dated as of the date hereof ("Guaranty Agreement") and ADESA is acknowledging this Agreement. The Lessee is a wholly-owned subsidiary of ADESA.

PRELIMINARY STATEMENT

In accordance with the terms and provisions of this Lease, the Note Purchase Agreement dated as of November 22, 1994 ("Note Purchase Agreement") by and among the Lessor, ADESA and Principal Mutual Life Insurance Company ("Note Purchaser"), the Collateral Trust Indenture dated as of November 22, 1994 ("Indenture") by and between the Lessor and PNC Bank, Kentucky, Inc. ("Trustee") and the Mortgage with respect to the Property (as defined in ss.17.18 hereof):

(i) the Lessor will acquire the real property described in Schedule 1 hereto, excluding any buildings or other improvements now or hereafter contained thereon ("Land") for a purchase price of $796,000.00, upon the terms and subject to the conditions of the Purchase Agreement dated as of November 22, 1994 by and between Lessor and A.D.E. of Knoxville, Inc. ("Purchase Agreement");

(ii) the Lessor will lease the Land and the Improvement (collectively, the "Leased Property") to the Lessee pursuant to this Lease;

(iii) the Lessee shall make certain improvements or additions to the Improvement as provided for herein;

(iv) the Lessor will fund the payment of 97% of the purchase price for the Land (the "Land Funded Purchase Price") out of the proceeds of Notes issued pursuant to the Note Purchase Agreement, and the Lessor will fund the payment of 3% of the purchase price for the Land out of its contributed equity capital;

(v) the Lessor will fund 97% of the Construction Fund and payment of 97% of the purchase price for the Improvement (the "Improvement Funded Purchase Price") out of the proceeds of Notes issued pursuant to the Note Purchase Agreement, and the Lessor will fund 3% of the Construction Fund and the payment of 3% of the purchase price for the Improvement out of its contributed equity capital;

(vi) the First Mortgage Notes due April 1, 2000 to be issued pursuant to the Note Purchase Agreement ("Notes") and other obligations under the Note Purchase Agreement are secured pursuant to the Mortgage;

(vii) the Lessor shall advance to ADESA and Lessee an amount equal to $3,500,000.00 ("Construction Fund") to be applied by the Lessee to the construction ("Construction") of certain improvements on the Land ("Improvement"), as provided for herein, which Construction Fund shall be funded 3% out of the contributed equity capital of the Lessor and 97% out of the proceeds of the Notes issued with respect to the purchase price for the Improvement; and

(viii) the Mortgage, the Lease and certain other rights and property of the Lessor related thereto have been assigned to the Trustee pursuant to the Indenture as security for the Notes and other obligations under the Note Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained in this Lease 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 the Indenture. The Note Purchase Agreement, the Indenture, the Guaranty Agreement and the Financing Documents (as defined in the Indenture) are referred to herein as the "Operative Documents."

ARTICLE II
LEASE OF LEASED PROPERTY

SECTION 2.1 Lease of Land. Lessor hereby demises and leases Lessor's interest in the Land to Lessee, and Lessee hereby rents and leases Lessor's interest in the Land from Lessor, for a term commencing on the date hereof and continuing through and including April 1, 2000, ("Lease Term").

SECTION 2.2 Lease of Improvement. Lessor hereby demises and leases Lessor's interest in the Improvement (whether or not the Construction (as defined herein) has been completed) to Lessee, and Lessee hereby rents and leases Lessor's interest in the Improvement (whether or not the Construction (as defined herein) has been completed) from Lessor, for the Lease Term. The demise and lease of the Improvement pursuant to this Section shall include any additional right, title

or interest in the Improvement which may at any time be acquired by Lessor, the intent being that all right, title and interest of Lessor in and to the Improvement shall at all times be demised and leased hereunder.

SECTION 2.3 Other Property. Lessee may from time to time own or hold under lease from Persons other than Lessor furniture, trade fixtures and equipment located on or about the Leased Property that is not subject to this Lease.

ARTICLE III
CONSTRUCTION AND EQUIPPING OF THE IMPROVEMENT

SECTION 3.1 Construction Fund. The Lessor shall advance the Construction Fund to ADESA and Lessee upon delivery by ADESA and Lessee to Lessor a detailed cost breakdown of the proposed Construction expenditures. Upon completion of the Construction, ADESA and Lessee shall furnish to Lessor a detailed accounting of all expenditures in connection with the Construction, including all disbursements of the Construction Fund. Nothing in this Section shall be construed to required ADESA or Lessee to deposit the Construction Fund in any designated or segregated account or not to commingle the Construction Fund with other corporate funds. Lessee and ADESA shall apply to the Construction Fund exclusively to the payment of all costs related to the Construction. Lessee's obligations under this Section shall not be diminished or affected by any insufficiency of the Construction Fund or by the costs of Construction exceeding amounts received from the Construction Fund. In the event that the costs of Construction exceed the Construction Fund, such excess shall be paid by Lessee and ADESA from their own funds.

SECTION 3.2 Commencement of Construction. Lessee and ADESA shall, for the benefit of lessor, cause the Construction to be commenced, performed and completed in accordance with plans and specifications delivered by ADESA to the Lessor prior to the scheduled commencement of the construction, subject to any amendments thereto consistent with the original scope of the project. Until the Construction is completed, the portions of the Improvement under construction shall, and upon completion of Construction the completed Improvement shall, be a part of the Leased Property.

SECTION 3.3 Completion of Construction. Lessee and ADESA shall endeavor to cause the completion of Construction to occur prior to September 30, 1995.

SECTION 3.4 Permits; Approvals; Storage. Lessee and ADESA shall be responsible for obtaining all zoning, wetlands, subdivision, building and other permits for the Construction, and shall also be responsible for obtaining all other approvals from authorities having jurisdiction over the Construction or the Leased Property. ADESA or Lessee shall monitor the progress of the Construction. Lessee shall arrange for the delivery and storage, protection and security of materials systems and equipment which are to be incorporated into the Improvement until such items are incorporated into the Improvement.

SECTION 3.5 Inspection. At any time during the Construction, upon three (3) Business Days prior notice to Lessee and ADESA, Lessor or its authorized representatives may inspect the Leased Property and the books and records of Lessee relating to the Leased Property and make copies and abstracts therefrom. All reasonable and documented out-of-pocket costs of such inspections incurred by Lessor shall be paid by Lessee promptly after written request. No inspection shall unreasonably interfere with Lessee's operations or the operations of any other occupant of the 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 not making any such inspection or inquiry. None of the inspecting parties shall incur any liability or obligation by reason of making any such inspection or inquiry unless and to the extent such inspecting party causes damage to the Property or any property of Lessee or any other Person during the course of such inspection.

ARTICLE IV
RENT

SECTION 4.1 Basic Rent. Beginning on August 1, 1995, Lessee shall pay to Lessor in installments payable in arrears on the first day of each month during the Lease Term ("Rental Payment Date"), "Basic Rent" in an amount equal to $34,077.12 per month, or, if such amount is less, an amount equal to 9.82% per annum of the Funded Purchase Price Balance.

As used herein, the term "Funded Purchase Price Balance" means an amount equal to the combined amount of the Land Funded Purchase Price and the Improvement Funded Purchase Price, reduced by (i) the cumulative amount of all Guaranty Credits, if any, applied to the Land and the Improvement, respectively, as provided for in Section 4.4 hereof, and (ii) the cumulative amount of all Casualty and Condemnation Credits applied to the Land and the Improvement, respectively, as provided for in Article XI hereof.

SECTION 4.2 Additional Rent. Beginning on August 1, 1995, Lessee shall pay to the Lessor in installments payable in arrears on each Rental Payment Date during the lease term, "Additional Rent" in an amount equal to $2,039.18 per month with respect to such Rental Payment Date.

SECTION 4.3 Supplemental Rent. Lessee shall pay to Lessor, or to whomever shall be entitled thereto as expressly provided herein or in any other Operative Document, any and all Supplemental Rent promptly as the same shall become due and payable. In the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor 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 or Additional Rent.

As used herein, the term "Supplemental Rent" means any and all amounts, liabilities and obligations other than Basic Rent and Additional Rent which the Lessee or ADESA 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 Trustee or any other party, including, without limitation, the Make Whole Amount (as defined and provided for in the Note Purchase Agreement) and payments and indemnities and damages for breach of any covenants, representations, warranties or agreements.

SECTION 4.4 Payments Under Unconditional Guaranty. Notwithstanding any other provision of this Lease, payments made by ADESA under the guaranty provided for in Section 5 of the Note Purchase Agreement shall be deemed to have been paid and applied, as follows; provided, however, that in all such events all such amounts shall be allocated and applied by the Lessor among amounts due under this Lease and other Leases referred to in the Indenture as it shall determine in the sole exercise of its discretion.

(i) Any such payment made with respect to interest on the Notes shall be deemed to have been paid on behalf of the Lessee to the Lessor as payment or prepayment of Basic Rent allocated between Basic Rent with respect to the Land and the Improvement, respectively, pro rata in proportion to the Funded Purchase Price Balance with respect to the Land and the Improvement, respectively;

(ii) Any such payment made with respect to the Make Whole Amount shall be deemed to have been paid to the Lessor as Supplemental Rent;

(iii) Any such payment made with respect to the principal amount of the Notes shall not be deemed to have been paid by the Lessee to the Lessor as Basic Rent, Additional Rent or Supplemental Rent, but shall, for the purposes of this Lease and the Guaranty Agreement, be applied as a "Guaranty Credit"; and

(iv) Any such payment made with respect to any of the Guaranteed Obligations (as defined in the Note Purchase Agreement), other than payments made with respect to the principal amount of and interest and Make Whole Amount, if any, on the Notes shall be deemed to have been paid by the Lessee to the Lessor as Supplemental Rent.

SECTION 4.5 Method of Payment. Basic Rent and Supplemental Rent shall be paid by the Lessee directly to the Trustee as provided for in the Assignments of Lease and the Indenture. So long as no event of default has occurred and is continuing under the Mortgage, Additional Rent shall be paid by the Lessee directly to the Lessor or to such Person or Persons as the Lessor shall specify in writing to Lessee, and at such place or places as the Lessor or such Person or Persons as the Lessor shall specify in writing to Lessee.

All payments of Basic Rent, Additional Rent and Supplemental Rent (collectively, "Rent") shall be made by Lessee prior to 10:00 a.m., Columbus, Ohio 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 4.6 Late Payment. If any Basic Rent or Additional Rent shall not be paid when due, Lessee shall pay to Lessor, 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 a rate equal to 11.82% per annum compounded monthly and computed on the basis of the actual number of days elapsed over a year consisting of twelve (12) months or thirty (30) days each.

SECTION 4.7 Net Lease; No Setoff, Etc. This Lease is a net lease and, notwithstanding any other provision of this Lease, Lessee shall pay all Basic Rent, Additional Rent and Supplemental Rent, and all costs, charges, taxes, assessments and other expenses (foreseen or unforeseen) for which Lessee or any indemnitee is or shall become liable by reason of Lessee's or such Indemnitee's estate, right, title or interest in the Leased Property, or that are connected with or arise out of the acquisition, installation, possession, use, occupancy, maintenance, ownership, leasing, repairs and rebuilding of, or addition to, the Leased Property or any portion thereof, including, without limitation, the Construction or the financing of the Construction and any other amounts payable hereunder without counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and Lessee's obligation to pay all such amounts throughout the Lease Term is absolute and unconditional. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected for any reason, including without limitation (i) any defect in the condition, merchantability, design, quality or fitness for use of the Leased Property or any part thereof, or the failure of the Leased Property to comply with any applicable law, including any inability to occupy or use the Leased Property by reason of such noncompliance, (ii) any damage to, removal, abandonment, salvage, loss, contamination of or release from, scrapping or destruction of or any requisition or taking of the Leased Property or any part thereof, (iii) any restriction, prevention or curtailment of or interference with any use of the Leased Property or any part thereof including eviction, (iv) any defect in title to or rights to the Leased Property or any Lien on such title or rights or on the Leased property, (v) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Lessor or the Trustee, (vi) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Lessee, Lessor, the Trustee or any other Person, or any action taken with respect to this Lease by any trustee or receiver of Lessee, Lessor, the Trustee or any other Person, or by any court, in any such proceeding, (vii) any claim that Lessee has or might have against any Person, including without limitation Lessor, any vendor, manufacturer, contractor of or for the Improvement or the Trustee, (viii) any failure on the part of Lessor to perform or comply with any of the terms of this Lease, any other Operative Document or of any other agreement (provided, nothing in this clause (viii) shall limit any available defense or setoff that the Lessee might have with respect to its obligation to pay Additional Rent

based upon any failure by Lessor to perform or comply with any of the terms of this Lease or any other Operative Document, (ix) any invalidity or unenforceability or illegality or disaffirmance of this Lease against or by Lessee or any provision hereof or any of the other Operative Documents or any provision of any thereof whether or not related to the Operative Documents, (x) the impossibility or illegality of performance by Lessee, Lessor or both, (xi) any action by any court, administrative agency or other governmental authority, (xii) any restriction, prevention or curtailment of or interference with the Construction or any use of the Leased Property or any part thereof or (xiii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not Lessee shall have notice or knowledge of any of the foregoing.

Except as specifically set forth in Article XI of this Lease, this Lease shall be noncancellable by Lessee for any reason whatsoever and 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 Lessee hereunder. Each payment of Rent made by Lessee hereunder shall be final and Lessee shall not seek or have any right to recover all or any part of such payment from Lessor, the Trustee or any party to any agreements related thereto for any reason whatsoever. Lessee assumes the sole responsibility for the condition, use, operation, maintenance, and management of the Leased Property and Lessor shall have no responsibility in respect thereof and shall have no liability for damage to the property of either Lessee or any subtenant of Lessee on any account or for any reason whatsoever other than by reason of Lessor's willful misconduct or gross negligence or breach of any of its express obligations under any Operative Document.

ARTICLE V
CONDITION AND USE OF LEASED PROPERTY

During the Lease Term, Lessor's interest in the Improvement (whether or not completed) and the Land is demised and let by Lessor "AS IS" subject to (i) the rights of any parties in possession thereof, (ii) the state of the title thereto existing at the time Lessor acquired its interest in the Leased Property, (iii) any state of facts which an accurate survey or physical inspection might show (including the survey delivered on the Closing Date), (iv) all applicable law and (v) any violations of applicable law which may exist upon or subsequent to the commencement of the Lease Term. LESSEE ACKNOWLEDGES THAT, ALTHOUGH LESSOR WILL OWN AND HOLD TITLE TO THE LEASED PROPERTY, LESSEE IS SOLELY RESPONSIBLE FOR THE DESIGN, DEVELOPMENT, BUDGETING AND CONSTRUCTION OF THE IMPROVEMENT [IMPROVEMENTS AND MODIFICATIONS] AND ANY ALTERATIONS. NEITHER LESSOR NOR THE TRUSTEE HAVE 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 PROPERTY (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED PROPERTY (OR ANY PART THEREOF), ALL SUCH WARRANTIES BEING HEREBY

DISCLAIMED, AND NEITHER LESSOR NOR THE LENDER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN OR THE FAILURE OF THE LEASED PROPERTY, OR ANY PART THEREOF, TO COMPLY WITH ANY APPLICABLE LAW. As between Lessor and Lessee, Lessee has been afforded full opportunity to inspect the Land, is satisfied with the results of its inspections of the Land 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 or the Trustee, on the one hand, and Lessee, on the other, are to be borne by Lessee. The provisions of this Article 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 or the Trustee, express or implied, with respect to the Leased Property that may arise pursuant to any law now or hereafter in effect or otherwise.

ARTICLE VI
LIENS; EASEMENTS; PARTIAL CONVEYANCES

Commencing on the date that Construction in completed and thereafter, Lessee shall not directly or indirectly create, incur or assume, any lien, encumbrance or security interest on or with respect to the Leased Property, the Construction, title thereto, or any interest therein ("Lien") including any Liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of the Leased Property or by reason of labor or materials furnished or claimed to have been furnished to Lessee, or any of its contractors or agents or by reason of the financing of any personalty or equipment purchased or leased by Lessee or Alterations constructed by Lessee, except in all cases Permitted Exceptions.

Notwithstanding the foregoing paragraph, at the request of Lessee, Lessor shall, from time to time during the Lease Term and upon reasonable advance written notice from 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 Lessee's use, development and construction of the Leased Property, (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 Improvement 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 Improvement or any portion thereof and (v) request to any governmental authority for platting or subdivision or replotting 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 any variance from zoning or other governmental requirements. Lessor's obligations pursuant to the preceding sentence shall be subject to the requirements that:

(i) any such action shall be at the sole cost and expense of Lessee and Lessee shall pay all reasonable and documented out-of-pocket costs

of Lessor in connection therewith (including, without limitation, the reasonable and documented fees of attorneys, architects, engineers, planners, appraisers and other professionals reasonably retained by Lessor in connection with any such action);

(ii) Lessee shall have delivered to Lessor a certificate of the Chief Financial Officer of Lessee stating that (1) such action will not cause the Land or the Improvement or any portion thereof to fail to comply in any respect with the provisions of the Lease or any other Operative Documents or in any respect with applicable law and (2) such action will not materially reduce the fair market sales value, utility or useful life of the Land or the Improvement nor Lessor's interest therein;

(iii) any consideration received in connection with any such action shall be paid as provided for in the Indenture; and

(iv) in the case of any release or conveyance, if Lessor so requests, Lessee will cause to be issued and delivered to Lessor 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 VII
MAINTENANCE AND REPAIR; ALTERATIONS, MODIFICATIONS AND ADDITIONS

SECTION 7.1 Maintenance and Repair; Compliance With Law. Lessee, at its own expense, shall at all times (i) maintain the Leased Property 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 automobile auction facilities owned or leased by ADESA, Lessee or ADESA's other subsidiaries, (ii) make all alterations in accordance with, and maintain (whether or not such maintenance requires structural modifications or alterations) and operate and otherwise keep the Leased Property in compliance with, all applicable laws and (iii) make all material repairs, replacements and renewals of the Leased Property or any part thereof which may be required to keep the Leased Property in the condition required by the preceding clauses (i) and (ii). Lessee shall perform the foregoing maintenance obligations regardless of whether the Leased Property is occupied or unoccupied. Lessee waives any right that it may now have or hereafter acquire to (i) require Lessor to maintain, repair, replace, alter, remove or rebuild all or any part of the Leased Property or (ii) make repairs at the expense of Lessor pursuant to any applicable law or other agreements or otherwise. Lessor shall not be liable to Lessee or to any contractors, subcontractors, laborers,

materialmen, suppliers or vendors for services performed or material provided on or in connection with the Leased Property or any part thereof. Lessor shall not be required to maintain, alter, repair, rebuild or replace the Leased Property in any way.

SECTION 7.2 Alterations. Lessee may, without the consent of Lessor, at Lessee's own cost and expense, make alterations which, in the reasonable opinion of the chief executive officer of Lessee, do not diminish the value of the Leased Property.

ARTICLE VIII
USE

Lessee shall use the Leased Property or any part thereof only for the purpose of used automobile auction business capable of operating not less than the number of simultaneous auction lines anticipated in the Plans and Specifications, together with related or ancillary businesses including, without limitation, automobile storage, repair and preparation, transportation, direct sales or other businesses related to used automobile auctions.

ARTICLE IX
INSURANCE

(a) During the Construction and at any time during which any part of the Improvement or any Alteration is under construction and as to any part of the Improvement or any Alteration under construction, Lessee shall maintain, at its sole cost and expense, as a part of its blanket policies or otherwise, "all risks" nonreporting completed value form of builder's risk insurance, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage.

(b) Following the Completion of the Construction and at all times thereafter during the Lease Term, Lessee shall maintain, at its sole cost and expense, as a part of its blanket policies or otherwise, insurance against loss or damage to the Improvement 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 by the Lessee and that are in accordance with normal industry practice, but in no event less than the coverage in place on the date hereof, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage.

(c) During the Lease Term, Lessee shall maintain, at its sole cost and expense, commercial general liability insurance, as is ordinarily procured by Persons who own or operate similar properties in the same market, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage. Such insurance shall be on terms and in amounts that are no less

favorable than insurance maintained by Lessee with respect to similar properties that it owns and that are in accordance with normal industry practice, but in no event less than the coverage (including types and amounts) in place on the date hereof. Such insurance policies shall also provide that Lessee's insurance shall be considered primary insurance. Nothing in this Article shall prohibit Lessor from carrying at its own expense other insurance on or with respect to the Leased Property; provided, however, that any insurance carried by Lessor shall not prevent Lessee from carrying the insurance required hereby.

(d) Each policy of insurance maintained by Lessee pursuant to clauses (a) and (b) of this Article shall provide that all Casualty Proceeds (as defined and provided for in the Indenture) shall be payable to the Trustee for deposit and disbursement as provided for in Section 6.3 of the Indenture.

(e) Within thirty (30) days after the date hereof and within thirty (30) days after the date upon which the Construction is completed, Lessee shall furnish Lessor and the Trustee with certificates showing the insurance required under this Article to be in effect and naming Lessor and the Trustee as additional insureds. Such certificates shall include a provision for thirty (30) days' advance written notice by the insurer to Lessor and the Trustee in the event of cancellation or expiration or nonpayment of premium with respect to such insurance, and shall include a customary breach of warranty clause.

(f) Each policy of insurance maintained by Lessee pursuant to this Article shall (i) contain the waiver of any right of subrogation of the insurer against Lessor and the Trustee and (ii) provide that in respect of the interests of Lessor and the Trustee, such policies shall not be invalidated by any fraud or misrepresentation of Lessee or any other Person acting on behalf of Lessee.

(g) On and after January 1, 1996, all insurance policies carried in accordance with this Article shall be maintained with insurers rated at the inception of such policies at least "A" by A.M. Best & Company, and in all cases the insurer shall be qualified to insure risks in the State of Tennessee.

ARTICLE X
ASSIGNMENT AND SUBLEASING

Lessee may not assign any of its right, title or interest in, to or under this Lease. Lessee may sublease all or any portion of the Leased Property; provided, however, that (i) all obligations of 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, (ii) such sublease shall be expressly subject and subordinate to this Lease, the Indenture, the Mortgage and the other Operative Documents and (iii) each such sublease shall terminate on or before the last day of the Lease Term. Except as provided for in the Indenture, this Lease shall not be mortgaged or pledged by Lessee, nor shall Lessee mortgage or

pledge any interest in the Leased Property or any portion thereof. Any such mortgage or pledge shall be void.

ARTICLE XI
LOSS, DESTRUCTION, CONDEMNATION OR DAMAGE

SECTION 11.1 Available Proceeds. All Casualty Proceeds and Condemnation Awards (both as defined in the Indenture, and which are collectively defined in the Indenture as "Available Proceeds") shall be remitted and paid to the Trustee by the Lessee, the Lessor or ADESA, as applicable, for deposit in the Casualty Account (as defined and established under the Indenture) for disbursement, all as provided for in Section 6.3 of the Indenture. Until such time as the Lessee, the Lessor, ADESA or any of their respective agents or representatives have remitted and paid any Available Proceeds to the Trustee, such Person shall hold such proceeds in trust for the benefit of the Trustee. In the event that at any time during the Lease Term, the Indenture has been terminated, the Lessor shall, for purposes of this Article, be treated as the Trustee, and shall deposit and disburse any Available Proceeds in substantially the manner provided for in Section 6.3 of the Indenture as if it were the Trustee.

SECTION 11.2 Repairs and Restoration. In the event of any Total Loss or Partial Loss (collectively, "Loss"), other than a Total Loss which, in the good faith judgment of the chief executive officer of Lessee renders the repair and restoration of the Leased Property impractical or uneconomical including, without limitation, any condemnation of the Leased Property resulting in the taking of all or substantially all of the Leased Property (collectively, a "Complete Taking"), then:

(i) the Lessee and ADESA shall repair and restore the Leased Property such that the Leased Property as so repaired and restored is, in the good faith judgment of the chief executive officer of Lessee adequate and appropriate for the conduct of an automobile auction and ancillary business of at least the same type, quality and scale as that conducted by the Lessee on the Leased Property immediately prior to such Loss;

(ii) the Available Proceeds, if any, with respect to such Loss, if any, shall be disbursed by the Trustee as provided for in Section 6.3 of the Indenture;

(iii) the inadequacy of the Available Proceeds to fund the cost of any such repairs or restoration shall not diminish the obligation of the Lessee and ADESA to make such repairs or restoration, which obligation is unconditional and absolute; and

(iv) upon completion of such repairs and restoration and at all times during the conduct of such repairs and restoration, the Lessor and its representatives may, upon three (3) business days' notice to Lessee,

inspect the Leased Property and the progress of the restoration and rebuilding of the Improvement and the Land. All reasonable and documented out-of-pocket costs of such inspections incurred by Lessor and the Lender will be paid by Lessee promptly after written request. No such inspection shall unreasonably interfere with Lessee's operations or the operations of any other occupant of the 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 not making any such inspection or inquiry. None of the inspecting parties shall incur any liability or obligation by reason of making any such inspection or inquiry unless and to the extent such inspecting party causes damage to the Leased Property or any property of Lessee or any other Person during the course of such inspection.

SECTION 11.3 Complete Taking. In the event of any Complete Taking with respect to the Leased Property.

(i) the Lessee shall provide to the Lessor a certification stating that the chief executive officer of Lessee has determined in good faith that such Loss constitutes a Complete Taking with respect to the Leased Property as defined in this Lease;

(ii) the Lessee and ADESA shall not be obligated or required to make any repairs to or restoration of the Leased Property, other than those repairs, if any, required by applicable law or necessary to adequately secure the Leased Property or comply with the requirements of any applicable insurance policy or any applicable safety, health or environmental regulations;

(iii) any Available Proceeds with respect to such Loss shall be disbursed as provided for in Section 6.3(b)(iii) of the Indenture; and

(iv) except as otherwise provided for in Section 11.9 hereof, this Lease shall remain in full force and effect.

SECTION 11.4 Application of Available Proceeds. In the event of any Partial Loss or Total Loss (whether or not such Loss constitutes a Complete Taking), Available Proceeds, if any, with respect to such Loss shall be disbursed only as provided for in Section 6.3(b) of the Indenture; and:

(i) Any Available Proceeds disbursed as provided for in Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with

respect to the prepayment of the principal amount thereof or disbursed to the Lessor as provided for in Section 6.3(b) of the Indenture shall be deemed to be and shall be treated as Casualty and Condemnation Credits for purposes of this Lease and the Guaranty Agreement;

(ii) Any Available Proceeds disbursed as provided for Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with respect to the payment of accrued but unpaid interest shall be deemed to have been paid to the Lessor as Basic Rent; and

(iii) Any Available Proceeds disbursed as provided for Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with respect to the payment of Make Whole Amount (as defined in the Indenture) shall be deemed to have been paid to the Lessor as Supplemental Rent.

SECTION 11.5 Prosecution of Awards.

(a) With respect to any condemnation with respect to any Leased Property, Lessee shall control the negotiations with the relevant governmental authority; provided, however, that if an Event of Default shall have occurred and be continuing Lessor or its assigns shall control such negotiations. Lessee hereby irrevocably assigns, transfers and sets over to Lessor all rights of Lessee to any award made during the continuance of an Event of Default on account of any condemnation and, if there will not be separate awards to the Lessor and the Lessee on account of such condemnation, irrevocably authorizes and empowers Lessor during the continuance of an Event of Default, with full power of substitution in the name of Lessee or otherwise (but without limiting the obligations of Lessee under this Article), to file and prosecute what would otherwise be Lessee's claim for any such Award and, in the case of Lessor, to collect, receipt for and retain the same in accordance with Section 6.3 of the Indenture; provided, however, that in any event Lessor may participate in any such negotiations, and no settlement will be made without Lessor's prior consent, not to be unreasonably withheld.

(b) Notwithstanding the foregoing, Lessee may prosecute, and Lessor shall have no interest in, any claim with respect to Lessee's personal property and equipment and Lessee's relocation expenses.

SECTION 11.6 Application of Certain Payments Not Relating to an Event of Complete Taking. In case of a requisition for temporary use of all or a portion of the Leased Property which is not an event of Complete Taking, this Lease shall remain in full force and effect, without any abatement or reduction of Basic Rent or Additional Rent, and the Awards for the Leased Property shall, unless an Event of Default has occurred and is continuing, be paid to Lessee.

SECTION 11.7 Other Dispositions. Notwithstanding the foregoing provisions of this Article, 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 shall be paid to Lessor as security for the obligations of Lessee under this Lease and, at such time thereafter as no Event of Default shall be continuing, such amount shall be paid promptly to Lessee to the extent not previously applied by Lessor in accordance with the terms of this Lease or the other Operative Documents.

SECTION 11.8 No Rent Abatement. Basic Rent, Additional Rent and Supplement Rent shall not abate hereunder by reason of any Loss (regardless of whether such Loss constitutes a Total Loss, a Partial Loss or a Complete Taking) with respect to the Leased Property, and Lessee shall continue to perform and fulfill all of Lessee's obligations, covenants and agreements hereunder notwithstanding such Loss until the end of the Lease Term.

SECTION 11.9 Purchase Option and Remarketing Option.

(a) In the event of any Complete Taking with respect to the Leased Property, the Lessee and ADESA mayl, in the exercise of their discretion, elect at any time within thirty (30) days after the date of the determination by the board of directors of ADESA that such Loss constituted a Complete Taking by giving written notice to the Lessor and the Trustee to either:

(i) exercise the Purchase Option provided for in Section 2.1 of the Guaranty Agreement upon the terms and subject to the conditions provided for therein, except that for purposes of this Section 11.9 the Option Period shall be deemed to be the sixty (60) day period commencing on the date of such determination and the purchase shall be closed on the last day of such Option Period; and, provided, that the Purchase Price for the Leased Property shall be increased by an amount equal to the applicable Make Whole Amount, if any, (as defined in the Indenture) that will, be incurred in connection with the prepayment or Notes as a result of such purchase as provided for in the Indenture; or

(ii) exercise of the Remarketing Option provided for in Section 2.8 of the Guaranty Agreement upon the terms and subject to the conditions provided for therein, except that for purposes of this Section 11.9, the Option Period shall be deemed to be the sixty (60) day period commencing on the date of such determination period and the one year period for remarketing of the Leased Property shall be deemed to commence upon the date of the notice or exercise provided for herein.; and, provided, that the Purchase Price for the Leased Property shall be increased by an amount equal to the applicable Make Whole Amount (as defined in the Indenture) that will, if any be incurred in

connection with the prepayment or Notes as a result of such purchase as provided for in the Indenture.

(b) In the event of any Change in Control resulting in prepayment of the Notes pursuant to Section 7.2 of the Indenture, the Lessee and ADESA may, the in the exercise of their discretion, elect at any time within thirty (30) days after the Control Prepayment Date, to exercise either the Purchase Option as provided in subsection (a)(i) above or Remarketing Option as provided in subsection (a)(ii) above.

(c) In the event a holder of the Notes exercises the Optional Put Right resulting in prepayment of the Notes pursuant to Section 7.6 of the Indenture, the Lessee and ADESA may in the exercise of their discretion, elect at any time within thirty (30) days after the Optional Put Payment Date, to exercise either the Purchase Option as provided in subsection (a)(i) above or the Remarketing Option as provided in subsection (a)(ii) above.

(d) The proceeds of any sale of the Leased Property resulting from Lessee's or ADESA's exercise of the Purchase Option or Remarketing Option under this Section 11.9, shall be remitted to the Trustee and applied as provided for in the Indenture, and this Lease shall be terminated.

ARTICLE XII
INTEREST CONVEYED TO LESSEE

[THIS ARTICLE INTENTIONALLY OMITTED]

ARTICLE XIII
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) Lessee shall fail to make any payment of Basic Rent or Additional Rent when due and such failure shall continue for a period of three (3) Business Days;

(b) Lessee shall fail to make any payment of Supplemental Rent or any other amount payable hereunder or under any of the other Operative Documents (other than Basic Rent), and such failure shall continue for a period of three (3) Business Days after Lessee's receipt of written notice of such failure from Lessor;

(c) Lessee or ADESA shall fail to pay the Available Proceeds to the Trustee when due pursuant to Sections 11.1 or 11.2;

(d) ADESA shall fail to pay any amount due under the Unconditional Guaranty (as defined and provided for in the Note Purchase Agreement);

(e) ADESA shall fail to make payment of any Guaranty Payment (as defined and provided for in the Guaranty Agreement) when due thereunder;

(f) Lessee shall fail to maintain insurance as required by Article IX hereof, and such failure shall continue until the earlier of 45 days after written notice thereof from Lessor and the day immediately preceding the date on which any applicable insurance coverage would otherwise lapse or terminate;

(g) The occurrence of any Event of Default (as defined and provided for in the Guaranty Agreement);

(h) The occurrence of any Event of Default (as defined and provided for in the Note Purchase Agreement or Collateral Trust Agreement) other than an event resulting exclusively from an act or failure to act by the Lessor;

(i) the filing by Lessee of any petition for dissolution or liquidation of Lessee, or the commencement by Lessee of a voluntary case under any applicable bankruptcy, insolvency or other similar law for the relief of debtors, foreign or domestic, now or hereafter in effect, or Lessee shall have consented to the entry of an order for relief in an involuntary case under any such law, or the appointment of or taking possession by a receiver, custodian or trustee (or other similar official) for Lessee or any substantial part of its property, or a general assignment by Lessee for the benefit of its creditors, or Lessee shall have taken any corporate action in furtherance of any of the foregoing; or the filing against Lessee of an involuntary petition in bankruptcy which results in an order for relief being entered or, notwithstanding that an order for relief has not been entered, the petition is not dismissed within 60 days of the date of the filing of the petition, or the filing under any law relating to bankruptcy, insolvency or relief of debtors of any petition against Lessee which either (i) results in a finding or adjudication of insolvency of Lessee or (ii) is not dismissed within sixty (60) days of the date of the filing of such petition;

(j) Any representation or warranty by Lessee or ADESA in the Note Purchase Agreement or Guaranty Agreement or in any certificate or document delivered to Lessor pursuant to any Operative Document shall have been incorrect in any material respect when made; and

(k) Lessee shall fail in any material respect to timely perform or observe any covenant, condition or agreement (not included in any other clause of this Article) to be performed or observed by it hereunder or under the other Operative Documents and such failure shall continue for a period of 45 days after Lessee's receipt of written notice thereof from Lessor.

ARTICLE XIV

ENFORCEMENT

SECTION 14.1 Remedies. Upon the occurrence of any Event of Default, Lessor may, so long as such Event of Default is continuing, 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.

(a) Lessor may, by notice to Lessee, rescind or terminate this Lease as of the date specified in such notice; provided, however, that (i) no reletting, reentry or taking of possession of the 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 Lessee, (ii) 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 (iii) no act or thing done by Lessor or any of its agents, representatives or employees and no agreement accepting a surrender of the Leased Property shall be valid unless the same be made in writing and executed by Lessor.

(b) Lessor may (i) demand that Lessee, and Lessee shall upon the written demand of Lessor, return the Leased Property promptly to Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, this Lease hereof as if the Leased Property were being returned at the end of the Lease Term, and Lessor shall not be liable for the reimbursement of Lessee for any costs and expenses incurred by Lessee in connection therewith and (ii) without prejudice to any other remedy which Lessor may have for possession of the Leased Property, and to the extent and in the manner permitted by Applicable law, enter upon the Leased Property and take immediate possession of (to the exclusion of Lessee) the Leased Property or any part thereof and expel or remove Lessee and any other Person who may be occupying the Leased Property, by summary proceedings or otherwise, all without liability to 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, Lessee shall be responsible for the reasonable and documented costs and expenses of reletting, including brokers fees and the reasonable and documented costs of any alterations or repairs made by Lessor.

(c) Lessor may sell all or any part of the Leased Property at public or private sale, as Lessor may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action in inaction or any proceeds with respect thereto in which event Lessee's obligation to pay Basic Rent hereunder for periods commencing after the date of such sale shall be terminated or proportionately reduced, as the case may be.

(d) Lessor may, at its option, elect not to terminate the Lease, and continue to collect all Basic Rent, Additional Rent, Supplemental Rent and all other amounts due Lessor (together with all costs of collection) and enforce Lessee's 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 the Leased Property by Lessee or re-entry of same by Lessee, Lessor may, in its sole and absolute discretion, elect not to terminate this Lease and may make such reasonable alterations and necessary

repairs in order to relet the Leased Property, and relet the Leased Property or any part thereof for such term or terms (which may be for a long 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. Upon each such reletting all rentals actually received by Lessor from such reletting shall be applied to Lessee's obligations hereunder in such order, proportion and priority as Lessor may elect in Lessor's sole and absolute discretion, it being agreed that under no circumstances shall Lessee benefit from its default from any increase in market rents and if such rentals received from such reletting during any Rent Period be less than the Rent to be paid during that Rent Period by Lessee hereunder, Lessee shall pay any deficiency to Lessor on the Rent Payment Date in such Rent Period.

(e) 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 with respect to any Rent Payment Date, and such suits shall not in any manner prejudice Lessor's right to collect any such damages for any subsequent Rent Payment Date, 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.

(f) Lessor may retain and apply against Lessor's damages all sums which Lessor would, absent such Event of Default, be required to pay, or turn over, to Lessee pursuant to the terms of this Lease.

SECTION 14.2 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 wavier 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 Lessee or to be an acquiescence therein. Lessor's consent to any request made by 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 wavier of any future or subsequent Potential Event of Default or Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor to sell, lease or otherwise use the 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.

ARTICLE XV
RIGHT TO PERFORM FOR LESSEE

If Lessee shall fail to perform or comply with any of its agreements contained herein, Lessor may, on thirty (30) days prior notice (or such lesser period afforded by Applicable laws or any third party) to Lessee, 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 expenses of Lessor (including reasonable attorney's 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 Lessee to Lessor within ten (10) days after written demand therefor.

ARTICLE XVI
GENERAL TAX INDEMNITY

SECTION 16.1 Tax Indemnification. Except as otherwise provided in this Article XVI, the Lessee shall pay and on written demand shall indemnify and hold each of the Lessor, the Trustee, any trustee under the Mortgages and their respective successors and assigns (collectively, the "Tax Indemnitees," and individually, a "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, 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)) or imposed on or with respect to any Tax Indemnitee, the Lessee, the Leased Property or any portion thereof or the 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 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 the 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 the 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 Notes or any other Operative Document, (iv) the Leased Property, the Land or any part thereof or any interest therein, (v) all or any of the Operative Documents, any other documents contemplated thereby and any amendments and supplements thereto and (vi) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents.

SECTION 16.2 Exceptions. The indemnification provided for in Section 16.1 shall not apply to:

(i) Taxes on, based on, or measured by or with respect to, receipts or income of the Lessor and the Trustee (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 that are, or are in the nature of, sales, use, license, rental or property Taxes, (B) withholding Taxes imposed by the United States or the State of Tennessee (1) on payments with respect to the Note, to the extent imposed by reason of a change in Applicable law occurring after the Closing Date or (2) 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 Note and (C) any increase in any franchise taxes based on or otherwise measured by net income, estate, inheritance, transfer, income tax or gross income or gross receipts tax in lieu of net income over the term of the Lease, net of any decrease in such taxes realized by such Tax Indemnitee, to the extent that such tax increase or decrease would not have occurred if on the Closing Date the Lessor had advanced funds to the Lessee in the form of a loan secured by the Leased Property in an amount equal to the Loan, with debt service for such loan equal to the Basic Rent payable on each Rent Payment Date and a principal balance at the maturity of such loan in an amount equal to the Loan at the end of the Lease Term;

(ii) Taxes on, based on, or in the nature of or measured by, Taxes on doing business, business privilege, capital, capital stock, net worth, or mercantile license or similar taxes other than (A) any increase in such Taxes imposed on such Tax Indemnitee by the State of Tennessee, net of any decrease in any such taxes realized by such Tax Indemnitee, to the extent that such tax increase or decrease would not have occurred if on the Closing Date the Lessor had advanced funds to the Lessee in the form of a loan secured by the Leased Property in an amount equal to the Loan, with debt service for such loan equal to the Basic Rent payable on each Rent Payment Date and a principal balance at the maturity of such loan in an amount equal to the Loan 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;

(iii) Taxes that result from any act, event or omission, or are attributable to any period of time, that occurs after the earliest of (A) the expiration of the Lease Term with respect to the Leased Property and,

if the 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 Lessee's obligations to pay the Funded Purchase Price Balance, or any amount determined by reference thereto, with respect to the Leased Property and all other amounts due under the Lease, unless such Taxes relate to acts, events or matters occurring prior to the earliest of such times or are imposed on or with respect to any payments due under the Operative Documents after such expiration or discharge;

(iv) Taxes imposed on a Tax Indemnitee that result from any voluntary sale, assignment, transfer or other disposition by such Tax Indemnitee or any related Tax Indemnitee of any interest in the 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 property by the Lessee shall not be treated as a voluntary action of any Tax Indemnitee, (B) any sale or transfer resulting from the exercise by the 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;

(v) any Tax which is being contested in good faith by the Lessee or ADESA during the pendency of such contest;

(vi) 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 the Lessor or the Lender solely by reason of their respective interests in the Leased Property);

(vii) any Tax that results from a Tax Indemnitee engaging, with respect to the Leased Property, in transactions other than those permitted by the Operative Documents; or

(viii) to the extent any interest, penalties or additions to tax result in whole or in part from the failure of a Tax Indemnitee to file a return that it is required to file in a proper and timely manner, unless such failure (A) results from the transactions contemplated by the Operative Documents in circumstances where the Lessee did not give timely

notice to Lessor (and the Lessor otherwise had no actual knowledge) of such filing requirement that would have permitted a proper and timely filing of such return or (B) results from the failure of the Lessee to supply information necessary for the proper and timely filing of such return that was not in the possession of the Lessor.

SECTION 16.3 Procedures. 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 Lessee may have an indemnity obligation pursuant to this Section, or if any Tax Indemnitee shall determine that any Taxes as to which the Lessee may have an indemnity obligation pursuant to this Section may be payable, such Tax Indemnitee shall promptly notify the Lessee. The Lessee shall be entitled, at its expense, to participate in and to the extent that the Lessee desires to, assume and control the defense thereof; provided, however, that the Lessee shall have acknowledged in writing if the contest is unsuccessful its obligation to fully indemnify such Tax Indemnitee in respect of such action, suit or proceeding; and provided, further, that the Lessee 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 the Lessee, on behalf of the Lessee) if and to the extent that (A) in the reasonable opinion of such Tax Indemnitee, such action, suit or proceeding involves any meaningful risk of imposition of criminal liability or any material risk of material civil liability on such Tax Indemnitee or will involve a material risk of the sale, forfeiture or loss, or the creation, of any Lien (other than a Permitted Lien) on the Leased Property or any part thereof unless the Lessee shall have posted a bond or other security satisfactory to the relevant Tax Indemnities in respect to such risk, (B) such proceeding involves Claims not fully indemnified by the Lessee which the Lessee 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 transactions contemplated by the Operative Documents and if determined adversely could be materially detrimental to the interests of such Tax Indemnitee notwithstanding indemnification by the Lessee 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 the Lessee shall have provided to such Tax Indemnitee an opinion of independent tax counsel selected by the Tax Indemnitee and reasonably satisfactory to the Lessee 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 the Lessee in accordance with the foregoing. Each Tax Indemnitee shall at the Lessee's expense supply the Lessee with such information, documents and testimony reasonably requested by the Lessee as are necessary or advisable for the Lessee to participate in any action, suit or proceeding to the extent permitted by this Section. 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 without the prior written consent of the Lessee, which consent shall not be unreasonably withheld, unless such Tax Indemnitee waives its right to be indemnified under this Section with respect to such Claim. Notwithstanding anything contained herein to the contrary, (i) a Tax Indemnitee will not be required to contest (and the Lessee shall not be permitted 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 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 (ii) 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 the Lessee's counsel creates substantial authority for the success of such contest. Each Tax Indemnitee and the Lessee shall consult in good faith with each other regarding the conduct of such contest controlled by either.

SECTION 16.4 Credits and Refunds. If (i) a Tax Indemnitee shall obtain a credit or refund of any Taxes paid by the Lessee pursuant to this Section or (ii) 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 the Lessee pursuant to this Section, such Tax Indemnitee at any time realizes a reduction in any Taxes for which the Lessee is not required to indemnify such Tax Indemnitee pursuant to this Section, which reduction in Taxes was not taken into account in computing such payment by the Lessee to or for the account of such Tax Indemnitee, then such Tax Indemnitee shall promptly pay to the Lessee 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 an amount equal to such reduction in Taxes, as the case may be; provided, however, that no such payment shall be made so long as an Event of Default shall have occurred and be continuing; and provided, further, that the amount payable to the Lessee by any Tax Indemnitee pursuant to this subsection shall not at any time exceed the aggregate amount of all indemnity payments made by the Lessee under this Section to such Tax Indemnitee and all related Tax Indemnities with respect to the Taxes which gave rise to a credit or refund or with respect to the Tax which gave rise to a reduction in Taxes less the amount of all prior payments made to the Lessee by such Tax Indemnitee and related Tax Indemnities under this Section. 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 the Lessee pursuant to this Section and to maximize the amount of any Tax savings available to it. The disallowance or reduction of any credit, refund or other tax savings with respect to which a Tax Indemnitee has made a payment to the Lessee under this subsection shall be treated as a Tax for which the Lessee is obligated to indemnify such Tax Indemnitee hereunder.

SECTION 16.5 Payments. Any Tax indemnifiable under this Section shall be paid 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 this Section 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 this Section shall be made directly to the Tax Indemnitee entitled thereto or the Lessor, 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 Agreement. Upon the request of any Tax Indemnitee with respect to a Tax that the Lessee is required to pay, the Lessee shall furnish to such Tax Indemnitee the original or a certified copy of a receipt for Lessee's payment of such Tax or such other evidence of payment as is reasonably acceptable to such Tax Indemnitee.

SECTION 16.6 Reports, Returns and Statements. If the 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, the Lessee shall, if the Lessee is permitted by Applicable law, timely file such report, return or statement (and, to the extent permitted by law, show ownership of the Leased Property in the Lessee); provided, however, that if the Lessee is not permitted by Applicable law or does not have access to the information required to file any such report, return or statement the 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, Lessee shall, upon written request of such Tax Indemnitee, provide such Tax Indemnitee with such information as is reasonably available to the Lessee.

ARTICLE XVII
MISCELLANEOUS

SECTION 17.1 Reports. To the extent required under applicable law and to the extent it is reasonably practical for Lessee to do so, 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 Lessee to make such filing, Lessee shall prepare and deliver to Lessor (with a copy to the Lender) 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 the 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 Lessee, shall be binding upon their respective successors, legal representatives and assigns (including, in the case of Lessor, any Person to whom Lessor may transfer the 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 hereunder of the Trustee shall inure (subject to such conditions as are contained herein) to the benefit of the Trustee's permitted successors and assigns.

SECTION 17.3 Quiet Enjoyment. Lessor covenants that, so long as no Event of Default has occurred and is continuing, it will not interfere in Lessee's or any of its sublessees' quiet enjoyment of the Leased Property in accordance with this Lease during the Lease Term. 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 Lessee under this Lease.

SECTION 17.4 Notices. Unless otherwise specified herein, all notices, offers, acceptances, rejections, consents, requests, demands or other communications to or upon the respective parties hereto shall be given in the manner provided for in the Note Purchase Agreement.

SECTION 17.5 Severability. Any provision of this Lease that shall be 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, and Lessee shall remain liable to perform its obligations hereunder except to the extent of such unenforceability. To the extent permitted by applicable law, Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

SECTION 17.6 Amendment; Complete Agreements. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, except by an instrument in writing signed by Lessor and Lessee and approved by ADESA and by the Trustee as provided for in the Indenture. This Lease, together with the other Operative Documents, is intended by the parties as a final expression of their lease agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein and therein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease or any other Operative Document. Acceptance of, or acquiescence in, a course of performance rendered under this or any prior agreement between the parties or their Affiliates shall not be relevant or admissible to determine the meaning of any of the terms of this Lease or any other Operative Document. No representations, undertakings or agreements have been made or relied upon in the making of this Lease other than those specifically set forth in the Operative Documents.

SECTION 17.7 Construction. This Lease shall not be construed more strictly against any one party, it being recognized that both of the Parties hereto have contributed substantially and materially to the preparation and negotiation of this Lease.

SECTION 17.8 Headings. The Table of Contents and headings of the various Articles and Sections of this Lease are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof.

SECTION 17.9 Counterparts. This Lease may be executed by the parties hereto in separate counterparts, 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 17.10 GOVERNING LAW. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TENNESSEE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY, PERFORMANCE, THE CREATION OF THE LEASEHOLD ESTATE HEREUNDER AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT TO SUCH ESTATE.

SECTION 17.11 Discharge of Lessee's Obligations by its Affiliates. Lessor agrees that performance of any of Lessee's obligations hereunder by one or more of Lessee's Affiliates or one or more of Lessee's sublessees of the Leased Property or any part thereof shall constitute performance by Lessee of such obligations to the same extent and with the same effect hereunder as if such obligations were performed by Lessee, but no such performance shall excuse Lessee from any obligation not performed by it or on its behalf under the Operative Documents.

SECTION 17.12 Liability of Lessor Limited. Except as otherwise expressly provided below in this Section, it is expressly understood and agreed by and between 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, to perform any covenant, either express or implied, contained herein, all such liability, if any, being expressly waived by Lessee and by each and every Person now or hereafter claiming by, through or under 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, Lessee and any Person claiming by, through or under Lessee shall look solely to the right, title and interest of Lessor in the Leased Property and any proceeds from Lessor's sale or encumbrance thereof or the Additional Rent (provided, however, that Lessee shall not 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.

SECTION 17.13 Estoppel Certificates. Each party hereto agrees that 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 the Lender, any prospective purchaser (if such prospective purchaser has signed a commitment or letter of intent to purchase the Leased Property or any part thereof), assignee or mortgagee or third party designated by such other party, a certificate stating (i) 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), (ii) the date to which Basic Rent and Additional Rent has been paid, (iii) whether or not there is any existing default by Lessee in the payment of Basic Rent and Additional 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, (iv) whether or not, to the knowledge of the signer after due inquiry and investigation, 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 (v) other items that may be reasonably requested; provided, however, that no such certificate may be requested unless the requesting party has a good faith reason for such request.

SECTION 17.14 No Joint Venture. Any intention to create a joint venture or partnership relation between Lessor and Lessee is hereby expressly disclaimed.

SECTION 17.15 No Accord and Satisfaction. The acceptance by Lessor of any sums from Lessee (whether as Basic Rent or otherwise) in amounts which are less than the amounts due and payable by Lessee hereunder is not intended, nor shall any such acceptance be construed, to constitute an accord and satisfaction of any dispute between Lessor and Lessee regarding sums due and payable by Lessee hereunder, unless Lessor specifically deems it as such in writing.

SECTION 17.16 No Merger. In no event shall the leasehold interest, estates or rights of Lessee hereunder merge with any interests, estates or rights of Lessor in or to the Leased Property, it being understood that such leasehold interests, estates and rights of Lessee hereunder shall be deemed to be separate and distinct from Lessor's interests, estates and rights in or to the Leased Property, 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 17.17 Survival. The obligations of Lessee to be performed under this Lease prior to the Lease Termination Date shall survive the expiration or termination of this Lease. The extension of any applicable statute of limitations by Lessor, Lessee or any Indemnitee shall not affect such survival.

SECTION 17.18 Prior Mortgages. This Lease is and shall be subject and subordinate to that certain Deed of Trust and Security Agreement, dated as of November 22, 1994, by Lessor in favor of John A. Gupton, III, as trustee (the "Local Trustee"), for the benefit of the Trustee and encumbering the Leased Property, and to all rights of the Local Trustee and the Trustee thereunder, and to all renewals, modifications, consolidations, amendments, increases, replacements and extensions thereof ("Mortgage").

Lessee agrees to perform all of the obligations of Lessor (in its capacity as grantor) set forth in the Mortgage, insofar as such obligations relate, directly or indirectly, to the Leased Property, whether or not such obligations are more onerous than the obligations imposed upon Lessee by this Lease.

Whenever any provision of this Lease requires any consent, approval or agreement of the Lessor, such requirement shall be deemed to include the consent, approval or agreement of the Trustee, so long as the Mortgage shall not have been discharged.

SECTION 17.19 Time of Essence. Time is of the essence of this Lease.

SECTION 17.20 Recordation of Lease. Lessee will, at its expense, cause a Memorandum of this Lease and the Purchase Option to be recorded in the proper office or offices in the State of Tennessee and the municipality in which the Land is located.

[The remainder of this page intentionally left blank.]

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

	ASSET HOLDINGS III, L.P.,
Witnessed:	as Lessor
	By: Asset Holdings Corporation III
By: Thomas F. O'Conner	as General Partner
Name: Thomas F. O'Conner	
By: Ellen M. Grace	By: Lannhi Tran
Name: Ellen M. Grace	LANNHI TRAN, Vice President
	A.D.E. OF KNOXVILLE, INC.
Witnessed:	as Lessee
By: Warren W. Byrd	
Name: Warren W. Byrd	
By: Denise L. McAtee	By: Jerry Williams
Name: Denise L. McAtee	Title: Jerry Williams, Secretary

STATE OF CONNECTICUT)
) ss:
COUNTY OF HARTFORD)

The foregoing instrument was acknowledged before me this 28th day of November, 1994, by Lannhi Tran the Vice President of Asset Holdings Corporation III, as general partner of Asset Holdings III, L.P., an Ohio limited partnership, on behalf of the partnership, as such person's and its free act and deed.

Brenda Page
Notary Public
My Commission Expires: My Commission Exp.
April 30, 1998

STATE OF INDIANA)
) ss:
COUNTY OF MARION)

The foregoing instrument was acknowledged before me this 23th day of November, 1994, by Jerry Williams, Secretary of A.D.E. of Knoxville, Inc. a Tenn. corporation, on behalf of the corporation, as such person's and its free act and deed.

Denise L. McAtee

Notary Public Denise L. McAtee
My Commission Expires: April 9, 1997
DENISE L MCATEE
NOTARY PUBLIC STATE OF INDIANA
MARION COUNTY
MY COMMISSION EXP. APR. 9, 1997

ACKNOWLEDGED

The undersigned, ADESA Corporation hereby acknowledges the foregoing Lease and Development Agreement and hereby agrees to perform and observe the covenants with respect to it set forth in Article III of such foregoing Agreement.

ADESA CORPORATION

Date 11/28/94 By: Warren W. Byrd

Warren W. Byrd, Assistant Secretary

SCHEDULE I
DESCRIPTION OF LEASED PROPERTY

I. Land:

All that certain piece or parcel of land, together with any improvements located thereon, situated at _____ in the _____, _____ containing _____ acres, more or less, and being more particularly bounded and described as follows:

II. Improvement:

An office building containing approximately _____ square feet, or any and all other buildings, structures or improvements now or hereafter located on the Land.

Exhibit 10(k)

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LEASE AND DEVELOPMENT AGREEMENT

Dated as of November 28, 1994

between

ASSET HOLDINGS III, L.P., as Lessor

and

ADESA-Charlotte, Inc., as Lessee

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LEASE AND DEVELOPMENT AGREEMENT

THIS LEASE AND DEVELOPMENT AGREEMENT ("Lease"), dated as of November 28, 1994, is between Asset Holdings III, L.P. ("Lessor"), an Ohio limited partnership, as Lessor, and Adesa-Charlotte, Inc., ("Lessee") a North Carolina corporation, as Lessee.

ADESA Corporation ("ADESA"), an Indiana corporation, has guaranteed the payment and performance of certain obligations under this Lease pursuant to a Guaranty and Purchase Option Agreement dated as of the date hereof ("Guaranty Agreement") and ADESA is acknowledging this Agreement. The Lessee is a wholly-owned subsidiary of ADESA.

PRELIMINARY STATEMENT

In accordance with the terms and provisions of this Lease, the Note Purchase Agreement dated as of November 22, 1994 ("Note Purchase Agreement") by and among the Lessor, ADESA and Principal Mutual Life Insurance Company ("Note Purchaser"), the Collateral Trust Indenture dated as of November 22, 1994 ("Indenture") by and between the Lessor and PNC Bank, Kentucky, Inc. ("Trustee") and the Mortgage with respect to the Property (as defined in ss.17.18 hereof):

(i) the Lessor will acquire the real property described in Schedule 1 hereto, excluding any buildings or other improvements now or hereafter contained thereon ("Land") for a purchase price of $1,732,444.00, upon the terms and subject to the conditions of the Purchase Agreement dated as of November 22, 1994 by and Lessor and CIL, INC. ("Purchase Agreement");

(ii) the Lessor will acquire the buildings and improvements contained thereon, together with the additions and alterations with respect thereto to be made by the Lessee as provided for herein ("Improvement") for a purchase price of $4,967,556.00, below, upon the terms and subject to the conditions of the Purchase Agreement;

(iii) the Lessor will lease the Land and the Improvement (collectively, the "Leased Property") to the Lessee pursuant to this Lease;

(iv) the Lessee shall make certain improvements or additions to the Improvement as provided for herein;

(v) the Lessor will fund the payment of 97% of the purchase price for the Land (the "Land Funded Purchase Price") out of the proceeds of Notes issued pursuant to the Note Purchase Agreement, and the Lessor will fund the payment of 3% of the purchase price for the Land out of its contributed equity capital;

(vi) the Lessor will fund payment of 97% of the purchase price for the Improvement (the "Improvement Funded Purchase Price") out of the proceeds of Notes issued pursuant to the Note Purchase Agreement, and the Lessor will fund payment of 3% of the purchase price for the Improvement out of its contributed equity capital;

(vii) the First Mortgage Notes due April 1, 2000 to be issued pursuant to the Note Purchase Agreement ("Notes") and other obligations under the Note Purchase Agreement are secured pursuant to the Mortgage;

(viii) the Mortgage, the Lease and certain other rights and property of the Lessor related thereto have been assigned to the Trustee pursuant to the Indenture as security for the Notes and other obligations under the Note Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained in this Lease 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 the Indenture. The Note Purchase Agreement, the Indenture, the Guaranty Agreement and the Financing Documents (as defined in the Indenture) are referred to herein as the "Operative Documents."

ARTICLE II
LEASE OF LEASED PROPERTY

SECTION 2.1 Lease of Land. Lessor hereby demises and leases Lessor's interest in the Land to Lessee, and Lessee hereby rents and leases Lessor's interest in the Land from Lessor, for a term commencing on the date hereof and continuing through and including April 1, 2000, ("Lease Term").

SECTION 2.2 Lease of Improvement. Lessor hereby demises and leases Lessor's interest in the Improvement (whether or not the Construction (as defined herein) has been completed) to Lessee, and Lessee hereby rents and leases Lessor's interest in the Improvement (whether or not the Construction (as defined herein) has been completed) from Lessor, for the Lease Term. The demise and lease of the Improvement pursuant to this Section shall include any additional right, title or interest in the Improvement which may at any time be acquired by Lessor, the intent being that all right, title and interest of Lessor in and to the Improvement shall at all times be demised and leased hereunder.

SECTION 2.3 Other Property. Lessee may from time to time own or hold under lease from Persons other than Lessor furniture, trade fixtures and equipment located on or about the Leased Property that is not subject to this Lease.

ARTICLE III
CONSTRUCTION AND EQUIPPING OF THE IMPROVEMENT

[This Article intentionally omitted.]

ARTICLE IV
RENT

SECTION 4.1 Basic Rent. Beginning on August 1, 1995, Lessee shall pay to Lessor in installments payable in arrears on the first day of each month during the Lease Term ("Rental Payment Date"), "Basic Rent" in an amount equal to $53,219.20 per month, or, if such amount is less, an amount equal to 9.82% per annum of the Funded Purchase Price Balance.

As used herein, the term "Funded Purchase Price Balance" means an amount equal to the combined amount of the Land Funded Purchase Price and the Improvement Funded Purchase Price, reduced by (i) the cumulative amount of all Guaranty Credits, if any, applied to the Land and the Improvement, respectively, as provided for in Section 4.4 hereof, and (ii) the cumulative amount of all Casualty and Condemnation Credits applied to the Land and the Improvement, respectively, as provided for in Article XI hereof.

SECTION 4.2 Additional Rent. Beginning on August 1, 1995, Lessee shall pay to the Lessor in installments payable in arrears on each Rental Payment Date during the lease term, "Additional Rent" in an amount equal to $3,184.64 per month with respect to such Rental Payment Date.

SECTION 4.3 Supplemental Rent. Lessee shall pay to Lessor, or to whomever shall be entitled thereto as expressly provided herein or in any other Operative Document, any and all Supplemental Rent promptly as the same shall be come due and payable. In the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor 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 or Additional Rent.

As used herein, the term "Supplemental Rent" means any and all amounts, liabilities and obligations other than Basic Rent and Additional Rent which the Lessee or ADESA 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 Trustee or any other party, including,

without limitation, the Make Whole Amount (as defined and provided for in the Note Purchase Agreement) and payments and indemnities and damages for breach of any covenants, representations, warranties or agreements.

SECTION 4.4 Payments Under Unconditional Guaranty. Notwithstanding any other provision of this Lease, payments made by ADESA under the guaranty provided for in Section 5 of the Note Purchase Agreement shall be deemed to have been paid and applied, as follows; provided, however, that in all such events all such amounts shall be allocated and applied by the Lessor among amounts due under this Lease and other Leases referred to in the Indenture as it shall determine in the sole exercise of its discretion:

(i) Any such payment made with respect to interest on the Notes shall be deemed to have been paid on behalf of the Lessee to the Lessor as payment or prepayment of Basic Rent allocated between Basic Rent with respect to the Land and the Improvement, respectively, pro rata in proportion to the Funded Purchase Price Balance with respect to the Land and the Improvement, respectively;

(ii) Any such payment made with respect to the Make Whole Amount shall be deemed to have been paid to the Lessor as Supplemental Rent;

(iii) Any such payment made with respect to the principal amount of the Notes shall not be deemed to have been paid by the Lessee to the Lessor as Basic Rent, Additional Rent or Supplemental Rent, but shall, for the purposes of this Lease and the Guaranty Agreement, be applied as a "Guaranty Credit;" and

(iv) Any such payment made with respect to any of the Guaranteed Obligations (as defined in the Note Purchase Agreement), other than payments made with respect to the principal amount of and interest and Make Whole Amount, if any, on the Notes shall be deemed to have been paid by the Lessee to the Lessor as Supplemental Rent.

SECTION 4.5 Method of Payment. Basic Rent and Supplemental Rent shall be paid by the Lessee directly to the Trustee as provided for in the Assignments of Lease and the Indenture. So long as no event of default has occurred and is continuing under the Mortgage, Additional Rent shall be paid by the Lessee directly to the Lessor or to such Person or Persons as the Lessor shall specify in writing to Lessee, and at such place or places as the Lessor or such Person or Persons as the Lessor shall specify in writing to Lessee.

All payments of Basic Rent, Additional Rent and Supplemental Rent (collectively, "Rent") shall be made by Lessee prior to 10:00 a.m., Columbus, Ohio 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 4.6 Late Payment. If any Basic Rent or Additional Rent shall not be paid when due, Lessee shall pay to Lessor, 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 a rate equal to 11.82% per annum compounded monthly and computed on the basis of the actual number of days elapsed over a year consisting of twelve (12) months or thirty (30) days each.

SECTION 4.7 Net Lease; No Setoff, Etc. This Lease is a net lease and, notwithstanding any other provision of this Lease, Lessee shall pay all Basic Rent, Additional Rent and Supplemental Rent, and all costs, charges, taxes, assessments and other expenses (foreseen or unforeseen) for which Lessee or any indemnitee is or shall become liable by reason of Lessee's or such Indemnitee's estate, right, title or interest in the Leased Property, or that are connected with or arise out of the acquisition, installation, possession, use, occupancy, maintenance, ownership, leasing, repairs and rebuilding of, or addition to, the Leased Property or any portion thereof, including, without limitation, the Construction or the financing of the Construction and any other amounts payable hereunder without counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and Lessee's obligation to pay all such amounts throughout the Lease Term is absolute and unconditional. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected for any reason, including without limitation (i) any defect in the condition, merchantability, design, quality or fitness for use of the Leased Property or any part thereof, or the failure of the Leased Property to comply with any applicable law, including any inability to occupy or use the Leased Property by reason of such noncompliance, (ii) any damage to, removal, abandonment, salvage, loss, contamination of or release from, scrapping or destruction of or any requisition or taking of the Leased Property or any part thereof, (iii) any restriction, prevention or curtailment of or interference with any use of the Leased Property or any part thereof including eviction, (iv) any defect in title to or rights to the Leased Property or any Lien on such title or rights or on the Leased Property, (v) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Lessor or the Trustee, (vi) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Lessee, Lessor, the Trustee or any other Person, or any action taken with respect to this Lease by any trustee or receiver of Lessee, Lessor, the Trustee or any other Person, or by any court, in any such proceeding, (vii) any claim that Lessee has or might have against any Person, including without limitation Lessor, any vendor, manufacturer, contractor of or for the Improvement or the Trustee, (viii) any failure on the part of Lessor to perform or comply with any of the terms of this Lease, any other Operative Document or of any other agreement (provided, nothing in this clause (viii) shall limit any available defense or setoff that the Lessee might have with respect to its obligation to pay Additional Rent based upon any failure by Lessor to perform or comply with any of the terms of this Lease or any other Operative Document, (ix) any invalidity or unenforceability or illegality or disaffirmance of this

Lease against or by Lessee or any provision hereof or any of the other Operative Documents or any provision of any thereof whether or not related to the Operative Documents, (x) the impossibility or illegality of performance by Lessee, Lessor or both, (xi) any action by any court, administrative agency or other governmental authority, (xii) any restriction, prevention or curtailment of or interference with the Construction or any use of the Leased Property or any part thereof or (xiii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not Lessee shall have notice or knowledge of any of the foregoing.

Except as specifically set forth in Article XI of this Lease, this Lease shall be noncancellable by Lessee for any reason whatsoever and 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 diminuation, abatement or reduction of Rent payable by Lessee hereunder. Each payment of Rent made by Lessee hereunder shall be final and Lessee shall not seek or have any right to recover all or any part of such payment from Lessor, the Trustee or any party to any agreements related thereto for any reason whatsoever. Lessee assumes the sole responsibility for the condition, use, operation, maintenance, and management of the Leased Property and Lessor shall have no responsibility in respect thereof and shall have no liability for damage to the property of either Lessee or any subtenant of Lessee on any account or for any reason whatsoever other than by reason of Lessor's willful misconduct or gross negligence or breach of any of its express obligations under any Operative Document.

ARTICLE V
CONDITION AND USE OF LEASED PROPERTY

During the Lease Term, Lessor's interest in the Improvement (whether or not completed) and the Land is demised and let by Lessor "AS IS" subject to (i) the rights of any parties in possession thereof, (ii) the state of the title thereto existing at the time Lessor acquired its interest in the Leased Property, (iii) any state of facts which an accurate survey or physical inspection might show (including the survey delivered on the Closing Date), (iv) all applicable law and (v) any violations of applicable law which may exist upon or subsequent to the commencement of the Lease Term. LESSEE ACKNOWLEDGES THAT, ALTHOUGH LESSOR WILL OWN AND HOLD TITLE TO THE LEASED PROPERTY, LESSEE IS SOLELY RESPONSIBLE FOR THE DESIGN, DEVELOPMENT, BUDGETING AND CONSTRUCTION OF THE IMPROVEMENT [IMPROVEMENTS AND MODIFICATIONS] AND ANY ALTERATIONS. NEITHER LESSOR NOR THE TRUSTEE HAVE 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 PROPERTY (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED PROPERTY (OR ANY PART THEREOF), ALL SUCH WARRANTIES BEING HEREBY DISCLAIMED, AND NEITHER LESSOR NOR THE LENDER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN OR THE FAILURE OF THE LEASED

PROPERTY, OR ANY PART THEREOF, TO COMPLY WITH ANY APPLICABLE LAW. As between Lessor and Lessee, Lessee has been afforded full opportunity to inspect the Land, is satisfied with the results of its inspections of the Land 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 or the Trustee, on the one hand, and Lessee, on the other, are to be borne by Lessee. The provisions of this Article 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 or the Trustee, express or implied, with respect to the Leased Property that may arise pursuant to any law now or hereafter in effect or otherwise.

ARTICLE VI
LIENS; EASEMENTS; PARTIAL CONVEYANCES

Commencing on the date that Construction is completed and thereafter, Lessee shall not directly or indirectly create, incur or assume, any lien encumbrance or security interest on or with respect to the Leased Property, the Construction, title thereto, or any interest therein ("Lien") including any Liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of the Leased Property or by reason of labor or materials furnished or claimed to have been furnished to Lessee, or any of its contractors or agents or by reason of the financing of any personalty or equipment purchased or leased by Lessee or Alterations constructed by Lessee, except in all cases Permitted Exceptions.

Notwithstanding the foregoing paragraph, at the request of Lessee, Lessor shall, from time to time during the Lease Term and upon reasonable advance written notice from 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 Lessee's use, development and construction of the Leased Property, (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 Improvement 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 Improvement or any portion thereof and (v) request to any governmental authority for platting or subdivision or replotting 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 any variance from zoning or other governmental requirements. Lessor's obligations pursuant to the preceding sentence shall be subject to the requirements that:

(i) any such action shall be at the sole cost and expense of Lessee and Lessee shall pay all reasonable and documented out-of-pocket costs of Lessor in connection therewith (including, without limitation, the reasonable and documented fees of attorneys, architects, engineers,

planners,appraisers and other professionals reasonably retained by Lessor in connection with any such action);

(ii) Lessee shall have delivered to Lessor a certificate of the Chief Financial Officer of Lessee stating that (1) such action will not cause the Land or the Improvement or any portion thereof to fail to comply in any respect with the provisions of the Lease or any other Operative Documents or in any respect with applicable law and (2) such action will not materially reduce the fair market sales value, utility or useful life of the Land or the Improvement nor Lessor's interest therein

(iii) any consideration received in connection with any such action shall be paid as provided for in the Indenture; and

(iv) in the case of any release or conveyance, if Lessor so requests, Lessee will cause to be issued and delivered to Lessor 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 VII
MAINTENANCE AND REPAIR; ALTERATIONS, MODIFICATIONS AND ADDITIONS

SECTION 7.1 Maintenance and Repair; Compliance With Law. Lessee, at its own expense, shall at all times (i) maintain the Leased Property 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 automobile auction facilities owned or leased by ADESA, Lessee or ADESA's other subsidiaries, (ii) make all alterations in accordance with, and maintain (whether or not such maintenance requires structural modifications or alterations) and operate and otherwise keep the Leased Property in compliance with, all applicable laws and (iii) make all material repairs, replacements and renewals of the Leased Property or any part thereof which may be required to keep the Leased Property in the condition required by the preceding clauses (i) and (ii). Lessee shall perform the foregoing maintenance obligations regardless of whether the Leased Property is occupied or unoccupied. Lessee waives any right that it may now have or hereafter acquire to (i) require Lessor to maintain, repair, replace, alter, remove or rebuild all or any part of the Leased Property or (ii) make repairs at the expense of Lessor pursuant to any applicable law or other agreements or otherwise. Lessor shall not be liable to Lessee or to any contractors, subcontractors, laborers, materialmen, suppliers or vendors for services performed or material provided on or in connection

with the Leased Property or any part thereof. Lessor shall not be required to maintain, alter, repair, rebuild or replace the Leased Property in any way.

SECTION 7.2 Alterations. Lessee may, without the consent of Lessor, at Lessee's own cost and expense, make alterations which, in the reasonable opinion of the chief executive officer of Lessee, do not diminish the value of the Leased Property.

ARTICLE VIII
USE

Lessee shall use the Leased Property or any part thereof only for the purpose of used automobile auction business capable of operating not less than the number of simultaneous auction lines anticipated in the Plans and Specifications, together with related or ancillary businesses including, without limitation, automobile storage, repair and preparation, transportation, direct sales or other businesses related to used automobile auctions.

ARTICLE IX
INSURANCE

(a) During the Construction and at any time during which any part of the Improvement or any Alteration is under construction and as to any part of the Improvement or any Alteration under construction, Lessee shall maintain, at its sole cost and expense, as a part of its blanket policies or otherwise, "all risks" nonreporting completed value form of builder's risk insurance, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage.

(b) Following the Completion of the Construction and at all times thereafter during the Lease Term, Lessee shall maintain, at its sole cost and expense, as a part of its blanket policies or otherwise, insurance against loss or damage to the Improvement 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 by the Lessee and that are in accordance with normal industry practice, but in no event less than the coverage in place on the date hereof, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage.

(c) During the Lease Term, Lessee shall maintain, at its sole cost and expense, commercial general liability insurance, as is ordinarily procured by Persons who own or operate similar properties in the same market, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage. Such insurance shall be on terms and in amounts that are no less favorable than insurance maintained by Lessee with respect to similar properties that it owns and that

are in accordance with normal industry practice, but in no event less than the coverage (including types and amounts) in place on the date hereof. Such insurance policies shall also provide that Lessee's insurance shall be considered primary insurance. Nothing in this Article shall prohibit Lessor from carrying at its own expense other insurance on or with respect to the Leased Property; provided, however, that any insurance carried by Lessor shall not prevent Lessee from carrying the insurance required hereby.

(d) Each policy of insurance maintained by Lessee pursuant to clauses (a) and (b) of this Article shall provide that all Casualty Proceeds (as defined and provided for in the Indenture) shall be payable to the Trustee for deposit and disbursement as provided for in Section 6.3 of the Indenture.

(e) Within thirty (30) days after the date hereof and within thirty (30) days after the date upon which the Construction is completed, Lessee shall furnish Lessor and the Trustee with certificates showing the insurance required under this Article to be in effect and naming Lessor and the Trustee as additional insureds. Such certificates shall include a provision for thirty (30) days' advance written notice by the insurer to Lessor and the Trustee in the event of cancellation or expiration or nonpayment of premium with respect to such insurance, and shall include a customary breach of warranty clause.

(f) Each policy of insurance maintained by Lessee pursuant to this Article shall (i) contain the waiver of any right of subrogation of the insurer against Lessor and the Trustee and (ii) provide that in respect of the interests of Lessor and the Trustee, such policies shall not be invalidated by any fraud or misrepresentation of lessee or any other Person acting on behalf of Lessee.

(g) On and after January 1, 1996, all insurance policies carried in accordance with this Article shall be maintained with insurers rated at the inception of such policies at least "A" by A.M. Best & Company, and in all cases the insurer shall be qualified to insure risks in the State of North Carolina.

ARTICLE X
ASSIGNMENT AND SUBLEASING

Lessee may not assign any of its right, title or interest in, to or under this Lease. Lessee may sublease all or any portion of the Leased Property; provided, however, that (i) all obligations of 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, (ii) such sublease shall be expressly subject and subordinate to this Lease, the Indenture, the Mortgage and the other Operative Documents and (iii) each such sublease shall terminate on or before the last day of the Lease Term. Except as provided for in the Indenture, this Lease shall not be mortgaged or pledged by Lessee, nor shall Lessee mortgage or pledge any interest in the Leased Property or any portion thereof. Any such mortgage or pledge shall be void.

ARTICLE XI
LOSS, DESTRUCTION, CONDEMNATION OR DAMAGE

SECTION 11.1 Available Proceeds. All Casualty Proceeds and Condemnation Awards (both as defined in the Indenture, and which are collectively defined in the Indenture as "Available Proceeds") shall be remitted and paid to the Trustee by the Lessee, the Lessor or ADESA, as applicable, for deposit in the Casualty Account (as defined and established under the Indenture) for disbursement, all as provided for in Section 6.3 of the Indenture. Until such time as the Lessee, the Lessor, ADESA or any of their respective agents or representatives have remitted and paid any Available Proceeds to the Trustee, such Person shall hold such proceeds in trust for the benefit of the Trustee. In the event that at any time during the Lease Term, the Indenture has been terminated, the Lessor shall, for purposes of this Article, be treated as the Trustee, and shall deposit and disburse any Available Proceeds in substantially the manner provided for in Section 6.3 of the Indenture as if it were the Trustee.

SECTION 11.2 Repairs and Restoration. In the event of any Total Loss or Partial Loss (collectively, "Loss"), other than a Total Loss which, in the good faith judgment of the chief executive officer of Lessee renders the repair and restoration of the Leased Property impractical or uneconomical including, without limitation, any condemnation of the Leased Property resulting in the taking of all or substantially all of the Leased Property (collectively, a "Complete Taking"), then:

(i) the Lessee and ADESA shall repair and restore the Leased Property such that the Leased Property as so repaired and restored is, in the good faith judgment of the chief executive officer of Lessee adequate and appropriate for the conduct of an automobile auction and ancillary business of at least the same type, quality and scale as that conducted by the Lessee on the Leased Property immediately prior to such Loss;

(ii) the Available Proceeds, if any, with respect to such Loss, if any, shall be disbursed by the Trustee as provided for in Section 6.3 of the Indenture;

(iii) the inadequacy of the Available Proceeds to fund the cost of any such repairs or restoration shall not diminish the obligation of the Lessee and ADESA to make such repairs or restoration, which obligation is unconditional and absolute; and

(iv) upon completion of such repairs and restoration and at all times during the conduct of such repairs and restoration, the Lessor and its representatives may, upon three (3) business days' notice to Lessee, inspect the Leased Property and the progress of the restoration and rebuilding of the Improvement and the Land. All reasonable and documented out-of-pocket costs of such inspections incurred by

Lessor and the Lender will be paid by Lessee promptly after written request. No such inspection shall unreasonably interfere with Lessee's operations or the operations of any other occupant of the 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 not making any such inspection or inquiry. None of the inspecting parties shall incur any liability or obligation by reason of making any such inspection or inquiry unless and to the extent such inspecting party causes damage to the Leased Property or any property of Lessee or any other Person during the course of such inspection.

SECTION 11.3 Complete Taking. In the event of any Complete Taking with respect to the Leased Property:

(i) the Lessee shall provide to the Lessor a certification stating that the chief executive officer of Lessee has determined in good faith that such Loss constitutes a Complete Taking with respect to the Leased Property as defined in this Lease;

(ii) the Lessee and ADESA shall not be obligated or required to make any repairs to or restoration of the Leased Property, other than those repairs, if any, required by applicable law or necessary to adequately secure the Leased Property or comply with the requirements of any applicable insurance policy or any applicable safety, health or environmental regulations;

(iii) any Available Proceeds with respect to such Loss shall be disbursed as provided for in Section 6.3(b)(iii) of the Indenture; and

(iv) except as otherwise provided for in Section 11.9 hereof, this Lease shall remain in full force and effect.

SECTION 11.4 Application of Available Proceeds. In the event of any Partial Loss or Total Loss (whether or not such Loss constitutes a Complete Taking), Available Proceeds, if any, with respect to such Loss shall be disbursed only as provided for in Section 6.3(b) of the Indenture; and:

(i) Any Available Proceeds disbursed as provided for in Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with respect to the prepayment of the principal amount thereof or disbursed to the Lessor as provided for in Section 6.3(b) of the Indenture shall

be deemed to be and shall be treated as Casualty and Condemnation Credits for purposes of this Lease and the Guaranty Agreement;

(ii) Any Available Proceeds disbursed as provided for Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with respect to the payment of accrued but unpaid interest shall be deemed to have been paid to the Lessor as Basic Rent; and

(iii) Any Available Proceeds disbursed as provided for Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with respect to the payment of Make Whole Amount (as defined in the Indenture) shall be deemed to have been paid to the Lessor as Supplemental Rent.

SECTION 11.5 Prosecution of Awards.

(a) With respect to any condemnation with respect to any Leased Property, Lessee shall control the negotiations with the relevant governmental authority; provided, however, that if an Event of Default shall have occurred and be continuing Lessor or its assigns shall control such negotiations. Lessee hereby irrevocably assigns, transfers and sets over to Lessor all rights of Lessee to any award made during the continuance of an Event of Default on account of any condemnation and, if there will not be separate awards to the Lessor and the Lessee on account of such condemnation, irrevocably authorizes and empowers Lessor during the continuance of an Event of Default, with full power of substitution in the name of Lessee or otherwise (but without limiting the obligations of Lessee under this Article), to file and prosecute what would otherwise be Lessee's claim for any such Award and, in the case of Lessor, to collect, receipt for and retain the same in accordance with Section 6.3 of the Indenture; provided, however, that in any event Lessor may participate in any such negotiations, and no settlement will be made without Lessor's prior consent, not to be unreasonably withheld.

(b) Notwithstanding the foregoing, Lessee may prosecute, and Lessor shall have no interest in, any claim with respect to Lessee's personal property and equipment and Lessee's relocation expenses.

SECTION 11.6 Application of Certain Payments Not Relating to an Event of Complete Taking. In case of a requisition for temporary use of all or a portion of the Leased Property which is not an event of Complete Taking, this Lease shall remain in full force and effect, without any abatement or reduction of Basic Rent or Additional Rent, and the Awards for the Leased Property shall, unless an Event of Default has occurred and is continuing, be paid to Lessee.

SECTION 11.7 Other Dispositions. Notwithstanding the foregoing provisions of this Article, 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 shall be paid to Lessor as security for the obligations of Lessee under this Lease and, at such time thereafter as no Event of Default shall be continuing, such amount shall be paid promptly to Lessee to the extent not previously applied by Lessor in accordance with the terms of this Lease or the other Operative Documents.

SECTION 11.8 No Rent Abatement. Basic Rent, Additional Rent and Supplement Rent shall not abate hereunder by reason of any Loss (regardless of whether such Loss constitutes a Total Loss, a Partial Loss or a Complete Taking) with respect to the Leased Property, and Lessee shall continue to perform and fulfill all of Lessee's obligations, covenants and agreements hereunder notwithstanding such Loss until the end of the Lease Term.

SECTION 11.9 Purchase Option and Remarketing Option.

(a) In the event of any Complete Taking with respect to the Leased Property, the Lessee and ADESA may, in the exercise of their discretion, elect at any time within thirty (30) days after the date of the determination by the board of directors of ADESA that such Loss constituted a Complete Taking by giving written notice to the Lessor and the Trustee to either:

(i) exercise the Purchase Option provided for in Section 2.1 of the Guaranty Agreement upon the terms and subject to the conditions provided for therein, except that for purposes of this Section 11.9 the Option Period shall be deemed to be the sixty (60) day period commencing on the date of such determination and the purchase shall be closed on the last day of such Option Period; and, provided, that the Purchase Price for the Leased Property shall be increased by an amount equal to the applicable Make Whole Amount, if any, (as defined in the Indenture) that will, be incurred in connection with the prepayment or Notes as a result of such purchase as provided for in the Indenture; or

(ii) exercise of the Remarketing Option provided for in Section 2.8 of the Guaranty Agreement upon the terms and subject to the conditions provided for therein, except that for purposes of this Section 11.9, the Option Period shall be deemed to be the sixty (60) day period commencing on the date of such determination period and the one year period for remarketing of the Leased Property shall be deemed to commence upon the date of the notice or exercise provided for herein.; and, provided, that the Purchase Price for the Leased Property shall be increased by an amount equal to the applicable Make Whole Amount (as defined in the Indenture) that will, if any be incurred in connection with the prepayment or Notes as a result of such purchase as provided for in the Indenture.

(b) In the event of any Change in Control resulting in prepayment of the Notes pursuant to Section 7.2 of the Indenture, the Lessee and ADESA may in the exercise of their discretion, elect at any time within thirty (30) days after the Control Prepayment Date, to exercise either the Purchase Option as provided in subsection (a)(i) above or Remarketing Option as provided in subsection (a)(ii) above.

(c) In the event a holder of the Notes exercises the Optional Put Right resulting in prepayment of the Notes pursuant to Section 7.6 of the Indenture, the Lessee and ADESA may in the exercise of their discretion, elect at any time within thirty (30) days after the Optional Put Payment Date, to exercise either the Purchase Option as provided in subsection (a)(i) above or the Remarketing Option as provided in subsection (a)(ii) above.

(d) The proceeds of any sale of the Leased Property resulting from Lessee's or ADESA's exercise of the Purchase Option or Remarketing Option under this Section 11.9, shall be remitted to the Trustee and applied as provided for in the Indenture, and this Lease shall be terminated.

ARTICLE XII
INTEREST CONVEYED TO LESSEE

[THIS ARTICLE INTENTIONALLY OMITTED]

ARTICLE XIII
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) Lessee shall fail to make any payment of Basic Rent or Additional Rent when due and such failure shall continue for a period of three (3) Business Days;

(b) Lessee shall fail to make any payment of Supplemental Rent or any other amount payable hereunder or under any of the other Operative Documents (other than Basic Rent), and such failure shall continue for a period of three (3) Business Days after Lessee's receipt of written notice of such failure from Lessor;

(c) Lessee or ADESA shall fail to pay the Available Proceeds to the Trustee when due pursuant to Sections 11.1 or 11.2;

(d) ADESA shall fail to pay any amount due under the Unconditional Guaranty (as defined and provided for in the Note Purchase Agreement);

(e) ADESA shall fail to make payment of any Guaranty Payment (as defined and provided for in the Guaranty Agreement) when due thereunder;

(f) Lessee shall fail to maintain insurance as required by Article IX hereof, and such failure shall continue until the earlier of 45 days after written notice thereof from Lessor and the day immediately preceding the date on which any applicable insurance coverage would otherwise lapse or terminate;

(g) The occurrence of any Event of Default (as defined and provided for in the Guaranty Agreement);

(h) The occurrence of any Event of Default (as defined and provided for in the Note Purchase Agreement or Collateral Trust Agreement) other than an event resulting exclusively from an act or failure to act by the Lessor;

(i) the filing by Lessee of any petition for dissolution or liquidation of Lessee, or the commencement by Lessee of a voluntary case under any applicable bankruptcy, insolvency or other similar law for the relief of debtors, foreign or domestic, now or hereafter in effect, or Lessee shall have consented to the entry of an order for relief in an involuntary case under any such law, or the appointment of or taking possession by a receiver, custodian or trustee (or other similar official) for Lessee or any substantial part of its property, or a general assignment by Lessee for the benefit of its creditors, or Lessee shall have taken any corporate action in furtherance of any of the foregoing; or the filing against Lessee of an involuntary petition in bankruptcy which results in an order for relief being entered or, notwithstanding that an order for relief has not been entered, the petition is not dismissed within 60 days of the date of the filing of the petition, or the filing under any law relating to bankruptcy, insolvency or relief of debtors of any petition against Lessee which either (i) results in a finding or adjudication of insolvency of Lessee or (ii) is not dismissed within sixty (60) days of the date of the filing of such petition;

(j) Any representation or warranty by Lessee or ADESA in the Note Purchase Agreement or Guaranty Agreement or in any certificate or document delivered to Lessor pursuant to any Operative Document shall have been incorrect in any material respect when made; and

(k) Lessee shall fail in any material respect to timely perform or observe any covenant, condition or agreement (not included in any other clause of this Article) to be performed or observed by it hereunder or under the other Operative Documents and such failure shall continue for a period of 45 days after Lessee's receipt of written notice thereof from Lessor.

ARTICLE XIV
ENFORCEMENT

SECTION 14.1 Remedies. Upon the occurrence of any Event of Default, Lessor may, so long as such Event of Default is continuing, 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.

(a) Lessor may, by notice to Lessee, rescind or terminate this Lease as of the date specified in such notice; provided, however, that (i) no reletting, reentry or taking of possession of the 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 Lessee, (ii) 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 (iii) no act or thing done by Lessor or any of its agents, representatives or employees and no agreement accepting a surrender of the Leased Property shall be valid unless the same be made in writing and executed by Lessor.

(b) Lessor may (i) demand that Lessee, and Lessee shall upon the written demand of Lessor, return the Leased Property promptly to Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, this Lease hereof as if the Leased Property were being returned at the end of the Lease Term, and Lessor shall not be liable for the reimbursement of Lessee for any costs and expenses incurred by Lessee in connection therewith and (ii) without prejudice to any other remedy which Lessor may have for possession of the Leased Property, and to the extent and in the manner permitted by Applicable law, enter upon the Leased Property, and take immediate possession of (to the exclusion of Lessee) the Leased Property or any part thereof and expel or remove Lessee and any other Person who may be occupying the Leased Property, by summary proceedings or otherwise, all without liability to 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, Lessee shall be responsible for the reasonable and documented costs and expenses of reletting, including brokers fees and the reasonable and documented costs of any alterations or repairs made by Lessor.

(c) Lessor may sell all or any part of the Leased Property at public or private sale, as Lessor may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or any proceeds with respect thereto in which event Lessee's obligation to pay Basic Rent hereunder for periods commencing after the date of such sale shall be terminated or proportionately reduced, as the case may be.

(d) Lessor may, at its option, elect not to terminate the Lease, and continue to collect all Basic Rent, Additional Rent, Supplemental Rent and all other amounts due Lessor (together with all costs of collection) and enforce Lessee's 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 the Leased Property by Lessee or re-entry of same by Lessee, Lessor may, in its sole and absolute discretion, elect not to terminate this Lease and may make such reasonable alterations and necessary repairs in order to relet the Leased Property, and relet the Leased Property or any part thereof for such term or terms (which may be for a long 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. Upon each such reletting all rentals actually received by Lessor from such reletting shall be applied to Lessee's obligations hereunder in such order, proportion and priority as Lessor may elect in Lessor's sole and absolute discretion, it being agreed that under no circumstances shall Lessee benefit from its default from any increase in market rents and if such rentals received from such reletting during any Rent Period be less than the Rent to be paid during that Rent Period by Lessee hereunder, Lessee shall pay any deficiency to Lessor on the Rent Payment Date in such Rent Period.

(e) 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 with respect to any Rent Payment Date, and such suits shall not in any manner prejudice Lessor's right to collect any such damages for any subsequent Rent Payment Date, 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.

(f) Lessor may retain and apply against Lessor's damages all sums which Lessor would, absent such Event of Default, be required to pay, or turn over, to Lessee pursuant to the terms of this Lease.

SECTION 14.2 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 Lessee or to be an acquiescence therein. Lessor's consent to any request made by 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, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor to sell, lease or otherwise use the 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.

ARTICLE XV
RIGHT TO PERFORM FOR LESSEE

If Lessee shall fail to perform or comply with any of its agreements contained herein, Lessor may, on thirty (30) days prior notice (or such lesser period afforded by Applicable laws or any third party) to Lessee, 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 expenses of Lessor (including reasonable attorney's 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 Lessee to Lessor within ten (10) days after written demand therefor.

ARTICLE XVI
GENERAL TAX INDEMNITY

SECTION 16.1 Tax Indemnification. Except as otherwise provided in this Article XVI, the Lessee shall pay and on written demand shall indemnify and hold each of the Lessor, the Trustee, any trustee under the Mortgages and their respective successors and assigns (collectively, the "Tax Indemnitees," and individually, a "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, 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)) or imposed on or with respect to any Tax Indemnitee, the Lessee, the Leased Property or any portion thereof or the 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 the 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 the 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 Notes or any other Operative Document, (iv) the Leased Property, the Land or any part thereof or any interest therein, (v) all or any of the Operative Documents, any other documents

contemplated thereby and any amendments and supplements thereto and (vi) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents.

SECTION 16.2 Exceptions. The indemnification provided for in Section 16.1 shall not apply to:

(i) Taxes on, based on, or measured by or with respect to, receipts or income of the Lessor and the Trustee (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 that are, or are in the nature of, sales, use, license, rental or property Taxes, (B) withholding Taxes imposed by the United States or the State of North Carolina (1) on payments with respect to the Note, to the extent imposed by reason of a change in Applicable law occurring after the Closing Date or (2) 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 Note and (C) any increase in any franchise taxes based on or otherwise measured by net income, estate, inheritance, transfer, income tax or gross income or gross receipts tax in lieu of net income over the term of the Lease, net of any decrease in such taxes realized by such Tax Indemnitee, to the extent that such tax increase or decrease would not have occurred if on the Closing Date the Lessor had advanced funds to the Lessee in the form of a loan secured by the Leased Property in an amount equal to the Loan, with debt service for such loan equal to the Basic Rent payable on each Rent Payment Date and a principle balance at the maturity of such loan in an amount equal to the Loan at the end of the Lease Term;

(ii) Taxes on, based on, or in the nature of or measured by, Taxes on doing business, business privilege, capital, capital stock, net worth, or mercantile license or similar taxes other than (A) any increase in such Taxes imposed on such Tax Indemnitee by the State of North Carolina, net of any decrease in such taxes realized by such Tax Indemnitee, to the extent that such tax increase or decrease would not have occurred if on the Closing Date the Lessor had advanced funds to the Lessee in the form of a loan secured by the Leased Property in an amount equal to the Loan, with debt service for such loan equal to the Basic Rent payable on each Rent Payment Date and a principal balance at the maturity of such loan in an amount equal to the Loan 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;

(iii) Taxes that result from any act, event or omission, or are attributable to any period of time, that occurs after the earliest of (A) the expiration of the Lease Term with respect to the Leased Property and, if the 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 Lessee's obligations to pay the Funded Purchase Price Balance, or any amount determined by reference thereto, with respect to the Leased Property and all other amounts due under the Lease, unless such Taxes relate to acts, events or matters occurring prior to the earliest of such times or are imposed on or with respect to any payments due under the Operative Documents after such expiration or discharge;

(iv) Taxes imposed on a Tax Indemnitee that result from any voluntary sale, assignment, transfer or other disposition by such Tax Indemnitee or any related Tax Indemnitee of any interest in the 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 property by the Lessee shall not be treated as a voluntary action of any Tax Indemnitee, (B) any sale or transfer resulting from the exercise by the 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;

(v) any Tax which is being contested in good faith by the Lessee or ADESA during the pendency of such contest;

(vi) 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 the Lessor or the Lender solely by reason of their respective interests in the Leased Property);

(vii) any Tax that results from a Tax Indemnitee engaging, with respect to the Leased Property, in transactions other than those permitted by the Operative Documents; or

(viii) to the extent any interest, penalties or additions to tax result in whole or in part from the failure of a Tax Indemnitee to file a return that it

is required to file in a proper and timely manner, unless such failure (A) results from the transactions contemplated by the Operative Documents in circumstances where the Lessee did not give timely notice to Lessor (and the Lessor otherwise had no actual knowledge) of such filing requirement that would have permitted a proper and timely filing of such return or (B) results from the failure of the Lessee to supply information necessary for the proper and timely filing of such return that was not in the possession of the Lessor.

SECTION 16.3 Procedures. 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 Lessee may have an indemnity obligation pursuant to this Section, or if any Tax Indemnitee shall determine that any Taxes as to which the Lessee may have an indemnity obligation pursuant to this Section may be payable, such Tax Indemnitee shall promptly notify the Lessee. The Lessee shall be entitled, at its expense, to participate in and to the extent that the Lessee desires to, assume and control the defense thereof; provided, however, that the Lessee shall have acknowledged in writing if the contest is unsuccessful its obligation to fully indemnify such Tax Indemnitee in respect of such action, suit or proceeding; and provided, further, that the Lessee 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 the Lessee, on behalf of the Lessee) if and to the extent that (A) in the reasonable opinion of such Tax Indemnitee, such action, suit or proceeding involves any meaningful risk of imposition of criminal liability or any material risk of material civil liability on such Tax Indemnitee or will involve a material risk of the sale, forfeiture or loss, or the creation, of any Lien (other than a Permitted Lien) on the Leased Property or any part thereof unless the Lessee shall have posted a bond or other security satisfactory to the relevant Tax Indemnities in respect to such risk, (B) such proceeding involves Claims not fully indemnified by the Lessee which the Lessee 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 transactions contemplated by the Operative Documents and if determined adversely could be materially detrimental to the interests of such Tax Indemnitee notwithstanding indemnification by the Lessee 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 the Lessee shall have provided to such Tax Indemnitee an opinion of independent tax counsel selected by the Tax Indemnitee and reasonable satisfactory to the Lessee 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 the Lessee in accordance with the foregoing. Each Tax Indemnitee shall at the Lessee's expense supply the Lessee with such information, documents and testimony reasonably

requested by the Lessee as are necessary to advisable for the Lessee to participate in any action, suit or proceeding to the extent permitted by this Section. 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 without the prior written consent of the Lessee, which consent shall not be unreasonably withheld, unless such Tax Indemnitee waives its right to be indemnified under this Section with respect to such Claim. Notwithstanding anything contained herein to the contrary, (i) a Tax Indemnitee will not be required to contest (and the Lessee shall not be permitted 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 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 (ii) 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 the Lessee's counsel creates substantial authority for the success of such contest. Each Tax Indemnitee and the Lessee shall consult in good faith with each other regarding the conduct of such contest controlled by either.

SECTION 16.4 Credits and Refunds. If (i) a Tax Indemnitee shall obtain a credit or refund of any Taxes paid by the Lessee pursuant to this Section or (ii) 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 the Lessee pursuant to this Section, such Tax Indemnitee at any time realizes a reduction in any Taxes for which the Lessee is not required to indemnify such Tax Indemnitee pursuant to this Section, which reduction in Taxes was not taken into account in computing such payment by the Lessee to or for the account of such Tax Indemnitee, then such Tax Indemnitee shall promptly pay to the Lessee 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 an amount equal to such reduction in Taxes, as the case may be; provided, however, that no such payment shall be made so long as an Event of Default shall have occurred and be continuing; and provided, further, that the amount payable to the Lessee by any Tax Indemnitee pursuant to this subsection shall not at any time exceed the aggregate amount of all indemnity payments made by the Lessee under this Section to such Tax Indemnitee and all related Tax Indemnities with respect to the Taxes which gave rise to a credit or refund or with respect to the Tax which gave rise to a reduction in Taxes less the amount of all prior payments made to the Lessee by such Tax Indemnitee and related Tax Indemnities under this Section. 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 the Lessee pursuant to this Section and to maximize the amount of any Tax savings available to it. The disallowance or reduction of any credit, refund or other tax savings with respect to which a Tax Indemnitee has made a payment to the Lessee under this subsection shall be treated as a Tax for which the Lessee is obligated to indemnify such Tax Indemnitee hereunder.

SECTION 16.5 Payments. Any Tax indemnifiable under this Section shall be paid directly when due to the applicable taxing authority of 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 this Section 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 this Section shall be made directly to the Tax Indemnitee entitled thereto or the Lessor, 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 Agreement. Upon the request of any Tax Indemnitee with respect to a Tax that the Lessee is required to pay, the Lessee shall furnish to such Tax Indemnitee the original or a certified copy of a receipt for Lessee's payment of such Tax or such other evidence of payment as is reasonably acceptable to such Tax Indemnitee.

SECTION 16.6 Reports, Returns and Statements. If the 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, the Lessee shall, if the Lessee is permitted by Applicable law, timely file such report, return or statement (and, to the extent permitted by law, show ownership of the Leased Property in the Lessee); provided, however, that if the Lessee is not permitted by Applicable law or does not have access to the information required to file any such report, return or statement the 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, Lessee shall, upon written request of such Tax Indemnitee, provide such Tax Indemnitee with such information as is reasonably available to the Lessee.

ARTICLE XVII
MISCELLANEOUS

SECTION 17.1 Reports. To the extent required under applicable law and to the extent it is reasonably practical for Lessee to do so, 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 Lessee to make such filing, Lessee shall prepare and deliver to Lessor (with a copy to the Lender) 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 the 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 Lessee, shall be binding upon their respective successors, legal representatives and assigns (including, in the case of Lessor, any Person to whom Lessor may transfer the 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 rights hereunder of the Trustee shall inure (subject to such conditions as are contained herein) to the benefit of the Trustee's permitted successors and assigns.

SECTION 17.3 Quiet Enjoyment. Lessor covenants that, so long as no Event of Default has occurred and is continuing, it will not interfere in Lessee's or any of its sublessees' quiet enjoyment of the Leased Property in accordance with this Lease during the Lease Term. 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 Lessee under this Lease.

SECTION 17.4 Notices. Unless otherwise specified herein, all notices, offers, acceptances, rejections, consents, requests, demands or other communications to or upon the respective parties hereto shall be given in the manner provided for in the Note Purchase Agreement.

SECTION 17.5 Severability. Any provision of this Lease that shall be 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, and Lessee shall remain liable to perform its obligations hereunder except to the extent of such unenforceability. To the extent permitted by applicable law, Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

SECTION 17.6 Amendment; Complete Agreements. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, except by an instrument in writing signed by Lessor and Lessee and approved by ADESA and by the Trustee as provided for in the Indenture. This Lease, together with the other Operative Documents, is intended by the parties as final expression of their lease agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein and therein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease or any other Operative Document. Acceptance of, or acquiescence in, a course of performance rendered under this or any prior agreement between the parties or their Affiliates shall not be relevant or admissible to determine the meaning of any of the terms of this Lease or any other Operative Document. No representations, undertakings, or agreements have been made or relied upon in the making of this Lease other than those specifically set forth in the Operative Documents.

SECTION 17.7 Construction. This Lease shall not be construed more strictly against any one party, it being recognized that both of the Parties hereto have contributed substantially and materially to the preparation and negotiation of this Lease.

SECTION 17.8 Headings. The Table of Contents and headings of the various Articles and Sections of this Lease are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof.

SECTION 17.9 Counterparts. This Lease may be executed by the parties hereto in separate counterparts, 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 17.10 GOVERNING LAW. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY, PERFORMANCE, THE CREATION OF THE LEASEHOLD ESTATE HEREUNDER AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT TO SUCH ESTATE.

SECTION 17.11 Discharge of Lessee's Obligations by its Affiliates. Lessor agrees that performance of any of Lessee's obligations hereunder by one or more of Lessee's Affiliates or one or more of Lessee's subleases of the Leased Property or any part thereof shall constitute performance by Lessee of such obligations to the same extent and with the same effect hereunder as if such obligations were performed by Lessee, but no such performance shall excuse Lessee from any obligation not performed by it or on its behalf under the Operative Documents.

SECTION 17.12 Liability of Lessor Limited. Except as otherwise expressly provided below in this Section, it is expressly understood and agreed by and between 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, to perform any covenant, either express or implied, contained herein, all such liability, if any, being expressly waived by Lessee and by each and every Person now or hereafter claiming by, through or under 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, Lessee and any Person claiming by, through or under Lessee shall look solely to the right, title and interest of Lessor in the Leased Property and any proceeds from Lessor's sale or encumbrance thereof or the Additional Rent (provided, however, that Lessee shall not 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.

SECTION 17.13 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 the Lender, any prospective purchaser (if such prospective purchaser has signed a commitment or letter of intent to purchase the Leased Property or any part thereof), assignee or mortgagee or third party designated by such other party, a certificate stating (i) 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), (ii) the date to which Basic Rent and Additional Rent has been paid, (iii) whether or not there is any existing default by Lessee in the payment of Basic Rent and Additional 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, (iv) whether or not, to the knowledge of the signer after due inquiry and investigation, 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 (v) other items that may be reasonably requested; provided, however, that no such certificate may be requested unless the requesting party has a good faith reason for such request.

SECTION 17.14 No Joint Venture. Any intention to create a joint venture or partnership relation between Lessor and Lessee is hereby expressly disclaimed.

SECTION 17.15 No Accord and Satisfaction. The acceptance by Lessor of any sums from Lessee (whether as Basic Rent or otherwise) in amounts which are less than the amounts due and payable by Lessee hereunder is not intended, nor shall any such acceptance be construed, to constitute an accord and satisfaction of any dispute between Lessor and Lessee regarding sums due and payable by Lessee hereunder, unless Lessor specifically deems it as such in writing.

SECTION 17.16 No Merger. In no event shall the leasehold interests, estates or rights of Lessee hereunder merge with any interests, estates or rights of Lessor in or to the Leased Property, it being understood that such leasehold interests, estates and rights of Lessee hereunder shall be deemed to be separate and distinct from Lessor's interests, estates and rights in or to the Leased Property, 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 17.17 Survival. The obligations of Lessee to be performed under this Lease prior to the Lease Termination Date shall survive the expiration or termination of this Lease. The extension of any applicable statute of limitations by Lessor, Lessee or any Indemnitee shall not affect such survival.

SECTION 17.18 Prior Mortgages. This Lease is and shall be subject and subordinate to that certain Deed of Trust and Security Agreement, dated as of November 22, 1994, by Lessor in favor of The Fidelity Company, as trustee (the "Local Trustee"), for the benefit of the Trustee and encumbering the Leased Property, and to all rights of the Local Trustee and the Trustee thereunder, and to all renewals, modifications, consolidations, amendments, increases, replacements and extensions thereof ("Mortgage").

Lessee agrees to perform all of the obligations of Lessor (in its capacity as grantor) set forth in the Mortgage, insofar as such obligations relate, directly or indirectly, to the Leased Property, whether or not such obligations are more onerous than the obligations imposed upon Lessee by this Lease.

Whenever any provision of this Lease requires any consent, approval or agreement of the Lessor, such requirement shall be deemed to include the consent, approval or agreement of the Trustee, so long as the Mortgage shall not have been discharged.

SECTION 17.19 Time of Essence. Time is of the essence of this Lease.

SECTION 17.20 Recordation of Lease. Lessee will, at its expense, cause a Memorandum of this Lease and the Purchase Option to be recorded in the proper office or offices in the State of North Carolina and the municipality in which the Land is located.

[The remainder of this page intentionally left blank.]

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

	ASSET HOLDINGS III, L.P.,
Witnessed:	as Lessor
	By: Asset Holdings Corporation III
By: Thomas F. O'Conner	as General Partner
Name: Thomas F. O'Conner	
By: Ellen M. Grace	By: Lannhi Tran
Name: Ellen M. Grace	Title: LANNHI TRAN, Vice President

	ADESA-CHARLOTTE, INC.
Witnessed:	as Lessee
By: Warren W. Byrd	
Name: Warren W. Byrd	
By: Denise L. McAtee	By: Jerry Williams
Name: Denise L. McAtee	Title: Jerry Williams, Secretary

STATE OF CONNECTICUT)
) ss:
COUNTY OF HARTFORD)

The foregoing instrument was acknowledged before me this 28th day of November, 1994, by Lannhi Tran the Vice President of Asset Holdings Corporation III, as general partner of Asset Holdings III, L.P., an Ohio limited partnership, on behalf of the partnership, as such person's and its free act and deed.

Brenda J. Page

Notary Public
My Commission Expires:
My Commission Exp.April 30, 1998

STATE OF INDIANA)
) ss:
COUNTY OF MARION)

The foregoing instrument was acknowledged before me this _____ day of November, 1994, by Jerry Williams, Secretary of ADESA Charlotte, Inc., a N. Carolina corporation, on behalf of the corporation, as such person's and its free act and deed.

Denise L. McAtee

Notary Public Denise L. McAtee
My Commission Expires: April 9, 1997
DENISE L MCATEE
NOTARY PUBLIC STATE OF INDIANA
MARION COUNTY
MY COMMISSION EXP. APR. 9, 1997

ACKNOWLEDGED

The undersigned, ADESA Corporation hereby acknowledges the foregoing Lease and Development Agreement and hereby agrees to perform and observe the covenants with respect to it set forth in Article III of such foregoing Agreement.

ADESA CORPORATION

Date ---------- By: Warren W. Byrd

Warrem W. Byrd. Assistant Secretary

SCHEDULE I
DESCRIPTION OF LEASED PROPERTY

I. Land:

All that certain piece or parcel of land, together with any improvements located thereon, situated at _____ in the _____, _____ containing _____ acres, more or less, and being more particularly bounded and described as follows:

II. Improvement:

An office building containing approximately _____, square feet, or any and all other buildings, structures or improvements now or hereafter located on the Land.

LEASE AND DEVELOPMENT AGREEMENT

Dated as of December 21, 1994

between

ASSET HOLDINGS III, L.P., as Lessor

and

Auto Dealers Exchange of Concord, Inc., as Lessee

LEASE AND DEVELOPMENT AGREEMENT

THIS LEASE AND DEVELOPMENT AGREEMENT ("Lease"), dated as of December 21, 1994, is between Asset Holdings III, L.P. ("Lessor"), an Ohio limited partnership, as Lessor, and Auto Dealers Exchange of Concord, Inc., ("Lessee"), a Massachusetts corporation, as Lessee.

ADESA Corporation ("ADESA"), an Indiana corporation, has guaranteed the payment and performance of certain obligations under this Lease pursuant to a Guaranty and Purchase Option Agreement is dated as of November 28, 1994 ("Guaranty Agreement") and ADESA is acknowledging this Agreement. The Lessee is a wholly-owned subsidiary of ADESA.

PRELIMINARY STATEMENT

In accordance with the terms and provisions of this Lease, the Note Purchase Agreement dated as of November 22, 1994 ("Note Purchase Agreement") by and among the Lessor, ADESA and Principal Mutual Life Insurance Company ("Note Purchaser"), the Collateral Trust Indenture dated as of November 22, 1994 ("Indenture") by and between the Lessor and PNC Bank, Kentucky, Inc. ("Trustee") and the Mortgage with respect to the Property (as defined in ss.17.18 hereof):

(i) the Lessor will acquire the real property described in Schedule 1 hereto, including certain buildings and other improvements contained thereon ("GM Land") for a purchase price of $8,150,000.00, upon the terms and subject to the conditions of the Purchase Agreement dated as of May 10, 1994 by and between General Motors Corporation and assigned by Lessee to Lessor;

(ii) the Lessor will acquire the real property described in Schedule 2 hereto, including certain buildings and other improvements contained thereon ("Anchor Land") for a purchase price of $815,000 upon the terms and subject to the conditions of the Purchase Agreement dated as of November 22, 1994 by and between Anchor Motor Freight, Inc. and Lessee and assigned by Lessee to Lessor (GM Land and Anchor Land hereinafter being collectively referred to as "Land");

(iii) the Lessor will lease the Land and the Improvement (collectively, the "Leased Property") to the Lessee pursuant to this Lease;

(iv) the Lessee shall make certain improvements or additions to the Improvement as provided for herein;

(v) the Lessor will fund the payment of 97% of the purchase price for the Land (the "Land Funded Purchase Price") out of the proceeds of Notes issued pursuant to the Note Purchase Agreement, and the

Lessor will fund the payment of 3% of the purchase price for the Land out of its contributed equity capital;

(vi) the Lessor will fund 97% of the Construction Fund and payment of 97% of the purchase price for the Improvement (the "Improvement Funded Purchase Price") out of the proceeds of the Notes issued pursuant to the Note Purchase Agreement, and the Lessor will fund 3% of the Construction Fund and the payment of 3% of the purchase price for the Improvement out of its contributed equity capital;

(vii) the First Mortgage Notes due April 1, 2000 to be issued pursuant to the Note Purchase Agreement ("Notes") and other obligations under the Note Purchase Agreement are secured pursuant to the Mortgage;

(viii) the Lessor shall advance to ADESA and Lessee an amount equal to $6,540,000.00 ("Construction Fund") to be applied by the Lessee to the construction ("Construction") of certain improvements on the Land ("Improvement"), as provided for herein, see (vi) above; and

(ix) the Mortgage, the Lease and certain other rights and property of the Lessor related thereto have been assigned to the Trustee pursuant to the Indenture as security for the Notes and other obligations under the Note Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained in this Lease 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 the Indenture. The Note Purchase Agreement, the Indenture, the Guaranty Agreement and the Financing Documents (as defined in the Indenture) are referred to herein as the "Operative Documents."

ARTICLE II
LEASE OF LEASED PROPERTY

SECTION 2.1 Lease of Land. Lessor hereby demises and leases Lessor's interest in the Land to Lessee, and Lessee hereby rents and leases Lessor's interest in the Land from Lessor, for a term commencing on the date Lessee acquires the GM Land and continuing through and including April 1, 2000, ("Lease Term").

SECTION 2.2 Lease of Improvement. Lessor hereby demises and leases Lessor's interest in the Improvement (whether or not the Construction (as defined herein) has been completed) to Lessee, and Lessee hereby rents and leases Lessor's interest in the Improvement (whether or not the Construction (as defined herein) has been completed) from Lessor, for the Lease Term. The demise and lease of the Improvement pursuant to this Section shall include any additional right, title or interest in the Improvement which may at any time be acquired by Lessor, the intent being that all right, title and interest of Lessor in and to the Improvement shall at all times be demised and leased hereunder.

SECTION 2.3 Other Property. Lessee may from time to time own or hold under lease from Persons other than Lessor furniture, trade fixtures and equipment located on or about the Leased Property that is not subject to this Lease.

ARTICLE III
CONSTRUCTION AND EQUIPPING OF THE IMPROVEMENT

SECTION 3.1 Construction Fund. The Lessor shall advance the Construction Fund to ADESA and Lessee upon delivery by ADESA and Lessee to Lessor a detailed cost breakdown of the proposed Construction expenditures. Upon completion of the Construction, ADESA and Lessee shall furnish to Lessor a detailed accounting of all expenditures in connection with the Construction, including all disbursements of the Construction Fund. Nothing in this Section shall be construed to require ADESA or Lessee to deposit the Construction Fund in any designated or segregated account or not to commingle the Construction Fund with other corporate funds. Lessee and ADESA shall apply the Construction Fund exclusively to the payment of all costs related to the Construction. Lessee's obligations under this Section shall not be diminished or affected by any insufficiency of the Construction Fund or by the costs of Construction exceeding amounts received from the Construction Fund. In the event that the costs of Construction exceed the Construction Fund, such excess shall be paid by Lessee and ADESA from their own funds.

SECTION 3.2 Commencement of Construction. Lessee and ADESA shall, for the benefit of Lessor, cause the Construction to be commenced, performed and completed in accordance with plans and specifications delivered by ADESA to the Lessor prior to the scheduled commencement of the Construction, subject to any amendments thereto consistent with the original scope of the project. Until the Construction is completed, the portions of the Improvement under construction shall, and upon completion of Construction the completed Improvement shall, be a part of the Leased Property.

SECTION 3.3 Completion of Construction. Lessee and ADESA shall endeavor to cause the completion of Construction to occur prior to December 31, 1995.

SECTION 3.4 Permits; Approvals; Storage. Lessee and ADESA shall be responsible for obtaining all zoning, wetlands, subdivision, building and other permits for the Construction, and

shall also be responsible for obtaining all other approvals from authorities having jurisdiction over the Construction or the Leased Property. ADESA or Lessee shall monitor the progress of the Construction. Lessee shall arrange for the delivery and storage, protection and security of materials systems and equipment which are to be incorporated into the Improvement until such items are incorporated into the Improvement.

SECTION 3.5 Inspection. At any time during the Construction, upon three (3) Business Days prior notice to Lessee and ADESA, Lessor or its authorized representatives may inspect the Leased Property and the books and records of Lessee relating to the Leased Property and make copies and abstracts therefrom. All reasonable and documented out-of-pocket costs of such inspections incurred by Lessor shall be paid by Lessee promptly after written request. No inspection shall unreasonably interfere with Lessee's operations or the operations of any other occupant of the 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 not making any such inspection or inquiry. None of the inspecting parties shall incur any liability or obligation by reason of making any such inspection or inquiry unless and to the extent such inspecting party causes damage to the Property or any property of Lessee or any other Person during the course of such inspection.

ARTICLE IV
RENT

SECTION 4.1 Basic Rent. Beginning on August 1, 1995, Lessee shall pay to Lessor in installments payable in arrears on the first day of each month during the Lease Term ("Rental Payment Date"), "Basic Rent" in an amount equal to $123,056.26 per month, or, if such amount is less, an amount equal to 9.82% per annum of the Funded Purchase Price Balance.

As used herein, the term "Funded Purchase Price Balance" means an amount equal to the combined amount of the Land Funded Purchase Price and the Improvement Funded Purchase Price, reduced by (i) the cumulative amount of all Guaranty Credits, if any, applied to the Land and the Improvement, respectively, as provided for in Section 4.4 hereof, and (ii) the cumulative amount of all Casualty and Condemnation Credits applied to the Land and the Improvement, respectively, as provided for in Article XI hereof.

SECTION 4.2 Additional Rent. Beginning on August 1, 1995, Lessee shall pay to the Lessor in installments payable in arrears on each Rental Payment Date during the lease term, "Additional Rent" in an amount equal to $7,363.68 per month with respect to such Rental Payment Date.

SECTION 4.3 Supplemental Rent. Lessee shall pay to Lessor, or to whomever shall be entitled thereto as expressly provided herein or in any other Operative Document, any and all Supplemental Rent promptly as the same shall become due and payable. In the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor 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 or Additional Rent.

As used herein, the term "Supplemental Rent" means any and all amounts, liabilities and obligations other than Basic Rent and Additional Rent which the Lessee or ADESA 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 Trustee or any other party, including, without limitation, the Make Whole Amount (as defined and provided for in the Note Purchase Agreement) and payments and indemnities and damages for breach of any covenants, representations, warranties or agreements.

SECTION 4.4 Payments Under Unconditional Guaranty. Notwithstanding any other provision of this Lease, payments made by ADESA under the guaranty provided for in Section 5 of the Note Purchase Agreement shall be deemed to have been paid and applied, as follows; provided, however, that in all such events all such amounts shall be allocated and applied by the Lessor among amounts due under this Lease and other Leases referred to in the Indenture as it shall determine in the sole exercise of its discretion:

(i) Any such payment made with respect to interest on the Notes shall be deemed to have been paid on behalf of the Lessee to the Lessor as payment or prepayment of Basic Rent allocated between Basic Rent with respect to the Land and the Improvement, respectively, pro rata in proportion to the Funded Purchase Price Balance with respect to the Land and the Improvement, respectively;

(ii) Any such payment made with respect to the Make Whole Amount shall be deemed to have been paid to the Lessor as Supplemental Rent;

(iii) Any such payment made with respect to the principal amount of the Notes shall not be deemed to have been paid by the Lessee to the Lessor as Basic Rent, Additional Rent or Supplemental Rent, but shall, for the purposes of this Lease and the Guaranty Agreement, be applied as a "Guaranty Credit;" and

(iv) Any such payment made with respect to any of the Guaranteed Obligations (as defined in the Note Purchase Agreement), other than payments made with respect to the principal amount of and interest and Make Whole Amount, if any, on the Notes shall be deemed to have been paid by the Lessee to the Lessor as Supplemental Rent.

SECTION 4.5 Method of Payment. Basic Rent and Supplemental Rent shall be paid by the Lessee directly to the Trustee as provided for in the Assignments of Lease and the Indenture.

So long as no event of default has occurred and is continuing under the Mortgage, Additional Rent shall be paid by the Lessee directly to the Lessor or to such Person or Persons as the Lessor shall specify in writing to Lessee, and at such place or places as the Lessor or such Person or Persons as the Lessor shall specify in writing to Lessee.

All payments of Basic Rent, Additional Rent and Supplemental Rent (collectively, "Rent") shall be made by Lessee prior to 10:00 a.m., Columbus, Ohio 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 4.6 Late Payment. If any Basic Rent or Additional Rent shall not be paid when due, Lessee shall pay to Lessor, 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 a rate equal to 11.82% per annum compounded monthly and computed on the basis of the actual number of days elapsed over a year consisting of twelve (12) months or thirty (30) days each.

SECTION 4.7 Net Lease; No Setoff, Etc. This Lease is a net lease and, notwithstanding any other provision of this Lease, Lessee shall pay all Basic Rent, Additional Rent and Supplemental Rent, and all costs, charges, taxes, assessments and other expenses (foreseen or unforeseen) for which Lessee or any indemnitee is or shall become liable by reason of Lessee's or such Indemnitee's estate, right, title or interest in the Leased Property, or that are connected with or arise out of the acquisition, installation, possession, use, occupancy, maintenance, ownership, leasing, repairs and rebuilding of, or addition to, the Leased Property or any portion thereof, including, without limitation, the Construction or the financing of the Construction and any other amounts payable hereunder without counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and Lessee's obligation to pay all such amounts throughout the Lease Term is absolute and unconditional. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected for any reason, including without limitation (i) any defect in the condition, merchantability, design, quality or fitness for use of the Leased Property or any part thereof, or the failure of the Leased Property to comply with any applicable law, including any inability to occupy or use the Leased Property by reason of such non-compliance, (ii) any damage to, removal, abandonment, salvage, loss, contamination of or release from, scrapping or destruction of or any requisition or taking of the Leased Property or any part thereof, (iii) any restriction, prevention or curtailment of or interference with any use of the Leased Property or any part thereof including eviction, (iv) any defect in title to or rights to the Leased Property or any Lien on such title or rights or on the Leased Property, (v) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Lessor or the Trustee, (vi) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Lessee, Lessor, the Trustee or any other Person, or any action taken with respect to this Lease by any trustee or receiver of Lessee, Lessor, the Trustee or any other Person, or by any court, in any such proceeding, (vii) any

claim that Lessee has or might have against any Person, including without limitation Lessor, any vendor, manufacturer, contractor of or for the Improvement or the Trustee, (viii) any failure on the part of Lessor to perform or comply with any of the terms of this Lease, any other Operative Document or of any other agreement (provided, nothing in this clause (viii) shall limit any available defense or setoff that the Lessee might have with respect to its obligation to pay Additional Rent based upon any failure by Lessor to perform or comply with any of the terms of this Lease or any other Operative Document, (ix) any invalidity or unenforceability or illegality or disaffirmance of this Lease against or by Lessee or any provision hereof or any of the other Operative Documents or any provision of any thereof whether or not related to the Operative Documents, (x) the impossibility or illegality of performance by Lessee, Lessor or both, (xi) any action by any court, administrative agency or other governmental authority, (xii) any restriction, prevention or curtailment of or interference with the Construction or any use of the Leased Property or any part thereof or (xiii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not Lessee shall have notice or knowledge of any of the foregoing.

Except as specifically set forth in Article XI of this lease, this Lease shall be noncancellable by Lessee for any reason whatsoever and 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 Lessee hereunder. Each payment of Rent made by Lessee hereunder shall be final and Lessee shall not seek or have any right to recover all or any part of such payment from Lessor, the Trustee or any party to any agreements related thereto for any reason whatsoever. Lessee assumes the sole responsibility for the condition, use, operation, maintenance, and management of the Leased Property and Lessor shall have no responsibility in respect thereof and shall have no liability for damage to the property of either Lessee or any subtenant of Lessee on any account or for any reason whatsoever other than by reason of Lessor's willful misconduct or gross negligence or breach of any of its express obligations under any Operative Document.

ARTICLE V
CONDITION AND USE OF LEASED PROPERTY

During the Lease Term, Lessor's interest in the Improvement (whether or not completed) and the Land is demised and let by Lessor "AS IS" subject to (i) the rights of any parties in possession thereof, (ii) the state of the title thereto existing at the time Lessor acquired its interest in the Leased Property, (iii) any state of facts which an accurate survey or physical inspection might show (including the survey delivered on the Closing Date), (iv) all applicable law and (v) any violations of applicable law which may exist upon or subsequent to the commencement of the Lease Term. LESSEE ACKNOWLEDGES THAT, ALTHOUGH LESSOR WILL OWN AND HOLD TITLE TO THE LEASED PROPERTY, LESSEE IS SOLELY RESPONSIBLE FOR THE DESIGN, DEVELOPMENT, BUDGETING AND CONSTRUCTION OF THE IMPROVEMENT [IMPROVEMENTS AND MODIFICATIONS] AND ANY ALTERATIONS. NEITHER LESSOR NOR THE TRUSTEE HAVE 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 PROPERTY (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED PROPERTY (OR ANY PART THEREOF), ALL SUCH WARRANTIES BEING HEREBY DISCLAIMED, AND NEITHER LESSOR NOR THE LENDER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN OR THE FAILURE OF THE LEASED PROPERTY, OR ANY PART THEREOF, TO COMPLY WITH ANY APPLICABLE LAW. As between Lessor and Lessee, Lessee has been afforded full opportunity to inspect the Land, is satisfied with the results of its inspections of the Land 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 or the Trustee, on the one hand, and Lessee, on the other, are to be borne by Lessee. The provisions of this Article 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 or the Trustee, express or implied, with respect to the Leased Property that may arise pursuant to any law now or hereafter in effect or otherwise.

ARTICLE VI
LIENS; EASEMENTS; PARTIAL CONVEYANCES

Commencing on the date that Construction is completed and thereafter, Lessee shall not directly or indirectly create, incur or assume, any lien, encumbrance or security interest on or with respect to the Leased Property, the Construction, title thereto, or any interest therein ("Lien") including any Liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of the Leased Property or by reason of labor or materials furnished or claimed to have been furnished to Lessee, or any of its contractors or agents or by reason of the financing of any personalty or equipment purchased or leased by Lessee or Alterations constructed by Lessee, except in all cases Permitted Exceptions.

Notwithstanding the foregoing paragraph, at the request of Lessee, Lessor shall, from time to time during the Lease Term and upon reasonable advance written notice from 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 Lessee's use, development and construction of the Leased Property, (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 Improvement 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 Improvement or any portion thereof and (v) request to any governmental authority for platting or subdivision or replotting 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 any variance from zoning or other governmental

requirements. Lessor's obligations pursuant to the preceding sentence shall be subject to the requirements that:

(i) any such action shall be at the sole cost and expense of Lessee and Lessee shall pay all reasonable and documented out-of-pocket costs of Lessor in connection therewith (including, without limitation, the reasonable and documented fees of attorneys, architects, engineers, planners, appraisers and other professionals reasonably retained by Lessor in connection with any such action);

(ii) Lessee shall have delivered to Lessor a certificate of the Chief Financial Officer of Lessee stating that (1) such action will not cause the Land or the Improvement or any portion thereof to fail to comply in any respect with the provisions of the Lease or any other Operative Documents or in any respect with applicable law and (2) such action will not materially reduce the fair market sales value, utility or useful life of the Land or the Improvement nor Lessor's interest therein;

(iii) any consideration received in connection with any such action shall be paid as provided for in the Indenture; and

(iv) in the case of any release or conveyance, if Lessor so requests, Lessee will cause to be issued and delivered to Lessor 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 VII
MAINTENANCE AND REPAIR; ALTERATIONS, MODIFICATIONS AND ADDITIONS

SECTION 7.1 Maintenance and Repair; Compliance with Law. Lessee, at its own expense, shall at all times (i) maintain the Leased Property 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 automobile auction facilities owned or leased by ADESA, Lessee or ADESA's other subsidiaries, (ii) make all alterations in accordance with, and maintain (whether or not such maintenance requires structural modifications or alterations) and operate and otherwise keep the Leased Property in compliance with, all applicable laws and (iii) make all material repairs, replacements and renewals of the Leased Property or any part thereof which may be required to keep the Leased Property in the condition required by the preceding clauses (i) and (ii). Lessee shall

perform the foregoing maintenance obligations regardless of whether the Leased Property is occupied or unoccupied. Lessee waives any right that it may now have or hereafter acquire to (i) require Lessor to maintain, repair, replace, alter, remove or rebuild all or any part of the Leased Property or (ii) make repairs at the expense of Lessor pursuant to any applicable law or other agreements or otherwise. Lessor shall not be liable to Lessee or to any contractors, subcontractors, laborers, materialmen, suppliers or vendors for services performed or material provided on or in connection with the Leased Property or any part thereof. Lessor shall not be required to maintain, alter, repair, rebuild or replace the Leased Property in any way.

SECTION 7.2 Alterations. Lessee may, without the consent of Lessor, at Lessee's own cost and expense, make alterations which, in the reasonable opinion of the chief executive officer of Lessee, do not diminish the value of the Leased Property.

ARTICLE VIII
USE

Lessee shall use the Leased Property or any part thereof only for the purpose of used automobile auction business capable of operating not less than the number of simultaneous auction lines anticipated in the Plans and Specifications, together with related or ancillary businesses including, without limitation, automobile storage, repair and preparation, transportation, direct sales or other businesses related to used automobile auctions.

ARTICLE IX
INSURANCE

(a) During the Construction and at any time during which any part of the Improvement or any Alteration is under construction and as to any part of the Improvement or any Alteration under construction, Lessee shall maintain, at its sole cost and expense, as a part of its blanket policies or otherwise, "all risks" nonreporting completed value form of builder's risk insurance, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage.

(b) Following the Completion of the Construction and at all times thereafter during the Lease Term, Lessee shall maintain, at its sole cost and expense, as a part of its blanket policies or otherwise, insurance against loss or damage to the Improvement 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 by the Lessee and that are in accordance with normal industry practice, but in no event less than the coverage in place on the date hereof, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage.

(c) During the Lease Term, Lessee shall maintain, at its sole cost and expense, commercial general liability insurance, as is ordinarily procured by Persons who own or operate similar properties in the same market, which insurance and policies shall, in each case, be in the amounts and otherwise be consistent with any applicable requirements set forth in the Note Purchase Agreement, Indenture or Mortgage. Such insurance shall be on terms and in amounts that are no less favorable than insurance maintained by Lessee with respect to similar properties that it owns and that are in accordance with normal industry practice, but in no event less than the coverage (including types and amounts) in place on the date hereof. Such insurance policies shall also provide that Lessee's insurance shall be considered primary insurance. Nothing in this Article shall prohibit Lessor from carrying at its own expense other insurance on or with respect to the Leased Property; provided, however, that any insurance carried by Lessor shall not prevent Lessee from carrying the insurance required hereby.

(d) Each policy of insurance maintained by Lessee pursuant to clauses (a) and (b) of this Article shall provide that all Casualty Proceeds (as defined and provided for in the Indenture) shall be payable to the Trustee for deposit and disbursement as provided for in Section 6.3 of the Indenture.

(e) Within thirty (30) days after the date hereof and within thirty (30) days after the date upon which the Construction is completed, Lessee shall furnish Lessor and the Trustee with certificates showing the insurance required under this Article to be in effect and naming Lessor and the Trustee as additional insureds. Such certificates shall include a provision for thirty (30) days' advance written notice by the insurer to Lessor and the Trustee in the event of cancellation or expiration or nonpayment of premium with respect to such insurance, and shall include a customary breach of warranty clause.

(f) Each policy of insurance maintained by Lessee pursuant to this Article shall (i) contain the waiver of any right of subrogation of the insurer against Lessor and the Trustee and (ii) provide that in respect of the interested of Lessor and the Trustee, such policies shall not be invalidated by any fraud or misrepresentation of Lessee or any other Person acting on behalf of Lessee.

(g) On and after January 1, 1996, all insurance policies carried in accordance with this Article shall be maintained with insurers rated at the inception of such policies at least "A" by A.M. Best & Company, and in all cases the insurer shall be qualified to insure risks in the State of Massachusetts.

ARTICLE X
ASSIGNMENT AND SUBLEASING

Lessee may not assign any of its right, title or interest in, to or under this Lease. Lessee may sublease all or any portion of the Leased Property; provided, however, that (i) all obligations of 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, (ii) such sublease shall be expressly subject and subordinate to this Lease, the Indenture, the Mortgage and the other Operative Documents and (iii) each such sublease shall terminate on or before the last day of the Lease Term. Except as provided for in the Indenture, this Lease shall not be mortgaged or pledged by Lessee, nor shall Lessee mortgage or pledge any interest in the Leased Property or any portion thereof. Any such mortgage or pledge shall be void.

ARTICLE XI
LOSS, DESTRUCTION, CONDEMNATION OR DAMAGE

SECTION 11.1 Available Proceeds. All Casualty Proceeds and Condemnation Awards (both as defined in the Indenture, and which are collectively defined in the Indenture as "Available Proceeds") shall be remitted and paid to the Trustee by the Lessee, the Lessor or ADESA, as applicable, for deposit in the Casualty Account (as defined and established under the Indenture) for disbursement, all as provided for in Section 6.3 of the Indenture. Until such time as the Lessee, the Lessor, ADESA or any of their respective agents or representatives have remitted and paid any Available Proceeds to the Trustee, such Person shall hold such proceeds in trust for the benefit of the Trustee. In the event that at any time during the Lease Term, the Indenture has been terminated, the Lessor shall, for purposes of this Article, be treated as the Trustee, and shall deposit and disburse any Available Proceeds in substantially the manner provided for in Section 6.3 of the Indenture as if it were the Trustee.

SECTION 11.2 Repairs and Restoration. In the event of any Total Loss or Partial Loss (collectively, "Loss"), other than a Total Loss which, in the good faith judgment of the chief executive officer of Lessee renders the repair and restoration of the Leased Property impractical or uneconomical including, without limitation, any condemnation of the Leased Property resulting in the taking of all or substantially all of the Leased Property (collectively, a "Complete Taking"), then:

(i) the Lessee and ADESA shall repair and restore the Leased Property such that the Leased Property as so repaired and restored is, in the good faith judgment of the chief executive officer of Lessee adequate and appropriate for the conduct of an automobile auction and ancillary business of at least the same type, quality and scale as that conducted by the Lessee on the Leased Property immediately prior to such Loss;

(ii) the Available Proceeds, if any, with respect to such Loss, if any, shall be disbursed by the Trustee as provided for in Section 6.3 of the Indenture;

(iii) the inadequacy of the Available Proceeds to fund the cost of any such repairs or restoration shall not diminish the obligation of the Lessee and ADESA to make such repairs or restoration, which obligation is unconditional and absolute; and

(iv) upon completion of such repairs and restoration and at all times during the conduct of such repairs and restoration, the Lessor and its representatives may, upon three (3) business days' notice to Lessee, inspect the Leased Property and the progress of the restoration and rebuilding of the Improvement and the Land. All reasonable and documented out-of-pocket costs of such inspections incurred by Lessor and the Lender will be paid by Lessee promptly after written request. No such inspection shall unreasonably interfere with Lessee's operations or the operations of any other occupant of the 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 not making any such inspection or inquiry. None of the inspecting parties shall incur any liability or obligation by reason of making any such inspection or inquiry unless and to the extent such inspecting party causes damage to the Leased Property or any property of Lessee or any other Person during the course of such inspection.

SECTION 11.3 Complete Taking. In the event of any Complete Taking with respect to the Leased Property:

(i) the Lessee shall provide to the Lessor a certification stating that the chief executive officer of Lessee has determined in good faith that such Loss constitutes a Complete Taking with respect to the Leased Property as defined in this Lease;

(ii) the Lessee and ADESA shall not be obligated or required to make any repairs to or restoration of the Leased Property, other than those repairs, if any, required by applicable law or necessary to adequately secure the Leased Property or comply with the requirements of any applicable insurance policy or any applicable safety, health or environmental regulations;

(iii) any Available Proceeds with respect to such Loss shall be disbursed as provided for in section 6.3(b)(iii) of the Indenture; and

(iv) except as otherwise provided for in Section 11.9 hereof, this Lease shall remain in full force and effect.

SECTION 11.4 Application of Available Proceeds. In the event of any Partial Loss or Total Loss (whether or not such Loss constitutes a Complete Taking), Available Proceeds, if any,

with respect to such Loss shall be disbursed only as provided for in Section 6.3(b) of the Indenture; and:

(i) Any Available Proceeds disbursed as provided for in Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with respect to the prepayment of the principal amount thereof or disbursed to the Lessor as provided for in Section 6.3(b) of the Indenture shall be deemed to be and shall be treated as Casualty and Condemnation Credits for purposes of this Lease and the Guaranty Agreement;

(ii) Any Available Proceeds disbursed as provided for Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with respect to the payment of accrued but unpaid interest shall be deemed to have been paid to the Lessor as Basic Rent; and

(iii) Any Available Proceeds disbursed as provided for Section 6.3(b)(iii) of the Indenture to the holders of Outstanding Notes with respect to the payment of Make Whole Amount (as defined in the Indenture) shall be deemed to have been paid to the Lessor as Supplemental Rent.

SECTION 11.5 Prosecution of Awards.

(a) With respect to any condemnation with respect to any Leased Property, Lessee shall control the negotiations with the relevant governmental authority; provided, however, that if an Event of Default shall have occurred and be continuing Lessor or its assigns shall control such negotiations. Lessee hereby irrevocably assigns, transfers and sets over to Lessor all rights of Lessee to any award made during the continuance of an Event of Default on account of any condemnation and, if there will not be separate awards to the Lessor and the Lessee on account of such condemnation, irrevocably authorizes and empowers Lessor during the continuance of an Event of Default, with full power of substitution in the name of Lessee or otherwise (but without limiting the obligations of Lessee under this Article), to file and prosecute what would otherwise be Lessee's claim for any such Award and, in the case of Lessor, to collect, receipt for and retain the same in accordance with Section 6.3 of the Indenture; provided, however, that in any event Lessor may participate in any such negotiations, and no settlement will be made without Lessor's prior consent, not to be unreasonably withheld.

(b) Notwithstanding the foregoing, Lessee may prosecute, and Lessor shall have no interest in, any claim with respect to Lessee's personal property and equipment and Lessee's relocation expenses.

SECTION 11.6 Application of certain Payments Not Relating to an Event of Complete Taking. In case of a requisition for temporary use of all or a portion of the Leased Property which is not an event of Complete Taking, this Lease shall remain in full force and effect, without any abatement or reduction of Basic Rent or Additional Rent, and the Awards for the Leased Property shall, unless an Event of Default has occurred and is continuing, be paid to Lessee.

SECTION 11.7 Other Dispositions. Notwithstanding the foregoing provisions of this Article, 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 shall be paid to Lessor as security for the obligations of Lessee under this Lease and, at such time thereafter as no Event of Default shall be continuing, such amount shall be paid promptly to Lessee to the extent not previously applied by Lessor in accordance with the terms of this Lease or the other Operative Documents.

SECTION 11.8 No Rent Abatement. Basic Rent, Additional Rent and Supplement Rent shall not abate hereunder by reason of any Loss (regardless of whether such Loss constitutes a Total Loss, a Partial Loss or a Complete Taking) with respect to the Leased Property, and Lessee shall continue to perform and fulfill all of Lessee's obligations, covenants and agreements hereunder notwithstanding such Loss until the end of the Lease Term.

SECTION 11.9 Purchase Option and Remarketing Option.

(a) In the event of any Complete Taking with respect to the Leased Property, the Lessee and ADESA may, in the exercise of their discretion, elect at any time within thirty (30) days after the date of the determination by the board of directors of ADESA that such Loss constituted a Complete Taking by giving written notice to the Lessor and the Trustee to either:

(i) exercise the Purchase Option provided for in Section 2.1 of the Guaranty Agreement upon the terms and subject to the conditions provided for therein, except that for purposes of this Section 11.9 the Option Period shall be deemed to be the thirty (30) day period commencing on the date of election of the Purchase Option and the purchase shall be closed on the last day of such Option Period; and, provided, that the Purchase Price for the Leased Property shall be increased by an amount equal to the applicable Make Whole Amount, if any, (as defined in the Indenture) that will, be incurred in connection with the prepayment or Notes as a result of such purchase as provided for in the Indenture; or

(ii) exercise of the Remarketing Option provided for in Section 2.8 of the Guaranty Agreement upon the terms and subject to the conditions provided for therein, except that for purposes of this Section 11.9, the Option Period shall be deemed to be the thirty (30) day period

commencing on the date of election of the Remarketing Option period and the one year period for remarketing of the Leased Property shall be deemed to commence upon the date of the notice or exercise provided for herein and, provided, that the Purchase Price for the Leased Property shall be increased by an amount equal to the applicable Make Whole Amount (as defined in the Indenture) that will, if any be incurred in connection with the prepayment or Notes as a result of such purchase as provided for in the Indenture.

(b) In the event of any Change in Control resulting in prepayment of the Notes pursuant to Section 7.2 of the Indenture, the Lessee and ADESA may, the in the exercise of their discretion, elect at any time within thirty (30) days after the Control Prepayment Date, to exercise either the Purchase Option as provided in subsection (a)(i) above or Remarketing Option as provided in subsection (a)(ii) above.

(c) In the event a holder of the Notes exercises the Optional Put Right resulting in prepayment of the Notes pursuant to Section 7.6 of the Indenture, the Lessee and ADESA may in the exercise of their discretion, elect at any time within thirty (30) days after the Optional Put Payment Date, to exercise either the Purchase Option as provided in subsection (a)(i) above or the Remarketing Option as provided in subsection (a)(ii) above.

(d) The proceeds of any sale of the Leased Property resulting from Lessee's or ADESA's exercise of the Purchase Option or Remarketing Option under this Section 11.9, shall be remitted to the Trustee and applied as provided for in the Indenture, and this lease shall be terminated.

ARTICLE XII
INTEREST CONVEYED TO LESSEE

[THIS ARTICLE INTENTIONALLY OMITTED]

ARTICLE XIII
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) Lessee shall fail to make any payment of Basic Rent or Additional Rent when due and such failure shall continue for a period of three (3) Business Days;

(b) Lessee shall fail to make any payment of Supplemental Rent or any other amount payable hereunder or under any of the other Operative Documents (other than Basic Rent), and such failure shall continue for a period of three (3) Business Days after Lessee's receipt of written notice of such failure from Lessor;

(c) Lessee or ADESA shall fail to pay the Available Proceeds to the Trustee when due pursuant to Sections 11.1 or 11.2;

(d) ADESA shall fail to pay any amount due under the Unconditional Guaranty (as defined and provided for in the Note Purchase Agreement);

(e) ADESA shall fail to make payment of any Guaranty Payment (as defined and provided for in the Guaranty Agreement) when due thereunder;

(f) Lessee shall fail to maintain insurance as required by Article IX hereof, and such failure shall continue until the earlier of 45 days after written notice thereof from Lessor and the day immediately preceding the date on which any applicable insurance coverage would otherwise lapse or terminate;

(g) The occurrence of any Event of Default (as defined and provided for in the Guaranty Agreement);

(h) The occurrence of any Event of Default (as defined and provided for in the Note Purchase Agreement or Collateral Trust Agreement) other than an event resulting exclusively from an act or failure to act by the Lessor;

(i) the filing by Lessee of any petition for dissolution or liquidation of Lessee, or the commencement by Lessee of a voluntary case under any applicable bankruptcy, insolvency or other similar law for the relief of debtors, foreign or domestic, now or hereafter in effect, or Lessee shall have consented to the entry of an order for relief in an involuntary case under any such law, or the appointment of or taking possession by a receiver, custodian or trustee (or other similar official) for Lessee or any substantial part of its property, or a general assignment by Lessee for the benefit of its creditors, or Lessee shall have taken any corporate action in furtherance of any of the foregoing; or the filing against Lessee of an involuntary petition in bankruptcy which results in an order for relief being entered or, notwithstanding that an order for relief has not been entered, the petition is not dismissed within 60 days of the date of the filing of the petition, or the filing under any law relating to bankruptcy, insolvency or relief of debtors of any petition against Lessee which either (i) results in a finding or adjudication of insolvency of Lessee or (ii) is not dismissed within sixty (60) days of the date of the filing of such petition;

(j) Any representation or warranty by Lessee or ADESA in the Note Purchase Agreement or Guaranty Agreement or in any certificate or document delivered to Lessor pursuant to any Operative Document shall have been incorrect in any material respect when made; and

(k) Lessee shall fail in any material respect to timely perform or observe any covenant, condition or agreement (not included in any other clause of this Article) to be performed or observed by it hereunder or under the other Operative Documents and such failure shall continue for a period of 45 days after Lessee's receipt of written notice thereof from Lessor.

ARTICLE XIV
ENFORCEMENT

SECTION 14.1 Remedies. Upon the occurrence of any Event of Default, Lessor may, so long as such Event of Default is continuing, 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.

(a) Lessor may, by notice to Lessee, rescind or terminate this Lease as of the date specified in such notice; provided, however, that (i) no reletting, reentry or taking of possession of the 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 Lessee, (ii) 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 (iii) no act or thing done by Lessor or any of its agents, representatives or employees and no agreement accepting a surrender of the Leased Property shall be valid unless the same be made in writing and executed by Lessor.

(b) Lessor may (i) demand that Lessee, and Lessee shall upon the written demand of Lessor, return the Leased Property promptly to Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, this Lease hereof as if the Leased Property were being returned at the end of the Lease Term, and Lessor shall not be liable for the reimbursement of Lessee for any costs and expenses incurred by Lessee in connection therewith and (ii) without prejudice to any other remedy which Lessor may have for possession of the Leased Property, and to the extent and in the manner permitted by Applicable law, enter upon the Leased Property and take immediate possession of (to the exclusion of Lessee) the Leased Property or any part thereof and expel or remove Lessee and any other Person who may be occupying the Leased Property, by summary proceedings or otherwise, all without liability to 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, Lessee shall be responsible for the reasonable and documented costs and expenses of reletting, including brokers fees and the reasonable and documented costs of any alterations or repairs made by Lessor.

(c) Lessor may sell all or any part of the Leased Property at public or private sale, as Lessor may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or any proceeds with respect thereto in which event Lessee's obligation to pay Basic Rent hereunder for periods commencing after the date of such sale shall be terminated or proportionately reduced, as the case may be.

(d) Lessor may, at its option, elect not to terminate the Lease, and continue to collect all Basic Rent, Additional Rent, Supplemental Rent and all other amounts due Lessor (together with all costs of collection) and enforce Lessee's 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 the Leased Property by Lessee or re-entry of same by Lessee, Lessor may, in its sole and absolute discretion, elect not to terminate this Lease and may make such reasonable alterations and necessary repairs in order to relet the Leased Property, and relet the Leased Property or any part thereof for such term or terms (which may be for a long 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. Upon each such reletting all rentals actually received by Lessor from such reletting shall be applied to Lessee's obligations hereunder in such order, proportion and priority as Lessor may elect in Lessor's sole and absolute discretion, it being agreed that under no circumstances shall Lessee benefit from its default from any increase in market rents and if such rentals received from such reletting during any Rent Period be less than the Rent to be paid during that Rent Period by Lessee hereunder, Lessee shall pay any deficiency, to Lessor on the Rent Payment Date in such Rent Period.

(e) 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 with respect to any Rent Payment Date, and such suites shall not in any manner prejudice Lessor's right to collect any such damages for any subsequent Rent Payment Date, 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.

(f) Lessor may retain and apply against Lessor's damages all sums which Lessor would, absent such Event of Default, be required to pay, or turn over, to Lessee pursuant to the terms of this Lease.

SECTION 14.2 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 Lessee or to be an acquiescence therein. Lessor's consent to any request made by 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, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor to sell, lease or otherwise use the 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.

ARTICLE XV
RIGHT TO PERFORM FOR LESSEE

If Lessee shall fail to perform or comply with any of its agreements contained herein, Lessor may, on thirty (30) days prior notice (or such lesser period afforded by Applicable laws or any third party) to Lessee, 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 expenses of Lessor (including reasonable attorney's 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 Lessee to Lessor within ten (10) days after written demand therefor.

ARTICLE XVI
GENERAL TAX INDEMNITY

SECTION 16.1 Tax Indemnification. Except as otherwise provided in this Article XVI, the Lessee shall pay and on written demand shall indemnify and hold each of the Lessor, the Trustee, any trustee under the Mortgages and their respective successors and assigns (collectively, the "Tax Indemnitees," and individually, a "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, 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)) or imposed on or with respect to any Tax Indemnitee, the Lessee, the Leased Property or any portion thereof or the 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 the 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 the 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 Notes or any other Operative Document, (iv) the Leased Property, the Land or any part thereof or any interest therein, (v) all or any of the Operative Documents, any other documents contemplated thereby and any amendments and supplements thereto and (vi) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents.

SECTION 16.2 Exceptions. The indemnification provided for in Section 16.1 shall not apply to:

(i) Taxes on, based on, or measured by or with respect to, receipts or income of the Lessor and the Trustee (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 that are, or are in the nature of, sales, use, license, rental or property Taxes, (B) withholding Taxes imposed by the United States or the State of Massachusetts (1) on payments with respect to the Note, to the extent imposed by reason of a change in Applicable law occurring after the Closing Date or (2) 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 Note and (C) any increase in any franchise taxes based on or otherwise measured by net income, estate, inheritance, transfer, income tax or gross income or gross receipts tax in lieu of net income over the term of the Lease, net of any decrease in such taxes realized by such Tax Indemnitee, to the extent that such tax increase or decrease would not have occurred if on the Closing Date the Lessor had advanced funds to the Lessee in the form of a loan secured by the Leased Property in an amount equal to the Loan, with debt service for such loan equal to the Basic Rent payable on each Rent Payment Date and a principal balance at the maturity of such loan in an amount equal to the Loan at the end of the Lease Term;

(ii) Taxes on, based on, or in the nature of or measure by, Taxes on doing business, business privilege, capital, capital stock, net worth, or mercantile license or similar taxes other than (A) any increase in such Taxes imposed on such Tax Indemnitee by the State of Massachusetts, net of any decrease in such taxes realized by such Tax Indemnitee, to the extent that such tax increase or decrease would not have occurred if on the Closing Date the Lessor had advanced funds to the Lessee in the form of a loan secured by the Leased Property in an amount equal to the Loan, with debt service for such loan equal to the Basic Rent payable on each Rent Payment Date and a principal balance at the

maturity of such loan in an amount equal to the Loan 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;

(iii) Taxes that result from any act, event or omission, or are attributable to any period of time, that occurs after the earliest of (A) the expiration of the Lease Term with respect to the Leased Property and, if the 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 Lessee's obligations to pay the Funded Purchase Price Balance, or any amount determined by reference thereto, with respect to the Leased Property and all other amounts due under the Lease, unless such Taxes relate to acts, events or matters occurring prior to the earliest of such times or are imposed on or with respect to any payments due under the Operative Documents after such expiration or discharge;

(iv) Taxes imposed on a Tax Indemnitee that result from any voluntary sale, assignment, transfer or other disposition by such Tax Indemnitee or any related Tax Indemnitee of any interest in the 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 property by the Lessee shall not be treated as a voluntary action of any Tax Indemnitee, (B) any sale or transfer resulting from the exercise by the 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;

(v) any Tax which is being contested in good faith by the Lessee or ADESA during the pendency of such contest;

(vi) 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 the Lessor or the Lender solely by reason of their respective interests in the Leased Property);

(vii) any Tax that results from a tax Indemnitee engaging, with respect to the Leased Property, in transactions other than those permitted by the Operative Documents; or

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

SECTION 16.3 Procedures. 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 Lessee may have an indemnity obligation pursuant to this Section, or if any Tax Indemnitee shall determine that any Taxes as to which the Lessee may have an indemnity obligation pursuant to this Section may be payable, such Tax Indemnitee shall promptly notify the Lessee. The Lessee shall be entitled, at its expense, to participate in and to the extent that the Lessee desires to, assume and control the defense thereof; provided, however, that the Lessee shall have acknowledged in writing if the contest is unsuccessful its obligation to fully indemnify such Tax Indemnitee in respect of such action, suit or proceeding; and provided, further, that the Lessee 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 the Lessee, on behalf of the Lessee) if and to the extent that (A) in the reasonable opinion of such Tax Indemnitee, such action, suit or proceeding involves any meaningful risk of imposition of criminal liability or any material risk of material civil liability on such Tax Indemnitee or will involve a material risk of the sale, forfeiture or loss, or the creation, of any Lien (other than a Permitted Lien) on the Leased Property or any part thereof unless the Lessee shall have posted a bond or other security satisfactory to the relevant Tax Indemnities in respect to such risk, (B) such proceeding involves Claims not fully indemnified by the Lessee which the Lessee 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 transactions contemplated by the Operative Documents and if determined adversely could be materially detrimental to the interests of such Tax Indemnitee notwithstanding indemnification by the Lessee 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 the Lessee shall have provided to such Tax Indemnitee an opinion of independent tax counsel selected by the Tax Indemnitee and reasonably satisfactory to the Lessee 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 the Lessee in accordance with the foregoing. Each Tax Indemnitee shall at the Lessee's expense supply the Lessee with such information, documents and testimony reasonably requested by the Lessee as are necessary or advisable for the Lessee to participate in any action, suit or proceeding to the extent permitted by this Section. 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 without the prior written consent of the Lessee, which consent shall not be unreasonably withheld, unless such Tax Indemnitee waives its right to be indemnified under this Section with respect to such Claim. Notwithstanding anything contained herein to the contrary, (i) a Tax Indemnitee will not be required to contest (and the Lessee shall not be permitted 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 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 (ii) 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 the Lessee's counsel creates substantial authority for the success of such contest. Each Tax Indemnitee and the Lessee shall consult in good faith with each other regarding the conduct of such contest controlled by either.

SECTION 16.4 Credits and Refunds. If (i) a Tax Indemnitee shall obtain a credit or refund of any Taxes paid by the Lessee pursuant to this Section or (ii) 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 the Lessee pursuant to this Section, such Tax Indemnitee at any time realizes a reduction in any Taxes for which the Lessee is not required to indemnify such Tax Indemnitee pursuant to this Section, which reduction in Taxes was not taken into account in computing such payment by the Lessee to or for the account of such Tax Indemnitee, then such Tax Indemnitee shall promptly pay to the Lessee 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 an amount equal to such reduction in Taxes, as the case may be; provided, however, that no such payment shall be made so long as an Event of Default shall have occurred and be continuing; and provided, further, that the amount payable to the Lessee by any Tax Indemnitee pursuant to this subsection shall not at any time exceed the aggregate amount of all indemnity payments made by the Lessee under this Section to such Tax Indemnitee and all related Tax Indemnities with respect to the Taxes which gave rise to a credit or refund or with respect to the Tax which gave rise to a reduction in Taxes less the amount of all prior payments made to the Lessee by such Tax Indemnitee and related Tax Indemnities under this Section. 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 the Lessee pursuant to this Section and to maximize the amount of any Tax savings available to it. The disallowance or reduction of any credit, refund or other tax savings with respect to which a Tax Indemnitee has made a payment to the Lessee under this

subsection shall be treated as a Tax for which the Lessee is obligated to indemnify such Tax Indemnitee hereunder.

SECTION 16.5 Payments. Any Tax indemnifiable under this Section shall be paid 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 this Section 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 this Section shall be made directly to the Tax Indemnitee entitled thereto or the Lessor, 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 Agreement. Upon the request of any Tax Indemnitee with respect to a Tax that the Lessee is required to pay, the Lessee shall furnish to such Tax Indemnitee the original or a certified copy of a receipt for Lessee's payment of such Tax or such other evidence of payment as is reasonably acceptable to such Tax Indemnitee.

SECTION 16.6 Reports, Returns and Statements. If the 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, the Lessee shall, if the Lessee is permitted by Applicable law, timely file such report, return or statement (and, to the extent permitted by law, show ownership of the Leased Property in the Lessee); provided, however, that if the Lessee is not permitted by Applicable law or does not have access to the information required to file any such report, return or statement the 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, Lessee shall, upon written request of such Tax Indemnitee, provide such Tax Indemnitee with such information as is reasonably available to the Lessee.

ARTICLE XVII
MISCELLANEOUS

SECTION 17.1 Reports. To the extent required under applicable law and to the extent it is reasonably practical for Lessee to do so, 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 Lessee to make such filing, Lessee shall prepare and deliver to Lessor (with a copy to the Lender) 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 the 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 Lessee, shall be binding upon their respective successors, legal representatives and assigns, (including, in the

case of Lessor, any Person to whom Lessor may transfer the 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 hereunder of the Trustee shall inure (subject to such conditions as are contained herein) to the benefit of the Trustee's permitted successors and assigns.

SECTION 17.3 Quite Enjoyment. Lessor covenants that, so long as no Event of Default has occurred and is continuing, it will not interfere in Lessee's or any of its subLessees' quiet enjoyment of the Leased Property in accordance with this Lease during the Lease Term. 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 Lessee under this Lease.

SECTION 17.4 Notices. Unless otherwise specified herein, all notices, offers, acceptances, rejections, consents, requests, demands or other communications to or upon the respective parties hereto shall be given in the manner provided for in the Note Purchase Agreement.

SECTION 17.5 Severability. Any provision of this Lease that shall be 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, and Lessee shall remain liable to perform its obligations hereunder except to the extent of such unenforceability. To the extent permitted by applicable law, Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

SECTION 17.6 Amendment; Complete Agreements. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, except by an instrument in writing signed by Lessor and Lessee and approved by ADESA and by the Trustee as provided for in the Indenture. This Lease, together with the other Operative Documents, is intended by the parties as a final expression of their lease agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein and therein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease or any other Operative Document. Acceptance of, or acquiescence in, a course of performance rendered under this or any prior agreement between the parties or their Affiliates shall not be relevant or admissible to determine the meaning of any of the terms of this Lease or any other Operative Document. No representations, undertakings, or agreements have been made or relied upon in the making of this Lease other than those specifically set forth in the Operative Documents.

SECTION 17.7 Construction. This Lease shall not be construed more strictly against any one party, it being recognized that both of the Parties hereto have contributed substantially and materially to the preparation and negotiation of this Lease.

SECTION 17.8 Headings. The Table of Contents and headings of the various Articles and Sections of this Lease are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof.

SECTION 17.9 Counterparts. This Lease may be executed by the parties hereto in separate counterparts, 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 17.10 GOVERNING LAW. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MASSACHUSETTS APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY, PERFORMANCE, THE CREATION OF THE LEASEHOLD ESTATE HEREUNDER AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT TO SUCH ESTATE.

SECTION 17.11 Discharge of Lessee's Obligations by its Affiliates. Lessor agrees that performance of any of Lessee's obligations hereunder by one or more of Lessee's Affiliates or one or more of Lessee's subLessees of the Leased Property or any part thereof shall constitute performance by Lessee of such obligations to the same extent and with the same effect hereunder as if such obligations were performed by Lessee, but no such performance shall excuse Lessee from any obligation not performed by it or on its behalf under the Operative Documents.

SECTION 17.12 Liability of Lessor Limited. Except as otherwise expressly provided below in this Section, it is expressly understood and agreed by and between 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, to perform any covenant, either express or implied, contained herein, all such liability, if any, being expressly waived by Lessee and by each and every Person now or hereafter claiming by, through or under 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, Lessee and any Person claiming by, through or under Lessee shall look solely to the right, title and interest of Lessor in the Leased Property and any proceeds from Lessor's sale or encumbrance thereof or the Additional Rent (provided, however, that Lessee shall not 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.

SECTION 17.13 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 the Lender, any prospective purchaser (if such prospective purchaser has signed a commitment or letter of intent to purchase the Leased Property or any part thereof), assignee or mortgagee or third party designated by such other party, a certificate stating (i) 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), (ii) the date to which Basic Rent and Additional Rent has been paid, (iii) whether or not there is any existing default by Lessee in the payment of Basic Rent and Additional 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, (iv) whether or not, to the knowledge of the signer after due inquiry and investigation, 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 (v) other items that may be reasonably requested; provided, however, that no such certificate may be requested unless the requesting party has a good faith reason for such request.

SECTION 17.14 No Joint Venture. Any intention to create a joint venture or partnership relation between Lessor and Lessee is hereby expressly disclaimed.

SECTION 17.15 No Accord and Satisfaction. The acceptance by Lessor of any sums from Lessee (whether as Basic Rent or otherwise) in amounts which are less than the amounts due and payable by Lessee hereunder is not intended, nor shall any such acceptance be construed, to constitute an accord and satisfaction of any dispute between Lessor and Lessee regarding sums due and payable by Lessee hereunder, unless Lessor specifically deems it as such in writing.

SECTION 17.16 No Merger. In no event shall the leasehold interests, estates or rights of Lessee hereunder merge with any interests, estates or rights of Lessor in or to the Leased Property, it being understood that such leasehold interests, estates and rights of Lessee hereunder shall be deemed to be separate and distinct from Lessor's interests, estates and rights in or to the Leased Property, 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 17.17 Survival. The obligations of Lessee to be performed under this Lease prior to the Lease Termination Date shall survive the expiration or termination of this Lease. The extension of any applicable statute of limitations by Lessor, Lessee or any Indemnitee shall not affect such survival.

SECTION 17.18 Prior Mortgages. This Lease is and shall be subject and subordinate to that certain Mortgage and Security Agreement, dated as of _____ __, 199_, by Lessor in favor of the Trustee encumbering the Leased Property, and to all rights of the Trustee thereunder, and to all renewals, modifications, consolidations, amendments, increases, replacements and extensions thereof ("Mortgage").

Lessee agrees to perform all of the obligations of Lessor (in its capacity as grantor) set forth in the Mortgage, insofar as such obligations relate, directly or indirectly, to the Leased Property, whether or not such obligations are more onerous than the obligations imposed upon Lessee by this Lease.

Whenever any provision of this Lease requires any consent, approval or agreement of the Lessor, such requirement shall be deemed to include the consent, approval or agreement of the Trustee, so long as the Mortgage shall not have been discharged.

SECTION 17.19 Time of Essence. Time is of the essence of this Lease.

SECTION 17.20 Recordation of Lease. Lessee will, at its expense, cause a Memorandum of this Lease and the Purchase Option to be recorded in the proper office or offices in the State of Massachusetts and the municipality in which the Land is located.

[The remainder of this page intentionally left blank.]

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

ASSET HOLDINGS III, L.P.,
Witnessed: as Lessor

By: Asset Holdings Corporation III
By: Thomas F. O'Conner as General Partner
Name: Thomas F. O'Conner

By: Ellen M. Grace By: Lannhi Tran
Name: Ellen M. Grace Title: LANNHI TRAN, Vice President

AUTO DEALERS EXCHANGE OF
CONCORD, INC.
Witnessed: as Lessee

By: Warren W. Byrd
Name: Warren W. Byrd

By: Denise L. McAtee By: Jerry Williams
Name: Denise L. McAtee Title: Jerry Williams, Secretary

STATE OF CONNECTICUT)
) ss:
COUNTY OF HARTFORD)

The foregoing instrument was acknowledged before me this 28th day of November, 1994, by Lannhi Tran the Vice President of Asset Holdings Corporation III, as general partner of Asset Holdings III, L.P., an Ohio limited partnership, on behalf of the partnership, as such person's and its free act and deed.

Brenda Page
Notary Public
My Commission Expires:
My Commission Exp. April 30, 1998

STATE OF INDIANA)
) ss:
COUNTY OF MARION)

The foregoing instrument was acknowledged before me this 23th day of November, 1994, by Jerry Williams, Secretary of Auto Dealers Exchange of Concord, Inc., a Mass. corporation, on behalf of the corporation, as such person's and its free act and deed.

Denise L. McAtee

Notary Public Denise L. McAtee
My Commission Expires: April 9, 1997
DENISE L MCATEE
NOTARY PUBLIC STATE OF INDIANA
MARION COUNTY
MY COMMISSION EXP. APR. 9, 1997

ACKNOWLEDGED

The undersigned, ADESA Corporation hereby acknowledges the foregoing Lease and Development Agreement and hereby agrees to perform and observe the covenants with respect to it set forth in Article III of such foregoing Agreement.

ADESA CORPORATION

Date 11/28/94 By: Warren W. Byrd

Warrem W. Byrd. Assistant Secretary

SCHEDULE I
DESCRIPTION OF LEASED PROPERTY

I. Land:

All that certain piece or parcel of land, together with any improvements located thereon, situated at _____ in the _____, _____ containing _____ acres, more or less, and being more particularly bounded and described as follows:

II. Improvement:

An office building containing approximately _____, square feet, or any and all other buildings, structures or improvements now or hereafter located on the Land.

Exhibit 10(m)

GUARANTY AND PURCHASE OPTION AGREEMENT

November 28, 1994

This is a GUARANTY AND PURCHASE OPTION AGREEMENT dated as of the date first written above ("Agreement") by and between Asset Holdings III, L.P. ("Company"), an Ohio limited partnership, and ADESA Corporation ("Guarantor"), an Indiana corporation.

The Company and PNC Bank, Kentucky, Inc. ("Trustee"), a Kentucky banking corporation, are parties to a Collateral Trust Indenture dated as of November 22, 1994 ("Indenture"). Except as otherwise specifically defined in this Agreement, terms defined in the Collateral Trust Indenture shall have the same definition when used in this Agreement.

The Company, the Guarantor and Principal Mutual Life Insurance Company ("Purchaser") are parties to a Note Purchase Agreement dated as November 22, 1994 ("Note Purchase Agreement"). Certain provisions of the Note Purchase Agreement are specifically referred to in this Agreement and are incorporated herein by such reference, subject in each case to any subsequent amendment or modification thereto adopted as provided for in the Note Purchase Agreement.

PRELIMINARY STATEMENT

A. The Company will purchase the Land and Improvements comprising the Charlotte Property, the Knoxville Property and the Framingham Property (collectively, the "Leased Properties" and individually, a "Leased Property"), and will lease such Properties to ADESA-Charlotte, Inc., A.D.E. of Knoxville, Inc., and Auto Dealers Exchange of Concord, Inc., respectively (collectively, the "Lessees" and individually, a "Lessee") pursuant to the Charlotte Lease, Knoxville Lease and the Framingham Lease, respectively (collectively, the "Leases" and individually, a "Lease"). Each of the Lessees is a wholly-owned subsidiary of the Guarantor.

B. The purchase price for each Leased Property, together with certain expenses to be incurred by the applicable Lessee with respect to the construction and renovation of the Improvements thereon, will be funded by the Company, as follows: 3% out of the contributed equity capital of the Company (an aggregate of $795,000); and 97% out of the proceeds of the Notes to be purchased by the Purchaser pursuant to the terms of the Note Purchase Agreement (an aggregate of $25,705,000). The aggregate purchase price paid or to be paid by the Company with respect to the Leased Properties, including the Construction Funds to be advanced by the Company to the Guarantor and the Lessees in connection with the Construction (as defined in each Lease as applicable), is $26,500,000 ("Original Purchase Amount"), which Original Purchase Amount has and will be funded $25,705,000 out of the proceeds of the Notes ("Original Principal Amount") and $795,000 out of the contributed equity capital of the Company ("Original Capital Amount").

C. As provided for in the Note Purchase Agreement, the Guarantor has unconditionally and absolutely guaranteed to the Purchaser the payment of the Notes and performance of the other Guaranteed Obligations (as defined in the Note Purchase Agreement).

D. Pursuant to the Indenture, the Trustee will hold the Mortgages and the Lease Assignments with respect to the Leased Properties and the Leases in trust as security for the payment and performance of the Guaranteed Obligations, and all payments of Basic Rent (in an amount equal to the interest payments due and payable with respect to the Notes) and Supplemental Rent (as defined and provided for in the Leases) will be paid to the Trustee for application as provided for therein. Additional Rent will be paid directly to the Company, as Lessor under the Leases.

E. This Agreement provides for (i) the unconditional and absolute guarantee by the Guarantor of the payment and performance by each Lessee of its obligations under its Lease, and (ii) the option of the Guarantor or its designee (including the Lessee) to purchase or remarket each of the Properties at the end of the Lease Term (as defined and provided for in the applicable Lease), and (iii) the obligation of the Guarantor to indemnify the Company with respect to certain taxes and other obligations with respect to any of the Leased Properties that are not purchased by the Guarantor or its designees pursuant to such option, all upon the terms and subject to the conditions set forth in this Agreement.

STATEMENT OF AGREEMENT

In consideration of the foregoing and their promises set forth in this Agreement, the Note Purchase Agreement, the Indenture and the Leases, the Company and the Guarantor hereby agree as follows.

SECTION 1. GUARANTY AND OTHER RIGHTS AND UNDERTAKINGS.

1.1 Guaranteed Obligations.

In order to induce the Company to purchase the Properties, lease the Properties to the Lessees, issue the Notes and enter into this Agreement, the Note Purchase Agreement, the Indenture, each Lease, each Mortgage and each Lease Assignment and in consideration thereof, the Guarantor hereby irrevocably, unconditionally and absolutely guarantees to the Company and its successors and assigns:

(a) the due and punctual payment by each Lessee of all Basic Rent, Additional Rent and Supplemental Rent and any and all other amounts due and payable under the Lease of each such Lessee or any document or instrument executed in connection therewith ("Relevant Instrument"), in each case, when and as the same shall become due and payable, whether at maturity or prior thereto, by acceleration or otherwise, all in accordance with the terms and provisions of this Agreement and each such Lease; it being the intent of the Guarantor that the guaranty set forth this Section 1 shall be a continuing guaranty of payment and not a guaranty of collection; and

(b) the punctual and faithful performance, keeping, observance and fulfillment by each Lessee of all duties, agreements, covenants, indemnitees and obligations of such Lessee contained in its Lease.

All of the obligations set forth in subsection (a) and subsection (b) of this Section 1.1 are referred to as the "Guaranteed Lease Obligations."

1.2 Performance Under This Agreement.

In the event any Lessee fails to pay, perform, keep, observe, or fulfill any Guaranteed Lease Obligation in the manner provided in its Lease, the Guarantor shall cause forthwith to be paid the moneys, or to be performed, kept, observed, or fulfilled each of such obligations, in respect of which such failure has occurred in accordance with the terms and provisions of such Lease.

1.3 Primary Obligation.

The irrevocable, unconditional and absolute guaranty of the Guarantor provided for in this Section 1 is a primary, original and immediate obligation of the Guarantor and is an absolute, unconditional, continuing, and irrevocable guaranty of payment and performance and shall remain in full force and effect until the full, final and indefeasible payment of the Guaranteed Lease Obligations and the Guaranteed Obligations (as defined and provided for in the Note Purchase Agreement).

1.4 Waivers.

The guaranty obligations of the Guarantor under this Section 1 shall not be affected, modified or impaired upon the happening from time to time of any of the following, whether or not with notice to or the consent of the Guarantor.

(a) The compromise, settlement, change, modification, amendment (whether material or otherwise) or termination of any or all of the obligations, duties, covenants or agreements under any Relevant Instrument.

(b) The failure to give notice to the Guarantor of the occurrence of any event of default under the terms and provisions of any Relevant Instrument.

(c) The assignment or pledging or the purported assignment or pledging of all or any part of the interest of the Company or any Lessee in any Lease or any failure of title with respect to the Company's or such Lessee's interest in the Leased Property.

(d) The waiver of the payment, performance or observance of any of the obligations, conditions, covenants or agreements contained in any Relevant Instrument.

(e) The extension of the time for payment of any Guaranteed Lease Obligation owed by any Lessee under any Relevant Instrument or of the time for performance of any other obligations, covenants or agreements under or arising out of any Relevant Instrument or the extension or the renewal of any thereof.

(f) The taking or the omission of any of the actions referred to in any Relevant Instrument.

(g) The exchange, surrender, substitution or modification of any collateral security for any of the obligations guaranteed hereby or the change, modification or amendment to, or waiver in respect of, any agreement relating to such collateral security.

(h) Any failure, omission or delay on the part of the Company to enforce, assert or exercise any right, power or remedy conferred on it in any Relevant Instrument or any other indulgence or similar act on the part of the Company in good faith and in compliance with applicable law.

(i) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings which affect the Guarantor, any other guarantor of any of the Guaranteed Lease Obligations hereby or any Lessee or any of the assets of any of them, or any allegation of invalidity or contest of the validity of this Agreement in any such proceeding.

(j) To the extent permitted by law, the release or discharge of the undersigned from the performance or observance of any obligation, covenant or agreement contained in this guarantee by operation of law.

(k) The default or failure of the Guarantor fully to perform any of its obligations set forth in this Agreement.

(l) Any determination that any Guaranteed Lease Obligation requires payment of interest which would be contrary to any provisions of applicable law which limit the maximum rate of interest which may be charged or collected on any of such obligations, provided nothing herein contained shall require the undersigned to make any payment which is contrary to law.

1.5 Certain Waivers of Subrogation, Reimbursement and Indemnity.

The Guarantor hereby acknowledges and agrees that, until such time as the Guaranteed Lease Obligations and the Guaranteed Obligations (as defined and provided for in the Note Purchase Agreement) have been finally and indefeasibly paid, the Guarantor shall not have any right of subrogation, reimbursement, or indemnity whatsoever in respect of the Guaranteed Lease Obligations, and no right of recourse to or with respect to any of the Leased Properties or any other assets of any Lessee. Nothing shall discharge or satisfy the obligations of the Guarantor hereunder except the full and final performance and indefeasible payment of the Guaranteed Lease Obligations and the Guaranteed Obligations (as defined and provided for in the Note Purchase Agreement).

1.6 Invalid Payments.

The Guarantor further agrees that, to the extent any Lessee makes a payment or payments with respect to any Lease, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required, for any of the foregoing reasons or for any other reason, to be repaid or paid over to a custodian, trustee, receiver or any other party or officer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, state or federal law, or any common law or equitable cause, then to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made and the Guarantor shall be primarily liable for such obligation.

SECTION 2. SALE, RETURN OR PURCHASE OF LEASED PROPERTY.

2.1 Purchase Option.

Subject to the terms, conditions and provisions set forth in this Section, the Guarantor or any Person(s) designated by the Guarantor to the Company in writing (including, without limitation, any Lessee(s)) ("Designated Purchaser(s)") shall during the Option Period (defined below) have the option (the "Purchase Option") to purchase from the Company all of the Company's interest in each Leased Property at the Purchase Price provided for in Section 2.2 hereof, as adjusted to give effect to any deemed payment thereof as provided for in Section 2.3 hereof provided, however, that no such designation shall cause the Guarantor to be released from any obligation under this Agreement, or any Lessee to be released from any obligation under its Lease.

Such option must be exercised by written notice to the Company at any time during the Option Period, which exercise shall be irrevocable. Such purchase shall be closed on April 1, 2000.

If the Purchase Option with respect to any Lease Property is exercised pursuant to the foregoing, then, subject to the provisions set forth in this Section, one such closing date, the Company shall convey to such Designated Purchaser(s), and such Designated Purchaser(s) shall purchase from

the Company, the Company's interest in such Leased Property. If Guarantor fails to exercise the Purchase Option with respect to any Leased Property during the applicable Option Period, then the Purchase Option with respect to all Leased Property shall thereupon automatically terminate without any further action of the Company, and the Purchase Option with respect to all Leased Property shall thereafter be of no force or effect.

As used herein, the term "Option Period" means April 1, 1999 through April 30, 1999 inclusive, with respect to each Leased Property; provided, however, that in the event of any Complete Taking with respect to any Leased Property (as defined in the applicable Lease) occurs prior to the final year of the Lease Term (as defined in the applicable Lease), the Option Period shall be deemed to commence upon the date of determination of such Complete Taking as provided for in Section 11.3 of the applicable Lease and extend for a period of thirty (30) days thereafter, provided further, that in event of a change of control resulting in prepayment of the Notes pursuant to Section 7.2 of the Indenture, the Option Period shall be deemed to commence upon the Control Prepayment Date and extend for a period of ninety (90) days thereafter.

2.2 Determination of Purchase Price.

Upon the purchase by any Designated Purchaser(s) of the Company's interest in each Leased Property pursuant to the exercise of the Purchase Option, the purchase price ("Purchase Price") shall, subject to giving effect to the deemed payments as provided for in Section 2.3 hereof, be:

(i) $6,700,000.00 with respect to the Charlotte Property (representing $1,732,444.00 for Land and $4,967,556.00 for Improvements);

(ii) $4,296,000.00 with respect to the Knoxville Property (representing $796,000.00 for Land and $3,500,000.00 for Improvements); and

(iii) $15,504,000.00 with respect to the Framingham Property (representing $8,964,000.00 for Land and $6,540,000.00 for Improvements).

2.3 Guaranty Credit and Casualty Credit.

In the event of the purchase by any Designated Purchaser(s) of the Company's interest in any Leased Property, the Purchase Price shall be deemed to have been paid by such Designated Purchaser(s) to the Company, and in the event of any purchase of any Leased Property pursuant to the exercise of the Remarketing Option (as defined herein), the Guaranty Payment shall, as provided for in Section 2.9 hereof, be deemed to have been paid to the Company, in each case, to the extent of:

(i) the amount of any Casualty Credit, if any, accrued with respect to such Leased Property as provided for in the Lease; and

(ii) the amount, if any, of the Guaranty Credit, if any, that Guarantor elects in writing to allocate to the Purchase Price of such Leased Property.

2.4 Purchase Procedure.

In the event that any Designated Purchaser(s) shall purchase the Company's interest in any Leased Property pursuant to the exercise of the Purchase Option, (i) such Designated Purchaser(s) shall accept from the Company and the Company shall convey such Leased Property by a duly executed and acknowledged special warranty deed in recordable form and quitclaim bill of sale, (ii) upon the date fixed for any purchase of the Company's interest in such Leased Property hereunder, such Designated Purchaser(s) shall pay to the order of the Company the Purchase Price, as adjusted to give effect to any deemed payments as provided for in Section 2.3, hereof by wire transfer of federal funds and (iii) the Company will execute and deliver to such Designated Purchaser(s) such other documents as may be legally required in order to effect such conveyance, and such other documents as may be required by the escrow agent in order to close escrow and issue to such Designated Purchaser(s) an ALTA owner's title policy subject only to (A) the exceptions set forth on Schedule B of the Title Policy, (B) such exceptions created or caused by the Lessor or the Designated Purchaser(s), or otherwise resulting from any act or failure to act by the Lessor or the Designated Purchaser(s), or consented to by Designated Purchaser(s), (C) taxes and assessments not yet due and payable, (D) such other exceptions which do not materially adversely affect Designated Purchaser(s)'s use of such Leased Property or the marketability of title to such Leased Property and (E) such exceptions which are the result of any act or omission by such Designated Purchaser(s); provided, however, that if any Event of Default (as defined in the Indenture) shall have occurred at the time of notice of the exercise of any Purchase Option or at any time thereafter, the Company may convey the Leased Property to the Designated Purchaser(s) by quitclaim deed and quitclaim bill of sale and without compliance with the foregoing requirements of this clause (iii).

2.5 Required Approvals.

Designated Purchaser(s) shall, at such Designated Purchaser(s)'s sole cost and expense, obtain all required governmental and regulatory approvals and consents and shall make such filings as required by Applicable Law. In the event that the Company is required by Applicable Law to take any action in connection with such purchase and sale, such Designated Purchaser(s) shall pay all costs incurred by the Company in connection therewith. In addition, all charges incident to such conveyance, including, without limitation, such Designated Purchaser(s)'s attorneys' fees, the Company's reasonable attorneys' fees, such Designated Purchaser(s)'s and the Company'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 and paid by such Designated Purchaser(s).

2.6 Taxes.

In the event of any purchase of any Leased Property upon the exercise of the Purchase Option, there shall be no apportionment of taxes, insurance, utility charges or other charges payable with respect to the such Leased Property, all of such taxes, insurance, utility or other charges due and payable with respect to such Leased Property prior to termination being payable by Designated Purchaser(s) hereunder and all due after such time being payable by such Designated Purchaser(s) as the then owner of such Leased Property.

2.7 Remarketing Options.

Subject to the fulfillment of each of the conditions set forth below, Guarantor shall have the option (the "Remarketing Option") exercisable at any time during the applicable Option Period with respect to the Purchase Option (and in lieu of the exercise of the Purchase Option), to market any Leased Property for the Company and to procure a purchaser therefor. Guarantor's 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 shall render the Remarketing Option and Guarantor's exercise thereof null and void.

(i) Once the Guarantor has exercised the Remarketing Option as provided, Guarantor shall, as exclusive agent for the Company, use commercially reasonable efforts to sell the Company's interest in such Leased Property and will attempt to obtain the highest purchase price therefor. Guarantor will be responsible for hiring brokers and making such Leased Property available for inspection by prospective purchasers. Guarantor shall promptly provide any maintenance records relating to such Leased Property to the Company and any potential purchaser upon request, and shall otherwise do all things necessary to sell and deliver possession of such Leased Property to the purchaser. All such marketing of such Leased Property shall be at Guarantor's sole expense. Guarantor shall allow the Company and any potential qualified purchaser access to such Leased Property for the purpose of inspecting the same.

(ii) Guarantor shall submit all bids to the Company, and the Guarantor will have the right to review the same and the right to submit any one or more bids. All bids shall be on an "all-cash" basis. Guarantor shall procure bids from one or more bona fide prospective purchasers and shall deliver to the Company not less than ninety (90) days prior to the last day of such Lease Term a binding written unconditional (except as set forth below), irrevocable offer by such purchaser offering the highest "all-cash" bid to purchase such Leased Property. Such

purchaser shall not be Guarantor or any subsidiary or affiliate of Guarantor. The written offer must specify the last day of such Lease Term as the closing date.

(iii) On the last day of such Lease Term, Lessee shall surrender such Leased Property as provided for herein.

(iv) In connection with any such sale of such Leased Property, Guarantor will provide to the purchaser all customary "seller's" indemnities, representations and warranties regarding title, absence of Liens (except the Company's Liens) and the condition of such Leased Property, including, without limitation, an environmental indemnity. As to Company, any such sale shall be made on an "as is, with all faults" basis without representation or warranty by the Company.

(v) Guarantor shall pay directly, and not from the sale proceeds, all prorations, credits, costs and expenses of the sale of such Leased Property, whether incurred by the Company or Guarantor including, without limitation, the cost of all title insurance, surveys, environmental reports, appraisals, transfer taxes, the Company's reasonable attorneys' fees, Guarantor's attorneys' fees, commissions, escrow fees, recording fees, and all applicable documentary and other transfer taxes, except those which are paid by the purchaser of such property.

(vi) If the selling price of such Leased Property does not exceed the Purchase Price for such Leased Property as set forth in Section 2.2 hereof after giving effect to the adjustments, if any, provided for in Section 2.3 hereof and after giving effect to the Guaranty Payment, if any, provided for in Section 2.9 herein, then the Company may, by notice to Lessee and in Company's sole and absolute discretion, reject such offer to purchase, in which event the parties will proceed according to the provisions of Section 2.8 hereof.

(vii) If the Company does not reject such purchase offer as provided above, the closing of such purchase of such Leased Property by such purchaser must occur on the last day of such Lease Term, contemporaneously with Lessee's surrender or such Leased Property as provided for herein.

(viii) If the Company does not reject the purchase offer as provided above, then the purchase shall be consummated on the last day of such Lease Term 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 Trustee to be applied as provided for in the Indenture.

If one or more of the foregoing provisions shall not be fulfilled as of the last day of such Lease Term or if such Leased Property is not purchased as aforesaid for any other reasons whatsoever other than solely due to rejection by the Company of such sale pursuant to subsection (vii) above, then the Company may, at Company's option and in the Company's sole discretion, (i) declare by written notice to the Guarantor the Remarketing Option to be null and void (whether or not it has been theretofore exercised by the Guarantor), in which event all of the Guarantor's rights under this Section shall immediately terminate, or (ii) permit and require the Guarantor on behalf of the Company to consummate the sale of such Leased Property to such purchaser, in which event the gross proceeds shall be paid as set forth in this Section and all of the Company's rights and remedies set forth herein, in the other Operative Documents, at law or in equity or otherwise shall be preserved. If the prospective purchaser breaches its offer to purchase, then the Company may, in the Company's sole discretion, declare the Remarketing Option to be null and void, in which event all of Designated Purchaser(s)'s rights under this Section shall immediately terminate. The Guarantor shall have no right, power or authority to bind the Company in connection with any proposed sale of such Leased Property.

2.8 Rejection of Sale.

Notwithstanding anything contained herein to the contrary, if the Company rejects the purchase offer for such Leased Property as provided in Section 2.7 hereof, then (i) the Company shall retain title to such Leased Property, and (ii) in addition to the Guarantor's other obligations hereunder, the Guarantor will reimburse the Company, within ten (10) Business Days after written request, for all reasonable costs and expenses incurred by the Company during the period ending on the first anniversary of the last day of such Lease Term in connection with the marketing, sale, closing or transfer of such Leased Property, which obligation shall survive the last day of such Lease Term and the termination or expiration of the applicable Lease.

2.9 Guaranteed Payment.

With respect to the sale of any Leased Property pursuant to the Remarketing Option, the Guarantor shall, subject to the limitation set forth in this Section, pay to the Company an amount ("Guaranty Payment") equal to the excess, if any, of (A) the Purchase Price of such Leased Property as set forth in Section 2.2 hereof, (and without adjustment to give effect to any deemed payments as provided for in Section 2.3 hereof) over (B) the net proceeds to be received by the Trustee in connection with such sale; provided, however, that an amount equal to any Casualty Credit with respect to such Leased Property, if any, plus the amount of any Guaranty Credit, if any, allocated the Guarantor to such Leased Property shall be deemed to have been paid to the Company as Guaranty Payment for purposes of this Section.

Notwithstanding the foregoing, the aggregate amount of Guaranty Payments that the Guarantor shall be required to make pursuant to this Section shall not exceed the Original Principal Amount reduced by the aggregate amount of all Guaranty Credits (as defined and provided for in the Leases).

2.10 Return of Distributions.

Provided that the Notes and all other obligations due under the Notes have been paid in full and all Rent and other obligations due under the Leases have been paid in full, the Company shall pay and distribute to Guarantor, an amount equal to the excess, if any, of (A) the sum of the Purchase Prices paid to the Company with respect to the sales of the Properties pursuant to the exercise of the Purchase Option and Remarketing Option (including all Casualty Credits and Guaranty Credits deemed to have been paid and all Guaranty Payments paid by Guarantor as provided for herein and in the Leases), over (B) the Original Purchase Amount.

SECTION 3. WARRANTIES AND REPRESENTATIONS.

In order to induce the Company to purchase the Leased Properties, lease the Leased Properties to the Lessees pursuant to the Leases, enter into this Agreement, the Note Purchase Agreement, the Indenture, the Leases, the Mortgages and the Lease Assignments and issue the Notes and perform its other obligations under and in connection with the foregoing, the Guarantor represents to the Company effective as of the date hereof and effective as of the date of each Lease that each of the warranties and representations of the Guarantor set forth in Section 3 of the Note Purchase Agreement is, and will be, true and correct as of each such date. Such Section 3 is hereby incorporated herein by its reference, subject to all subsequent amendments or modifications thereto adopted as provided for in the Note Purchase Agreement.

SECTION 4. COVENANTS OF THE GUARANTOR.

The Guarantor covenants that so long as any amounts remain due and payable under any Lease or this Agreement and so long as any of the Notes shall be outstanding, the Guarantor shall comply with or cause the compliance with each of its covenants set forth in Section 6 of the Note Purchase Agreement, except for the covenants set forth in Sections 6.9, 6.10, 6.11 and 6.13 thereof. Such Section 6 is hereby incorporated herein by this reference, subject to all subsequent amendments or modifications thereto adopted as provided for in the Note Purchase Agreement.

The Guarantor further warrants and covenants that so long as any of the Notes remain outstanding, the Guarantor shall cause each of the covenants of the Company, as grantor, set forth in Article One of each Mortgage to be performed and complied with for and on behalf of the Company, shall indemnify and hold the Company harmless with respect to all costs of performing and complying with such covenants and any claims or damages arising out of our in connection with any nonperformance or noncompliance with any such covenants, and shall assume and pay any and all obligations of the Company with respect to expenses and indemnification arising under such Article

One. Each such Article One is hereby incorporated herein by this reference, subject to all subsequent amendments or modifications thereto adopted as provided for in the Note Purchase Agreement.

SECTION 5. INFORMATION AS TO GUARANTOR.

The Guarantor covenants that so long as any amounts remain due and payable under any Lease or this Agreement and so long as any of the Notes shall be outstanding, the Guarantor will deliver to the Company all of the financial statements, reports, certificates and other information that the Guarantor is required to deliver to the Holders of the Notes under Section 7 of the Note Purchase Agreement. Such Section 7 is hereby incorporated herein by this reference, subject to all subsequent amendments or modifications thereto adopted as provided for in the Note Purchase Agreement.

SECTION 6. MISCELLANEOUS.

6.1 Communications.

All communications hereunder shall be made in the manner provided for in Section 9.1 of the Note Purchase Agreement.

6.2 Reproduction of Documents.

This Agreement, the Leases and all documents relating hereto or thereto may be reproduced by the Company or the Guarantor in the manner, with the same effect and subject to the same stipulations and agreements provided for in Section 9.2 of the Note Purchase Agreement.

6.3 Survival.

All warranties, representation, certifications and covenants made by the Guarantor herein, or in any certificate or other instrument delivered by any such Person or on behalf of any such Person hereunder shall be considered to have been relied upon by the Company shall survive the purchase of each Leased Property and the execution and delivery of this Agreement and each Lease regardless of any investigation made by the Company or on its behalf. All statements in any such certificate or other instrument shall constitute warranties and representations by the Guarantor.

6.4 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

6.5 Amendment and Waiver.

This Agreement may be amended and the observance of any term hereof may be waived only pursuant to an express writing signed by the Company and the Guarantor, and consented to by the Trustee pursuant to the Lease Assignment. The Limited Partnership Agreement of the Company dated as of November 18, 1994 may not be amended and compliance with any material term thereof may not be waived without the written consent of ADESA and the Trustee.

6.6 Expenses.

The Guarantor shall pay when billed:

(a) all expenses incurred by the Company in connection with the enforcement of any rights under this Agreement and any Lease (including, without limitation, all fees and expenses of the Company's counsel);

(b) all expenses relating to the consideration, negotiation, preparation or execution of any amendments, waivers or consents pursuant to Section 6.5 and the other terms and provisions hereof, whether or not any such amendments, waivers or consents are executed, including, without limitation any amendments, waivers or consents resulting from any work-out, restructuring or similar proceedings relating to the performance by the Guarantor of its obligations under this Agreement or of any Lessee under its Lease; and

(c) all reasonable expenses relating to the review, negotiation, preparation or execution of this Agreement, each Lease and all other documents relating to the transactions described in the Preliminary Statement to this Agreement and the organization of the Company and its general partner, and including legal fees and expenses of legal counsel for the general partner of the Company, including fees and expenses of the Legal Department of Banc One Capital Corporation acting on behalf of the Company in an amount not to exceed $10,000, including legal fees and expenses of legal counsel for the general partner of the Company.

6.7 Jurisdiction; Service of Process.

THE GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY LEASE, OR ANY ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT IN RESPECT OF ANY BREACH HEREUNDER OR UNDER ANY LEASE, BROUGHT BY THE COMPANY AGAINST ANY LESSEE, THE

GUARANTOR OR ANY OF THEIR RESPECTIVE LEASED PROPERTY, MAY BE BROUGHT BY SUCH PERSON IN THE COURTS OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN OR EASTERN DISTRICT OF NEW YORK OR ANY STATE COURT IN NEW YORK, AS THE COMPANY MAY IN ITS SOLE DISCRETION ELECT, AND BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, THE GUARANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE NON-EXCLUSIVE IN PERSONAM JURISDICTION OF EACH SUCH COURT, AND AGREES THAT PROCESS SERVED EITHER PERSONALLY OR BY REGISTERED MAIL SHALL CONSTITUTE, TO THE EXTENT PERMITTED BY LAW, ADEQUATE SERVICE OF PROCESS IN ANY SUCH SUIT, AND THE GUARANTOR IRREVOCABLY WAIVES AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, ANY CLAIM THAT SUCH PERSON IS NOT SUBJECT TO THE IN PERSONAM JURISDICTION OF ANY SUCH COURT. RECEIPT OF PROCESS SO SERVED SHALL BE CONCLUSIVELY PRESUMED AS EVIDENCED BY A DELIVERY RECEIPT FURNISHED BY THE UNITED STATES POSTAL SERVICE OR ANY COMMERCIAL DELIVERY SERVICE. IN ADDITION, THE GUARANTOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT SUCH PERSON MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND/OR ANY LEASE, BROUGHT IN SUCH COURTS, AND HEREBY IRREVOCABLY WAIVE ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF THE COMPANY TO SERVE ANY SUCH WRITS, PROCESS OR SUMMONSES IN ANY MANNER PERMITTED BY APPLICABLE LAW OR TO OBTAIN JURISDICTION OVER ANY LESSEE OR THE GUARANTOR IN SUCH OTHER JURISDICTION, AND IN SUCH MANNER, AS MAY BE PERMITTED BY APPLICABLE LAW. THE COMPANY AND THE GUARANTOR AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

6.8 Duplicate Originals; Execution in Counterpart.

Two or more duplicate original hereof may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument. This Agreement may be executed in one or more counterparts and shall be effective when at least one counterpart shall have been executed by each party hereto, and each set of counterparts that, collectively, show execution by each party hereto shall constitute one duplicate original.

This Agreement was executed and delivered by the Company and the Guaranty effective as of the date first written above.

ASSET HOLDINGS III, L.P.	ADESA CORPORATION
By: Asset Holdings Corporation III, General Partner	
By: Lannhi Tran ----------	By: Warren W.Byrd ----------
Name: LANNHI TRAN	Warren W Byrd Name:
Title: VICE PRESIDENT	Title:

Exhibit 10(n)

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FOURTH AMENDED AND
RESTATED CREDIT AGREEMENT

BY AND AMONG

ADESA CORPORATION,
ADESA FUNDING CORPORATION,

THE BANKS PARTIES HERETO,

AND

BANK ONE, INDIANAPOLIS, N.A.
AS AGENT

JULY 28, 1995

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INDEX TO
CREDIT AGREEMENT

FOURTH
AMENDED AND RESTATED CREDIT AGREEMENT
(Incorporating a Pledge Agreement)

ADESA CORPORATION, an Indiana corporation ("ADESA"), ADESA FUNDING CORPORATION, an Indiana corporation ("Funding"), and BANK ONE, INDIANAPOLIS, National Association, a national banking association with its principal office in Indianapolis, Indiana, as Agent (the "Agent"), and the Banks listed on Schedule A attached hereto (each a "Bank", and collectively referred to hereafter as the "Banks") agree that the Third Amended and Restated Credit Agreement (Incorporating a Pledge Agreement) among ADESA, Funding, Automotive Finance Corporation ("AFC") and Bank One, Indianapolis, National Association ("Bank One"), dated June 30, 1994 and effective July 1, 1994, is hereby amended and restated in its entirety so that hereafter it will read as follows:

Section 1. ACCOUNTING TERMS -- DEFINITIONS. All accounting and financial terms used in this Agreement are used with the meanings such terms would be given in accordance with generally accepted accounting principles except as may be otherwise specifically provided in this Agreement. The following terms have the meanings indicated when used in this Agreement with the initial letter capitalized:

a. ADESA. "ADESA" is used as defined in the preamble.

b. ADESA Revolver. "ADESA Revolver" is used as defined in Section 2.a.

c. ADESA Revolver Commitment. "ADESA Revolver Commitment" means the agreement of the Banks to extend the ADESA Revolver in the maximum principal amount set forth in Section 2.a.

d. ADESA Revolving Notes. "ADESA Revolving Notes" is used as defined in Section 2.a(ii).

e. ADESA Security Agreement. "ADESA Security Agreement" is used as defined in Section 5.a.

f. Advance. "Advance" means a disbursement of proceeds of the ADESA Revolver or the Line of Credit, as the context requires.

g. AFC. "AFC" means Automotive Finance Corporation and its wholly-owned subsidiary, AFC Funding Corporation.

h. AFC Agreement. "AFC Agreement" means that certain Credit Agreement between AFC and certain Banks parties thereto, dated April 25, 1995, under which ADESA has agreed to guarantee certain obligations of AFC as more fully described therein.

i. Agent. "Agent" means Bank One, Indianapolis, N.A. in its capacity as agent for the Banks and not in its individual capacity as one of the Banks, its successors and assigns as Agent hereunder.

j. Aggregate Commitment. "Aggregate Commitment" means the agreement of the Banks to extend the ADESA Revolver, the Letter of Credit and the Line of Credit to ADESA until the applicable Maturity Dates. As the context requires, the term may also refer to the individual maximum principal amount which may be outstanding under each of the respective Loans and the Maximum Available Credit.

k. Agreement. "Agreement" means this Fourth Amended and Restated Credit Agreement among ADESA, Funding, the Agent and the Banks, as it may from time to time be amended.

l. AHC. "AHC" means Asset Holding Corporation, a Delaware corporation, which holds 100% of the limited partnership interests of Asset Holdings III, L.P.

m. AHC Lease Transaction. "AHC Lease Transaction" means the lease of auction facilities located in Framingham, Massachusetts, Charlotte, North Carolina and Knoxville, Tennessee by ADESA or a Subsidiary, from AHC or its limited partnerships.

n. AHC Loan Agreement. "AHC Loan Agreement" means that certain Note Purchase Agreement between Asset Holdings III, L.P. as Seller, Principal Mutual Life Insurance Company, as Purchaser, and ADESA as Guarantor, dated November 22, 1994 together with a Collateral Trust Indenture of the same date, between the Seller and PNC Bank, Kentucky, Inc. as Security Trustee, and pursuant to which ADESA or its applicable Subsidiaries entered into AHC Lease Transactions.

o. Applicable Letter of Credit and L/C Commission Rate. "Applicable Letter of Credit and L/C Commission Rate" means the per annum rate at which the commissions due to the Banks on account of the Letter of Credit or any L/C on each Commission Due Date will be calculated, determined on each Commission Due Date by reference to the ratio of ADESA's Funded Debt as of the end of the immediately prior Determinative Quarter End, to its EBITDAL, for the four quarters ending on such Determinative Quarter End, in accordance with the following table:

Ratio of Funded Debt to EBITDAL	Applicable Letter of Credit and L/C Commission Rate
4.0:1.0 or Greater	1.875%
3.0 through 3.99:1.0	1.625%
2.0 through 2.99:1.0	1.375%
0.0 through 1.99:1.0	1.125%

Initially, the Applicable Commission Rate shall be determined based upon the ratio of Funded Debt to EBITDAL as of June 30, 1995. Thereafter, the Applicable Commission

Rate shall be determined and adjusted in the same manner as the determination of "Applicable Spread" as that term is defined in Section 1(n).

p. Applicable Spreads. "Applicable Spreads" mean the Prime-based Applicable Spread, the LIBOR-based Applicable Spread or the Interbank-based Applicable Spread, as the context requires, and shall be that number of percentage points to be taken into account in determining the per annum rate at which interest will accrue on each of the ADESA Revolver, or the Line of Credit, determined by reference to the ratio of ADESA's Funded Debt, as of the end of the immediately prior Determinative Quarter End, to its EBITDAL for the four quarters ending on such Determinative Quarter End, in accordance with the following tables for each Loan:

A. ADESA Revolver

Ratio of Funded Debt to EBITDAL	Prime-based Applicable Spread	LIBOR-based or Interbank-based Applicable Spread
4.0:1.0 or Greater	.75%	2.50%
3.0 through 3.99:1.0	.50%	2.25%
2.0 through 2.99:1.0	0%	1.75%
0.0 through 1.99:1.0	0%	1.50%

B. Line of Credit

Ratio of Funded Debt to EBITDAL	Prime-based Applicable Spread
4.0:1.0 or Greater	.50%
3.0 through 3.99:1.0	.25%
0.0 through 2.99:1.0	0%

Initially, the Applicable Spreads shall be determined based upon the ratio of Funded Debt to EBITDAL as of June 30, 1995. Thereafter, the Applicable Spreads shall be determined on the basis of the financial statements of ADESA for each fiscal quarter furnished to the Agent pursuant to the requirements of Section 6.b(ii) with prospective effect for the following fiscal quarter. Interest will accrue and be payable in any fiscal quarter on the basis of the Applicable Spreads in effect during the preceding fiscal quarter until ADESA's financial statements for the preceding fiscal quarter are delivered to the Agent. On the first interest payment date which follows delivery of such financial statements in any fiscal quarter, an appropriate adjustment shall be made for interest accrued and paid on prior interest payment dates in that quarter, any overpayment being credited against the interest payment then due and payable by ADESA to the Banks and any deficiency being then due and payable by ADESA to the Banks. It is noted that the

above tables provide Applicable Spreads for a ratio of Funded Debt to EBITDAL greater than that which will be permissible under the terms of Section 6.g(v) prior to the Maturity Date of the ADESA Revolver and the Letter of Credit. For the avoidance of doubt it is noted that it is the intent of the parties that the Banks shall be free to exercise all remedies otherwise provided in this Agreement in the event of the violation by ADESA of the covenant stated in Section 6.g(v), notwithstanding the accrual of interest on the Loans at rates determined in accordance with this definition.

q. Application for Loan Advance. "Application for Loan Advance" or "Application" means, as the context requires, a written application of ADESA for a disbursement of proceeds of the ADESA Revolver or the Line of Credit, substantially in the form of Exhibit "A" attached hereto.

r. Authorized Officer. "Authorized Officer" means the President, the Chief Financial Officer or the Chief Accounting Officer of ADESA or such other officer whose authority to perform acts to be performed only by an Authorized Officer under the terms of this Agreement is evidenced to the Agent by a certified copy of an appropriate resolution of the Board of Directors of ADESA.

s. Bank One. "Bank One" is used as defined in the preamble.

t. Banks. "Banks" is used as defined in the preamble.

u. Banking Day. "Banking Day" means a day on which the principal office of the Agent in the City of Indianapolis, Indiana, is open for the purpose of conducting substantially all of the Agent's business activities; and if the applicable Banking Day relates to the borrowing or payment of a LIBOR-based Rate Advance or an Interbank-based Rate Advance, a day on which banks are dealing in United States Dollars in the interbank market in London, England, Grand Cayman, British West Indies, the United States and Canada.

v. Blocked Account. "Blocked Account" is used as defined in Section 3.a.

w. Business Day. "Business Day" means any day which is not a Saturday, Sunday, a day on which the New York Stock Exchange is closed, or a legal holiday on which either the Agent's principal office in the City of Indianapolis, Indiana, or the principal office of the Trustee in the City of Philadelphia, Pennsylvania, is authorized to remain closed; and if the applicable Business Day relates to the borrowing or payment of a LIBOR-based Rate Advance or an Interbank-based Rate Advance, a day on which banks are dealing in United States Dollars in the interbank market in London, England, Grand Cayman, British West Indies, the United States and Canada.

x. Code. "Code" means the Internal Revenue Code of 1986, as amended.

y. Commission Due Date. "Commission Due Date" is used as defined in Section 3.c.

z. Commitment. "Commitment" means for each Bank, its commitment to make Loans in the amount set forth on Schedule A, together with each Bank's share of the Maximum Available Credit exposure for the Letter of Credit.

aa. Coverage. "Coverage" means the ratio computed on a consolidated basis (exclusive of AFC) for each period of four (4) consecutive fiscal quarters of ADESA equal to the sum of ADESA's consolidated net income plus depreciating amortization expense, excluding amortization related to any environmental liabilities, and interest expense, plus lease expenses related to any AHC Lease Transaction, plus or minus gains or losses from the sale of assets or other extraordinary gain or loss items (net of any related tax benefits), plus or minus any change in deferred income taxes, over the sum of principal payments on unsubordinated long-term debt plus interest expense, capital expenditures, and lease expenses related to any AHC Lease Transaction. For purposes of this definition, capital expenditures shall mean all capital expenditures except those expressly related to the acquisition or start-up of an auto auction, or which are funded with purchase money financing.

bb. Credit Document. The term "Credit Document" includes this Agreement, the Notes, the Mortgages, the Security Agreements, the Guaranty Agreements, the Pledge Agreement, the ECIDA Lease, any Reimbursement Agreement and any other instrument or document which evidences or secures the Obligations or any of them or which expresses an agreement as to terms applicable to the Obligations or any of them.

cc. Determinative Quarter End. "Determinative Quarter End" means, as of any date the Applicable Letter of Credit Commission Rate, an Applicable Spread, or the Unused Commitment Fee is to be determined, the end of the most recent fiscal quarter of ADESA for which consolidated financial statements are then required to have been furnished to the Agent pursuant to the requirements of Section 6.b, provided that the initial Determinative Quarter End for this Agreement shall be June 30, 1995.

dd. Drawing. "Drawing" means an Interest Drawing, a Principal Drawing or a Remarketing Drawing as the context requires, and when used in the plural form, refers to all or any combination of them.

ee. EBITDAL. "EBITDAL" means ADESA's net income plus interest expense, income taxes, depreciation, and amortization expense, excluding amortization related to any environmental liabilities, plus lease expenses under AHC Lease Transactions, determined on a consolidated basis, exclusive of AFC.

ff. ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

gg. Event of Default. "Event of Default" means any of the events described in Section 9.

hh. Floating Rate Note Documents. "Floating Rate Note Documents" means the Floating Rate Notes, the Trust Indenture and any other document or agreement executed by ADESA or Funding as an incident to the issuance of the Floating Rate Notes other than the Credit Documents.

ii. Floating Rate Notes. "Floating Rate Notes" means the $35,000,000 in aggregate principal amount of ADESA Funding Corporation Floating Rate Notes issued by Funding pursuant to the Trust Indenture.

jj. Funded Debt. "Funded Debt" means all liabilities of ADESA and its Subsidiaries (excluding liabilities of AFC) for borrowed money plus indebtedness incurred under AHC Lease Transactions plus capitalized leases plus the amount of ADESA's guaranty to repurchase AFC's dealer receivables under the AFC Agreement less the balance in the Sinking Fund Reserve, and less the restricted cash equivalents of AHC.

kk. Funding. "Funding" is used as defined in the preamble.

ll. Guaranty Agreements. "Guaranty Agreements" means all or any combination, as the context requires, of the guaranty agreements described in Section 5.b, and when used in the singular form, refers to whichever of the Guaranty Agreements the context requires.

mm. Hazardous Substance. "Hazardous Substance" means any hazardous or toxic substance regulated by any federal, state, Canadian, Canadian provincial or local statute or regulation including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act and the Toxic Substance Control Act, or by any federal, state, Canadian, Canadian provincial or local governmental agencies having jurisdiction over the control of any such substance including but not limited to the United States Environmental Protection Agency.

nn. Interbank-based Applicable Spread. "Interbank-based Applicable Spread" means that Applicable Spread added to the Interbank Rate to equal the Interbank-based Rate in accordance with the tables set forth under the definition of Applicable Spreads.

oo. Interbank-based Rate. "Interbank-based Rate" means that per annum rate of interest which is equal to the Interbank Rate plus the Applicable Spread.

pp. Interbank Rate. "Interbank Rate" means for each Interest Period for which ADESA has requested to borrow funds in Canadian dollars under the ADESA Revolver, the per annum rate of interest at which deposits in Canadian dollars for a period equal to such Interest Period and in an amount equal to the relevant Advance, would be offered by the Agent's Grand Cayman Branch, Grand Cayman, British West Indies, to major banks in the offshore interbank market upon request of such banks at approximately 10:00 A.M. New York time two (2) Banking Days prior to the commencement of such Interest Period.

qq. Inter-Company Notes. "Inter-Company Notes" means all or any combination, as the context requires, of the promissory notes described as such in Section 5.i, and when used in the singular form, means whichever of the Inter-Company Notes the context requires.

rr. Inter-Company Security Agreements. "Inter-Company Security Agreements" means all or any combination, as the context requires, of the Security Agreements described as such in Section 5.i, and when used in the singular form, means whichever of the Inter-Company Security Agreements the context requires.

ss. Interest Drawing. "Interest Drawing" is used as defined in the Letter of Credit.

tt. Interest Payment Date. "Interest Payment Date" means any Banking Day on which accrued interest becomes due and payable on any of the Loans.

uu. Interest Period. "Interest Period" means with respect to Canadian dollar loans, a period of three months or six months selected by ADESA, and with respect to LIBOR-based Rate Advances a period of one month, two months, three months, four months, five months or six months selected by ADESA.

vv. Investment Account A. "Investment Account A" is used as defined in Section 5.f.

ww. Investment Account B. "Investment Account B" is used as defined in Section 6.i.

xx. L/C. "L/C" is used as defined in Section 2.b.

yy. Letter of Credit. "Letter of Credit" is used as defined in Section 3.

zz. Leverage. "Leverage" means the ratio of ADESA's Unsubordinated Liabilities to its Tangible Capital Base, determined on a consolidated basis exclusive of AFC.

aaa. LIBOR-based Applicable Spread. "LIBOR-based Applicable Spread" means that Applicable Spread added to the London Interbank Offered Rate to equal the LIBOR-based Rate, in accordance with the tables set forth under the definitions of Applicable Spreads.

bbb. LIBOR-based Rate and London Interbank Offered Rate. "LIBOR-based Rate" means that per annum rate of interest which is equal to the London Interbank Offered Rate plus the Applicable Spread. "London Interbank Offered Rate" means the per annum rate of interest, as determined by the Agent, at which dollar deposits in immediately available funds are offered to the principal banks in the London interbank market by other principal banks in that market two Banking Days prior to the commencement of an Interest Period for which ADESA shall have requested a quotation of the rate in amounts equal to the amount for which ADESA shall have requested a quotation of the rate, increased by an amount equal to any increase, as reasonably determined by any Bank, in

the cost to such Bank of obtaining such deposits resulting from the imposition of any additional reserves or from any increase in the amount of reserves presently required by any United States or foreign governmental authority including, but not limited to, any marginal or extraordinary reserves imposed to give effect to monetary policy. Any determination by any Bank of increased costs of maintaining deposits made pursuant to the provisions of the preceding sentence shall be final, absent manifest error; provided, however, that the determination of the amount necessary to compensate any Bank for any increased costs shall be made in a manner which is consistent with the manner in which such Bank generally applies similar provisions to comparable borrowers.

ccc. Line of Credit. "Line of Credit" is used as defined in Section 2.b.

ddd. Line of Credit Commitment. "Line of Credit Commitment" means the agreement of the Banks to extend the Line of Credit to ADESA in the maximum principal amount set forth in Section 2.b(i).

eee. Line of Credit Notes. "Line of Credit Notes" is used as defined in Section 2.b(ii).

fff. Loan. "Loan" means any of the ADESA Revolver, or the Line of Credit as the context requires, and when used in the plural form, refers to both of such Loans.

ggg. Maturity Date. "Maturity Date" means June 30, 1998, as to the ADESA Revolver; June 30, 1996, as to the Line of Credit; and June 30, 1998 as to the Letter of Credit; and hereafter any subsequent date to which any of the Commitments may be extended by the Bank pursuant to the terms of Sections 2.a. and 2.b. and 3.

hhh. Maximum Available Credit. "Maximum Available Credit" means, as of the date of this Agreement, the sum of $22,847,762.50, and hereafter shall mean the maximum amount available to be drawn by the Trustee under the Letter of Credit for principal and interest due on account of the Floating Rate Notes upon (i) mandatory or optional redemption of the Floating Rate Notes, (ii) mandatory or optional tender of the Floating Rate Notes, or (iii) on account of acceleration of the Floating Rate Notes following the occurrence of an Event of Default.

iii. Mortgages. "Mortgages" as used in this Agreement refers collectively to all of the mortgages and deeds of trust, including the leasehold mortgage, referred to in Section 5.c. The term may also refer to any combination of such mortgages and deeds of trust required by the context, and when used in the singular form, refers to whichever of the Mortgages the context requires.

jjj. Notes. "Notes" means any of the ADESA Revolving Notes, the Line of Credit Notes or the Canadian dollar Notes, payable to the order of the respective Banks and substantially in the form of Exhibits "B", "C" and "D" to this Agreement.

kkk. Obligations. "Obligations" means all obligations of ADESA in favor of the Agent and the Banks of every type and description, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including but not limited to: (i) all of such obligations on account of the ADESA Revolver and the Line of Credit, including any Advances made pursuant to any extension of the Commitments beyond their initial Maturity Dates, or pursuant to any other amendment of this Agreement, (ii) ADESA's duty to reimburse Bank One with interest as provided in this Agreement for all amounts paid by Bank One on account of the Letter of Credit, (iii) ADESA's duty pursuant to the terms of Section 10.d of this Agreement to pay to the Agent upon the occurrence of an Event of Default, at the Required Banks' election, an amount equal to the Maximum Available Credit, (iv) all of ADESA's obligations under each Reimbursement Agreement, and (v) all other obligations of ADESA arising under any Credit Document as amended from time to time.

lll. Officer's Certificate. "Officer's Certificate" means a certificate in the form included as a part of Exhibit "A" attached hereto signed by an Authorized Officer of ADESA, confirming that all of the representations and warranties contained in Section 4 of this Agreement are true and correct as of the date of such certificate except as specified therein, and with the further exceptions that the representation contained in Section 4.d. shall be construed so as to refer to the latest financial statements which have been furnished to the Banks as of the date of any Officer's Certificate and that the representation contained in Section 4.m. shall be deemed to be amended to reflect the existence of any Subsidiary hereafter formed or acquired by ADESA. The Certificate shall further confirm that no Event of Default or Unmatured Event of Default shall have occurred and be continuing as of the date of the Certificate or shall describe any such event which shall have occurred and be then continuing and the steps being taken by ADESA to correct it.

mmm. Original Agreement. "Original Agreement" means the Credit Agreement among ADESA, Funding and Bank One dated March 26, 1992, as amended by a "First Amendment to Credit Agreement" dated April 22, 1992; and as amended and restated by the Amended and Restated Credit Agreement dated November 5, 1992, as amended by an Amendment dated January 30, 1993, and as further amended by a Second Amendment dated June 30, 1993; and as amended and restated by a Second Amended and Restated Credit Agreement dated August 16, 1993, as amended by a First Amendment dated January 6, 1994, and as amended and restated by a Third Amended and Restated Credit Agreement dated June 30, 1994 and effective July 1, 1994 as amended by a Letter of Amendment dated April 19, 1995.

nnn. Person. "Person" means any individual, corporation, estate, general or limited partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

ooo. Plan. "Plan" means an employee pension benefit plan as defined in ERISA.

ppp. Pledge Agreement. "Pledge Agreement" is used as defined in Section 5.h.

qqq. Pledged Notes. "Pledged Notes" is used as defined in Section 5.e.

rrr. Prepayment Premium. "Prepayment Premium" means the excess, if any, as determined by the Agent of: (i) the present value at the time of prepayment of the interest payments which would have been payable on account of the amount prepaid from the date of prepayment until the end of the period during which interest would have accrued at the LIBOR-based Rate or the Interbank-based Rate but for prepayment over (ii) the present value at the time of prepayment of interest payments calculated at the rate (the "Reinvestment Rate") which each of the Banks then reasonably estimates it would receive upon reinvesting the principal amount of the prepayment in an obligation which presents a credit risk substantially similar (as determined in accordance with the commercial credit rating system then used by the Banks) to that which is then presented by the ADESA Revolver for a period approximately equal to the balance of the period during which interest would accrue on the portion of the ADESA Revolver prepaid at the LIBOR-based Rate or Interbank-based Rate, but for prepayment. The discount rate used by each Bank in determining such present values shall be such Bank's Reinvestment Rate.

sss. Prime-based Applicable Spread. "Prime-based Applicable Spread" is that Applicable Spread added to the Prime Rate to equal the Prime-based Rate, in accordance with the tables set forth under the definition of Applicable Spreads.

ttt. Prime-based Rate. "Prime-based Rate" means that per annum rate of interest which is equal to the Prime Rate plus the Applicable Spread.

uuu. Prime Rate. "Prime Rate" means a variable per annum interest rate equal at all times to the rate of interest established and quoted by the Agent as its Prime Rate, such rate to change contemporaneously with each change in such established and quoted rate, provided that it is understood that the Prime Rate shall not necessarily be representative of the rate of interest actually charged by the Agent on any loan or class of loans.

vvv. Principal Drawing. "Principal Drawing" is used as defined in the Letter of Credit.

www. Qualified Investments. "Qualified Investments" means cash, United States Government and United States Government Agency securities, commercial paper rated A-1+ by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., certificates of deposit of commercial banks whose certificates of deposit are rated AA/A-1+ or higher by Standard & Poor's Corporation or enjoy the equivalent rating by Moody's Investors Service, Inc. or shares of investment companies or units of investment in common trust funds the assets of which, in either case, consist entirely of cash and high quality, money

market securities, provided that no specific security or certificate of deposit shall be a qualified investment if it has a maturity more than thirteen (13) months from the date of purchase.

xxx. Reimbursement Agreement. "Reimbursement Agreement" is used as defined in Section 2.b(v).

yyy. Remarketing Agent. "Remarketing Agent" is used as defined in the Trust Indenture.

zzz. Remarketing Drawing. "Remarketing Drawing" is used as defined in the Letter of Credit.

aaaa. Required Banks. "Required Banks" means Banks in the aggregate having at least 66-2/3% of the Commitments or, if the Commitments have been terminated, Banks in the aggregate holding at least 66-2/3% of the aggregate unpaid principal amount of the outstanding Advances and the Maximum Available Credit under the Letter of Credit.

bbbb. Security Agreements. "Security Agreements" means all or any combination, as the context requires, of those Security Agreements described in Sections 5.a. and 5.d., and when used in the singular form, refers to whichever of the Security Agreements the context requires.

cccc. Sinking Fund Reserve. "Sinking Fund Reserve" is used as defined in Section 5.f.

dddd. Subordinated Debt. "Subordinated Debt" means the indebtedness owed by ADESA to Minnesota Power & Light Co. ("MPL") or a wholly-owned subsidiary thereof, in a principal amount not to exceed $20,000,000, and any indebtedness of ADESA or a Subsidiary which is subordinated to all of the Obligations on such terms that such indebtedness is, in the judgment of the Required Banks, reasonably exercised and confirmed in writing by the Agent to ADESA, the functional equivalent of equity in relation to the Obligations.

eeee. Subordination Agreement. "Subordination Agreement" means that certain agreement among ADESA, MPL, or a wholly-owned subsidiary thereof, and the Agent regarding the subordination of advances from MPL, or a wholly-owned subsidiary thereof to ADESA to the Obligations.

ffff. Subsidiary. "Subsidiary" means any corporation, general or limited partnership, limited liability company, joint venture or other business entity other than Funding over which ADESA exercises control, provided that it shall be conclusively presumed that ADESA exercises control over any such entity 51% or more of the equity interest in which is owned by ADESA, directly or indirectly. When used in the plural form, the term refers collectively to all of such Subsidiaries or such combination of them as the context requires.

gggg. Subsidiary Pledge Agreements. The term "Subsidiary Pledge Agreements" is used as defined in Section 5.d. and when used in the singular form, the term refers to whichever of the Subsidiary Pledge Agreements the context requires.

hhhh. Subsidiary Security Agreements. The term "Subsidiary Security Agreements" means all or any combination, as the context requires, of the security agreements described in Section 5.d, and when used in the singular form, refers to whichever of the Subsidiary Security Agreements the context requires.

iiii. Tangible Capital Base. "Tangible Capital Base", determined on a consolidated basis exclusive of AFC, means the consolidated shareholders' equity of ADESA plus Subordinated Debt less any allowance for goodwill, patents, trademarks, trade secrets, non-competition agreements, loans or advances to unrelated Persons (not constituting a loan or advance made by ADESA in the ordinary course of business) and any other assets which would be classified as intangible assets under generally accepted accounting principles, and less any related party receivables. As used in this definition, the phrase "related party receivables" means all accounts, notes and other amounts due from any party which, directly or indirectly, controls, is controlled by or is under common control with ADESA, to the extent that such receivables are not otherwise eliminated from the consolidated shareholders' equity of ADESA in the process of consolidation, provided that the term "related party receivables" shall not include any accounts arising on account of services rendered or goods sold by ADESA or any Subsidiary in the ordinary course of the business of ADESA and its Subsidiaries as now conducted.

jjjj. Tender Date. "Tender Date" is used as defined in the Trust Indenture.

kkkk. Trust Indenture. "Trust Indenture" means the Trust Indenture between Funding and the Trustee dated as of April 1, 1992, pursuant to which the Floating Rate Notes were issued.

llll. Trustee. "Trustee" means CoreStates Bank, N.A. in its capacity as Trustee under the Trust Indenture and any successor Trustee.

mmmm. Unmatured Event of Default. "Unmatured Event of Default" means any event specified in Section 9, which is not initially an Event of Default, but which would, if uncured, become an Event of Default with the giving of notice or the passage of time or both.

nnnn. Unsubordinated Liabilities. "Unsubordinated Liabilities" means all of ADESA's consolidated total liabilities and the outstanding balance of all indebtedness of AHC (excluding liabilities of AFC) less the Subordinated Debt less the balance in the Sinking Fund Reserve, and less the restricted cash equivalents of AHC.

oooo. Unused Commitment Fee. "Unused Commitment Fee" means a per annum fee to be paid to the Banks, calculated and paid quarterly in arrears, on the difference between the ADESA Revolver Commitment, as reduced from time to time for principal payments

required to be made by ADESA, and the amount of the average daily outstanding principal balance under the ADESA Revolver, determined by reference to the ratio of ADESA's Funded Debt, as of the end of the immediately prior Determinative Quarter End, to its EBITDAL, for the four quarters ending on such Determinative Quarter End, in accordance with the following table:

Ratio of Funded Debt to EBITDAL	Per Annum Unused Fee
4.0:1.0 or Greater	.375%
3.0 through 3.99:1.0	.25%
2.0 through 2.99:1.0	.1875%
0.0 through 1.99:1.0	.125%

Section 2. THE LOANS. Subject to all of the terms and conditions of this Agreement, the Banks severally agree to make the loans described in this Section to ADESA:

a. ADESA Revolver. The Banks severally will make a revolving loan available to ADESA on the following terms and conditions:

(i) The ADESA Revolver Commitment. From the date hereof, and until the Banking Day next preceding the Maturity Date, the Banks will make Advances from time to time to ADESA of amounts not exceeding, in the aggregate at any time outstanding, Fifty-Two Million and No/100 Dollars ($52,000,000) as increased and decreased from time to time as hereinafter set forth. All Advances hereunder are collectively referred to as the "ADESA Revolver" and the maximum principal amount that may be outstanding under the ADESA Revolver as of any date such amount is to be determined is referred to as the "ADESA Revolver Commitment". The ADESA Revolver Commitment shall be made available to ADESA as follows: Advances under Tranche A shall be available up to an initial principal amount of $12,000,000 from the date hereof until October 1, 1995 and increasing to $25,000,000 from October 1, 1995 until January 1, 1996, and increasing to $32,000,000 from January 1, 1996 until the Maturity Date. Advances under Tranche B shall be available up to an initial principal amount of $20,000,000 from the date hereof until October 1, 1995 on which date and on each subsequent January 1, April 1, July 1 and October 1 thereafter until the Maturity Date, the amount available for Advances under Tranche B shall decrease by $715,000. In the event that Advances outstanding under Tranche B exceed the amount available on each January 1, April 1, July 1 and October 1 after giving effect to the required reduction set forth above, ADESA shall on such dates and without demand, immediately repay such excess to the Agent for the

ratable benefit of the Banks entitled thereto. All of the Conditions of Lending set forth in Section 8 hereof, applicable to the ADESA Revolver must have been and must continue to be met at the time of each Advance, and provided, further, that no Bank shall make Advances in excess of its Commitment as set forth in Schedule A attached hereto. All Advances under the ADESA Revolver shall first be funded under Tranche B, except for Advances requested in Canadian dollars, pursuant to Section 2.a.(vi) hereof. All prepayments of principal shall first be applied to the outstanding principal balance of Tranche A and no prepayment of Tranche B will be permitted until the outstanding principal balance of Tranche A is -0-. Proceeds of the ADESA Revolver may only be used to restate and extend the outstanding indebtedness of ADESA to Bank One under the Original Agreement, to finance acquisition and/or development of auction locations owned or to be owned by ADESA or a Subsidiary, and for expenditures for fixed assets.

(ii) Method of Borrowing. The obligation of ADESA to repay the ADESA Revolver shall be evidenced by the promissory notes (The "Revolving Notes") of ADESA payable to each of the respective Banks in the form of Exhibit "B". So long as no Event of Default or Unmatured Event of Default shall have occurred and be continuing and until the applicable Maturity Date, ADESA may borrow, repay or reborrow under the ADESA Revolver on any Banking Day, provided that no borrowing may cause the total amount outstanding to exceed the ADESA Revolver Commitment as in effect from time to time as set forth in Section 2.a(i), or may result in an Event of Default or an Unmatured Event of Default. Each Advance under the ADESA Revolver shall be conditioned upon receipt by the Agent of an Application for Advance and an Officer's Certificate, provided that the Agent may, at its discretion, make a disbursement upon the oral request of ADESA made by an Authorized Officer, or upon a request transmitted to the Agent by telephone facsimile ("fax") machine, or by any other form of written electronic communication (all such requests for Advances being hereafter referred to as "informal requests"). In so doing, the Agent may rely on any informal request which shall have been received by it in good faith from a person resonably believed to be an Authorized Officer. Each informal request shall be promptly confirmed by a duly executed Application and Officer's Certificate if the Agent so requires and shall in and of itself constitute the representation of ADESA that no Event of Default or Unmatured Event of Default has occurred and is continuing or would result from the making of the rquested Advance and that the making of the requested Advance shall not cause the principal balance of the ADESA Revolver to exceed the ADESA Revolver Commitment. All borrowings and reborrowings and all repayments shall be in amounts of not less than Two Hundred Fifty Thousand and No/100 Dollars

($250,000), except for repayment of the entire principal balance of the ADESA Revolver. The principal of the ADESA Revolver may be prepaid at any time, subject to the payment of the Prepayment Premium, if applicable, pursuant to Section 2.c(iii). Upon receipt and approval of an Application, the Agent shall make an Advance in the amount approved in accordance with the instructions in the Application and shall be made ratably from the Banks in proportion to their respective Commitments in accordance with Section 2.d. hereof. The Agent shall give prompt telephonic, telex or telecopy notice to each of the Banks of any Advance request received from ADESA and, if such notice requests the Banks to make a LIBOR-based Rate Advance or an Interbank-based Rate Advance, the Agent shall give notice to ADESA and each of the Banks by any such means of the interest rate applicable thereto (but, if such notice is given by telephone, the Agent shall confirm such rate in writing) promptly after the Agent has made such determination of the applicable rate. All Advances by the Banks and payments by ADESA shall be recorded by the Banks on their books and records, and the principal amount outstanding from time to time, plus interest payable thereon, shall be determined by reference to the books and records of the Banks. The Banks' and Agent's books and records shall be presumed prima facie to be correct as to such matters.

(iii) Interest on the ADESA Revolver. The principal amount of the ADESA Revolver outstanding from time to time shall bear interest until maturity of the ADESA Revolver at a rate per annum equal to the Prime-based Rate, except that ADESA may elect to have interest accrue at a LIBOR-based Rate in accordance with Section 2.c. hereof. After maturity, whether on the Maturity Date or on account of acceleration upon the occurrence of an Event of Default, and until paid in full, the ADESA Revolver shall bear interest at a per annum rate equal to the Prime-based Rate plus two percent (2%), except that as to any portion of the ADESA Revolver for which ADESA may have elected a LIBOR-based Rate for an Interest Period that has not expired at maturity, or after such determination, as applicable, such portion shall, during the remainder of such Interest Period, bear interest at the greater of the Prime-based Rate plus two percent (2%) per annum or at the LIBOR-based Rate, plus two percent (2%) per annum. Accrued interest shall be due and payable quarterly on the first Banking Day of each October, January, April and July and at maturity, except that interest accruing at a LIBOR-based Rate shall be payable as set forth in Section 2.c (ii) and interest accruing at an Interbank-based Rate shall be payable as set forth in Section 2.a(vi). After maturity, interest shall be payable as accrued and without demand.

(iv) Extensions of Maturity Date. The Banks may, upon the request of ADESA, but at the Banks' sole discretion, extend the Maturity Date of the

ADESA Revolver from time to time to such date or dates as the Banks may elect by notice in writing to ADESA, and upon any such extension and upon execution and delivery by ADESA of new ADESA Revolving Notes reflecting the extended maturity date, the date to which the ADESA Revolver Commitment is then extended will become the "Maturity Date" for purposes of this Agreement.

(v) Closing Fee and Unused Commitment Fee. ADESA shall pay a closing fee equal to .125% per annum on the total amount of the ADESA Revolver Commitment ($52,000,000). ADESA shall further pay to the Agent, for the pro rata benefit of the Banks, the Unused Commitment Fee on the ADESA Revolver Commitment as in effect from time to time as set forth in Section 2.a(i), payable quarterly in arrears on each July 1, October 1, January 1 and April 1, while the ADESA Revolver Commitment is outstanding, commencing October 1, 1995. Such fees may be debited by the Agent on or after thirty (30) days of the date when due, if not earlier paid, to any demand deposit account of ADESA carried with the Agent without further authority. After any such debit, the Agent shall give ADESA prompt notice of the debit and a statement of the calculation of such fees, but any failure to give such notice shall not affect the validity or enforceability thereof.

(vi) Sublimit for Canadian Dollar Loans. Up to U.S. Ten Million and No/100 Dollars (U.S. $10,000,000) of Tranche A of the ADESA Revolver may be funded in equivalent Canadian dollars, only in accordance with this Section 2.a(vi) and provided that No Event of Default or Unmatured Event of Default has occurred and is continuing or may result therefrom.

(A) Upon three (3) Banking Days prior written notice to the Agent, ADESA may request an advance in Canadian dollars in a minimum principal amount of equivalent U.S. Two Million Five Hundred Thousand Dollars (U.S. $2,500,000) and integral multiples thereof, for an applicable Interest Period. Each Advance shall be evidenced by a Canadian dollar Note (the "Note") in the form of Exhibit "D" attached hereto. ADESA may not select an Interest Period which ends after the Maturity Date for the ADESA Revolver. Interest on such Advance shall accrue at the Interbank-based Rate per annum, from the date the Advance is made, and shall be payable in Canadian dollars on the date occurring every three months while the Advance is outstanding and on the last day of the respective Interest Period. The principal of each Advance must be repaid in Canadian dollars on the last Banking Day of each Interest Period. Any prepayment of the principal of each Advance shall be subject to the Prepayment Premium. After the

last day of each Interest Period, or on account of acceleration upon the occurrence of an Event of Default, each Advance shall bear interest at the Interbank-based Rate plus two percent (2%) per annum until paid in full, and shall be payable as accrued and without demand. The Banks shall fund each Advance under this Section to the Agent in Canadian dollars.

(B) At any time when any Advance is denominated in offshore Canadian dollars, ADESA shall reimburse or compensate the Banks upon demand for all costs incurred or losses suffered by the Banks which are applied by the Banks to such Advance by reason of any and all present or future reserve, exchange controls, special deposit or similar requirements against assets or liabilities of the Banks, or restrictions on funding offshore assets with onshore liabilities (including any requirements under Regulation D of the Board of Governors of the Federal Reserve System).

(C) In the event of any failure by ADESA to pay any amount in offshore Canadian dollars when due, the Banks may, at their option, purchase for the account of ADESA, as soon as practicable after such failure, an amount in Canadian dollars with interest accrued thereon on the spot market with U.S. dollars in which case ADESA shall become liable to the Banks for the amount in U.S. dollars so expended with interest thereon at two percent (2%) over the Interbank-based Rate. The Banks through the Agent, will give the Borrower notice of any such exchange.

(D) If prior to the commencement of any Interest Period, any Bank determines that offshore Canadian dollars will not be available in the offshore interbank markets, or if any applicable law, order or regulation or any interpretation thereof by any governmental agency shall make it unlawful or impracticable for such Bank to make, maintain or fund, the relevant Advance, such Bank shall promptly give notice thereof to ADESA and such Advance shall be treated as an Advance under Section 2.a(i) hereof.

(E) ADESA agrees to pay or cause to be paid directly to the appropriate governmental authority, or to reimburse the Banks, for the cost of any and all present and future taxes, duties, fees and other charges of any nature whatsoever (including any additional taxes or other charges due as a consequence of such payment or reimbursement) levied or imposed by any governmental authority on or with regard to any aspect of the transactions contemplated

herein, except such taxes as are imposed on or measured by each Bank's net income by the jurisdiction or any political subdivision thereof in which such Bank's principal office is located.

(F) Whenever the equivalent amount in one currency (the "First Currency") must be determined with respect to an amount in another currency (the "Second Currency"), such determination shall be based on the spot rate for the purchase, on the relevant date, of the First Currency with the Second Currency quoted by the Agent's Grand Cayman Branch, at 10:00 A.M. Grand Cayman time two (2) days prior to the relevant date on which such foreign exchange transactions are conducted by the foreign exchange market.

b. The Line of Credit. The Banks severally agree to make a revolving line of credit ("Line of Credit") available to ADESA on the following terms and subject to the following conditions:

(i) The Commitment -- Use of Proceeds. From this date and until the Maturity Date, the Banks agree to make Advances (collectively, the "Line of Credit Commitment") under a revolving line of credit from time to time to ADESA of amounts not exceeding Eighteen Million and No/100 Dollars ($18,000,000) in the aggregate at any time outstanding, provided that all of the Conditions of Lending stated in Section 8 of this Agreement as being applicable to the Line of Credit have been fulfilled at the time of each Advance and provided, further, that no Bank will make Advances in excess of its Commitment as set forth on Schedule A attached hereto. Proceeds of the line of Credit shall be used by ADESA only to fund its working capital requirements and to make working capital loans to the Subsidiaries named in the following table in maximum aggregate amounts outstanding at any time as to each such Subsidiary not to exceed the amounts shown in the table opposite the names of the respective Subsidiaries and for no other purpose:

Subsidiary	Maximum Amount of Loans
Greater Buffalo Auto Auction, Inc.	$ 7,000,000
ADESA-Ohio, Inc.	10,000,000
Auto Dealers Exchange of Memphis, Inc.	7,000,000
A.D.E. of Birmingham, Inc.	7,000,000
A.D.E. of Lexington, Inc.	5,000,000

A.D.E. Management Company	7,000,000
A.D.E. of Jacksonville, Inc.	10,000,000
ADESA Indianapolis, Inc.	20,000,000
Auto Dealers Exchange of Concord, Inc.	15,000,000
A.D.E. of Knoxville, Inc.	5,000,000
ADESA Canada, Inc.	20,000,000
ADESA-Charlotte, Inc.	7,000,000
ADESA Austin, Inc.	5,000,000
ADESA Auto Transport, Inc.	6,000,000
ADESA-South Florida, LLC	7,000,000
ADESA New Jersey, Inc.	20,000,000
Auto Banc Corporation	3,000,000

Proceeds of an Advance under the Line of Credit may not be used to make principal reductions on the ADESA Revolver.

(ii) Method of Borrowing. The obligation of ADESA to repay the Line of Credit shall be evidenced by the promissory notes (the "Line of Credit Notes") of ADESA payable to each of the respective Banks in the form of Exhibit "C". So long as no Event of Default or Unmatured Event of Default shall have occurred and be continuing and until the Maturity Date. ADESA may borrow, repay and reborrow under the Line of Credit on any Banking Day, provided that no borrowing may cause the total principal outstanding to exceed the Line of Credit Commitment or may result in an Event of Default or an Unmatured Event of Default. Each Advance under the Line of Credit shall be conditioned upon receipt by the Agent from ADESA of an Application for Loan Advance and an Officer's Certificate, provided that the Agent may, at its discretion, make a disbursement upon the oral request of ADESA made by an Authorized Officer, or upon a request transmitted to the Agent by telephone facsimile ("fax") machine, or by any other form of written electronic communication (all such requests for Advances being hereafter referred to as "informal requests"). In so doing, the Agent may rely on any informal request which shall have been received by it in good faith from a person reasonably believed to be an Authorized Officer. Each informal request shall be promptly confirmed by a duly executed Application and Officer's Certificate if the Agent so requires and shall in and of itself constitute the representation of ADESA that no Event of Default or Unmatured Event of Default has occurred and is continuing or would result from the making of the requested Advance and that the making of the requested Advance shall not cause the principal balance of the Line of Credit to exceed the

Line of Credit Commitment. All borrowings and reborrowings and all repayments shall be in amounts of not less than Two Hundred Fifty Thousand and No/100 Dollars ($250,000), except for repayment of the entire principal balance of the Line of Credit. Notwithstanding any other provision of this subsection, the Banks shall not be required to make more than two Advances in any week. Upon receipt of an Application, or at the Agent's discretion upon receipt of an informal request for an Advance and upon compliance with any other Conditions of Lending stated in Section 8 of this Agreement applicable to the Line of Credit, the Agent shall disburse the amount of the requested Advance to ADESA, and shall be made ratably from the Banks in proportion to their respective Commitments in accordance with Section 2.d. hereof. The Agent shall give prompt telephonic, telex or telecopy notice to each of the Banks of any Advance request received. All Advances by the Banks and payments by ADESA shall be recorded by the Banks on their books and records, and the principal amount outstanding from time to time, plus interest payable thereon, shall be determined by reference to the books and records of the Banks. The Banks' and Agent's books and records shall be presumed prima facie to be correct as to such matters.

(iii) Interest on the Line of Credit. The principal amount of the Line of Credit outstanding from time to time shall bear interest until maturity of the Notes at a rate per annum equal to the Prime-based Rate. After maturity, whether on the Line of Credit Maturity Date or on account of acceleration upon the occurrence of an Event of Default, and until paid in full, the Line of Credit shall bear interest at a per annum rate equal to the Prime-based Rate plus two percent (2%). Accrued interest shall be due and payable monthly on the first Banking Day of each month and at maturity. After maturity, interest shall be payable as accrued and without demand.

(iv) Extensions of Maturity Date. The Banks may, upon the request of ADESA, but at the Banks' sole discretion, extend the Line of Credit Maturity Date from time to time to such date or dates as the Banks may elect by notice in writing to ADESA, and upon any such extension and upon execution and delivery by ADESA of Line of Credit Notes reflecting the extended maturity date, the date to which the Line of Credit Commitment is then extended will become the Line of Credit "Maturity Date" for purposes of this Agreement.

(v) Standby Letters of Credit. At any time that ADESA is entitled to an Advance under the Line of Credit, the Agent shall, upon the application of ADESA, issue for the account of ADESA, a standby letter of credit (any such letter of credit being referred to in this Agreement as an "L/C") in an amount not in excess of the maximum Advance that ADESA would then

be entitled to obtain under the Line of Credit, provided that (i) the total amount of L/C's which are outstanding at any time shall not exceed $2,000,000, (ii) the issuance of any L/C with a maturity date beyond the Maturity Date shall be entirely at the discretion of the Banks, (iii) the purpose of each L/C shall be to secure to a customer of ADESA or a Subsidiary, payment for or return of vehicles and certificates of title or certificates of origin to vehicles delivered to ADESA or a Subsidiary for sale at auction in the ordinary course of business of ADESA and its Subsidiaries, (iv) the form of the requested L/C shall be satisfactory to the Agent in the reasonable exercise of the Agent's discretion, and (v) ADESA shall have executed an application and reimbursement agreement for the L/C (a "Reimbursement Agreement") in the Agent's standard form, a copy of the current version of which is attached as Exhibit "E". Each Bank shall purchase a risk participation in each L/C issued equal to its pro rata portion of the face amount of the L/C and agrees to remit to the Agent, in funds available for immediate use by the Agent in Indianapolis, Indiana, its pro rata portion of each payment made by the Agent on an L/C, promptly upon receipt of notice from the Agent of such payment. The Agent shall promptly remit to each Bank it pro rata portion of all applicable fees and reimbursements received by the Agent from ADESA. ADESA will pay the Agent a commission for each standby L/C issued, calculated at the L/C Commission Rate then in effect on the maximum amount available to be drawn under the standby L/C, which commission shall be shared pro rata with the Banks less a .125% Agent fee. ADESA shall pay the Agent's standard transaction fees with respect to any transactions occurring in respect of any L/C's. Transaction fees shall belong solely to the Agent. Commissions shall be payable when the related L/C's are issued and transaction fees shall be payable upon completion of the transaction as to which they are charged. All such commissions and fees may be debited by the Agent to any deposit account of ADESA carried with the Agent without further authority, and in any event, shall be paid by ADESA within ten (10) days following billing.

(vi) Mandatory Monthly Paydown. Notwithstanding any other provision of this Section 2.b., ADESA shall make such payments on account of the principal balance of the Line of Credit as may be necessary so that on not less than two (2) non-consecutive Banking Days in each calendar month the outstanding principal balance of the Line of Credit does not exceed Seven Million Two Hundred Thousand and No/100 Dollars ($7,200,000). For purposes of this subsection, any Banking Days which are separated only by days which are not Banking Days shall be considered to be consecutive.

c. Procedures for Electing LIBOR-based Rates -- Certain Effects of Election. A LIBOR-based Rate may be elected by ADESA only in accordance with the following procedures, shall be subject to the following conditions and the election of a LIBOR-based Rate shall have the following consequences in addition to other consequences stated in this Agreement:

(i) No LIBOR-based Rate may be elected at any time an Event of Default or an Unmatured Event of Default shall have occurred and is continuing. Further, no LIBOR-based Rate may be selected for an Interest Period beyond the Maturity Date for the ADESA Revolver.

(ii) A LIBOR-based Rate may only be elected on the entire principal balance of the ADESA Revolver or as to any portion thereof as to which no previous LIBOR-based Rate election remains in effect, or new Advance thereunder, in a minimum amount of One Million and No/100 Dollars ($1,000,000) or integral multiple thereof, for an applicable Interest Period. Interest accruing at a LIBOR-based Rate shall be payable in arrears (a) with respect to Interest Periods of three months or less, on the last day of the Interest Period and (b) with respect to Interest Periods longer than three months, on the date(s) occurring every three months and on the last day of the Interest Period.

(iii) Voluntary prepayment prior to scheduled maturity of all or any portion of the ADESA Revolver on which interest is accruing at a LIBOR-based Rate shall be subject to contemporaneous payment of the Prepayment Premium if, at the time of prepayment, the Reinvestment Rate is less than the LIBOR-based Rate at which interest accrues on the ADESA Revolver. A Prepayment Premium shall also be due and payable on prepayment of all or any portion of the ADESA Revolver prior to scheduled maturity because of acceleration of maturity on account of an Event of Default if, at the time of acceleration of maturity, the Reinvestment Rate is less than the LIBOR-based Rate at which interest is accruing on the ADESA Revolver. If at the time of any voluntary or mandatory prepayment of any portion of the principal of the ADESA Revolver, interest accrues at both a LIBOR-based Rate and at a Prime-based Rate on portions of the ADESA Revolver, then any prepayment of principal will be applied first to the portion of the ADESA Revolver on which interest accrues at the Prime-based Rate and next to the portion or portions at which interest accrues at a LIBOR-based Rate or Rates, and if interest accrues on the ADESA Revolver at more than one LIBOR-based Rate, first to that portion or those portions on which interest accrues at a Rate or Rates which results in no Prepayment Premium or the lowest Prepayment Premium or Premiums.

(iv) Upon three (3) Banking Days notice, ADESA may request an Advance at a LIBOR-based Rate for an appropriate Interest Period, from the Agent. As soon as possible, and in any event before the close of business on the next following Banking Day, the Agent shall determine such LIBOR-based Rate and shall immediately notify the Banks of the request and the LIBOR-based Rate determined. A request for a LIBOR-based Rate by ADESA is irrevocable once made. The Interest Period for which any LIBOR-based Rate is effective shall begin on the third Banking Day following the day on which the quotation is requested.

(v) An election of a LIBOR-based Rate and applicable Interest Period may be communicated to the Agent on behalf of ADESA only by an Authorized Officer. Such election may be communicated by telephone, or by telephone facsimile (fax) machine or any other form of written electronic communication, or by a writing delivered to the Agent. At the request of the Agent, ADESA shall confirm any election in writing and such written confirmation shall be signed by an Authorized Officer. The Agent shall be entitled to rely on an oral or written electronic communication of an election of a LIBOR-based Rate and Interest Period which is received by an appropriate Agent employee from anyone reasonably believed in good faith by such employee to be an Authorized Officer.

(vi) Notwithstanding any other provision of this Agreement, the Agent may elect not to quote a LIBOR-based Rate on any day on which the Agent has determined that it is not practical to quote such rate because of the unavailability of sufficient funds to the Banks for appropriate terms at rates approximating the relevant London Interbank Offered Rate or because of legal or regulatory changes which make it impractical or burdensome for the Banks to lend money at a LIBOR-based Rate.

d. Provisions Applicable to All of the Loans. The following provisions are applicable to all of the Loans:

(i) Calculation of Interest. Interest on the Loans shall be calculated on the basis that an entire year's interest is earned in 360 days, comprised of twelve (12) thirty (30)-day months.

(ii) Manner of Payment - Application. All payments of principal and interest on the Loans shall be payable at such office as the Agent shall specify or at the principal office of the Agent in Indianapolis, Indiana, in funds

available for the Agent's immediate use in that city and no payment will be considered to have been made until received in such funds, except for payments in Canadian dollars required under Section 2.a(vi)(A). The Agent may debit any depository account of ADESA for the payment of principal, interest, and fees when due and payable. All payments received on account of any of the Loans will be applied first to the satisfaction of any interest which is then due and payable, and to principal only after all interest which is due and payable has been satisfied. The Agent shall promptly disburse to the Banks all payments received from ADESA.

(iii) Disbursement of Advances and Agent Reliance on Bank Funding. Not later than 1:00 p.m. (Indianapolis time) on the date of any Advance under the Loans, each Bank shall make available its pro rata portion of the Advance in accordance with its Commitment in funds immediately available in Indianapolis, Indiana at the principal office of the Agent, or at such other office as the Agent shall specify, except to the extent such Advance is a reborrowing, in whole or in part, of the principal amount of a maturing Advance, in which case each Bank shall record the Advance made by it as a part of such reborrowing on its books and records or on a schedule to its respective Notes, and shall effect the repayment, in whole or in part, as appropriate, of its maturing Advance through the proceeds of such new Advance. The Agent shall make the proceeds of each new Advance available to ADESA at the Agent's principal office in Indianapolis, Indiana, or at such other office as the Agent shall specify not later than the close of business on such date. Unless the Agent shall have been notified by a Bank prior to (or, in the case of an Advance at a Prime-based Rate, by 11:00 a.m., Indianapolis time, on) the date on which such Bank is scheduled to make payment to the Agent of the proceeds of an Advance (which notice shall be effective upon receipt) that such Bank does not intend to make such payment, the Agent may assume that such Bank has made such payment when due and the Agent may in reliance upon such assumption (but shall not be required to) make available to ADESA the proceeds of the requested Advance to be made by such Bank and, if any Bank has not in fact made such payment to the Agent, such Bank shall, on demand, pay to the Agent the amount made available to ADESA attributable to such Bank together with interest thereon in respect to each day during the period commencing on the date such amount was made available to ADESA and ending on (but excluding) the date, such Bank pays such amount to the Agent at a rate per annum equal to the Prime-based Rate. If such amount is not received from such Bank by the Agent immediately upon demand, ADESA will, on demand, repay to the Agent the proceeds of the Advance attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Advance, but without such payment being considered a

prepayment so that ADESA will have no liability for any Prepayment Premium with respect to such payment. Neither the Agent or any other Bank shall have any liability or obligation to fund any other Bank's pro-rata portion of any Advance.

(iv) Agent Fee. In addition to all other fees or charges payable hereunder, an agent fee shall be due and payable by ADESA to the Agent on the date of this Agreement in the amount of .075% of $93,000,000. Such agent fee shall belong solely to the Agent as compensation for its services as Agent for the Banks.

Section 3. THE LETTER OF CREDIT. On April 22, 1992, Bank One issued its Letter of Credit No. S-4269-G (the "Letter of Credit") in the original amount of $35,787,500.00 in favor of the Trustee and for the account of ADESA with an original expiration date of May 6, 1995. A copy of the Letter of Credit is attached as part of Exhibit "F". Bank One hereby agree to extend the expiration date of the Letter of Credit to June 30, 1998, in accordance with a Letter of Extension in the form attached as part of Exhibit "F". The Letter of Credit secures payment of the Floating Rate Notes and is subject to the terms stated therein. The Letter of Credit was issued pursuant to the terms of the Original Agreement and after the date of this Agreement shall be subject to the following terms and conditions, and all other terms and conditions of this Agreement concerning ADESA's Obligations with respect to the Letter of Credit:

a. Reimbursement. So long as the Letter of Credit is outstanding, ADESA will maintain a demand deposit account with Bank One (the "Blocked Account") through which the transactions described in this subsection will regularly be accomplished. All amounts deposited into the Blocked Account shall be held by Bank One as cash collateral for all of the Obligations. The Blocked Account shall be used by ADESA only for the purposes provided for in this Agreement, and the terms of the Blocked Account shall be such that it shall be a "blocked" account, so that transfers of funds from the Blocked Account may be made only by Bank One or by ADESA with the concurrence of the Required Banks. On the Business Day of each calendar month that is two (2) Business Days prior to each Floating Rate Note Interest Payment Date, ADESA will deposit into the Blocked Account such amount as may be necessary, after giving effect to the transfer to the Blocked Account from the Sinking Fund Reserve scheduled to occur on the same date under the terms of Section 5.f, to cause the balance of the Blocked Account to be not less than the anticipated amount of principal and interest that will be due on account of the Floating Rate Notes at the next Floating Rate Note Interest Payment Date, plus the amount of the transaction fee (provided for in Section 3.b) which will be due upon Bank One's Payment of the related Drawing or Drawings under the Letter of Credit. After and only after honoring a Drawing for the anticipated payment, Bank One shall be entitled, without further authorization from ADESA, to charge the amount of such Drawing and the related transaction fee to the Blocked Account or any other deposit account maintained by ADESA with Bank One. Should ADESA's deposit balances with Bank One be insufficient to reimburse Bank One for any Drawing under the Letter of Credit,

together with the related transaction fee, then ADESA shall pay to the Agent immediately and unconditionally upon demand, an amount equal to the unreimbursed portion of such Drawing and the related transaction fee, together with interest on such amount at the Prime Rate plus three and one-half percent (3-1/2%) per annum from the date of payment of such Drawing until the amount thereof is reimbursed to Bank One. In the case of any Remarketing Drawing, ADESA shall unconditionally pay to Bank One on the ninetieth (90th) day following payment by Bank One of such drawing, or if such ninetieth day is not a Business Day, then on the next following Business Day, any balance of the amount of such Drawing which shall not then have been reimbursed to Bank One by the payment of remarketing proceeds to Bank One or otherwise, together with interest on such portions of such Remarketing Drawing as shall not, from time to time, have been reimbursed to Bank One, accrued at the Prime-based Rate for Line of Credit Advances, and with interest after such 90 day period accrued at the Prime-based Rate for Line of Credit Advances plus two percent (2%) per annum. Upon being reimbursed in full with interest as provided in this Agreement for any Remarketing Drawing, Bank One shall deliver any Pledged Notes that were purchased by the Trustee with the proceeds of such Remarketing Drawing, and which shall not have previously been delivered by Bank One upon sale by the Remarketing Agent, to the Trustee for cancellation pursuant to the terms of the Trust Indenture. As used in this paragraph, the term "remarketing proceeds" means proceeds from the resale of Pledged Notes by the Remarketing Agent, which Pledged Notes shall have been tendered or deemed tendered to the Trustee for repurchase pursuant to the terms of the Trust Indenture. The term "Floating Rate Note Interest Payment Date" is used in this subsection as the term "Interest Payment Date" is defined in the Letter of Credit. For the avoidance of doubt, it is noted that notwithstanding any other provision of this Agreement including, without limitation, any provision requiring ADESA to give collateral security for ADESA'S obligation to reimburse Bank One for amounts paid on account of the Letter of Credit in advance of any payment, no reimbursement obligation on the part of ADESA shall exist with respect to any payment by Bank One on account of the Letter of Credit until such payment shall have been made. Regardless of whether or not any cash collateral is voluntarily pledged by ADESA or any of its affiliates, Bank One shall not use any of such cash collateral to honor draws under the Letter of Credit.

b. Risk Participation. Each Bank shall purchase from Bank One a risk participation in the Letter of Credit equal to its pro rata portion of the Maximum Available Credit, as set forth in Schedule A hereto. Each Bank agrees to remit to Bank One, in funds available for immediate use by Bank One in Indianapolis, Indiana, its pro rata portion of each payment made by Bank One for a drawing under the Letter of Credit, promptly upon receipt of notice from Bank One of such payment. Bank One agrees to promptly remit to each Bank, its pro rata portion of all applicable fees and reimbursements received by Bank One from and on behalf of ADESA, but only when and if received by Bank One. Bank One shall be entitled to exercise its absolute discretion in administering the Letter of Credit and in enforcing, refraining from enforcing and determining the manner in which it may enforce any of its rights under the Letter of Credit, the Trust Indenture, the

other Floating Rate Documents and this Agreement and in any collateral furnished pursuant to the terms of this Agreement. Bank One shall not be required to consult with the Banks as to any such matters or to take any direction from any of the Banks with regard thereto. Bank One shall not incur any liability to the Banks with respect to any action taken or omitted by bank One, including any action taken or omitted pursuant to the terms of the Trust Indenture, provided only that Bank One shall have acted in good faith and with reasonable care. Without limiting the generality of the foregoing, Bank One shall be entitled to rely and act upon any document or communication which Bank One in good faith believes to be genuine and to have been authorized by the person on whose behalf it is presented or given and which (in the case of any document) is regular on its face. The Banks specifically excuse Bank One from any duty Bank One might otherwise have to make further inquiry into the genuineness or due authorization of any such document or notice.

c. Commission and Transaction Fees. On October 1, 1995, and on the first Banking Day of each calendar quarter thereafter (each of which days is hereafter referred to as a "Commission Due Date"). ADESA shall pay to Bank One for the benefit of the Banks a commission for issuing and maintaining the Letter of Credit for the calendar quarter in which such Commission Due Date occurs, computed at a per annum rate equal to the Applicable Letter of Credit Commission Rate then in effect on the Maximum Available Credit which commission shall be shared pro rata with the Banks less a .125% Agent fee, and ADESA shall also pay to Bank One solely an administration fee in the amount of one-eighth percent (1/8%) per annum of the Maximum Available Credit, in each case as the Maximum Available Credit is scheduled to increase and decrease during the period beginning on the Commission Due Date and ending on the last day of the calendar quarter in which the Commission Due Date occurs by reason of anticipated draws for scheduled payments of principal and interest on the Floating Rate Notes, and assuming the reinstatement of the availability of all Interest Drawings to the extent provided for in the Letter of Credit; provided that for purposes of computing each commission and administration fee, the amount of an Interest Drawing which is subject to automatic reinstatement will be considered to be reinstated as of the date of such Drawing. There shall be no reduction in the amount of commission or administration fee due and payable on any Commission Due Date, nor shall any refund of commission or administration fee be due ADESA on account of full or partial prepayment of the Floating Rate Notes or because of the cancellation of the Pledged Notes purchased with the proceeds of a Remarketing Drawing during the quarter following the Commission Due Date as of which the amount of such commission or administration fee is established or on account of the election of Bank One not to restore the availability of any Interest Drawing. The amount of the commission and administration fee due and payable as of any Commission Due Date shall not be reduced, nor shall any refund of the commission or administration fee be due because of cancellation or termination of the Letter of Credit for whatever reason, with the exception only that if the Letter of Credit is replaced with an "Alternate Letter of Credit" (as provided for in the Trust Indenture) within six (6) months following an increase of twenty percent (20%) or more in the amount of the Letter of Credit

commission, which increase is imposed by Bank One pursuant to the provisions of Section 3.d, then Bank One shall make a pro rata refund to ADESA of any Letter of Credit commission which shall have been paid for a period which shall not have expired on the date the Letter of Credit is replaced. A transaction fee shall be payable by ADESA to Bank One for each Drawing under the Letter of Credit in the amount of one-eighth of one percent (1/8%) of the amount of the Drawing or Sixty Dollars ($60.00), whichever is greater. Transaction fees on account of Drawings shall be due on the day when the Drawing is paid by Bank One. All commissions and fees payable under the terms of this Section 3.c shall be payable with interest at the Prime Rate plus two and three-quarters percent (2-3/4%) per annum from the date due until paid. If the Letter of Credit is transferred to a new beneficiary pursuant to the terms thereof, then ADESA promises to pay to Bank One promptly upon its demand a transfer fee in the amount then customarily assessed by Bank One for transfers of letters of credit of the same type and amount as the Letter of Credit. The administration fee, transaction fees and transfer fee are payable solely to Bank One and will not be shared with the Banks.

d. Additional Amounts Payable. If any change in or the enactment, adoption or judicial or administrative interpretation of any law, regulation, treaty, guideline or directive (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) either (i) subjects Bank One or the Banks to any additional tax, duty, charge, deduction or withholding with respect to the Letter of Credit or any amount paid by Bank One or the Banks thereunder or received by Bank One or the Banks under this Agreement (other than a tax measured by the net or gross income or revenues of Bank One or the Banks), or (ii) imposes or increases any reserve, special deposit, or similar requirement on account of the Letter of Credit, or (iii) imposes increased minimum capital requirements on Bank One or the Banks on account of their issuing or sharing in the risk of the Letter of Credit, and if any of the foregoing (w) results in an increase to Bank One or the Banks in the cost of maintaining the Letter of Credit or making any payment on account of the Letter of Credit, (x) reduces the amount of any payment receivable by Bank One or the Banks under this Agreement, (y) requires Bank One or the Banks to make any payment calculated by reference to the gross amount of any sum received or paid by Bank One or the Banks pursuant to the Letter of Credit or this Agreement (other than a tax measured by Bank One's or the Banks' gross or net income or revenues) or (z) reduces the rate of return on Bank One or the Banks' capital, ADESA shall pay to Bank One and the Banks, as additional commission for the Letter of Credit, such amount as will compensate Bank One and the Banks for such increased cost, payment or reduction. Any such payment shall be made to Bank One and the Banks within 15 days of demand and presentation of a certificate to ADESA containing a statement of the cause of such increased cost, payment or reduction and a calculation of the amount thereof, which statement and calculation shall be deemed prima facie to be correct. For the avoidance of doubt, it is noted that any additional commission payable under the terms of this subsection shall be computed on the basis of the quarterly commission payable on account of the Letter of Credit, notwithstanding the sale of

participations in the risk and funding requirements of the Letter of Credit permissible under the terms of this Agreement.

e. Place and Application of Payments -- Calculation of Interest. All payments required to be made under this Section 3 shall be made to Bank One at its principal office in Indianapolis, Indiana, in funds available for Bank One's immediate use at that city and no such payment will be considered to have been made until received in such funds. All interest due under any provision of this Section 3 shall be calculated on the basis of a year of 360 days, and on the actual number of days elapsed.

f. Presentment and Collection. The Trustee and its successors as users of the Letter of Credit shall be deemed for purposes of this Agreement to be the agents of ADESA and ADESA assumes all risks of their acts, omissions or misrepresentations. Neither the Agent, the Banks, Bank One nor any of their affiliates or correspondents shall be responsible for the validity, sufficiency, truthfulness or genuineness of any document required to draw under the Letter of Credit even if such document should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, provided only that the document appears on its face to be in accordance with the terms of the Letter of Credit, or for failure of any draft to bear reference or adequate reference to the Letter of Credit or failure of any person to note the amount of any draft on the Letter of Credit or to surrender or take up the Letter of Credit, each of which provisions may be waived by Bank One, or for errors, omissions, interruptions, or delays in transmission or delivery of any messages or documents. Without limiting the generality of the foregoing, any action taken by the Agent, the Banks, Bank One or any of their correspondents under or in connection with the Letter of Credit, if taken in good faith and with reasonable care, shall be binding upon ADESA and shall not put the Agent, the Banks, Bank One or any such correspondent under any resulting liability to ADESA and ADESA makes like agreement as to any omission unless in breach of good faith. Bank One is expressly authorized to honor any request for payment which is made under and in compliance with the terms of the Letter of Credit without regard to and without any duty on its part to inquire into the existence of any disputes or controversies between ADESA and the beneficiaries of the Letter of Credit or any other person, firm or corporation or into the respective rights, duties or liabilities of any of them or whether any facts or occurrences represented in any of the documents presented under the Letter of Credit are true and correct.

g. Proceeds of the Floating Rate Notes. The entire proceeds of the Floating Rate Notes were advanced by Funding to ADESA and, ADESA represents, have been used by ADESA as provided in the Original Agreement and for no other purposes.

h. Cancellation Fee. ADESA shall pay to the Banks a fee in the amount of one-half percent (1/2%) of the Maximum Available Credit if the Floating Rate Notes are prepaid by ADESA prior to expiration of the Letter of Credit or if ADESA replaces the Letter of Credit with an "Alternate Letter of Credit" as provided for in the Trust Indenture, provided that, in either case, such cancellation fee shall be payable only if the rating of

Bank One's long-term debt by Standard & Poor's Corporation is A- or higher at the time the Floating Rate Notes are prepaid or the Letter of Credit is replaced. Notwithstanding any other provision of this subsection, no fee will be payable on account of prepayment of the Floating Rate Notes or on account of replacement of the Letter of Credit with an Alternate Letter of Credit if such event occurs within six (6) months following an increase of twenty percent (20%) or more in the amount of the Letter of Credit commission, which increase is imposed by the Banks pursuant to the provisions of Section 3.d

Section 4. REPRESENTATIONS AND WARRANTIES. To induce the Banks to make the Loans, as provided for in this Agreement, ADESA, and Funding represent and warrant to the Banks that:

a. Organization of ADESA and Funding. ADESA and Funding are corporations organized and in existence under the laws of the State of Indiana. Funding is a wholly-owned subsidiary of ADESA. Each of the Subsidiaries is a corporation organized and in existence under the laws of the respective states or province of incorporation set forth in Schedule 4.m. Funding has no Subsidiaries. ADESA has no class of stock outstanding other than its common stock.

b. Authorization: No Conflict. The execution and delivery of this Agreement by ADESA and Funding, the execution and delivery by ADESA, Funding and each Subsidiary of each of the other Credit Documents and the Floating Rate Note Documents to which they are respectively parties, and the performance by ADESA, Funding and each Subsidiary of their respective obligations under this Agreement and all of the other Credit Documents and the Floating Rate Note Documents to which they are respectively parties are within ADESA's, Funding's and the Subsidiaries' corporate powers, have been duly authorized by all necessary corporate action, have received any required governmental or regulatory agency approvals and do not and will not contravene or conflict with any provision of law or of the articles of incorporation or bylaws of any of ADESA, Funding or the respective Subsidiaries or of any agreement binding upon any of ADESA, Funding or their properties or upon the respective Subsidiaries or their properties.

c. Validity and Binding Nature. This Agreement and all of the other Credit Documents and the Floating Rate Note Documents to which ADESA, Funding and the respective Subsidiaries are parties are the legal, valid and binding obligations of ADESA, Funding and the respective Subsidiaries, enforceable against them in accordance with their respective terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws enacted for the relief of debtors generally and other similar laws affecting the enforcement of creditors' rights generally or by equitable principles which may affect the availability of specific performance and other equitable remedies.

d. Financial Statements. ADESA has delivered to the Agent its audited financial statement as of December 31, 1994, and its unaudited interim financial statements as of June 30, 1995, and for the fiscal quarter and partial fiscal year then ended. Such statements have been prepared in accordance with generally accepted accounting principles consistently applied except, as to the June 30, 1995 statements, for the absence of footnotes and adjustments normally made at year end which are not material in amount. Such statements present fairly the financial position of ADESA as of the dates thereof and the results of its operations and cash flows for the periods covered and since the date of such statements there has been no material adverse change in the financial position of ADESA or in the results of its operations or operating cash flows.

e. Litigation and Contingent Liabilities. No litigation, arbitration proceedings or governmental proceedings are pending or, to ADESA's best knowledge, are threatened against ADESA, Funding or any of the Subsidiaries which would, if adversely determined, materially and adversely affect the financial position or continued operations of ADESA, Funding or any of the Subsidiaries. None of ADESA, Funding nor any Subsidiary has any material contingent liabilities not provided for or disclosed in the financial statements referred to in Section 4.d or in the "Schedule of Exceptions" attached as Schedule 4.e.

f. Liens. None of the assets of ADESA, Funding or any Subsidiary are subject to any mortgage, pledge, title retention lien or other lien, encumbrance or security interest except for liens and security interests described in the exceptions enumerated in Section 7.b

g. Employee Benefit Plans. Each Plan maintained by ADESA or by any of the Subsidiaries is in material compliance with ERISA, the Code, and all applicable rules and regulations adopted by regulatory authorities pursuant thereto, and ADESA and all of the Subsidiaries have filed all reports and returns required to be filed by ERISA, the Code and such rules and regulations, except for such omissions, the consequences of which would be inconsequential. No Plan maintained by ADESA or by any of the Subsidiaries and no trust created under any such Plan has incurred any "accumulated funding deficiency" as defined in Section 302 of ERISA, and the present value of all benefits vested under each Plan did not exceed, as of the last annual valuation date, the value of the assets of the respective Plans allocable to such vested benefits. Neither ADESA nor any Subsidiary has any knowledge that any "reportable event" as defined in ERISA has occurred with respect to any Plan.

h. Payment of Taxes. ADESA, Funding and all of the Subsidiaries have filed all federal, state and local tax returns and tax related reports which any of them is required to file by any statute or regulation and all taxes and any tax related interest payments and penalties that are due and payable have been paid, except for taxes which are being contested in good faith and by appropriate proceedings and for the payment of which appropriate reserves have been provided. Adequate provision has been made for the payment when due of all tax liabilities which have been incurred, but are not as yet due and payable.

i. Investment Company Act. None of ADESA, Funding nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

j. Regulation U. None of ADESA, Funding nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System. Not more than twenty-five percent (25%) of the consolidated assets of ADESA, Funding or of any of the Subsidiaries consists of margin stock.

k. Hazardous Substances. Except as disclosed on the "Schedule of Exceptions" attached as Schedule 4.e, to the best knowledge of ADESA after due inquiry and investigation, there are no underground storage tanks of any kind on any premises owned or occupied by or under lease to ADESA or any Subsidiary and there are no tanks, drums or other containers of any kind on premises owned or occupied by or under lease to ADESA or any Subsidiary, the contents of which are unknown to ADESA or the Subsidiaries. Except as disclosed on the "Schedule of Exceptions" attached as Schedule 4.e., to the best knowledge of ADESA after due inquiry and investigation, no premises owned or occupied by or under lease to ADESA or any Subsidiary have ever been used, and as of the date of this Agreement, no such premises are being used for any activities involving the use, treatment, transportation, generation, storage or disposal of any Hazardous Substances in reportable quantities and no Hazardous Substances in reportable quantities have been released on any such premises nor is there any threat of release of any Hazardous Substances in reportable quantities on any such premises.

l. Other Representations. ADESA, Funding and each Subsidiary is qualified to do business in every jurisdiction in which: (i) the nature of the business conducted or the character or location of properties owned or leased by ADESA and Subsidiaries, or the residences or activities of employees of ADESA and the Subsidiaries make such qualification necessary, and (ii) failure so to qualify could reasonably be anticipated to impair the title of ADESA and Subsidiaries to material properties or the right of ADESA or any Subsidiary to enforce material contracts or result in exposure of ADESA and Subsidiaries to liability for material penalties in such jurisdiction. No jurisdiction in which ADESA or any Subsidiary is not qualified to do business has asserted that ADESA or any Subsidiary is required to be qualified therein. The principal office of ADESA is located at 1919 South Post Road, Indianapolis, Indiana. ADESA does not conduct any material operations or keep any material amounts of property at any other location. Funding was incorporated on February 6, 1992, and since its incorporation it has conducted no operations and has engaged in no transactions other than those necessarily involved in the issuance of the Floating Rate Notes. The principal office of Funding is located at 1919 South Post Road, Indianapolis, Indiana. Funding does not conduct any material operations or keep any material amounts of property at any other location.

m. The Subsidiaries. Except as disclosed on the "Schedule of Exceptions" attached as Schedule 4.e., Schedule 4.m. attached hereto lists all of the direct and indirect Subsidiaries of ADESA. Such Schedule 4.m. indicates the date of acquisition or formation, the state or province of incorporation and the total number of shares outstanding for each Subsidiary.

n. Corporate Names. ADESA does not now, nor has ADESA during the past five years done business under any other name except "Auto Service Exchange, Inc." Funding does not now, nor has Funding ever done business under any name other than "ADESA Funding Corporation". None of the Subsidiaries has done business under any name other than the name indicated in Schedule 4.m. during the past five (5) years, except that ADESA Auto Transport, Inc. was named "A.D.E. Auctioneers and Appraisers, Inc." prior to August 17, 1992; A.D.E. of Knoxville, Inc. was formed in June, 1993, and acquired the assets of Knoxville Auto Auction, Inc. and H.H.H., Inc. d/b/a Lenoir City Auto Auction, Inc. ADESA Canada, Inc. (formerly known as ADESA, (Montreal), Inc.) was formed July 20, 1993, to acquire the assets and rights of Montreal Auto Auction; ADESA Indianapolis, Inc. was formed in 1993 and is the surviving corporation in a merger with Indianapolis Auto Auction, Inc., and ADESA-Ohio, Inc. was formerly known as Auto Dealers Exchange of Cincinnati-Dayton, Inc, and ADESA-Ottawa, Inc. was formerly known as Ottawa Auto Dealers Exchange, Inc.

Section 5. COLLATERAL FOR THE OBLIGATIONS. The Obligations will be secured as provided in this Section.

a. The ADESA Security Agreement. The Obligations are and will continue to be secured by a security interest in all equipment, inventory, accounts receivable and general intangibles of ADESA now owned or hereafter acquired and in the proceeds thereof, which security interest was created and will continue to exist by virtue of the Security Agreement dated April 22, 1992, executed by ADESA in favor of the Agent pursuant to the requirements of the Original Agreement (the "ADESA Security Agreement"). ADESA shall execute the Amendment to Collateral Documents in the form of Exhibit "G" attached hereto to add all of the Banks as secured parties under the ADESA Security Agreement. The Security Agreement provides a security interest in the collateral described therein subject only to liens and security interests described in the exceptions enumerated in Section 7.b. The Agent acknowledges that as an incident to the execution of the Original Agreement, ADESA provided to the Agent appraisal reports with respect to the forced liquidation value of substantially all of the equipment then owned by ADESA and the Subsidiaries. ADESA shall provide to the Banks at ADESA's expense appraisal reports, addressed to the Banks, of the forced liquidation value of any equipment subsequently or hereafter acquired by ADESA or any of the Subsidiaries, which acquisitions individually or in the aggregate are material to the consolidated financial statements of ADESA. Upon the Banks' request, ADESA shall furnish to the Banks at ADESA's expense currently dated appraisal reports with respect to the forced liquidation value of all of the equipment shown in the consolidated financial statements of ADESA from time to time as the Banks may reasonably require, but not more than once in any two (2) consecutive fiscal years of ADESA.

b. Guaranties. The Obligations will further be supported by unconditional guaranties of prompt payment of Funding, and each of the Subsidiaries excluding AFC, which guaranties are evidenced by the Guaranty Agreements executed by Funding and such Subsidiaries pursuant to the requirements of the Original Agreement. Funding and each Subsidiary shall execute the Amendment to Collateral Documents, in the form of Exhibit "G" to add the Banks as guaranty holders. In the case of any other subsidiary hereafter formed or acquired by ADESA, including but not limited to ADESA New Jersey, Inc., Auto Banc Corporation and ADESA Remarketing Service, Inc., such guaranty shall be evidenced by a Subsidiary Guaranty Agreement in the form of Exhibit "H", or equivalent document under Canadian law.

c. The Mortgages. The Guaranties of the respective Subsidiaries named in the following table are and will continue to be secured by mortgage liens and security interests created, in the case of each such Subsidiary, by a mortgage, leasehold mortgage, deed of trust or trust deed executed and delivered pursuant to the requirements of the Original Agreement. Each of the respective Subsidiaries shall execute an Amendment to their mortgage, leasehold mortgage, deed of trust, or trust deed to add the Banks as parties thereto. The common address of the property or properties of the respective Subsidiaries which are subject to the mortgage, leasehold mortgage, deed of trust or trust deed executed and delivered by each of such Subsidiaries follow the name of the Subsidiaries in the table:

A.D.E. of Birmingham, Inc.
804 Sollie Drive
Moody, Alabama

ADESA-Ohio, Inc. (formerly known as "Auto Dealers Exchange Cincinnati-Dayton, Inc.")
4400 William C. Good Blvd.
Franklin, Ohio

A.D.E. of Lexington, Inc.
672 Blue Sky Parkway
Lexington, Kentucky

Auto Dealers Exchange of Concord
77 Hosmer Street
Acton, Massachusetts

Auto Dealers Exchange of Memphis, Inc.
5400 Getwell at Holmes Road
Memphis, Tennessee; and
2650 Mt. Moriah Road
Memphis, Tennessee

ADESA Indianapolis, Inc.
4000 Office Plaza Blvd.,
4040 Office Plaza Blvd.,
5050 West 38th Street, and
3905 Gemco Lane,
Indianapolis, Indiana

Greater Buffalo Auto Auction, Inc. 12220 Main Street Newstead, New York	3095-0539 Quebec, Inc. 300 Albert-Mondou Boulevard Saint-Eustache, Quebec, Canada

ADESA agrees that upon purchase of a new facility in Indianapolis, Indiana, ADESA or its applicable Subsidiary shall grant a mortgage lien on such property to the Agent, for the benefit of the Banks, as collateral security for all of the Obligations. The Banks agree that upon sale by ADESA Indianapolis, Inc. of its present auction location in Indianapolis, the Banks shall release the mortgage lien on such property provided that the new Mortgage in favor of the Banks on the new facility has been executed, that the net proceeds from the sale of the present property exceed $4,500,000, that such proceeds are applied to the Obligations and provided that no Event of Default or Unmatured Event of Default exists.

d. Subsidiary Security Agreements -- Subsidiary Pledge Agreements. The obligations of Funding, and each of the Subsidiaries, excluding AFC, under their respective Guaranty Agreements shall be secured by a security interest in all of the equipment, inventory, accounts receivable and general intangibles of Funding and each of the Subsidiaries, now owned or hereafter acquired, and the proceeds thereof, which security interests were created and will continue by virtue of the Security Agreements executed by Funding and such Subsidiaries pursuant to the requirements of the Original Agreement (the "Subsidiary Security Agreements"). Funding and each Subsidiary shall execute the Amendment to Collateral Documents in the form of Exhibit "G" to add the Banks as Secured Parties. In the case of any other subsidiary hereafter formed or acquired by ADESA, including but no limited to ADESA New Jersey, Inc., Auto Banc Corporations and ADESA Remarketing Services, Inc., such security interest will be created by a Security Agreement substantially in the form of Exhibit "I". The Subsidiary Security Agreements will provide a security interest in the collateral described therein, subject only to liens and security interests described in the exceptions enumerated in Section 7.b. The obligations of A.D.E. Management Company under its Guaranty Agreement are and shall continue to be secured by a pledge of 100 shares of the common stock of A.D.E. of Jacksonville, Inc. The Obligations of ADESA Indianapolis, Inc. under its Guaranty Agreement are and shall continue to be secured by pledge of 5 shares of the common stock of ADESA Auto Transport, Inc. Such pledges are evidenced by Pledge Agreements (the "Subsidiary Pledge Agreements") each dated April 22, 1992, which Subsidiary Pledge Agreements were executed and delivered pursuant to the requirements of the Original Agreement. Such Subsidiaries shall execute the Amendment to Collateral Agreement attached as Exhibit "G" to add the Banks as parties thereto. The obligations of ADESA Canada, Inc., under its Guaranty shall be secured by a pledge of all shares of the common stock of 3095-0539 Quebec, Inc., 101 shares of common stock of Greater Halifax Auto Exchange, Inc. and 5544 shares of Class A common stock and 4456 shares of Class B common stock of ADESA-Ottawa, Inc. which pledge was created by a Pledge Agreement dated August 16, 1993, as amended and restated by an Amended and Restated

Pledge Agreement dated June 30, 1994. ADESA-Ottawa, Inc. shall secure its Guaranty by a pledge of all of the shares of common stock of ADESA Remarketing Services, Inc. pursuant to a Pledge Agreement in the form of Exhibit "O" attached hereto.

e. Pledged Notes. In addition to all other collateral for the Obligations, the Obligation are and shall continue to be further secured by a pledge of and a security interest in any Floating Rate Notes purchased with the proceeds of any Remarketing Drawing (the "Pledged Notes"), which pledge and security interest Funding hereby grants to the Banks. As soon as possible following any Remarketing Drawing, and in any event within ten (10) days of the date of such Drawing, Funding will cause the Trustee to deliver the Pledged Notes related to that Drawing to the Agent, for the benefit of the Banks, which Pledged Notes shall be registered in the name of the Agent, for the benefit of the Banks, or in the name of Funding and accompanied by appropriate endorsements or assignments executed on behalf of Funding in blank, with the signatures guaranteed. If any of the Pledged Notes are in the custody of or are registered to a Clearing Corporation or other Financial Intermediary, then this Agreement will in and of itself constitute an Instruction to the Clearing Corporation or other Financial Intermediary to transfer the Pledged Notes from the account of Funding to the account of the Agent on the books of the Clearing Corporation or other Financial Intermediary. During the period in which any Floating Rate Notes are Pledged Notes, the Banks shall be entitled to receive and retain all payments of principal and interest on account of the Pledged Notes and such payments shall be applied by the Banks to satisfaction of Obligations in the order provided below. If Funding should receive any payment of principal or interest on account of any Pledged Notes, Funding shall receive such amounts in trust for the Banks and subject to the Banks' security interest, and shall immediately forward any such payment to the Agent, for the benefit of the Banks in the form in which received by Funding, adding only such assignments or endorsements as may be necessary to perfect the Agent's title thereto. Funding appoints and constitutes the Agent as its agent and any officer of the Agent as Funding's attorney-in-fact for purposes of: (i) executing instruments of assignment or endorsement of any Pledged Notes; (ii) issuing any Instruction or taking any other action necessary to cause any Pledged Notes to be transferred on the books of any Clearing Corporation or other Financial Intermediary from the account of Funding to the Agent's account or to cause the Pledged Notes to be registered in the Agent's name on the books and records of any Registrar for the Floating Rate Notes, and (iii) taking any other action necessary to cause the Banks' security interest to be perfected or to facilitate any transfer of the Pledged Notes deemed necessary or desirable by the Required Banks. Such appointment and such power are irrevocable so long as the Letter of Credit is outstanding or any Obligations remain unsatisfied. Should any Pledged Notes be sold by the Remarketing Agent pursuant to the terms of the Trust Indenture, the Agent will deliver such Pledged Notes together with appropriate instruments of assignment to or in accordance with the instructions of the Remarketing Agent against payment of the proceeds of such sale, which proceeds shall then be applied by the Agent to the satisfaction of Obligations in the order provided below. Should any Pledged Notes not be sold by the Remarketing Agent on or before the ninetieth day following the related

Remarketing Drawing, or on or before the next following Business Day if such ninetieth day is not a Business Day, then the Agent shall deliver the Pledged Notes to the Trustee for cancellation. Any payments of principal or interest on account of Pledged Notes and any proceeds of Pledged Notes sold by the Remarketing Agent received by the Agent shall be applied by the Agent first to satisfy ADESA's reimbursement obligation with respect to the Remarketing Drawing the proceeds of which were used to purchase the related Pledged Notes, next to the transaction fee related to such Remarketing Drawing, and then to such other of the Obligations as may then be outstanding, as the Required Banks in their discretion shall choose. If no Obligations are then due and payable and if no Event of Default or Unmatured Event of Default has occurred and is continuing, the Agent shall pay any remaining portion of such funds to ADESA. ADESA may use such funds for any purpose permissible under the terms of this Agreement. As used in this paragraph, the terms "Clearing Corporation," "Instruction" and "Financial Intermediary" are used as defined in the Uniform Commercial Code as enacted in Indiana.

f. Sinking Fund Reserve. In addition to the Investment Account B established by ADESA with the Trust Group of the Agent pursuant to the requirements of Section 6.i, ADESA has established with the Trust Group of the Agent, an investment agency account ("Investment Account A") under the Agent's usual and customary form of agreement for such accounts. ADESA shall pay the Agent's usual and customary charges for services rendered by the Agent's Trust Group in connection with such account for the Agent's sole benefit. All of the assets of Investment Account A are and shall continue to be pledged to the Banks to secure the Obligations on the terms expressed in the pledge agreement dated April 22, 1992, (the "Pledge Agreement") executed by ADESA in favor of the Agent pursuant to the terms of the Original Agreement, and shall constitute a fund (the "Sinking Fund Reserve") in order to assure timely reimbursement to the Agent of all principal drawings under the Letter of Credit. ADESA shall execute Amendment to Collateral Documents in the form of Exhibit "G" to add the Banks as secured parties under the Pledge Agreement. Investments of Investment Account A shall be limited to Qualified Investments, provided that no certificate of deposit purchased as an asset of Investment Account A shall have a maturity date beyond the nearer of the first Business Day of March or September next following and no specific security purchased as an asset of Investment Account A shall have a maturity more than six months from the date of purchase. So long as any of the Floating Rate Notes are outstanding, ADESA shall make such deposits to the Sinking Fund Reserve as may be necessary to cause the balance of the Sinking Fund Reserve on the first Business Day of each May, June, July, August and September of each year to be not less than 1/6, 1/3, 1/2, 2/3 and 5/6, respectively, of the amount of the mandatory Sinking Fund redemption of Floating Rate Notes required to be made on the following October 1 under the terms of Section 3.02 of the Trust Indenture. So long as any of the Floating Rate Notes are outstanding, ADESA shall make such deposits to the Sinking Fund Reserve as may be necessary to cause the balance of the Sinking Fund Reserve on the first Business Day of each November, December, January, February and March of each year to be not less than 1/6, 1/3, 1/2, 2/3 and 5/6, respectively, of the amount of the mandatory Sinking Fund redemption of Floating Rate

Notes required to be made on the following April 1 under the terms of Section 3.02 of the Trust Indenture. The Agent shall give continuing instructions to its Trust Group to transfer the entire net realizable cash value of the Account of the Sinking Fund Reserve to the Blocked Account on the Business Day which is two Business Days prior to the first Business Day of each March and September. As used in the preceding sentence, the phrase "net realizable cash value of the Account" means the amount of the Account which then consists of or can be reduced to cash, less charges of the Agent's Trust Group due and payable under the terms of Investment Account A. Such instructions shall remain in effect until an Event of Default shall have occurred and is continuing, at which time the Banks may deal with the Sinking Fund Reserve as with any other collateral for the Obligations.

g. Pledge of Investment Account B. The Obligations are and shall continue to be further secured by a pledge of and a security interest in all of the cash and securities held in Investment Account B (established pursuant to the requirements of Section 6.i) and the proceeds thereof which pledge and security interest shall be on the terms expressed in the Pledge Agreement. Notwithstanding the pledge of Investment Account B, ADESA shall be free to withdraw assets from Investment Account B and use them for any proper corporate purpose consistent with the provisions of this Agreement until such time as an Event of Default or an Unmatured Event of Default has occurred and is continuing and the Required Banks, during the continuance of such Event of Default or Unmatured Event of Default, shall have notified the Agent's Trust Group that (i) no further withdrawal of assets from Investment Account B nor changes in the assets held in Investment Account B may be made without the consent of the Required Banks and (ii) the Agent shall thereafter otherwise exercise control over Investment Account B as provided in the Pledge Agreement. After the Required Banks through the Agent shall have given notice to the Agent's Trust Group as provided in the preceding sentence, the Agent shall continue to exercise control over Investment Account B for so long as the Required Banks in their discretion deems it prudent to do so, notwithstanding the fact that all Events of Default and Unmatured Events of Default which existed at the time such notice was given or which occurred thereafter shall have been cured. Investment Account B shall be a segregated account, separate from the investment agency account established by ADESA with the Trust Group of the Agent pursuant to the requirements of Section 5.f.

h. Pledge of Stock of Funding and the Subsidiaries. The Obligations are and shall continue to be further secured by a pledge, evidenced by and on the terms and conditions expressed in the Pledge Agreement, of all of the shares of each class of equity securities of Funding and each of the Subsidiaries owned by ADESA. ADESA shall execute the Amendment to Collateral Documents in the form of Exhibit "G" to add the Banks as parties thereto. ADESA shall further execute and deliver to the Agent a new Schedule to Pledge Agreement in the form of Exhibit "J", listing all Subsidiaries owned by ADESA as of the date of this Agreement. ADESA shall deliver or shall have delivered to the Agent the certificates representing all of the shares of, or ownership interest in, any

Subsidiary created or acquired after the date of this Agreement, together with an amendment to the Schedule to Pledge Agreement.

i. Pledge of Inter-Company Notes, Inter-Company Security Agreements and Inter-Company Mortgages. The obligations of each of the Subsidiaries to ADESA on account of any loans or advances made at any time by ADESA to the Subsidiary shall be evidenced by a promissory note executed by the Subsidiary in favor of ADESA in the form of Exhibit "K" (each an "Inter-Company Note"). All of the obligations of each Subsidiary to ADESA represented by an Inter-Company Note executed by a Subsidiary which is the owner of one of the Parcels subject to a Mortgage (each of which Subsidiary is hereafter referred to in this Subsection as a "Mortgagor Subsidiary") shall be secured by mortgage liens and security interests created by mortgages or deeds of trust (each a "Inter-Company Mortgage" and collectively, the "Inter-Company Mortgages"). In the case of the Parcels owned by each of the Mortgagor Subsidiaries, such mortgage liens and security interests were created and shall continue to exist by virtue of the mortgages and deeds of trust executed by the Mortgagor Subsidiaries pursuant to the requirements of the Original Agreement. Each of the Inter-Company Mortgages was collaterally assigned by ADESA to the Agent, for the benefit of the Banks, to secure the Obligations by Collateral Assignments executed pursuant to the requirements of the Original Agreement. ADESA shall execute amendments to the Collateral Assignments to add the Banks as parties thereto. All of the obligations of each Subsidiary to ADESA represented by an Inter-Company Note shall be further secured by a security interest in all of the equipment, inventory, accounts receivable and general intangibles of the Subsidiary, now owned or hereafter acquired, and the proceeds thereof, which security interest shall be created by a security agreement (each an "Inter-Company Security Agreement" and, collectively, the "Inter-Company Security Agreements"). In the case of each of the Subsidiaries, such security interests were created and shall continue to exist by virtue of the Inter-Company Security Agreements, executed by the respective Subsidiaries pursuant to the requirements of the Original Agreement. In the case of any other Subsidiary hereafter formed or acquired by ADESA, including but not limited to ADESA New Jersey, Inc., Auto Banc Corporation and ADESA Remarketing Services, Inc., such security interest shall be created by a security agreement substantially in the Form of Exhibit "L". The Inter-Company Security Agreements will provide a security interest in the collateral described therein which is second and inferior to the security interests created by the Subsidiary Security Agreements, but otherwise, subject only to those other liens and security interests described in the exceptions enumerated in Section 7.b. All of the Obligations are and shall continue to be further secured by a pledge and collateral assignment of each of the Inter-Company Notes and each of the Inter-Company Security Agreements, which pledge and collateral assignment shall be evidenced by and shall be on the terms and conditions expressed in the Pledge Agreement. The obligations of A.D.E. Management Company ("Management") under its Inter-Company Note are and shall continue to be further secured by a pledge of 100 shares of the common stock of A.D.E. of Jacksonville, Inc., which pledge shall provide a security interest in such stock which is second and inferior to the security interest of the Banks created by the

Subsidiary Pledge Agreement executed by Management. The pledge in favor of ADESA to secure Management's Inter-Company Note is and shall continue to be evidenced by the Inter-Company Security Agreement executed by Management and is and shall continue to be perfected by the Agent's holding the Note as collateral agent for ADESA as provided in Management's Subsidiary Pledge Agreement. The obligations of ADESA Indianapolis, Inc. under its Inter-Company Note is and shall continue to be further secured by a pledge of 5 shares of the common stock of ADESA Auto Transport, Inc., which pledge shall provide a security interest in such stock which is second and inferior to the security interest of the Banks created by the Subsidiary Pledge Agreement executed by ADESA Indianapolis, Inc. The pledge in favor of ADESA to secure ADESA Indianapolis, Inc.'s Inter-Company Note is and shall continue to be evidenced by the Inter-Company Security Agreement executed by ADESA Indianapolis, Inc. and is and shall continue to be perfected by the Agent's holding the Note as collateral agent for ADESA as provided in ADESA Indianapolis, Inc.'s Subsidiary Pledge Agreement. The Subsidiaries shall execute the Amendment to Collateral Documents in the form of Exhibit "G" to add the Banks as parties thereto.

j. Agent as Collateral Agent for Banks. All collateral from time to time securing the Obligations shall exist for the ratable benefit of the Banks. The interest of each Bank in the collateral from time to time existing shall be pro rata according to the proportion that its Commitment bears to all Commitments of the Banks, but the interest of each Bank in the collateral shall rank equally in priority with the interest of each other Bank. Notwithstanding the time, order or method of attachment or perfection of any security interest or lien, and notwithstanding anything contained in any filing or agreement to which any of the Banks is a party, any lien or security interest in favor of any of the Banks in any of the collateral described in the Credit Documents which arises out of any prior or subsequent transaction shall be subordinate to the security interest or lien in such collateral in favor of the Banks under the Credit Documents. The Banks acknowledge and agree that the Agent shall serve as collateral agent for all of the Banks and that any filing, mortgage, security agreement or other instrument perfecting or evidencing a lien or security interest in the collateral in the name of the Agent shall be deemed to be for the benefit of all of the Banks in accordance with this Agreement. Subject to the further provisions of this Agreement, and subject to the advice of its counsel, the Agent shall act with respect to the collateral securing the Obligations under the Credit Documents as instructed by the Required Banks. No Bank will take any action to enforce its rights, pursue any remedy or foreclose any liens against ADESA, Funding or any Subsidiary (other than by way of set-off), except through the Agent.

k. Adjustments to Collateral. If any Bank (a "Benefited Bank") shall at any time receive any payment of all or any part of the Obligations hereunder, or interest thereon, or receive any collateral in respect thereof (whether by set-off or otherwise) in a greater proportion than its ratable portion, such Benefited Bank shall purchase for cash from the other Banks such portion of the other Banks' Notes, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to

cause the Benefited Bank to share the excess payment or benefits of such collateral or proceeds ratably with the other Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from the Benefited Bank, such purchase shall be rescinded, and the purchase price and benefits returned to the extent of such recovery, but without interest. ADESA and Funding agree that each Bank so purchasing a portion of another Bank's Notes may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Bank were the direct holder of such portion. If during any period of an Unmatured Event of Default or Event of Default, a Benefited Bank receives payment or other proceeds in connection with any other credit facility with ADESA or any Subsidiary, excluding AFC, such payment or proceeds shall be applied exclusively for the pro rata benefit of the Banks in connection with the Obligations hereunder prior to any application to such other credit facility.

Section 6. AFFIRMATIVE COVENANTS. Until all Obligations of ADESA or Funding terminate or are paid and satisfied in full, and so long as any Commitment or the Letter of Credit is outstanding, ADESA and Funding agree that each will strictly observe each of the following covenants applicable to it, and ADESA agrees that it will cause Funding to observe each of the following covenants applicable to Funding, unless at any time the Required Banks shall otherwise expressly consent in writing, which consent shall not be unreasonably withheld or delayed:

a. Corporate Existence. ADESA and Funding shall preserve their respective corporate existences and ADESA shall preserve the corporate existence of each Subsidiary.

b. Reports, Certificates and Other Information. ADESA shall furnish to the Agent copies of the following financial statements, certificates and other information:

(i) Annual Statements. As soon as available and in any event within one hundred twenty (120) days after the close of each fiscal year, audited consolidated financial statements and supplemental consolidating information of ADESA for such fiscal year, which financial statements shall be prepared and presented in accordance with generally accepted accounting principles, in each case setting forth in comparative form corresponding figures for the preceding fiscal year, together with the audit report, unqualified as to scope, of Ernst & Young. Each such set of financial statements shall be accompanied by the written representation of the chief financial officer of ADESA that such financial statements have been prepared in accordance with generally accepted accounting principles and that the consolidated and supplemental consolidating information present fairly the consolidated and consolidating financial position of ADESA and the results of its operations as of the date thereof and for the fiscal year then ended.

(ii) Monthly Statements of ADESA. As soon as available and in any event within forty-five (45) days after the end of each month, a copy of the interim financial statements of ADESA and the Subsidiaries, consisting at a minimum of:

A. the consolidated and consolidating balance sheets of ADESA and the Subsidiaries as of the end of the month,

B. consolidated and consolidating statements of income of ADESA and the Subsidiaries for the month and for the partial or full fiscal year ended as of the end of the month, and

Such statements as of each month end which is also the end of a fiscal quarter of ADESA shall be accompanied by consolidated statements of cash flows for the year to date as of the end of such fiscal quarter. All of the statements required under the terms of this subsection shall be presented in reasonable detail, setting forth corresponding figures for the preceding fiscal year, and accompanied by the written representation of the chief financial officer of ADESA that such financial statements have been prepared in accordance with generally accepted accounting principles (except that they need not include footnotes and need not reflect adjustments normally made at year end, if such adjustments are not material in amount), consistently applied, (except for changes in which the independent accountants of ADESA concur) and present fairly the financial position of ADESA and the Subsidiaries and the results of their respective operations as of the dates of such statements and for the fiscal periods then ended. The interim statements required under the terms of this subsection shall include a comparison of results to the budget required under the terms of Section 6.b(viii) and income statement line items shall be broken down to provide such detail as the Agent may reasonably require. Such detail shall be presented for ADESA and each Subsidiary, and on a consolidated basis.

(iii) Certificates. Contemporaneously with the furnishing of each set of financial statements provided for in Sections 6.b(i) and 6.b(ii), an Officer's Certificate, together with the supplemental certificate of the chief financial officer or the treasurer of ADESA demonstrating, in such detail as the Agent may reasonably require, compliance with the covenants stated at Section 6.g.

(iv) Orders. Prompt notice of any orders in any material proceedings to which ADESA, Funding or any Subsidiary is a party, issued by any court or regulatory agency, federal or state, and if any Bank should so request, a copy of any such order.

(v) Notice of Default or Litigation. Immediately upon learning of the occurrence of an Event of Default or an Unmatured Event of Default, or the institution of or any adverse determination in any litigation, arbitration proceeding or governmental proceeding which is material to ADESA, Funding or any significant Subsidiary, or the occurrence of any event which could have a material adverse effect upon ADESA, Funding or any significant Subsidiary, written notice thereof describing the same and the steps being taken with respect thereto. As used in this subsection, the term "significant Subsidiary" means any Subsidiary whose earnings before interest, depreciation, amortization and income tax expense for the fiscal year ended immediately prior to the date as of which its status as a significant Subsidiary is to be determined was greater than $2,500,000.

(vi) Other Information. From time to time such other information concerning ADESA, Funding or any Subsidiary as any Bank may reasonably request.

(vii) Budget. At least ten (10) days prior to the beginning of each fiscal year of ADESA, a quarter-by-quarter budget of income and expenses for that year, and a projected consolidated balance sheet on a quarterly basis, prepared in such detail as the Agent shall reasonably require.

c. Books, Records and Inspections. ADESA and Funding shall maintain and ADESA shall cause each Subsidiary to maintain complete and accurate books and records and permit access thereto by the Banks for purposes of inspection, copying and audit, and ADESA and Funding shall permit the Banks to inspect their properties and operations and those of the Subsidiaries at all reasonable times.

d. Insurance. In addition to any insurance required by the Security Agreements, ADESA and Funding shall maintain and ADESA shall cause each Subsidiary to maintain such insurance as may be required by law and such other insurance, to such extend and against such hazards and liabilities, as is customarily maintained by companies similarly situated. All insurance polices providing coverage for loss of or damage to fixed assets shall be endorsed so as to provide replacement cost coverage. ADESA and Funding agree to name and ADESA agrees to cause each Subsidiary to name the Agent, for the benefit of the Banks, as a loss payee on any such insurance policy under a standard lender's loss payable clause and to provide a copy of each such policy to the Agent.

e. Taxes and Liabilities. ADESA and Funding shall pay and ADESA shall cause each Subsidiary to pay when due all taxes, license fees, assessments and other liabilities except such as are being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established.

f. Compliance with Legal and Regulatory Requirements. ADESA and Funding shall maintain and ADESA shall cause each Subsidiary to maintain material compliance with

the applicable provisions of all federal, state, Canadian, Canadian provincial and local statues, ordinances and regulations and any court orders or orders of regulatory authorities issued thereunder.

g. Financial Covenants. ADESA shall observe the following financial covenants on a consolidated basis excluding AFC:

(i) Tangible Capital Base. ADESA shall maintain its Tangible Capital Base at levels not less than those shown in the following table for the periods indicated:

Period	Tangible Capital Base
from the date of this Agreement until fiscal year end 1995	$50,000,000
at fiscal year end 1995 and until fiscal year end 1996	$55,000,000
at fiscal year end 1996 and until fiscal year end 1997	$60,000,000
at fiscal year end 1997 and at all times thereafter	$65,000,000

(ii) Leverage. ADESA shall maintain its Leverage at not greater than 3.50 to 1.00 until December 30, 1996 and at not greater than 3.0 to 1.0 on December 31, 1996 and at all times thereafter.

(iii) Coverage. For each period of four consecutive fiscal quarters, ADESA shall maintain Coverage of not less than 1.20 to 1.0.

(iv) Funded Debt. For each period of four consecutive fiscal quarters ending during the periods designated below, ADESA shall maintain its ratio of Funded Debt to EBITDAL at levels not greater than those shown in the following table:

Period	Funded Debt/EBITDAL
From the date of this Agreement through March 30, 1996	4.5 to 1.0
At March 31, 1996 through September 29, 1996	4.25 to 1.0
At September 30, 1996 through December 30, 1996	4.0 to 1.0
At December 31, 1996 and at all times thereafter	3.75 to 1.0

h. Primary Banking Relationship. Except for the deposit relationships with First Tennessee Bank National Association, PNC Bank, Kentucky, Inc., Society National Bank, Indiana, Harris Trust and Savings Bank and The First National Bank of Boston, presently maintained or opened hereafter by ADESA, and the deposit relationship maintained by ADESA Canada, Inc. with Bank of Montreal and Canadian Imperial Bank of Commerce, ADESA shall maintain its primary demand deposit accounts with the Agent.

i. Investment Agency Account. ADESA shall maintain all cash in excess of a reasonable reserve for immediate operating needs, and other than amounts required to be maintained in the Sinking Fund Reserve, in a custodial agency account ("Investment Account B") carried with the Trust Group of the Agent, which account shall be established under the Agent's usual and customary form of agreement for such accounts. The reserve for immediate operating needs referred to in the preceding sentence shall, except for payroll accounts, be maintained in demand deposit accounts at the Agent, First Tennessee Bank National Association, PNC Bank, Kentucky, Inc., The First National Bank of Boston, Society National Bank, Indiana, Harris Trust and Savings Bank, Canadian Imperial Bank of Commerce and Bank of Montreal, provided that deposits in each of the latter seven banks shall not exceed $5,000,000.00 in each bank. Further, the deposits maintained in Bank of Montreal and Canadian Imperial Bank of Commerce shall not exceed in the aggregate U.S. $5,000,000 on and after July 1, 1995. ADESA shall pay the Agent's usual and customary charges for services rendered by the Agent's Trust Group in connection with such account. Investments of Investment Account B shall be limited to debt securities of a quality not less than that commonly referred to as "investment grade" or shares of investment companies or units of investment in common trust funds the assets of which, in either case, consist entirely of cash and investment grade securities. No specific security or certificate of deposit purchased as an investment for Investment Account B shall have a maturity more than thirteen (13) months from the date purchased.

j. Employee Benefit Plans. ADESA and Funding shall maintain and ADESA shall cause each Subsidiary to maintain any Plan in material compliance with ERISA, the Code, and all rules and regulations of regulatory authorities issued pursuant thereto and ADESA and Funding shall file and ADESA shall cause each Subsidiary to file all reports required to be field pursuant to ERISA, the Code, and such rules and regulations.

k. Hazardous Substances. If ADESA, Funding or any Subsidiary should commence the use, treatment, transportation, generation, storage or disposal of any Hazardous Substance in reportable quantities in its operations in addition to those noted in the "Schedule of Exceptions" attached as Schedule 4.e., ADESA shall immediately notify the Agent of the commencement of such activity with respect to each such Hazardous Substance. ADESA shall cause any Hazardous Substances which are now or may hereafter be used or generated in the operations of ADESA, Funding or any Subsidiary in reportable quantities to be accounted for and disposed of in compliance with all applicable federal,

state, Canadian, Canadian provincial and local laws and regulations. ADESA shall notify the Agent immediately upon obtaining knowledge that:

(i) any premises which have at any time been owned and occupied by or have been under lease to ADESA, Funding or any Subsidiary are the subject of an environmental investigation by any federal, state, Canadian, Canadian provincial or local governmental agency having jurisdiction over the regulation of any Hazardous Substances, the purpose of which investigation is to quantify the levels of the Hazardous Substances located on such premises, or

(ii) ADESA, Funding or any Subsidiary has been named or is threatened to be named as a party responsible for the possible contamination of any real property or ground water with Hazardous Substances, including, but not limited to the contamination of past and present waste disposal sites.

If ADESA, Funding or any Subsidiary is notified of any event described at items (i) or (ii) above, ADESA shall immediately engage or cause such Subsidiary to engage a firm or firms of engineers or environmental consultants appropriately qualified to determine as quickly as practical the extent of contamination and the potential financial liability of ADESA, Funding or any Subsidiary with respect thereto, and the Agent shall be provided with a copy of any report prepared by such firm or by any governmental agency as to such matters as soon as any such report becomes available to ADESA. The selection of any engineers or environmental consultants engaged pursuant to the requirements of this Section shall be subject to the approval of the Agent, which approval shall not be unreasonably withheld. Notwithstanding any other provision of this subsection, if ADESA, Funding or any Subsidiary is notified of any event described at items (i) or (ii) above, and if ADESA determines that the course of action outlined above should not be required in view of the manifest magnitude of the problem, or would not be a prudent course of action for ADESA to pursue in view of all the circumstances, ADESA shall immediately notify the Agent of that fact and of the alternate course of action which ADESA proposes to pursue and the Required Banks shall not unreasonably withhold their approval of such alternate course of action.

l. Sinking Fund Reserve Payments. ADESA shall make deposits to the Sinking Fund Reserve in a timely manner as required under the terms of Section 5.f.

m. Obligations Under the Floating Rate Note Documents. ADESA and Funding will pay and perform in a timely manner all of their respective obligations under those Floating Rate Note Documents to which they are respectively parties.

Section 7. NEGATIVE COVENANTS OF ADESA. Until all Obligations of ADESA or Funding terminate or are paid and satisfied in full, and so long as either the Commitment or the Letter of Credit is outstanding, ADESA and Funding agree that each will strictly observe each of

the following covenants applicable to it, and ADESA agrees that it will cause Funding to observe each of the following covenants applicable to Funding, unless at any time the Required Banks shall otherwise expressly consent in writing, which consent shall not be unreasonably withheld or delayed:

a. Restricted Payments. ADESA shall not purchase or redeem any shares of the capital stock of ADESA or declare or pay any dividends thereon except for dividends payable entirely in capital stock.

b. Liens. ADESA and Funding shall not create or permit to exist, and ADESA shall not allow any Subsidiary to create or permit to exist any mortgage, pledge, title retention lien or other lien, encumbrance or security interest (all of which are hereafter referred to in this subsection as a "lien" or "liens") with respect to any property or assets now owned or hereafter acquired except:

(i) liens in favor of the Banks or in favor of ADESA and assigned to the Banks, which liens shall have been created pursuant to the requirements of this Agreement or otherwise;

(ii) liens by AFC pursuant to the AFC Agreement;

(iii) any lien or deposit with any governmental agency required or permitted to qualify ADESA, Funding or a Subsidiary to conduct business or exercise any privilege, franchise or license, or to maintain self-insurance or to obtain the benefits of or secure obligations under any law pertaining to workmen's compensation, unemployment insurance, old age pensions, social security or similar matters, or to obtain any stay or discharge in any legal or administrative proceedings, or any similar lien or deposit arising in the ordinary course of business;

(iv) any mechanic's, workmen's, repairmen's, carrier's, warehousemen's or other like liens arising in the ordinary course of business for amounts not yet due and for the payment of which adequate reserves have been established, or deposits made to obtain the release of such liens;

(v) easements, licenses, minor irregularities in title or minor encumbrances on or over any real property which do not, in the judgment of the Agent, materially detract from the value of such property or its marketability or its usefulness in the business of ADESA, Funding or any Subsidiary;

(vi) liens for taxes and governmental charges which are not yet due or which are being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established;

(vii) liens created by or resulting from any litigation or legal proceeding which is being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established.

(viii) liens securing the unpaid portion of the purchase price of, or purchase money financing for any fixed asset hereafter acquired, provided that the acquisition of such asset is permissible under the limitation on indebtedness incurred to persons other than the Banks expressed in Section 7.k;

(ix) those specific liens now existing described on the "Schedule of Exceptions" attached as Schedule 4.e.

c. Restriction on Granting Negative Pledges. ADESA and Funding shall not, and ADESA shall not allow any Subsidiary, excluding AFC, to enter into any agreement with any Person (other than the Banks pursuant to this Agreement) which restricts the right of ADESA, Funding or any Subsidiary to create, assume or suffer any liens (as defined in Section 7.b above) on any property or assets now owned or hereafter acquired.

d. Guaranties, Loans or Advances. ADESA shall not be a guarantor or surety of, or otherwise be responsible in any manner with respect to any undertaking of any other person or entity, whether by guaranty agreement or by agreement to purchase any obligations, stock, assets, goods or services, or to supply or advance any funds, assets, goods or services, or otherwise, other than with respect to (i) a Subsidiary which is wholly owned directly or indirectly by ADESA, excluding AFC, (ii) ADESA Canada, Inc.; (iii) ADESA's obligations pursuant to the AFC Agreement to repurchase, or contribute equity to AFC in an amount equal to AFC's dealer receivables which are determined to be uncollectible (as defined in the AFC Agreement), provided that the repurchase or equity obligation will not exceed $1,500,000 annually; (iv) ADESA's obligations pursuant to the AFC Agreement to guarantee AFC's dealer receivables resulting from the purchase of vehicles at float-sale auctions, provided that such guarantee does not exceed $15,000,000 at any time and, provided further, that ADESA shall establish and maintain reserves equal to three (3) times the trailing twelve (12) month bad debt expense resulting from these receivables with a minimum reserve of $600,000; and (v) ADESA's obligation to guarantee AFC's indemnification obligations under the AFC Agreement. Funding shall not be and ADESA shall not permit any Subsidiary, excluding AFC, to be a guarantor or surety of, or otherwise be responsible in any manner with respect to any undertaking of any other person or entity, whether by guaranty agreement or by agreement to purchase any obligations, stock, assets, goods or services, or to supply or advance any funds, assets, good or services, or otherwise, except for the guaranty obligations taken pursuant to the Guaranty Agreements. ADESA and Funding shall not make or permit to exist and ADESA shall not permit any Subsidiary, excluding AFC, to make or permit to exist any loans or advances to any other person or entity, except for (i) the specific existing items listed in the "Schedule of

Exceptions" attached as Schedule 4.e., (ii) extensions of credit or credit accommodations to customers or vendors made in the ordinary course of its business as now conducted, (iii) reasonable salary advances to employees, and other advances to agents and employees for anticipated expenses to be incurred on behalf of ADESA, Funding or any Subsidiary in the course of discharging their assigned duties, (iv) loans and advances made by ADESA to Subsidiaries which are wholly owned directly or indirectly by ADESA or ADESA Canada, Inc., excluding AFC, (v) advances of accrued bonuses to employees in an aggregate amount outstanding not exceeding $500,000.00, less the amount of loans described at item (vi) immediately following which are outstanding from time to time, (vi) loans to any other persons which do not exceed in aggregate amount outstanding at any time $5,000,000 including loans to AFC, and (vii) the advance to ADESA of the proceeds of the Floating Rate Notes by Funding and the advance to ADESA of the proceeds of the sale of any Pledged Notes released by the Agent to Funding.

e. Mergers, Consolidations, Sales, Acquisition or Formation of Subsidiaries. Neither ADESA nor Funding shall be a party, and ADESA shall not permit any Subsidiary to be a party to any consolidation or to any merger, excluding ADESA's merger with a subsidiary of Minnesota Power & Light Co., provided that ADESA is the surviving entity in such merger. Neither ADESA nor Funding shall purchase, and ADESA shall not permit any Subsidiary to purchase the capital stock of or otherwise acquire any equity interest in any other business entity. Neither ADESA nor Funding shall acquire, and ADESA shall not permit any Subsidiary to acquire any material part of the assets of any other business entity other than in the ordinary course of business. Neither ADESA nor Funding shall sell, transfer, convey or lease, and ADESA shall not permit any Subsidiary to sell, transfer, convey or lease all or any material part of its assets, except inventory in the ordinary course of business, or sell or assign with or without recourse any receivables. ADESA shall not cause to be created or otherwise acquire any additional Subsidiaries, except for the creation of Subsidiaries for purposes of reorganizing the business being conducted by ADESA and the Subsidiaries prior to the time such new Subsidiary is created. Notwithstanding any other provision of this Section, ADESA may, without the prior written consent of any Bank, effect a start-up or acquire directly or indirectly through a Subsidiary, all of the capital stock or other equity interest in a corporation or other business entity, or acquire all or substantially all of the business assets of any such entity, either by purchase or by merger, provided that either ADESA or a Subsidiary is the surviving corporation in the case of any merger, and provided further that in the case of any such acquisition or start-up all of the following conditions are fulfilled: (i) the cost to ADESA, considered on a consolidated basis (excluding AFC), of any one start-up or acquisition consummated in a fiscal year does not exceed Five Million Dollars ($5,000,000) (excluding costs of the Jacksonville, Florida and Manville, New Jersey auctions presently being developed), (ii) the cost to ADESA, considered on a consolidated basis (excluding AFC), of all such start-ups and acquisitions consummated in any fiscal year does not exceed Twelve Million Dollars ($12,000,000.00) (excluding costs of the Jacksonville, Florida and Manville, New Jersey auctions presently being

developed); and (iii) no Event of Default or Unmatured Event of Default exists at the time of any such start-up or acquisition or occurs as a result thereof. The cost of any acquisition or start-up shall include the present value of future lease payments. As used in this paragraph, the term "start-up" means the acquisition of assets and the payment of other initial expenses necessary to commence operation of an auto auction at a location other than a location at which such an operation is conducted by ADESA or any Subsidiary prior to such acquisition.

f. Margin Stock. Neither ADESA nor Funding shall use, nor shall ADESA permit any Subsidiary to use or cause or permit the proceeds of the Loans or the Floating Rate Notes to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time. ADESA shall not permit more than twenty-five percent (25%) of its consolidated assets to consist at any time of margin stock, within the contemplation of Regulation U, as amended form time to time.

g. Other Agreements. Neither ADESA nor Funding shall enter into any agreement, and ADESA shall not permit any Subsidiary, excluding AFC, to enter into any agreement containing any provision which would be violated or breached in material respect by the performance of their respective Obligations under this Agreement or under any instrument or document delivered or to be delivered by ADESA, Funding or any of the Subsidiaries under this Agreement or in connection herewith.

h. Judgments. Neither ADESA nor Funding shall permit, and ADESA shall not permit any Subsidiary to permit any uninsured judgment or monetary penalty rendered against it in any judicial or administrative proceeding to remain unsatisfied for period in excess of forty-five (45) days unless such judgment or penalty is being contested in good faith by appropriate proceedings and execution upon such judgment has been stayed, and unless an appropriate reserve has been established with respect thereto.

i. Principal Office. Neither ADESA nor Funding shall change, and ADESA shall not permit any Subsidiary to change the location of its principal office unless it gives not less than ten (10) days prior written notice of such a change to the Agent.

j. Hazardous Substances. Neither ADESA nor Funding shall allow or permit to continue, and ADESA shall not permit any Subsidiary to allow permit to continue the release or threatened release of any Hazardous Substances in reportable quantities on any premises owned or occupied by or under lease to ADESA, Funding or any Subsidiary.

k. Debt. Neither ADESA nor Funding shall incur or permit to exist, and ADESA shall not permit any Subsidiary (excluding AFC) to incur nor permit to exist any indebtedness for borrowed money except (i) indebtedness to the Banks, (ii) the indebtedness of Funding with respect to the Floating Rate Notes, (iii) subordinated indebtedness of up to

$20,000,000 to ADESA from Minnesota Power & Light Co., or its wholly-owned subsidiary provided that the Subordination Agreement is entered into among the Agent, ADESA and Minnesota Power & Light Co., or its wholly-owned subsidiary; (iv) those existing obligations disclosed on the "Schedule of Exceptions" attached as Schedule 4.e., and (v) other indebtedness which does not exceed $10,000,000 in aggregate principal amount outstanding at any time for ADESA, Funding, and the Subsidiaries on a consolidated basis, excluding AFC. For purposes of this covenant, the phrase "indebtedness for borrowed money," shall be construed to include equipment lease obligations under capital and operating leases.

l. Limitation on Activities of Funding. Funding shall not engage in any business other than lending the proceeds of the Floating Rate Notes to ADESA on such terms that timely payment by ADESA of the principal and interest on such loan from Funding shall provide Funding with funds required to make all payments due on account of the Floating Rate Notes in a timely manner. Funding shall not incur any material obligations other than the obligation represented by the Floating Rate Notes nor shall it acquire any material amount of assets, other than the indebtedness of ADESA to Funding arising by reason of the loan to ADESA of the proceeds of the Floating Rate Notes.

Section 8. CONDITIONS OF LENDING. The several obligations of the Banks to make the Loans and any Advance, to maintain the Letter of Credit and to issue any L/C shall be subject to fulfillment of each of the following conditions precedent:

a. No Default. No Event of Default or Unmatured Event of Default shall have occurred and be continuing, and the representations and warranties of ADESA and Funding contained in Section 4 shall be true and correct in all material respects as of the date of this Agreement and as of the date of each Advance, except that after the date of this Agreement (i) the representations contained in Section 4.d will be construed so as to refer to the latest financial statements furnished to the Banks by ADESA pursuant to the requirements of this Agreement, (ii) the representation contained in Section 4.a will be construed so as to include any Subsidiary which may hereafter be formed or acquired by ADESA, and (iii) other representations contained in Section 4 shall be construed to have been modified in accordance with any change of which ADESA shall have notified the Banks in writing.

b. Documents to be Furnished at Closing. The Agent shall have received, contemporaneously with the execution of this Agreement and in any case prior to the making of any Advance under the ADESA Revolver or the Line of Credit the following, each duly executed, currently dated and in form and substance satisfactory to the Agent and in sufficient numbers for each Bank.

(i) The ADESA Revolving Notes, and the Line of Credit Notes, each made payable to the respective Banks.

(ii) A Subordination Agreement among Minnesota Power & Light Company or a wholly-owned subsidiary thereof, ADESA and the Agent in the form of "Exhibit "N" to this Agreement.

(iii) Subsidiary Security Agreements, Subsidiary Guaranty Agreements, Inter-company Demand Notes and Inter-company Security Agreements from each of ADESA New Jersey, Auto Banc Corporation and ADESA Remarketing Services, Inc., together with UCC-1s and equivalent Canadian filings.

(iv) Certified copies of Resolutions of the respective Boards of Directors of ADESA, Funding, ADESA New Jersey, Inc., Auto Banc Corporation and ADESA Remarketing Services, Inc., authorizing the execution, delivery and performance of the Credit Documents to which such corporations are, respectively, parties.

(v) Certificates of the respective Secretaries of ADESA, Funding, ADESA New Jersey, Inc., Auto Banc Corporation and ADESA Remarketing Services, Inc., certifying the names of the officer or officers authorized to sign the Credit Documents to which each such corporation is a party, together with a sample of the true signature of each such officer.

(vi) Solvency Certificates from each Subsidiary.

(vii) The opinion of counsel for ADESA and Funding addressed to the Bank substantially in the form of Exhibit "M."

(viii) A supplemental "Schedule to Pledge Agreement" identifying all Subsidiaries of ADESA and delivery of all certificates representing all shares of capital stock of or ownership interest in such subsidiaries as "Pledged Securities" for purposes of the Pledge Agreement and appropriate stock powers for each certificate delivered herewith.

(ix) Amendment to Collateral Documents executed by ADESA, Funding and all Subsidiaries (excluding AFC) in the form of Exhibit "G."

(x) Amendments to all Mortgages, Deeds of Trust or Trust Deeds and Collateral Assignments of such documents.

(xi) Amended UCC-1s and equivalent Canadian filings to add the Banks as secured parties.

(xii) Such other documents as the Agent or any Bank may reasonably require.

c. Documents to be Furnished at Time of Each Advance under the ADESA Revolver and the Line of Credit. The Agent shall have received the following prior to making any Advance, each duly executed and currently dated, unless waived at the Required Banks' discretion as provided in Section 2.a. or b.;

(i) An Application for the Advance.

(ii) An Officer's Certificate.

(iii) Such other documents as the Agent or any Bank may reasonably require.

Section 9. EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

a. Nonpayment of the Loans. Default in the payment within five (5) days of the date when due of any amount payable under the terms of any of the Notes or under any Reimbursement Agreement.

b. Nonpayment of Monetary Obligations. Failure by ADESA to pay to Bank One within five (5) days of the date when due any amount due to Bank One on account of the obligation of ADESA to reimburse Bank One on account of Drawings under the Letter of Credit pursuant to the terms of Section 3.a of this Agreement, or on account of any transaction fee or commission payable under the terms of Sections 3.a or 3.c or any amounts payable under Section 3.d.

c. Nonpayment of Other Indebtedness for Borrowed Money. Default by ADESA, Funding, AFC or any Subsidiary in the payment when due, whether by acceleration or otherwise, of any other indebtedness for borrowed money in an aggregate amount of $1,000,000, or default in the performance or observance of any obligation or condition with respect to any such other indebtedness if the effect of such default is to accelerate the maturity of such other indebtedness or to permit the holder or holders thereof, or any trustee or agent for such holders, to cause such indebtedness to become due and payable prior to its scheduled maturity, unless the defaulting party is contesting the existence of such default in good faith and by appropriate proceedings and that appropriate reserves have been established with respect thereto.

d. Other Material Obligations. Subject to the expiration of any applicable grace period, default by ADESA, Funding or any Subsidiary in the payment when due, or in the performance or observance of any obligation of, or condition agreed to by ADESA, Funding or any Subsidiary with respect to any purchase or lease of real property goods, securities or services in an aggregate amount of $500,000 except only to the extent that the existence of any such default is being contested in good faith and by appropriate proceedings and that appropriate reserves have been established with respect thereto.

e. Bankruptcy, Insolvency, etc. ADESA, Funding or any Subsidiary admitting in writing its inability to pay its debts as they mature or a judicial order or determination of insolvency being entered against ADESA, Funding or any Subsidiary; or an administrative order of dissolution being entered against ADESA, Funding or a "Significant Subsidiary" (as defined in Section 6.b(v).) or ADESA, Funding or any Subsidiary applying for, consenting to, or acquiescing in the appointment of a trustee or receiver for ADESA, Funding or any Subsidiary or any property thereof, or ADESA, Funding or any Subsidiary making a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee or receiver being appointed for ADESA, Funding or any Subsidiary or for a substantial part of its property and not being discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding being instituted by or against ADESA, Funding or any Subsidiary and, if involuntary, being consented or acquiesced in by ADESA, Funding or any Subsidiary or remaining for sixty (60) days undismissed.

f. Warranties and Representations. Any warranty or representation made by ADESA or Funding in this Agreement proving to have been false or misleading in any material respect when made, or any schedule, certificate, financial statement, report, notice, or other writing furnished by ADESA, Funding or any Subsidiary to the Banks proving to have been false or misleading in any material respect when made or delivered.

g. Violations of Affirmative and Negative Covenants and Floating Rate Note Document Obligations. Failure by ADESA or Funding to comply with or perform any covenant applicable to it that is stated in Sections 6.c, or 6.g or Section 7 of this Agreement.

h. Failure to Make Sinking Fund Reserve Payments. Failure by ADESA to make any payment into the Sinking Fund Reserve within five (5) days of the date when due as required under the terms of Section 6.1.

i. Failure to Make Mandatory Loan Reductions. Failure by ADESA to make any payment required under the terms of Sections 2.a(i) or 2.b.(vi) within five (5) days after demand.

j. Noncompliance With Other Provisions of this Agreement. Failure of ADESA, Funding or any of the Subsidiaries to comply with or perform any covenant or other provision of this Agreement applicable to it, or to perform any other Obligation (which failure does not constitute an Event of Default under any of the preceding provisions of this Section 9) and continuance of such failure for thirty (30) days after notice thereof to ADESA from the Agent.

k. Noncompliance with the AFC Agreement and the AHC Loan Agreement. Failure of ADESA or AFC to comply with or perform any covenant or other provision of the AFC Agreement, applicable to it, or the failure of ADESA or AFC to comply with or perform any covenant or other provision of the AHC Loan Agreement (which failure does not

constitute an Event of Default under any of the preceding provisions of this Section 9) and continuance of such failure for thirty (30) days after notice thereof to ADESA from the Agent.

Section 10. EFFECT OF EVENT OF DEFAULT. When any Event of Default has occurred and is continuing, the Required Banks, acting on behalf of all of the Banks, may take any or all of the following actions:

a. Acceleration of the Loans. If any Event of Default described in Section 9.e shall occur, the maturity of the Loans shall immediately be accelerated and the Notes and the Loans evidenced thereby, and all other indebtedness and any other payment Obligations of ADESA and all obligations of Funding and the Subsidiaries to the Banks shall become immediately due and payable, and the Commitments shall immediately terminate, all without notice of any kind. When any other Event of Default has occurred and is continuing, the Agent, at the direction of the Required Banks may accelerate payment of the Loans and declare the Notes and all other payment Obligations due and payable, whereupon maturity of the Loans shall be accelerated and the Notes and the Loans evidenced thereby, and all other payment Obligations shall become immediately due and payable and the Commitments shall immediately terminate, all without notice of any kind. The Agent on behalf of the Banks shall promptly advise ADESA of any such declaration, but failure to do so shall not impair the effect of such declaration.

b. Refusal to Reinstate an Interest Drawing. The Required Banks may direct Bank One to refuse to reinstate any Interest Drawing under the Letter of Credit by giving notice to the Trustee of such refusal in the manner provided in Section 8.02(m) of the Trust Indenture and in the form and within the time provided under the terms of the Letter of Credit and the Required Banks may direct Bank One to direct the Trustee to accelerate the maturity of the Floating Rate Notes as provided under the terms of the Trust Indenture.

c. Floating Rate Note Document Remedies. The Required Banks may direct Bank One to notify the Trustee of the Event of Default with the result that the Trustee will, as required by the Trust Indenture, declare the principal of all the Floating Rate Notes and the interest accrued thereon to be immediately due and payable and the Required Banks may direct Bank One to exercise any other remedy available to Bank One under any of the Floating Rate Note Documents.

d. Deposit to Secure Payment of the Reimbursement Obligation. The Required Banks may demand that ADESA immediately pay to the Agent for the benefit of the Banks, an amount equal to the Maximum Available Credit. Such amount shall be due and payable to the Agent for the benefit of the Banks immediately upon demand. ADESA grants to the Banks a pledge of and security interest in any and all funds (hereafter referred to in this subsection as a "Special Collateral Account") paid by ADESA to the Agent or in transit to any deposit account or fund, pursuant to the demand of the Banks made pursuant to this subsection. Such pledge and security interest shall secure to the Banks

all of the Obligations relating to the Letter of Credit. ADESA acknowledges that the Banks would not have an adequate remedy at law for failure of ADESA to honor any demand made pursuant to this subsection and, therefore, the Required Banks shall have the right to require ADESA specifically to perform such undertaking whether or not any amounts are then due and payable by ADESA to the Banks on account of its reimbursement obligation with respect to Drawings made under the Letter of Credit. In the event the Agent makes a demand pursuant to this Section 10.d and ADESA pays the funds demanded, the Agent will hold funds in a Special Collateral Account without liability for interest thereon, provided that the Agent will, at the direction of ADESA and for the account and risk of ADESA, invest the funds in the Special Collateral Account in U. S. Treasury Bills with 30 days or less remaining until maturity. Any earnings from such investment may, at the discretion of the Required Banks, be released to ADESA. After the Letter of Credit has expired and all of the Obligations have been satisfied, the Required Banks shall direct the Agent to return to ADESA any balance remaining in the Special Collateral Account established pursuant to the requirements of this subsection.

e. Other Remedies. The Agent at the direction of the Required Banks may pursue any other remedies available to them under any Credit Document or any Floating Note Document. The Required Banks may bring any other action available at law or in equity to enforce payment and performance or otherwise to collect the Obligations.

The remedies enumerated in this Section 10 are not intended to be exclusive, but shall be in addition to any other statutory, equitable or contractual remedies available to the Banks.

Section 11. CHANGE OF CIRCUMSTANCES.

a. Change in Law. Notwithstanding any other provisions of this Agreement or any Note, if at any time any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Bank to make or continue to maintain LIBOR-based Rate Advances or Interbank-based Rate Advances or to give effect to its obligations are contemplated hereby, such Bank shall promptly give notice thereof to ADESA, and such Bank's obligations to make or maintain LIBOR-based Rate Advances or Interbank-based Rate Advances under this Agreement shall terminate until it is no longer unlawful for such bank to make or maintain LIBOR-based Rate Advances or Interbank-based Rate Advances. ADESA shall prepay on demand the outstanding principal amount of any such affected LIBOR-based Rate Advances or Interbank-based Rate Advances, together with all interest accrued thereon and all other amounts then due and payable to such Bank under this Agreement; provided, however, subject to all of the terms and conditions of this Agreement, ADESA may then elect to borrow the principal amount of the affected LIBOR-based Rate Advances or Interbank-based Rate Advances from such Bank by means of Prime-based Rate Advances from such Bank that shall not be made ratably by the Banks but only from such affected Bank.

b. Unavailability of Deposits or Inability to Ascertain, or Inadequacy Of, LIBOR or Interbank Rate. If on or prior to the first day of any Interest Period for any Advance of LIBOR-based Rate Advances or Interbank-based Rate Advances (i) the Agent determines that deposits in United States Dollars (in the applicable amounts) are not being offered in the relevant market for such Interest Period, or (ii) the Required Banks advise the Agent that LIBOR or the Interbank Rate, as applicable, as determined by the Agent will not adequately and fairly reflect the cost to such Banks of funding their LIBOR-based Rate Advances or Interbank-based Rate Advances, as applicable, for such Interest Period, then the Agent shall forthwith give notice thereof to ADESA and the Banks, whereupon until the Agent notifies ADESA that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make LIBOR-based Rate Advances or Interbank-based Rate Advances, as applicable, shall be suspended.

c. Increased Cost and Reduced Return. (i) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office as defined in Section 11.d) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(a) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its LIBOR-based Rate Advances or Interbank-based Rate Advances, its Notes, or its obligation to make LIBOR-based Rate Advances or Interbank-based Rate Advances, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its LIBOR-based Rate Advances or Interbank-based Rate Advances or any other amounts due under this Agreement in respect of its LIBOR-based Rate Advances or Interbank-based Rate Advances (except for changes in the rate of tax on the overall net income of such Bank or its Lending Office imposed by the jurisdiction in which such Bank's principal executive office or Lending Office is located); or

(b) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or on the interbank market or any other condition affecting its LIBOR-based Rate Advances or Interbank-based Rate Advances, its Notes, or its obligation to make LIBOR-based Rate Advances or Interbank-based Rate Advances; and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any LIBOR-based Rate Advances or Interbank-based Rate Advances or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such

Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Agent), ADESA shall be obligated to pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(ii) If, any the date hereof, any Bank or the Agent shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Agent) ADESA shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(iii) Each Bank that determines to seek compensation under this Section 11.c. shall notify ADESA and the Agent of the circumstances that entitle such Bank to such compensation pursuant to this Section 11.c. A certificate of any Bank claiming compensation under this Section 11.c. and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of errors in calculation. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

d. Lending Offices. Each Bank may, at its option, elect to make its Advances hereunder at the branch, office or affiliate specified on Schedule A hereof (each a "Lending Office") for each type of Advance available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to ADESA and the Agent.

e. Discretion of Bank as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Commitment in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Bank had actually funded and maintained each LIBOR-based Rate Advance or Interbank-

based Rate Advance through the purchase of deposits in the eurodollar interbank market having a maturity corresponding to such Advance's Interest Period and bearing an interest rate equal to LIBOR-based Rate or Interbank-based Rate, as applicable, for such Interest Period.

Section 12. THE AGENT.

a. Appointment. Each Bank hereby appoints Bank One, Indianapolis, N.A. as the Agent under the Credit Documents, and hereby authorizes the Agent to act as the agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto.

b. Agent and its Affiliates. The Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and the Agent and its affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with ADESA or any Subsidiary of ADESA as if it were not the Agent under the Credit Documents and may accept fees and other consideration from ADESA for services in connection with this Agreement or otherwise without having to account for the same to the Banks except as specified herein. The term "Bank" or "Banks" as used herein and in all other Credit Documents, unless the context otherwise clearly requires, includes the Agent in its individual capacity as a Bank.

c. Action by Agent. In the event that the Agent receives from ADESA a written notice of an Event of Default, the Agent shall promptly give each of the Banks written notice thereof. The obligations of the Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action hereunder with respect to any Unmatured Event of Default or Event of Default, except as expressly provided in Section 10. Upon the occurrence of an Event of Default, the Agent shall take such action with respect to the enforcement of its liens on the collateral and the preservation and protection thereof as it shall be directed to take by the Required Banks, but unless and until the Required Banks have given such direction the Agent shall take or refrain from taking such actions as it deems appropriate and in the best interest of all the Banks. In no event, however, shall the Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and the Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall be entitled to assume that no Unmatured Event of Default or Event of Default exists unless notified to the contrary by a Bank or ADESA or unless the Agent has actual knowledge. In all cases in which this Agreement and the other

Credit Documents do not require the Agent to take certain actions, the Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

d. Consultation with Experts. The Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

e. Liability of Agent; Credit Decision. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct, and any action taken or failure to act pursuant thereto shall be binding on all of the Banks. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any other Credit Document, (ii) the performance or observance of any of the covenants or agreements of ADESA, Funding or the Subsidiaries contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 8 hereof except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectibility hereof or of any other Credit Document or of the liens provided for by Section 5 hereof or of any other documents or writings furnished in connection with any Credit Document or of the collateral; and the Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, ADESA or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care, except for willful misconduct or gross negligence. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Agent shall have no responsibility for confirming the existence or worth of any collateral, compliance certificate or other document or instrument received by it under the Credit Documents. The Agent may treat the owner of any Note as the holder thereof until written notice of transfer shall have been filed with the Agent signed by such owner in form satisfactory to the Agent. Each Bank acknowledges that it has independently and without reliance on the Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to ADESA, Funding and the Subsidiaries in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of ADESA, Funding and the Subsidiaries and the Agent shall have no liability to any Bank with respect thereto. The Agent shall not be required to keep itself informed as to the

performance or observance by ADESA of this Agreement or the Credit Documents, or to inspect the properties or books of ADESA unless an inspection of the properties or books is requested in writing by the Required Banks, or to access or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of ADESA. Each Bank acknowledges that a copy of this Agreement and a copy of Exhibits hereto have been made available to it and to its individual legal counsel for review and each Bank acknowledges that it is satisfied with the form and substance of this Agreement and the Exhibits hereto.

f. Costs and Expenses. Each Bank agrees to reimburse the Agent for all out-of-pocket expenses (including allocated costs of Agent's in-house counsel) suffered or incurred by the Agent in performing its duties hereunder and under the other Credit Documents or in the exercise of any right or power imposed or conferred upon the Agent hereby or thereby (except to the extent that such costs and expenses arise out of the Agent's gross negligence or willful misconduct), to the extent that the Agent is not promptly reimbursed for the same by ADESA, or out of the collateral, all such costs and expenses to be borne by the Banks ratably in accordance with their respective shares of the aggregate amount of the Commitments hereunder.

g. Indemnity. Each Bank shall ratably, in accordance with their respective shares of the aggregate amount of the Commitments hereunder, indemnify and hold the Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, damages, penalties, actions, judgments, suits, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by ADESA or out of the proceeds of the collateral and except to the extent that any event giving rise to a claim was caused by the negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Banks under this Section 12.g. and under Section 12.f. above shall survive termination of this Agreement.

h. Resignation of Agent and Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and ADESA. Upon any such resignation of the Agent, the Required Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Banks and shall have accepted such appointment, within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be any Bank hereunder or any commercial bank organized under the laws of the United States of America or of any state thereof and having a combined capital and surplus of at least $100,000,000. Upon the acceptance of its appointment as the Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent under the Credit Documents, and the retiring Agent shall be discharged from its duties and obligations thereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of

this Section 12 and all protective provisions of the Credit Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

i. Reliance by ADESA. ADESA shall have the right to rely upon the authority of the Agent to act hereunder unless it has received actual notice of the resignation of the Agent. In the event of any conflicts or inconsistencies between any notices or similar action taken by the Agent compared to that of the Banks or the Required Banks, as the case may be, ADESA shall be entitled to rely upon the notice or information provided by the Agent until ADESA has received actual notice of the resignation of the Agent, in which event ADESA shall be entitled to act upon the most recent documents provided by the Agent until such documents are rescinded by the Banks, or the Required Banks, as the case may be, or by the successor Agent.

Section 13. MISCELLANEOUS

a. Waiver. No delay on the part of the Agent or the Banks or any holder of the Notes in the exercise of any right, power or remedy shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise by any of them of any right, power or remedy preclude any other or further exercise thereof, or the exercise of any other right, power or remedy, and the rights and remedies hereunder of the Agent, the Banks and the holder of any Note are cumulative to, and not exclusive of any rights or remedies which any of them would otherwise have.

b. Payments Free of Withholding. Except as otherwise required by law, each payment by ADESA under this Agreement or the other Credit Documents shall be made with withholding for or on account of any present or future taxes (other than overall net income taxes measured or based upon the overall net income of the recipient) imposed by or within the jurisdiction in which ADESA is domiciled, any jurisdiction from which ADESA makes any payment or (in each case) any political subdivision or taxing authority thereof or therein by reason of the participation by the Banks in the transactions contemplated by this Agreement. If any such withholding is so required, ADESA shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Bank or the Agent (as the case may be) would have received had such withholding not been made. If the Agent or any Bank pays any amount in respect of any such withheld taxes, penalties or interest, ADESA shall reimburse the Agent or that Bank for that payment on demand in the currency in which such payment was made. If ADESA pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Banks or Agent on whose account such withholding was made (with a copy to the Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Agent determines it has received or been granted a credit

against or relief or remission for, or repayment of, any taxes paid or payable by it because of any taxes, penalties or interest paid by ADESA and evidenced by such a tax receipt, such Bank or Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to ADESA such amount as such Bank or Agent determines is attributable to such deduction or withholding and which will leave such Bank or Agent (after such payment) in no better or worse position than it would have been in if ADESA had not been required to make such deduction or withholding. Nothing in this Agreement shall interfere with the right of each Bank and the Agent to arrange its tax affairs in whatever manner it thinks fit nor oblige any Bank or the Agent to disclose any information relating to its tax affairs or any computations in connection with such taxes.

c. Notices. Any notice given under or with respect to this Agreement or any other Credit Document to ADESA, Funding, any Subsidiary, the Agent or the Banks shall be in writing and, if delivered by hand, shall be deemed to have been given when delivered and, if mailed, shall be deemed to have been given five (5) days after the date when sent by registered or certified mail, postage prepaid, and addressed to ADESA, Funding, such Subsidiary, the Agent or the Banks at its address shown below or on Schedule A hereto, or at such other address as any such party may, by written notice to the other parties to this Agreement, have designated as its address for such purpose. The addresses referred to are as follows:

As to ADESA, Funding and all Subsidiaries:	ADESA CORPORATION 1919 S. Post Road Indianapolis, Indiana 46239 Attention: Chief Financial Officer, ADESA Corporation
As to the Agent:	Bank One, Indianapolis, NA Bank One Center/Tower - Suite 1911 111 Monument Circle P.O. Box 7700 Indianapolis, Indiana 46277-0119 Attention: Manager, Metropolitan Department B
As to the Banks:	The Addresses set forth on Schedule A hereto.

d. Costs, Expenses and Taxes. ADESA shall pay or reimburse the Agent and the Banks on demand for all losses, claims, damages, penalties, judgments, liabilities and expenses of the Agent and the Banks (including, without limitation, reasonable attorneys' fees and legal expenses) incurred by them in connection with or arising out of the enforcement of this Agreement, the Letter of Credit or any other Credit Document or any of the transactions contemplated thereby. In the event that ADESA, Funding, or a Subsidiary

shall be the prevailing party in any action to enforce its rights under this Agreement against the Agent or any Bank, then ADESA, Funding or such Subsidiary shall be entitled to recover its reasonable attorneys' fees and legal expenses in such action or proceeding. ADESA shall also reimburse the Agent and the Banks for expenses incurred by the Agent and the banks in connection with any audit of the books and records or physical assets of ADESA and each of the Subsidiaries conducted pursuant to any right granted to the Banks under the terms of this Agreement or any other Credit Document. Such reimbursement shall include, without limitation, reimbursement of the Agent and the Banks for their overhead expenses reasonably allocated to such audits. In addition, ADESA shall pay or reimburse the Agent and the Banks for all expenses incurred by the Agent and the Banks in connection with the perfection of any security interests granted to the Agent and the Banks by ADESA, Funding, and each of the Subsidiaries and for any stamp or similar documentary or transaction taxes which may be payable in connection with the execution or delivery of this Agreement or any other Credit Document or in connection with any other instruments or documents provided for herein or delivered or required in connection herewith including, without limitation, expenses incident to any lien or title search or title insurance commitment or policy. All obligations provided for in this Section shall survive termination of this Agreement. In addition to all other fees payable under the terms of this Agreement, ADESA shall pay to the Agent contemporaneously with the execution of this Agreement or immediately upon demand therefor, all legal fees and expenses incurred by the Agent for the preparation or execution of the Credit Documents, and any amendments, waiver or consent related hereto, whether or not the transactions contemplated herein are consummated.

e. Non-Business Day. Except as otherwise provided in this Agreement, if any payment of principal of or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to and including the next succeeding Business Day, on which the same shall be payable.

f. Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any Obligations are due and payable or any credit is in use or available hereunder.

g. Successors and Assigns. This Agreement and the other Credit Documents shall be binding upon and shall inure to the benefit of ADESA, Funding, the Agent and the Banks and their respective successors and assigns, provided that the rights of ADESA and Funding under this Agreement shall not be assignable without the prior written consent of the Agent and the Banks and the Agent and the Banks may not assign their rights without ADESA's consent.

h. Participants and Note Assignees. Each Bank shall have the right, with the prior written consent of ADESA, at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Loans made and/or Commitments held by such Bank and its participation in the Letter of Credit and any L/C at any time and from time to time, and to assign its rights under such Loans, or the Notes evidencing such Loans, and under the other Credit Documents, to one or more other Persons; provided that no such participation or assignment shall relieve any Bank of any of its obligations under this Agreement, and, provided, further that no such assignee or participant shall have any rights under this Agreement except as provided in this Section 13.h., and the Agent shall have no obligation or responsibility to such participant or assignee. Any agreement pursuant to which such participation or assignment of a Note or the rights thereunder is granted shall provide that the granting Bank shall retain the sole right and responsibility to enforce the obligations of ADESA under this Agreement and the other Credit Documents including, without limitation, the right to approve any amendment, modification or waiver of any provision of the Credit Documents. Any Bank assigning any Note hereunder shall give prompt notice thereof to ADESA and the Agent, who shall in each case only be required to treat such assignee of a Note as the holder thereof after receipt of such notice. ADESA, Funding and the Subsidiaries authorize each Bank to disclose to any purchaser or prospective purchaser of an interest in its Loans or its Commitments under this Section 13.h. any financial or other information pertaining to ADESA, Funding and Subsidiaries. ADESA and Funding shall not be in privity with any participant of any Bank and no such participant shall have any right to enforce any of the Credit Documents against ADESA and Funding other than through the granting Bank. In addition, no such participant shall be entitled to receive payment hereunder of any amount greater than the amount that would have been payable had the applicable Bank not granted such participation.

i. Assignment of Commitments by Banks. Each Bank shall have the right, at any time with the prior written consent of ADESA and Funding and the Agent which shall not be unreasonably withheld to sell, assign, transfer or negotiate all or any part of its Commitment (including the same percentage of its Note and outstanding Loans and its participation in the Letter of Credit and any L/C's) to one or more Persons, provided that such assignment shall be of a fixed percentage (and not by its terms a varying percentage) of the assigning Bank's Commitment. Any such assignee shall become a Bank for all purposes hereunder to the extent of the Commitment it assumes and the assigning Bank shall be released from its obligations, and will have released its rights under the Credit Documents to the extent of such assignment. ADESA, Funding and the Subsidiaries authorize each Bank and the Agent to disclose to any purchaser or prospective purchaser of an interest in its Loans or Commitment under Section 13.h. or 13.i. hereof any financial or other information pertaining to ADESA, Funding and the Subsidiaries.

j. Amendments. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) ADESA and

Funding, (b) the Required Banks, and (c) if the rights or duties of the Agent are affected thereby, the Agent; provided that no amendment or waiver pursuant to this Section shall (i) increase any Commitment of any Bank without the consent of such Bank, (ii) increase the aggregate amount of all Commitments, (iii) reduce the amount of or postpone any fixed date for payment of any principal of or interest on any Loan or of any fee payable hereunder without the consent of each Bank, (iv) release the security interests or liens on any collateral, (v) permit ADESA or Funding to assign its rights hereunder, (vi) change the provisions of this Section, (vii) change the definition of Required Banks or otherwise change the percentage of Banks required to take any action hereunder or under any of the other Credit Documents, or (viii) decrease the Commitments other than on a ratable basis, in each case, except for (i) above, without the consent of all the Banks.

k. Set-Off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank and each subsequent holder of any Note, subject to Section 5.k. hereof, is hereby authorized by ADESA and Funding at any time or from time to time, without notice to ADESA or Funding or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of ADESA or Funding, whether or not matured, against and on account of the obligations and liabilities of ADESA or Funding to that Bank or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (i) that Bank or that subsequent holder shall have made any demand hereunder or (ii) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 10 hereof and although said obligations and liabilities, or any of them, may be contingent or unmatured.

l. Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument.

m. Severability. If any provision of this Agreement or any other Credit Document is determined to be illegal or unenforceable, such provision shall be deemed to be severable from the balance of the provisions of this Agreement or such Credit Document and the remaining provisions shall be enforceable in accordance with their terms.

n. Captions. Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

o. Governing Law - Jurisdiction. This Agreement and the other Credit Documents are made under and will be governed in all cases by the substantive laws of the State of Indiana, notwithstanding the fact that Indiana conflicts of law rules might otherwise require the substantive rules of law of another jurisdiction to apply. ADESA, Funding and each Subsidiary consents to the jurisdiction of any state or federal court located within Marion County, Indiana. All service of process may be made by messenger, by certified mail, return receipt requested, or by registered mail directed to ADESA or Funding at the address stated in Section 13.c. ADESA and Funding each waives any objection which it may have to any proceeding commenced in a federal or state court located within Marion County, Indiana, based upon improper venue or forum non conveniens. Nothing contained in this Section shall affect the right of the Agent, for the benefit of the Banks, to serve legal process in any other manner permitted by law or to bring any action or proceeding against ADESA or Funding or their respective property in the courts of any other jurisdiction.

p. Prior Agreements, Etc. This Agreement supersedes all previous agreements and commitments made by the Banks, Bank One and ADESA or any of the Subsidiaries with respect to the Loans, the Letter of Credit and all other subjects of this Agreement, including, without limitation, any oral or written proposals or commitments made or issued by the Banks or by Bank One.

Executed and delivered at Indianapolis, Indiana as of the 28th day of July, 1995.

ADESA CORPORATION

By: Jerry Williams

Jerry Williams, Secretary

(Printed Name and Title)

ADESA FUNDING CORPORATION

By: Jerry Williams

Jerry Williams, Secretary

(Printed Name and Title)

BANK ONE, INDIANAPOLIS,
National Association

By: Jeffrey D. Widholm

Jeffrey D. Widholm, Vice President

PNC BANK, KENTUCKY, INC.

By: Ralph A. Phillips

Ralph A. Phillips, Vice President

(Printed Name and Title)

FIRST TENNESSEE BANK NATIONAL ASSOCIATION

By: William J. Harter

William J. Harter, Vice President

(Printed Name and Title)

THE FIRST NATIONAL BANK OF BOSTON

By: Richard D. Briggs, Jr.

Richard D. Briggs, Jr., Director

(Printed Name and Title)

HARRIS TRUST AND SAVINGS BANK

By: Peter Krawchuk

Peter Krawchuk
Vice President

(Printed Name and Title)

SOCIETY NATIONAL BANK, INDIANA

By: Joseph H. Rohs

Joseph H. Rohs V.P.

(Printed Name and Title)

EXHIBITS

A - Application for Loan Advance and Officer's Certificate - ADESA

B - Revolving Loan Notes

C - Line of Credit Notes

D - Form of Canadian Dollar Note

E - Reimbursement Agreement

F - Copy of Letter of Credit No. S-4269-G and Extension Letter

G - Amendment to Collateral Documents

H - Subsidiary Guaranty Agreement

I - Subsidiary Security Agreement

J - Amended Schedule to Pledge Agreement

K - Inter-Company Note

L - Inter-Company Security Agreement

M - Opinion of Counsel for ADESA

N - Subordination agreement between ADESA, Minnesota Power & Light Co., or a wholly-owned subsidiary thereof and the Banks

O - Subsidiary Pledge Agreement

SCHEDULES

A - List of Bank Parties Hereto

4.e. Schedule of Exceptions

4.m. Schedule of Subsidiaries

SCHEDULE A TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT
LIST OF BANKS PARTIES THERETO AND
SCHEDULE OF COMMITMENT AMOUNTS

	COMMITMENT AMOUNTS		
BANK NAME AND ADDRESS	LINE OF CREDIT	REVOLVING LOAN	DIRECT PAY LETTER OF CREDIT
Bank One Indianapolis, NA 111 Monument Circle, Suite 1921 Indianapolis, Indiana 46227-0119 Attn: Metropolitan Department B	$ 6,000,000	$17,333,333	$ 7,615,922
PNC Bank, Kentucky, Inc. 500 West Jefferson Louisville, Kentucky 40202 Attn: Ralph A. Phillips	2,516,129	7,268,818	$ 3,193,773
First Tennessee Bank National Association 165 Madison Avenue Memphis, Tennessee 38103 Attn: William J. Harter	3,387,097	9,784,946	4,299,310
The First National Bank of Boston 100 Federal Street Mail Stop 01-20-09 Boston, Massachusetts 02110 Attn: Rick Briggs, Jr	3,000,000	8,666,667	3,807,960
Harris Trust and Savings Bank 111 West Monroe Street P.O. Box 755 Chicago, Illinois 60690 Attn: Peter Krawcuk	1,548,387	4,473,118	1,965,399
Society National Bank, Indiana 800 Market Tower 10 West Market Street Indianapolis, Indiana 46204-2962 Attn: Joe Rohs	1,548,387	4,473,118	1,965,399
Total:	$18,000,000	$52,000,000	$22,847,763

FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

This FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT is entered into this 18th day of January, 1996 by and among ADESA CORPORATION ("ADESA"), ADESA FUNDING CORPORATION ("Funding"), the BANKS PARTIES HERETO (the "Banks") and BANK ONE INDIANAPOLIS, National Association, as Agent (the "Agent").

WITNESSETH:

WHEREAS, ADESA, FUNDING, the Banks and the Agent are parties to that certain Fourth Amended and Restated Credit Agreement (the "Credit Agreement") dated July 28, 1995; and

WHEREAS, ADESA is in violation of certain of the financial covenants set forth in the Credit Agreement and has requested that the Banks waive such violations and amend certain of the financial covenants to more accurately reflect ADESA's financial condition; and

WHEREAS, the Banks are willing to amend certain of the financial covenants upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the Banks' agreement to waive certain violations and to amend certain covenants and, for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. (a) The following definitions set forth in Section 1 of the Credit Agreement are hereby amended to read in their entirety as follows:

a.a. Coverage. "Coverage" means the ratio computed on a consolidated basis (exclusive of AFC) for each period of four (4) consecutive fiscal quarters of ADESA equal to the sum of ADESA's consolidated net income plus depreciation, amortization expense, excluding amortization related to any environmental liabilities, and interest expense, plus lease expenses related to any AHC Lease Transaction, plus or minus gains or losses from the sale of assets or other extraordinary gain or loss items (net of any related tax benefits), plus or minus any change in deferred income taxes, over the sum of principal payments on unsubordinated long-term debt plus interest expense, capital expenditures, and lease expenses related to any AHC Lease Transaction. For purposes of this definition, capital expenditures shall mean all capital expenditures less those amounts funded with additional Subordinated Debt, additional equity or additional advances under the ADESA Revolver, made or incurred during the period for which the ratio is being calculated and provided that in no event shall capital expenditures be reduced below zero.

dddd. Subordinated Debt. "Subordinated Debt" means the indebtedness owed by ADESA to ADESA Holdings, Inc. In a principal amount not to exceed $40,000,000, and any indebtedness of ADESA or a Subsidiary which is subordinated to all of the Obligations on such terms that such indebtedness is, in the judgment of the Required Banks, reasonably exercised and confirmed in writing by the Agent to ADESA, the functional equivalent of equity in relation to the Obligations.

eeee. Subordination Agreement. "Subordination Agreement" means that certain agreement among ADESA, ADESA Holdings, Inc. and the Agent regarding the subordination of advances from ADESA Holdings, Inc. to ADESA to the Obligations, as such agreement may be amended from time to time.

(b) The following definitions are added to Section 1:

pppp. ADESA Holdings, Inc. "ADESA Holdings, Inc." is a Minnesota corporation and a wholly-owned subsidiary of Minnesota Power & Light Company, and is a party to the Subordination Agreement.

qqqq. Senior Funded Debt. "Senior Funded Debt" means Funded Debt less Subordinated Debt.

2. Covenant Amendments. (a) The following financial convenants set forth in Section 6.g. of the Credit Agreement are hereby amended in their entirety as follows:

(i) Tangible Capital Base. ADESA shall maintain its Tangible Capital Base at levels not less than those shown in the following table for the periods indicated:

Period	Tangible Capital Base
from January 31, 1996 until fiscal year end 1996	$80,000,000
at fiscal year end 1996 and until fiscal year end 1997	$85,000,000
at fiscal year end 1997 and at all times thereafter	$90,000,000

(iii) Coverage. For each period of four (4) consecutive fiscal quarters, ADESA shall maintain Coverage of not less than 1.20 to 1.0 at all times.

(iv) Funded Debt. For each period of four (4) consecutive fiscal quarters ending during the periods designated below, ADESA shall maintain its ratio of Funded Debt to EBITDAL at levels not greater than those shown in the following table:

Period	Funded Debt/EBITDAL
At December 31, 1995 through March 30, 1996	7.50 to 1.0
At March 31, 1996 through June 29, 1996	7.0 to 1.0
At June 30, 1996 through September 29, 1996	6.50 to 1.0
At September 30, 1996 through December 30, 1996	5.75 to 1.0
At December 31, 1996 and at all times thereafter	4.75 to 1.0

(b) The following financial covenant is hereby added to Section 6.g. of the Credit Agreement:

(v) Senior Funded Debt. For each period of four (4) consecutive fiscal quarters ending during the periods designated below, ADESA shall maintain its ratio of Senior Funded Debt to EBITDAL at levels not greater than those shown in the following table:

Period	Senior Funded Debt /EBITDAL
At December 31, 1995 through March 30, 1996	5.50 to 1.0
At March 31, 1996 through September 29, 1996	4.25 to 1.0
At September 30, 1996 through December 30, 1996	4.0 to 1.0
At December 31, 1996 and at all times thereafter	3.75 to 1.0

(c) Section 7.k. of the Credit Agreement is hereby amended to increase the amount of Subordinated Debt under Section 7.k.(iii) to $40,000,000.

(d) Notwithstanding any provision in the Credit Agreement to the contrary, ADESA agrees to provide the monthly financial statement for March 31, 1996 not later than April 30, 1996.

4. Conditions Precedent to Amendment. On or prior to the date of execution of this Amendment or at such later date as set forth herein, the following conditions precedent shall

have been fulfilled by ADESA, unless waived or extended at the discretion and upon the consent of all of the Banks:

(a) Not later than January 31, 1996, ADESA and ADESA Holdings, Inc. shall have executed and delivered to the Agent an Amendment to Subordination Agreement, together with a Substitute Subordinated Note (as defined in the Subordination Agreement) evidencing an increase in the line of credit provided by ADESA Holdings, Inc. to ADESA. Such Line of Credit shall be increased to not less than $30,000,000. Further, ADESA and ADESA Holdings, Inc. shall agree that no payments will be made on the Line of Credit prior to September 30, 1996, notwithstanding any provisions in the Subordination Agreement or Subordinated Note to the contrary, and then only if such payments are made in compliance with all of the provisions of the Subordination Agreement and the Credit Agreement.

(b) Not later than January 31, 1996, ADESA shall have received not less than $15,000,000 in additional equity and shall provide such evidence of the receipt of equity as the Required Banks shall request.

(c) Not later than January 31, 1996, ADESA shall make a $15,000,000 principal reduction on the ADESA Revolver and no further borrowing under the ADESA Revolver will be permitted until such time as ADESA provides a Compliance Certificate to the Banks indicating compliance with the financial convenants in the Credit Agreement.

(d) ADESA shall deliver to the Agent for the benefit of the Banks the following duly executed documents with respect to each new Subsidiary formed by ADESA since the date of the Credit Agreement at such time as any such Subsidiary acquires any assets:

(i) Certified copies of the organizational documents of each such Subsidiary;

(ii) Subsidiary Guaranty Agreement;

(iii) Subsidiary Security Agreement;

(iv) Intercompany Demand Note;

(v) Intercompany Security Agreement;

(vi) UCC-1 Financing Statements for the State of Indiana and all states in which such Subsidiary does business;

(vii) Amended Pledge Agreement Schedule of ADESA, together with original Stock Certificates and Stock Powers for all new Subsidiaries; and

(viii) Certified Resolutions, Incumbency Certificate and Solvency Certificate for each such Subsidiary.

(e) ADESA shall deliver to the Agent Certified Resolutions authorizing the execution and delivery of this Amendment, the Amendment to Subordination Agreement and the Substitute Subordinated Note.

(f) ADESA and Minnesota Power & Light Company ("MPL") shall have delivered a Comfort Letter with respect to MPL's agreement to take such action as necessary to insure that ADESA is in compliance with the Senior Funded Debt covenant in Section 6.g(v) of the Credit Agreement at March 31, 1996, and including such other terms as shall be negotiated between MPL, ADESA, and the Banks, together with a certified resolution of the Board of Directors of MPL authorizing the execution and delivery of the Comfort Letter, not later than January 31, 1996.

(g) ADESA shall deliver a Secretary's Certificate regarding the names of the officer or officers authorized to sign the Amendment, together with a sample of the true signature of each such officer and certifying any amendments to the organizational documents of ADESA, together with any such amendments.

5. Waiver Fee. In consideration of the Banks' agreement to waive certain financial covenant violations by ADESA, ADESA agrees to pay a waiver fee, on or prior to the date of execution of this Amendment, equal to 10 basis points on the total amount of the ADESA Revolver Commitment, the Line of Credit Commitment and the Maximum Available Credit in effect as of the date hereof.

6. Representations and Warranties. ADESA hereby certifies that the representations and warranties set forth in the Credit Agreement are true and correct as if made on the date hereof and that no Event of Default or Unmatured Event of Default has occurred or in continuing, except those which have been specifically waived by the Required Banks. Except as hereby amended, the Credit Agreement remains in full force and effect.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto, by their duly authorized officers, have executed this Amendment as of the date first written above.

ADESA CORPORATION

By Jeffrey K. Harty

Jeffrey K. Harty, Treasurer

(Printed Name & Title)

ADESA FUNDING CORPORATION

By Jerry Williams

Jerry Williams, Secretary

(Printed Name & Title)

BANK ONE, INDIANAPOLIS, National Association

By Brian D. Smith

Brian D. Smith, Vice President

PNC BANK, KENTUCKY, INC.

By Ralph A. Phillips

Ralph A. Phillips, Vice President

(Printed Name & Title)

THE FIRST NATIONAL BANK OF BOSTON

By Richard D. Briggs, Jr.

Richard D. Briggs, Jr. Director

(Printed Name & Title)

FIRST TENNESSEE BANK NATIONAL ASSOCIATION

By William J. Harter

William J. Harter, V.P.

(Printed Name & Title)

HARRIS TRUST AND SAVINGS BANK

By Peter Krawchuk

Peter Krawchuk, Vice President

(Printed Name & Title)

SOCIETY NATIONAL BANK, INDIANA

By

(Printed Name & Title)

Exhibit 10(p)

May 8, 1995

Edwin L. Russell
86 Buena Vista Avenue
Rumson, NJ 07760

RE: Employment Agreement

Dear Mr. Russell:

As authorized by the Board of Directors of Minnesota Power, I am pleased to offer you employment at Minnesota Power under the financial terms stated on the attached term sheet dated May 8, 1995. Your employment and compensation package will be effective as of May 1, 1995.

Upon your acceptance, you will be elected to the Board of Directors of Minnesota Power and to the office of President of Minnesota Power effective May 9, 1995. Additionally, it is the Board's intent to elect you to the offices of President & CEO at its January 1996 meeting, and to the offices of Chairman, President, and CEO at the Annual Directors' Meeting held in May 1996.

Please indicate your acceptance by signing below and returning the enclosed copy of this letter to me.

Sincerely,

Arend J. Sandbulte

Arend J. Sandbulte

Attachment

- ---

I hereby accept Minnesota Power's offer of employment under the terms stated above and in the attached term sheet.

Edward L. Russell	May 8, 1995
- ----------	----------
Signature	Date

May 8, 1995

FINANCIAL TERMS — A.J.S.
ED RUSSELL — E.L.R.

TITLE:
- ------
*At inception: President. Also member, Board of Directors
*At January 1996 Board Meeting: President & CEO
*At May 1996 Annual Shareholders Meeting: Chairman, President & CEO

COMPENSATION:
- -------------
*Upon acceptance: $25,000 starting bonus
*Base pay: $300,000 annual salary
*Upon becoming President & CEO: Increase in base pay to $325,000/year
*Guaranteed bonus to be paid April 1996: $125,000 (to be reduced by any bonus payments received from Huber for 1995 performance)
*Next base pay review May 1997 (any change to be effective on June 1): Based on performance during 1996
*Bonus payments in April 1997 to be based on results during 1996 under approved MP incentive plans (Annual Incentive Plan, Long-term Incentive Plan, Results Sharing Plan, etc.) in place at beginning of 1996

BENEFITS:
- ---------
*Standard Minnesota Power programs, including flexible compensation, medical, dental, death and disability, retirement and supplemental retirement, SERP, etc. Following are several highlights:
  - *Group life insurance up to $750,000 is obtained through flex plan funding (with evidence of insurability)
  - *Survivor Income Benefits (SIB), payable to spouse, equal to 50% of base pay, less primary Social Security benefit (payable for life)
  - *Long-term disability equal to 100% of base in first year, then 60% of base to age 65, then normal retirement benefit for life
  - *Supplemental Executive Retirement Plan (SERP): make-whole on Section 415 limits, retirement benefit resulting from highest four-year Annual Incentive Plan awards, etc.
  - *Long-term Incentive: Payment prorated starting in 1995 (i.e., 25% at the end of 1995, 50% at the end of 1996, 75% at the end of 1997, 100% at the end of 1998)

STOCK AWARD:
- ------------
*24,000 shares restricted stock
*Vesting at rate of 6,000 shares per year
*Dividends on 24,000 shares used to pay taxes

DISMISSAL:
- ----------
*24 months of base pay, to be reduced by each month of service
*Retention of any vested stock

RELOCATION:
- -----------
*Will purchase residence at appraised value if residence is not sold by August 15, 1995. (appraised value equal to average of three independent appraisers)
*Will provide temporary housing in Duluth until Sept. 1, 1995
*Will pay all reasonable relocation expenses

Exhibit 10(q)

EMPLOYMENT AGREEMENT

This agreement is made between Robert D. Edwards ("Employee") and Minnesota Power, a Minnesota corporation, located in Duluth, Minnesota, effective May 1, 1995.

WHEREAS, Employee and Minnesota Power desire to enter into an agreement with respect to certain aspects of the employment relationship existing between them; and

WHEREAS, Employee enters into this agreement voluntarily and of his own free will and deed;

NOW THEREFORE, in consideration of the promises and mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is mutually covenanted and agreed by and between the parties as follows:

1. Employment. Minnesota Power hereby agrees to continue to employ Employee and Employee hereby agrees to continue his employment upon the terms and conditions contained herein.

2. Election to Office. At its Annual Directors' Meeting to be held May 9, 1995, Minnesota Power agrees to elect Employee to the office of Executive Vice President to serve in this capacity until a successor is elected, qualified, or until his earlier resignation or removal.

3. Duties. As requested by Minnesota Power, Employee agrees to devote full working time and best efforts to the service of Minnesota Power from the date hereof through May 31, 1998 in such senior executive capacity, consistent with Employee's experience and abilities, as the Chairman, President, or Chief Executive Officer of Minnesota Power may from time to time reasonably assign. Employee shall at all times during employment hereunder conduct himself in a manner consistent with his

position at Minnesota Power and shall not knowingly perform any act contrary to the best interest of Minnesota Power.

4. Compensation.

(a) Employee's base salary shall be $215,000 per year, payable in biweekly installments or in accordance with the general practice of Minnesota Power from time to time, subject to any increase by the Board of Directors which shall review the salary annually. Employee shall participate in benefit plans of Minnesota Power consistent with the terms of such plans, including the eligibility requirements of such plans. Employee shall be entitled to vacation each year in accordance with vacation policies then in effect.

(b) Minnesota Power shall continue to pay Employee's base salary under this Agreement through May 31, 1998 unless: (i) Employment is earlier terminated pursuant to section 5 of this Agreement, in which case Minnesota Power's obligation to pay any further salary under this agreement shall cease, or (ii) Minnesota Power has released Employee from his obligation to provide full-time services to Minnesota Power as provided under Section 3 of this Agreement and Employee has found other employment, in which case the amount paid by Minnesota Power as stated above shall be reduced by any amounts earned by the Employee in connection with his other employment.

5. Death or Disability.

This Agreement and Employee's employment with Minnesota Power may be terminated immediately upon the occurrence of any one of the following events:

(a) Death of the Employee, or

(b) Physical or mental disability of the Employee which prevents the Employee from performing duties under this Agreement for a consecutive period of at least 120 days or for at least 150 days in a period of 200 days.

6. Term of Agreement. This Agreement shall terminate upon the last date that payment by Minnesota Power is due hereunder. If Employee continues in active, full-time service of Minnesota Power through May 31, 1998, then Employee may continue his employment thereafter, as an at-will employee, for so long as the Employee and Minnesota Power may mutually agree.

7. No Pledge or Assignment. This Agreement is personal to each of the parties hereto and neither party may assign nor delegate any of the rights or obligations hereunder without first obtaining a written consent of the other party.

8. Governing Law. Minnesota Power and Employee agree that this Agreement shall be governed by the laws of the state of Minnesota.

IN WITNESS WHEREOF, Minnesota Power has caused this Agreement to be executed by its duly authorized officer and the Employee has hereunto set his signature as of the day and year first written above.

Chairman of the Board	Employee
Arend J. Sandbulte	R.D. Edwards
- ----------	----------
Signature	Signature
5-23-95	5-23-95
- ----------	----------
Date	Date

Exhibit 10(r)
2/23/95

EXECUTIVE EMPLOYMENT AGREEMENT

EXECUTIVE EMPLOYMENT AGREEMENT made this 23rd day of February, 1995 by and between ADESA CORPORATION ("ADESA") and D. Michael Hockett ("Executive").

WHEREAS, Minnesota Power & Light Company ("MPL"), ADESA, Executive and others have entered into a letter agreement dated January 5, 1995 ("Letter of Intent") which contemplates, among other things, that a subsidiary of MPL will be merged with and into ADESA (the "Merger") pursuant to the terms of an Agreement and Plan of Merger of even date among ADESA, Executive and others (the "Merger Agreement"), that ADESA will survive the Merger, and that (i) in connection with the Merger, Executive will sell a portion, but not all, of his shares of common stock of ADESA and his unexercised stock options will be canceled; and

WHEREAS, the Letter of Intent contemplates that immediately after the Merger, MPL will own 80% of the issued and outstanding capital stock of ADESA and certain executives of ADESA ("Management Shareholders"), including Executive, will own the remaining 20% of the capital stock of ADESA, in order to provide the Management Shareholders, including Executive, with an incentive to continue their employment with ADESA; and

WHEREAS, MPL will not undertake the Merger unless it is assured that after the Merger, ADESA will continue to have available to it the services of Executive; and

WHEREAS, to induce MPL to enter into the Merger Agreement contemplated by the Letter of Intent, and thereafter to consummate the Merger, Executive and ADESA desire to enter into this Executive Employment Agreement, upon the terms and conditions hereof including those providing for noncompetition and nondisclosure covenants on the part of Executive.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter set forth the parties agree as follows:

1. Employment. ADESA hereby agrees to continue to employ the Executive, and the Executive hereby accepts such engagement and agrees to continue to serve ADESA, on the terms and conditions set forth herein.

2. Term. The employment of the Executive by ADESA as provided in Section 1 will commence at the Effective Time, as that term is defined in the Merger Agreement, and end on April 30, 1999, unless further extended or sooner terminated as hereinafter provided.

3. Position and Duties. The Executive shall serve as an officer of ADESA and shall have such responsibilities, duties and authority as he may have as of the date hereof (or any position to which he may be promoted after the date hereof) and any other office as may from time to time be assigned to the Executive by ADESA's board of directors (the "Board") that are consistent with such responsibilities, duties and authority. The Executive shall devote substantially all his working time and efforts to the business and affairs of ADESA. Attached hereto as Schedule A is a list of all businesses, other than ADESA and its subsidiaries, to which the Executive currently devotes any material amount of working time.

4. Compensation and Related Matters.

4.1 Salary. During the period of the Executive's employment hereunder ADESA will pay to the Executive an annual base salary of $300,000.00. This salary may be increased, but not decreased, annually by the board of directors in its sole discretion, commencing on January 1, 1996. Salary shall be paid in monthly or other installments in accordance with the general practice of ADESA from time to time.

4.2 Performance Bonus. ADESA may pay the Executive a performance bonus ("Performance Bonus") if the board of directors in its sole discretion so determines.

4.3 Fringe Benefits. The Executive shall be entitled to participate in and to receive benefits, without duplication, under such 401(k) profit sharing, pension, life insurance, accident insurance, health insurance, hospitalization and all other "Employee Benefit Plans", as said term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, as ADESA may establish and maintain from time to time during the term hereof and for which Executive continues to qualify subject, however, to ADESA's right to amend or terminate any such plan. Notwithstanding the foregoing, Executive shall be entitled to participate in the incentive compensation plan contemplated by Section 7.6 of and Exhibit B to the Merger Agreement ("Incentive Compensation Plan") only to the extent determined from time to time by the board of directors in its sole discretion.

4.4 Vacation. The Executive shall be entitled to vacation in each fiscal year, determined in accordance with ADESA's vacation policy in effect on the date hereof and from time to time during the term hereof. The Executive shall also be entitled to all paid holidays and personal days given by ADESA to its executives.

4.5 Expenses. ADESA will reimburse the Executive for all reasonable business expenses incurred in performing services hereunder upon the Executive's presentation to ADESA

from time to time of itemized accounts describing such expenditures, all in accordance with ADESA's policy in effect from time to time with respect to the reimbursement of business expenses.

4.6 Withholding. All compensation paid to the Executive under this Section 4 shall be subject to required withholding for federal and state income taxes, FICA contributions and other required deductions.

5. Termination.

5.1 Death. The Executive's employment hereunder shall terminate upon his death.

5.2 By ADESA for Disability. ADESA shall have the right to terminate the Executive's employment hereunder if the Executive becomes Disabled, upon delivery of a Notice of Termination to the Executive. For the purposes hereof the Executive shall be deemed "Disabled" if: (i) as a result of the Executive's incapacity due to physical or mental illness, including chemical dependency, the Executive shall have been absent from his full time duties with ADESA for six months during any 12 month period; or (ii) the Executive is found to be permanently disabled by (A) any insurer of ADESA pursuant to the terms of any disability insurance contract covering Executive which is then in effect, (B) the Social Security Administration for purposes of Social Security disability payments, or (C) by any tribunal or court.

5.3 By ADESA for Cause. ADESA may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, ADESA shall have "Cause" to terminate the Executive's employment hereunder upon (a) the failure by the Executive to perform his material duties hereunder after written demand for performance is delivered by ADESA that specifically identifies the manner in which ADESA believes the Executive has not performed his duties, or (b) the willful engaging by the Executive in conduct which is contrary to the interests of ADESA, monetarily or otherwise. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause without (1) reasonable notice to the Executive setting forth the reasons for ADESA's intention to terminate for Cause, (2) an opportunity for the Executive, together with his counsel, to be heard before the Board, and (3) delivery to the Executive of a Notice of Termination from the Board finding that in the good faith opinion of the Board the Executive was guilty of conduct set forth above in clause (a) or (b) hereof, and specifying the particulars thereof in detail.

5.4 By ADESA Without Cause. ADESA may terminate the Executive's employment hereunder without Cause upon delivery to the Executive of a Notice of Termination.

5.5 By Executive. Prior to the expiration of the Term the Executive may terminate the Executive's employment with ADESA for any of the reasons set forth below.

(a) At any time for Good Reason. For purposes of this Agreement the term "Good Reason" means (i) a failure by ADESA to comply with any material provision of this Agreement which has not been cured within 10 days after written notice of such noncompliance has been given by the Executive to ADESA, (ii) a substantial adverse alteration in the nature or status of the Executive's responsibilities, (iii) that ADESA has required in writing that the Executive move his principal office location to a new location that is not the same as ADESA's then principal place of business or (iv) any purported termination of the Executive's employment which is not consistent with Sections 5.2, 5.3 or 5.4 hereof; or

(b) If ADESA imposes material restrictions or limitations on ADESA's existing personnel or ethics policies (except for such changes as are, at any time, required by law) which are not removed within 30 days after written notice of such imposition by Executive.

5.6 Notice of Termination. Any termination of the Executive's employment by ADESA or by the Executive (other than termination pursuant to subsection 5.1 hereof) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall, in the case of a termination under Section 5.3 or 5.5, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

5.7 Date of Termination. "Date of Termination" shall mean: (a) if the Executive's employment is terminated by his death, the date of his death; and (b) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination.

6. Compensation Upon Termination or During Disability.

6.1. During Disability and Upon Termination Due to Disability. During any period that the Executive fails to perform his duties hereunder as a result of incapacity due to

physical or mental illness ("disability period"), the Executive shall continue to receive his full base salary at the rate then in effect for such period (offset by any payments to the Executive received pursuant to disability benefit plans maintained by ADESA or disability benefits from governmental entities) until his employment is terminated pursuant to Section 5.2 hereof, and upon such termination, the Executive shall be entitled to all amounts to which the Executive is entitled pursuant to applicable law and Employee Benefit Plans, all in accordance with the terms thereof as amended from time to time. In addition, if Executive is terminated under Section 5.2, ADESA will pay to Executive, on the date the same would have been payable under Section 4.2 and the Incentive Compensation Plan if Executive had not been terminated, any Performance Bonus and any Incentive Compensation Plan payments that would have been payable to the Executive for the year in which the Disability occurred, pro-rated to the Date of Termination.

6.2. Death. If the Executive's employment is terminated by his death, ADESA shall within 10 days following the date of the Executive's death pay to the Executive's estate his full unpaid base salary at the rate then in effect, through the Date of Termination, together with any other amounts to which the Executive is entitled pursuant to applicable law and ADESA Employee Benefit Plans, all in accordance with the terms thereof as amended from time to time. In addition, if Executive's employment is terminated under Section 5.1, ADESA will pay to the Executive's estate, on the date the same would have been payable under Section 4.2 and the Incentive Compensation Plan if Executive had not died, any Performance Bonus and any Incentive Compensation Plan payments that would have been payable to the Executive for the year in which his death occurred, pro-rated to the Date of Termination.

6.3. By ADESA For Cause or By Executive In Breach Hereof. If the Executive's employment is terminated by ADESA for Cause, ADESA shall pay the Executive at the regular time salary payments are due hereunder his full base salary through the Date of Termination. If the Executive terminates his employment in breach hereof, ADESA shall pay Executive, at the rate in effect at the time of such termination, through the date on which the Executive terminates his employment. In either of such events, except as aforesaid, ADESA shall have no further obligations to the Executive under this Agreement and, except for any claims which ADESA may have against Executive (i) for breach of contract, (ii) based upon, related to or arising out of the event or events which resulted in the termination of Executive for Cause and (iii) under Sections 7, 8, 9 and 10 hereof, Executive shall have no further obligations to ADESA under this Agreement.

6.4 Without Cause or by Executive For Good Reason. If (a) ADESA terminates the Executive's employment without Cause under Section 5.4, or (b) the Executive terminates his employment for Good Reason as defined in Section 5.5(a), then ADESA shall pay the Executive at the regular time salary payments are due hereunder his full base salary through April 30, 1999 at the rate in effect at the time Notice of Termination is given. In addition, ADESA will pay to Executive, on the date the same would have been payable under Section 4.2 and the Incentive Compensation Plan, any Performance Bonus and any Incentive Compensation Plan payments that would have been payable to the Executive under Section 4.2 and the Incentive Compensation Plan for the year in which such termination occurred.

6.5 Termination by Executive Under Section 5.5(b). If Executive terminates his employment with ADESA under Section 5.5(b), then ADESA shall pay Executive at the regular time salary payments are due hereunder his full base salary for one full year or, if earlier, until April 30, 1999. In addition, ADESA will pay to Executive, on the date the same would have been payable under Section 4.2 and the Incentive Compensation Plan, any Performance Bonus and any Incentive Compensation Plan payments that would have been payable to the Executive under Section 4.2 and the Incentive Compensation Plan for the year in which such termination occurred pro-rated to the date on which the Executive terminated his employment.

6.6. Certain Benefit Plans. Except as otherwise provided by law or any applicable Employee Benefit Plan, unless the Executive is terminated for Cause or the Executive terminates his employment with ADESA in breach of this Agreement, the Executive shall be entitled to continue to participate, after termination, in all Employee Benefit Plans, to the extent permitted under the terms thereof as amended from time to time, but ADESA shall have no obligation to make any further payments with respect thereto on behalf of Executive.

7. Non-Disclosure. Executive acknowledges that he has received and will continue to receive and contribute to the production of Confidential Information. Except as required by his duties hereunder, Executive will not, either during his employment by ADESA (or until April 30, 1999, if longer, and if Executive is receiving payments under Section 6.4 hereof) or for three years thereafter, use any Confidential Information for his own benefit or disclose any Confidential Information to any third person. The Executive agrees to refrain from any acts or omissions that would reduce the value of the Confidential Information. Upon termination of Executive's employment with ADESA, Executive shall leave with or return to ADESA all records, correspondence, compositions, articles, writing, programs, codes, devices, equipment, prototypes and other papers which incorporate, embody or disclose any

Confidential Information (whether written, prepared or made by Executive or others), including all copies and memorializations thereof. The obligations set forth in this Section 7 shall not apply to any information or knowledge the entirety of which is now publicly known or subsequently becomes publicly known, other than as a direct or indirect result of the breach of this Agreement by the Executive or the breach of a confidentiality obligation owed to ADESA by any third party. For the purposes hereof:

(a) The term "Confidential Information" means all information or material proprietary to ADESA or any of its subsidiaries or designated as Confidential Information by ADESA or any of its subsidiaries and not generally known other than by personnel of ADESA or its subsidiaries, of or to which Executive obtains knowledge or access through or as a result of Executive's relationship (whether prior or subsequent to the date hereof) with ADESA (including information conceived, originated, discovered or developed in whole or in part by Executive). Confidential Information includes, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing), discoveries, inventions (whether or not patentable), ideas, concepts, software in various stages of development, designs, drawings, specifications, techniques, models, data, devices, source codes, object codes, documentation, formulae, patterns, computations, diagrams, flow charts, research and development data, programs, processes, procedures, know-how, Trade Secrets, marketing techniques and materials, marketing and development plans, customer names and other information related to customers, price lists, pricing policies and financial information. Confidential Information also includes any information described above which ADESA or any of its subsidiaries obtains from another party and which ADESA or any of its subsidiaries treats as proprietary or designates as Confidential Information, whether or not owned by or developed by ADESA or any of its subsidiaries.

(b) The term "Trade Secrets" means information, including a formula pattern, compilation, program device, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

8. Covenant Not to Compete.

8.1 Agreement Not To Compete. The Executive agrees that, for a period of three (3) years commencing on the later of (i) his termination of employment or (ii) the date the last payment is made to Executive under Section 6.4 or Section 6.5 hereof, he will not within a territory consisting of the continental United States and Canada, engage or be interested in (x) the vehicle redistribution business (except that Executive may engage in the retail or wholesale sale of vehicles, other than as an owner of, employee of or consultant to a vehicle auction), (y) the vehicle auction business or (z) the dealer floorplan financing business. The Executive shall be deemed to be interested in a business if the Executive is engaged or interested in that business as a shareholder, director, officer, employee, independent contractor, agent, partner, individual proprietor, consultant or otherwise, but not if such interest is limited solely to passive investments existing on the date hereof or the ownership of 5% or fewer of the equity or debt securities of any entity whose shares are listed for trading on a national securities exchange or traded in the over the counter market.

8.2 Indirect Competition. The Executive agrees that during the term of his employment (or until April 30, 1999, if longer, and if Executive is receiving payments under Section 6.4 hereof) by ADESA and for a period of three years thereafter, the Executive will not, directly or indirectly, assist or encourage any other person in carrying out, directly or indirectly, any activity that would be prohibited by the provisions of Section 8.1 if such activity were carried out by the Executive either directly or indirectly. In particular, but not as a limitation, the Executive agrees that he will not, directly or indirectly, induce any employee of ADESA or any of its subsidiaries to carry out, directly or indirectly, any such activity.

8.3 Necessary and Reasonable; Ancillary to Purchase. The Executive agrees that the covenants provided for in Sections 8.1 and 8.2 hereof are ancillary to the purchase of stock of ADESA by MPL and are necessary and reasonable in order to protect ADESA, its subsidiaries and MPL in the conduct of their respective businesses and to protect ADESA, its subsidiaries and MPL in the utilization of the assets, tangible and intangible, including the goodwill of ADESA, purchased by MPL pursuant to the Merger Agreement.

9. No Solicitation. The Executive agrees that during the term of his employment by ADESA (or until April 30, 1999, if longer, and if Executive is receiving payments under Section 6.4 hereof) and for a period of three years thereafter he will not, directly or indirectly, on behalf of himself or another, solicit

the hiring on any basis of any person employed by ADESA or any of its subsidiaries.

10. Injunctive Relief. The Executive agrees that it would be difficult to compensate ADESA, its subsidiaries or MPL fully for damages for any violation of the provisions of Sections 7, 8, or 9 of this Agreement. Accordingly, the Executive specifically agrees that any of ADESA, its subsidiaries or MPL shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Agreement, that such relief may be granted without the necessity of proving actual damages, and that, in connection with any such proceeding the Executive shall waive the defense that ADESA, its subsidiaries or MPL, as the case may be, has an adequate remedy at law. This provision with respect to injunctive relief shall not, however, diminish the right of ADESA, its subsidiaries or MPL to claim and recover damages in addition to injunctive relief.

11. Arbitration of all Disputes. Except for matters arising under Sections 7, 8, 9 or 10 hereof, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of Indianapolis, Indiana, in accordance with the rules of the American Arbitration Association then in effect, or, if the parties shall agree in writing, by mediation, and judgment upon the award rendered by the arbitrators or mediator, as the case may be, may be entered in any court having jurisdiction thereof.

12. Early Termination of Sections 7, 8, 9 and 10. Sections 7, 8, 9 and 10 hereof shall apply only so long as (i) ADESA and its subsidiaries continue to be engaged in the vehicle auction business as a principal line of business and (ii) MPL and the Management Shareholders own more than 50% of the outstanding shares of common stock of ADESA.

13. Miscellaneous.

13.1 Recitals. The recitals to this Agreement are true and correct and constitute substantive provisions of this Agreement.

13.2 No Assignment. Neither this Agreement nor any rights or obligations hereunder may be assigned or delegated by any party hereto without the written consent of the other parties.

13.3 Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be considered to have been duly given or served if personally delivered, telecopied, sent by national overnight delivery service, or sent by certified or registered mail, return receipt requested, postage prepaid, to Executive at the address last shown for the Executive in the records of

ADESA or the last address he has filed in writing with ADESA or, in the case of ADESA, to its principal executive office, attention President. All notices shall be copied to MPL at 30 West Superior Street, Duluth, Minnesota 55822, Attention: Chairman of the Board. Such notice shall be deemed to be received when delivered if delivered personally, the next business day after receipt of electronic sent confirmation (or other confirmation of receipt) if telecopied, the next business day if sent by a national overnight delivery service, or three business days after the date mailed if sent by certified or registered mail. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

13.4 Governing Law. The provisions of this Agreement shall be construed and the rights and obligations of the parties determined in accordance with the laws of the State of Indiana, notwithstanding the choice of law rules of Indiana or any other jurisdiction.

13.5 Entire Agreement; Amendment. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein shall, with respect to the Executive, be of no further force or effect. This Agreement may not be modified or amended without the prior written consent of MPL, and then may only be modified or amended by an instrument in writing duly executed by Executive and ADESA.

13.6 Meanings of Pronouns; Singular and Plural Words. All pronouns used in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person to which or to whom reference is made may require. Unless the context in which it is used shall clearly indicate to the contrary, words used in the singular shall include the plural, and words used in the plural shall include the singular.

13.7 Interpretation. When a reference is made in this Agreement to Sections or Exhibits such reference shall be to a Section or Exhibit to this Agreement unless otherwise indicated. Whenever the words "include," "includes," or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

13.8 Benefit. This Agreement shall inure to the benefit of and be enforceable by Executive or by Executive's personal and legal representatives, executors, administrators, heirs, devisees and legatees. In addition, it is the intention of

the parties that MPL be a third party beneficiary of this Agreement, entitled to enforce this Agreement for and on behalf of ADESA.

13.9 Severability. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, the invalid or unenforceable portion of such provision shall be deleted from this Agreement, and the validity and enforceability of the remainder of such provision and of this Agreement shall be unaffected. The Executive acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement shall be construed in a manner which renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

13.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

13.11 Survival. Except as provided in Section 12, the provisions of Sections 7, 8, 9 and 10 shall survive any termination of this Agreement and the termination of the Executive's employment hereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the day and year first written above, effective as aforesaid.

ADESA CORPORATION

By D. Michael Hockett

Its President

D. Michael Hockett

Executive

Mike Hockett business interests other than ADESA
February 20, 1995

	Company	Percent of Ownership	Position
1	Good News Construction, Inc.	50%	Stockholder & Director
2	CIL, Inc.	100%	Stockholder, Director and Officer
3	ADE of Panama City, Inc.	37.50%	Stockholder & Director
4	UC Investment, Inc.	37%	Stockholder & Director
5	Classic Housing, Inc.	43.75%	Stockholder
6	F&H Company of Indiana, Inc.	50%	Stockholder & Director
7	Nineteenth Star, LLC	28.88%	Member
8	T/R Systems, Inc.		Preferred Stockholder
9	Eagle Investments, LLC	undetermined	Member and Manager

	Purpose of Company
1	Owns real estate and performs construction of real estate
2	Floor plan financing and real estate investments
3	Toyota and Mitsubishi Dealership
4	Owns UC-1, a compnay which owns used car dealerships (buy-here/pay here lots) and finances used car dealerships
5	Manufcatures mobile homes
6	Buys and sells primarily used printing and auction equipment and provides related financial services
7	Produces documentaries for TV
8	Develops computer programming
9	To be formed venture capital company

Schedule A
to
Executive Employment Agreement

Exhibit 10(s)

EMPLOYMENT AGREEMENT

This agreement is made between David G. Gartzke ("Employee") and Minnesota Power, a Minnesota corporation, located in Duluth, Minnesota, effective May 1, 1995.

WHEREAS, Employee and Minnesota Power desire to enter into an agreement with respect to certain aspects of the employment relationship existing between them; and

WHEREAS, Employee enters into this agreement voluntarily and of his own free will and deed;

NOW THEREFORE, in consideration of the promises and mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is mutually covenanted and agreed by and between the parties as follows:

1. Employment. Minnesota Power hereby agrees to continue to employ Employee and Employee hereby agrees to continue his employment upon the terms and conditions contained herein.

2. Election to Office. At its Annual Directors' Meeting to be held May 9, 1995, Minnesota Power agrees to elect Employee to the office of Senior Vice President to serve in this capacity until a successor is elected, qualified, or until his earlier resignation or removal.

3. Duties. As requested by Minnesota Power, Employee agrees to devote full working time and best efforts to the service of Minnesota Power from the date hereof through May 31, 1998 in such senior executive capacity, consistent with Employee's experience and abilities, as the Chairman, President, or Chief Executive Officer of Minnesota Power may from time to time reasonably assign. Employee shall at all times during employment hereunder conduct himself in a manner consistent with his

position at Minnesota Power and shall not knowingly perform any act contrary to the best interest of Minnesota Power.

4. Compensation.

(a) Employee's base salary shall be $169,000 per year, payable in biweekly installments or in accordance with the general practice of Minnesota Power from time to time, subject to any increase by the Board of Directors which shall review the salary annually. Employee shall participate in benefit plans of Minnesota Power consistent with the terms of such plans, including the eligibility requirements of such plans. Employee shall be entitled to vacation each year in accordance with vacation policies then in effect.

(b) Minnesota Power shall continue to pay Employee's base salary under this Agreement through May 31, 1998 unless: (i) Employment is earlier terminated pursuant to section 5 of this Agreement, in which case Minnesota Power's obligation to pay any further salary under this agreement shall cease, or (ii) Minnesota Power has released Employee from his obligation to provide full-time services to Minnesota Power as provided under Section 3 of this Agreement and Employee has found other employment, in which case the amount paid by Minnesota Power as stated above shall be reduced by any amounts earned by the Employee in connection with his other employment.

5. Death or Disability.

This Agreement and Employee's employment with Minnesota Power may be terminated immediately upon the occurrence of any one of the following events:

(a) Death of the Employee, or

(b) Physical or mental disability of the Employee which prevents the Employee from performing duties under this Agreement for a consecutive period of at least 120 days or for at least 150 days in a period of 200 days.

6. Term of Agreement. This Agreement shall terminate upon the last date that payment by Minnesota Power is due hereunder. If Employee continues in active, full-time service of Minnesota Power through May 31, 1998, then Employee may continue his employment thereafter, as an at-will employee, for so long as the Employee and Minnesota Power may mutually agree.

7. No Pledge or Assignment. This Agreement is personal to each of the parties hereto and neither party may assign nor delegate any of the rights or obligations hereunder without first obtaining a written consent of the other party.

8. Governing Law. Minnesota Power and Employee agree that this Agreement shall be governed by the laws of the state of Minnesota.

IN WITNESS WHEREOF, Minnesota Power has caused this Agreement to be executed by its duly authorized officer and the Employee has hereunto set his signature as of the day and year first written above.

Chairman of the Board	Employee
Arend J. Sandbulte	David G. Gartzke
- ----------	----------
Signature	Signature
5-22-95	5-22-95
- ----------	----------
Date	Date

Exhibit 10(t)

2/23/95

EXECUTIVE EMPLOYMENT AGREEMENT

EXECUTIVE EMPLOYMENT AGREEMENT made this 23rd day of February, 1995 by and between ADESA CORPORATION ("ADESA") and Larry S. Wechter ("Executive").

WHEREAS, Minnesota Power & Light Company ("MPL"), ADESA, Executive and others have entered into a letter agreement dated January 5, 1995 ("Letter of Intent") which contemplates, among other things, that a subsidiary of MPL will be merged with and into ADESA (the "Merger") pursuant to the terms of an Agreement and Plan of Merger of even date among ADESA, Executive and others (the "Merger Agreement"), that ADESA will survive the Merger, and that (i) in connection with the Merger, Executive will sell a portion, but not all, of his shares of common stock of ADESA and his unexercised stock options will be canceled; and

WHEREAS, the Letter of Intent contemplates that immediately after the Merger, MPL will own 80% of the issued and outstanding capital stock of ADESA and certain executives of ADESA ("Management Shareholders"), including Executive, will own the remaining 20% of the capital stock of ADESA, in order to provide the Management Shareholders, including Executive, with an incentive to continue their employment with ADESA; and

WHEREAS, MPL will not undertake the Merger unless it is assured that after the Merger, ADESA will continue to have available to it the services of Executive; and

WHEREAS, to induce MPL to enter into the Merger Agreement contemplated by the Letter of Intent, and thereafter to consummate the Merger, Executive and ADESA desire to enter into this Executive Employment Agreement, upon the terms and conditions hereof including those providing for noncompetition and nondisclosure covenants on the part of Executive.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter set forth the parties agree as follows:

1. Employment. ADESA hereby agrees to continue to employ the Executive, and the Executive hereby accepts such engagement and agrees to continue to serve ADESA, on the terms and conditions set forth herein.

2. Term. The employment of the Executive by ADESA as provided in Section 1 will commence at the Effective Time, as that term is defined in the Merger Agreement, and end on April 30, 1999, unless further extended or sooner terminated as hereinafter provided.

3. Position and Duties. The Executive shall serve as an officer of ADESA and shall have such responsibilities, duties and authority as he may have as of the date hereof (or any position to which he may be promoted after the date hereof) and any other office as may from time to time be assigned to the Executive by ADESA's board of directors (the "Board") that are consistent with such responsibilities, duties and authority. The Executive shall devote substantially all his working time and efforts to the business and affairs of ADESA. Attached hereto as Schedule A is a list of all businesses, other than ADESA and its subsidiaries, to which the Executive currently devotes any material amount of working time.

4. Compensation and Related Matters.

4.1 Salary. During the period of the Executive's employment hereunder ADESA will pay to the Executive an annual base salary of $180,000.00. This salary may be increased, but not decreased, annually by the board of directors in its sole discretion, commencing on January 1, 1996. Salary shall be paid in monthly or other installments in accordance with the general practice of ADESA from time to time.

4.2 Performance Bonus. ADESA may pay the Executive a performance bonus ("Performance Bonus") if the board of directors in its sole discretion so determines.

4.3 Fringe Benefits. The Executive shall be entitled to participate in and to receive benefits, without duplication, under such 401(k) profit sharing, pension, life

insurance, accident insurance, health insurance, hospitalization and all other "Employee Benefit Plans", as said term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, as ADESA may establish and maintain from time to time during the term hereof and for which Executive continues to qualify subject, however, to ADESA's right to amend or terminate any such plan. Notwithstanding the foregoing, Executive shall be entitled to participate in the incentive compensation plan contemplated by Section 7.6 of and Exhibit B to the Merger Agreement ("Incentive Compensation Plan") only to the extent determined from time to time by the board of directors in its sole discretion.

4.4 Vacation. The Executive shall be entitled to vacation in each fiscal year, determined in accordance with ADESA's vacation policy in effect on the date hereof and from time to time during the term hereof. The Executive shall also be entitled to all paid holidays and personal days given by ADESA to its executives.

4.5 Expenses. ADESA will reimburse the Executive for all reasonable business expenses incurred in performing services hereunder upon the Executive's presentation to ADESA from time to time of itemized accounts describing such expenditures, all in accordance with ADESA's policy in effect from time to time with respect to the reimbursement of business expenses.

4.6 Withholding. All compensation paid to the Executive under this Section 4 shall be subject to required withholding for federal and state income taxes, FICA contributions and other required deductions.

5. Termination.

5.1 Death. The Executive's employment hereunder shall terminate upon his death.

5.2 By ADESA for Disability. ADESA shall have the right to terminate the Executive's employment hereunder if the Executive becomes Disabled, upon delivery of a Notice of

Termination to the Executive. For the purposes hereof the Executive shall be deemed "Disabled" if: (i) as a result of the Executive's incapacity due to physical or mental illness, including chemical dependency, the Executive shall have been absent from his full time duties with ADESA for six months during any 12 month period; or (ii) the Executive is found to be permanently disabled by (A) any insurer of ADESA pursuant to the terms of any disability insurance contract covering Executive which is then in effect, (B) the Social Security Administration for purposes of Social Security disability payments, or (C) by any tribunal or court.

5.3 By ADESA for Cause. ADESA may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, ADESA shall have "Cause" to terminate the Executive's employment hereunder upon (a) the failure by the Executive to perform his material duties hereunder after written demand for performance is delivered by ADESA that specifically identifies the manner in which ADESA believes the Executive has not performed his duties, or (b) the willful engaging by the Executive in conduct which is contrary to the interests of ADESA, monetarily or otherwise. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause without (1) reasonable notice to the Executive setting forth the reasons for ADESA's intention to terminate for Cause, (2) an opportunity for the Executive, together with his counsel, to be heard before the Board, and (3) delivery to the Executive of a Notice of Termination from the Board finding that in the good faith opinion of the Board the Executive was guilty of conduct set forth above in clause (a) or (b) hereof, and specifying the particulars thereof in detail.

5.4 By ADESA Without Cause. ADESA may terminate the Executive's employment hereunder without Cause upon delivery to the Executive of a Notice of Termination.

5.5 By Executive. Prior to the expiration of the Term the Executive may terminate the Executive's employment with ADESA for any of the reasons set forth below.

(a) At any time for Good Reason. For purposes of this Agreement the term "Good Reason" means (i) a failure by ADESA to comply with any material provision of this Agreement which has not been cured within 10 days after written notice of such noncompliance has been given by the Executive to ADESA, (ii) a substantial adverse alteration in the nature or status of the Executive's responsibilities, (iii) that ADESA has required in writing that the Executive move his principal office location to a new location that is not the same as ADESA's then principal place of business or (iv) any purported termination of the Executive's employment which is not consistent with Sections 5.2, 5.3 or 5.4 hereof; or

(b) If ADESA imposes material restrictions or limitations on ADESA's existing personnel or ethics policies (except for such changes as are, at any time, required by law) which are not removed within 30 days after written notice of such imposition by Executive.

5.6 Notice of Termination. Any termination of the Executive's employment by ADESA or by the Executive (other than termination pursuant to subsection 5.1 hereof) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall, in the case of a termination under Section 5.3 or 5.5, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

5.7 Date of Termination. "Date of Termination" shall mean: (a) if the Executive's employment is terminated by his death, the date of his death; and (b) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination.

6. Compensation Upon Termination or During Disability.

6.1. During Disability and Upon Termination Due to Disability. During any period that the Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness ("disability period"), the Executive shall continue to receive his full base salary at the rate then in effect for such period (offset by any payments to the Executive received pursuant to disability benefit plans maintained by ADESA or disability benefits from governmental entities) until his employment is terminated pursuant to Section 5.2 hereof, and upon such termination, the Executive shall be entitled to all amounts to which the Executive is entitled pursuant to applicable law and Employee Benefit Plans, all in accordance with the terms thereof as amended from time to time. In addition, if Executive is terminated under Section 5.2, ADESA will pay to Executive, on the date the same would have been payable under Section 4.2 and the Incentive Compensation Plan if Executive had not been terminated, any Performance Bonus and any Incentive Compensation Plan payments that would have been payable to the Executive for the year in which the Disability occurred, pro-rated to the Date of Termination.

6.2. Death. If the Executive's employment is terminated by his death, ADESA shall within 10 days following the date of the Executive's death pay to the Executive's estate his full unpaid base salary at the rate then in effect, through the Date of Termination, together with any other amounts to which the Executive is entitled pursuant to applicable law and ADESA Employee Benefit Plans, all in accordance with the terms thereof as amended from time to time. In addition, if Executive's employment is terminated under Section 5.1, ADESA will pay to the Executive's estate, on the date the same would have been payable under Section 4.2 and the Incentive Compensation Plan if Executive had not died, any Performance Bonus and any Incentive Compensation Plan payments that would have been payable to the Executive for the year in which his death occurred, pro-rated to the Date of Termination.

6.3. By ADESA For Cause or By Executive In Breach Hereof. If the Executive's employment is terminated by ADESA for Cause, ADESA shall pay the Executive at the regular time

salary payments are due hereunder his full base salary through the Date of Termination. If the Executive terminates his employment in breach hereof, ADESA shall pay Executive, at the rate in effect at the time of such termination, through the date on which the Executive terminates his employment. In either of such events, except as aforesaid, ADESA shall have no further obligations to the Executive under this Agreement and, except for any claims which ADESA may have against Executive (i) for breach of contract, (ii) based upon, related to or arising out of the event or events which resulted in the termination of Executive for Cause and (iii) under Sections 7, 8, 9 and 10 hereof, Executive shall have no further obligations to ADESA under this Agreement.

6.4 Without Cause or by Executive For Good Reason. If (a) ADESA terminates the Executive's employment without Cause under Section 5.4, or (b) the Executive terminates his employment for Good Reason as defined in Section 5.5(a), then ADESA shall pay the Executive at the regular time salary payments are due hereunder his full base salary through April 30, 1999 at the rate in effect at the time Notice of Termination is given. In addition, ADESA will pay to Executive, on the date the same would have been payable under Section 4.2 and the Incentive Compensation Plan, any Performance Bonus and any Incentive Compensation Plan payments that would have been payable to the Executive under Section 4.2 and the Incentive Compensation Plan for the year in which such termination occurred.

6.5 Termination by Executive Under Section 5.5(b). If Executive terminates his employment with ADESA under Section 5.5(b), then ADESA shall pay Executive at the regular time salary payments are due hereunder his full base salary for one full year or, if earlier, until April 30, 1999. In addition, ADESA will pay to Executive, on the date the same would have been payable under Section 4.2 and the Incentive Compensation Plan, any Performance Bonus and any Incentive Compensation Plan payments that would have been payable to the Executive under Section 4.2 and the Incentive Compensation Plan for the year in which such termination occurred pro-rated to the date on which the Executive terminated his employment.

6.6. Certain Benefit Plans. Except as otherwise provided by law or any applicable Employee Benefit Plan, unless the Executive is terminated for Cause or the Executive terminates his employment with ADESA in breach of this Agreement, the Executive shall be entitled to continue to participate, after termination, in all Employee Benefit Plans, to the extent permitted under the terms thereof as amended from time to time, but ADESA shall have no obligation to make any further payments with respect thereto on behalf of Executive.

7. Non-Disclosure. Executive acknowledges that he has received and will continue to receive and contribute to the production of Confidential Information. Except as required by his duties hereunder, Executive will not, either during his employment by ADESA (or until April 30, 1999, if longer, and if Executive is receiving payments under Section 6.4 hereof) or for three years thereafter, use any Confidential Information for his own benefit or disclose any Confidential Information to any third person. The Executive agrees to refrain from any acts or omissions that would reduce the value of the Confidential Information. Upon termination of Executive's employment with ADESA, Executive shall leave with or return to ADESA all records, correspondence, compositions, articles, writing, programs, codes, devices, equipment, prototypes and other papers which incorporate, embody or disclose any Confidential Information (whether written, prepared or made by Executive or others), including all copies and memorializations thereof. The obligations set forth in this Section 7 shall not apply to any information or knowledge the entirety of which is now publicly known or subsequently becomes publicly known, other than as a direct or indirect result of the breach of this Agreement by the Executive or the breach of a confidentiality obligation owed to ADESA by any third party. For the purposes hereof:

(a) The term "Confidential Information" means all information or material proprietary to ADESA or any of its subsidiaries or designated as Confidential Information by ADESA or any of its subsidiaries and not generally known other than by personnel of ADESA or its subsidiaries, of or to which Executive obtains

knowledge or access through or as a result of Executive's relationship (whether prior or subsequent to the date hereof) with ADESA (including information conceived, originated, discovered or developed in whole or in part by Executive). Confidential Information includes, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing), discoveries, inventions (whether or not patentable), ideas, concepts, software in various stages of development, designs, drawings, specifications, techniques, models, data, devices, source codes, object codes, documentation, formulae, patterns, computations, diagrams, flow charts, research and development data, programs, processes, procedures, know-how, Trade Secrets, marketing techniques and materials, marketing and development plans, customer names and other information related to customers, price lists, pricing policies and financial information. Confidential Information also includes any information described above which ADESA or any of its subsidiaries obtains from another party and which ADESA or any of its subsidiaries treats as proprietary or designates as Confidential Information, whether or not owned by or developed by ADESA or any of its subsidiaries.

(b) The term "Trade Secrets" means information, including a formula pattern, compilation, program device, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

8. Covenant Not to Compete.

8.1 Agreement Not To Compete. The Executive agrees that, for a period of three (3) years commencing on the later of (i) his termination of employment or (ii) the date the last payment is made to Executive under Section 6.4 or Section 6.5 hereof, he will not within a territory consisting of the continental United States and Canada, engage or be interested in (x) the vehicle redistribution business (except that Executive may engage in the retail or wholesale sale of vehicles, other than as an owner of, employee of or consultant to a vehicle auction), (y) the vehicle auction business or (z) the dealer floorplan financing business. The Executive shall be deemed to be interested in a business if the Executive is engaged or interested in that business as a shareholder, director, officer, employee, independent contractor, agent, partner, individual proprietor, consultant or otherwise, but not if such interest is limited solely to passive investments existing on the date hereof or the ownership of 5% or fewer of the equity or debt securities of any entity whose shares are listed for trading on a national securities exchange or traded in the over the counter market.

8.2 Indirect Competition. The Executive agrees that during the term of his employment (or until April 30, 1999, if longer, and if Executive is receiving payments under Section 6.4 hereof) by ADESA and for a period of three years thereafter, the Executive will not, directly or indirectly, assist or encourage any other person in carrying out, directly or indirectly, any activity that would be prohibited by the provisions of Section 8.1 if such activity were carried out by the Executive either directly or indirectly. In particular, but not as a limitation, the Executive agrees that he will not, directly or indirectly, induce any employee of ADESA or any of its subsidiaries to carry out, directly or indirectly, any such activity.

8.3 Necessary and Reasonable; Ancillary to Purchase. The Executive agrees that the covenants provided for in Sections 8.1 and 8.2 hereof are ancillary to the purchase of stock of ADESA by MPL and are necessary and reasonable in

order to protect ADESA, its subsidiaries and MPL in the conduct of their respective businesses and to protect ADESA, its subsidiaries and MPL in the utilization of the assets, tangible and intangible, including the goodwill of ADESA, purchased by MPL pursuant to the Merger Agreement.

9. No Solicitation. The Executive agrees that during the term of his employment by ADESA (or until April 30, 1999, if longer, and if Executive is receiving payments under Section 6.4 hereof) and for a period of three years thereafter he will not, directly or indirectly, on behalf of himself or another, solicit the hiring on any basis of any person employed by ADESA or any of its subsidiaries.

10. Injunctive Relief. The Executive agrees that it would be difficult to compensate ADESA, its subsidiaries or MPL fully for damages for any violation of the provisions of Sections 7, 8, or 9 of this Agreement. Accordingly, the Executive specifically agrees that any of ADESA, its subsidiaries or MPL shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Agreement, that such relief may be granted without the necessity of proving actual damages, and that, in connection with any such proceeding the Executive shall waive the defense that ADESA, its subsidiaries or MPL, as the case may be, has an adequate remedy at law. This provision with respect to injunctive relief shall not, however, diminish the right of ADESA, its subsidiaries or MPL to claim and recover damages in addition to injunctive relief.

11. Arbitration of all Disputes. Except for matters arising under Sections 7, 8, 9 or 10 hereof, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of Indianapolis, Indiana, in accordance with the rules of the American Arbitration Association then in effect, or, if the parties shall agree in writing, by mediation, and judgment upon the award rendered by the arbitrators or mediator, as the case may be, may be entered in any court having jurisdiction thereof.

12. Early Termination of Sections 7, 8, 9 and 10. Sections 7, 8, 9 and 10 hereof shall apply only so long as (i) ADESA and its subsidiaries continue to be engaged in the vehicle auction

business as a principal line of business and (ii) MPL and the Management Shareholders own more than 50% of the outstanding shares of common stock of ADESA.

13. Miscellaneous.

13.1 Recitals. The recitals to this Agreement are true and correct and constitute substantive provisions of this Agreement.

13.2 No Assignment. Neither this Agreement nor any rights or obligations hereunder may be assigned or delegated by any party hereto without the written consent of the other parties.

13.3 Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be considered to have been duly given or served if personally delivered, telecopied, sent by national overnight delivery service, or sent by certified or registered mail, return receipt requested, postage prepaid, to Executive at the address last shown for the Executive in the records of ADESA or the last address he has filed in writing with ADESA or, in the case of ADESA, to its principal executive office, attention President. All notices shall be copied to MPL at 30 West Superior Street, Duluth, Minnesota 55822, Attention: Chairman of the Board. Such notice shall be deemed to be received when delivered if delivered personally, the next business day after receipt of electronic sent confirmation (or other confirmation of receipt) if telecopied, the next business day if sent by a national overnight delivery service, or three business days after the date mailed if sent by certified or registered mail. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

13.4 Governing Law. The provisions of this Agreement shall be construed and the rights and obligations of the parties determined in accordance with the laws of the State of Indiana, notwithstanding the choice of law rules of Indiana or any other jurisdiction.

13.5 Entire Agreement; Amendment. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein shall, with respect to the Executive, be of no further force or effect. This Agreement may not be modified or amended without the prior written consent of MPL, and then may only be modified or amended by an instrument in writing duly executed by Executive and ADESA.

13.6 Meanings of Pronouns; Singular and Plural Words. All pronouns used in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person to which or to whom reference is made may require. Unless the context in which it is used shall clearly indicate to the contrary, words used in the singular shall include the plural, and words used in the plural shall include the singular.

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13.8 Benefit. This Agreement shall inure to the benefit of and be enforceable by Executive or by Executive's personal and legal representatives, executors, administrators, heirs, devisees and legatees. In addition, it is the intention of the parties that MPL be a third party beneficiary of this Agreement, entitled to enforce this Agreement for and on behalf of ADESA.

13.9 Severability. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, the invalid or unenforceable portion of such

provision shall be deleted from this Agreement, and the validity and enforceability of the remainder of such provision and of this Agreement shall be unaffected. The Executive acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement shall be construed in a manner which renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

13.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

13.11 Survival. Except as provided in Section 12, the provisions of Sections 7, 8, 9 and 10 shall survive any termination of this Agreement and the termination of the Executive's employment hereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the day and year first written above, effective as aforesaid.

ADESA CORPORATION

By D. Michael Hockett

Its President

L.S. Wechter

Executive

Schedule A

(Section 3)

Other Activities

Exhibit 10(u)

Summary of Agreement Between Mr. Jack R. McDonald and Minnesota Power:

1. Mr. McDonald states his desire to retire from Minnesota Power on February 28, 1997, upon completing 30 years of service.

2. Minnesota Power agrees to maintain Mr. McDonald's current annual salary of $211,000, without change, until February 28, 1997, when he retires.

3. During the remainder of his employment and in his retirement, Mr. McDonald will be entitled to benefits under Minnesota Power's qualified benefit plans as the same manner as any other employee and retiree.

4. Mr. McDonald will continue to have use of the Company automobile currently assigned to him until his retirement.

5. Minnesota Power will maintain Mr. McDonald's membership at the Kitchi Gammi Club in Duluth, Minnesota, provided that Mr. McDonald will continue to pay from his personal funds for any non-Company activities at the club.

6. Mr. McDonald will not be eligible for Annual Incentive Compensation award for plan year 1996 or any year thereafter, nor will he be eligible for any Long-Term Incentive award for plan measurement periods beginning January 1, 1996, or thereafter. Except as provided above, Mr. McDonald will be treated as any other employee with respect to compensation-related matters until his retirement, at which time he will be treated as any other retiree.

7. Mr. McDonald agrees to be available on a reasonable basis to provide consultant services to the Company through February 28, 1997 at the request of the CEO or the Board of Directors.

8. Recitals that this agreement is entered into on a voluntary basis.

Dated: December 11, 1995

Jack R. McDonald

Arend J. Sandbulte
Chairman & Chief Executive Officer
Minnesota Power

Exhibit 10(v)

PUT AND CALL AGREEMENT

PUT AND CALL AGREEMENT, made and entered into as of this 23rd day of February, 1995, by and among MINNESOTA POWER & LIGHT COMPANY, a Minnesota corporation ("MPL"), ADESA CORPORATION, an Indiana corporation ("ADESA") and D. MICHAEL HOCKETT, LARRY S. WECHTER, DAVID H. HILL, JERRY WILLIAMS, and JOHN E. FULLER (the "Shareholders").

WHEREAS, MPL, ADESA, Shareholders and AC ACQUISITION SUB, INC. ("Sub") have entered into an Agreement and Plan of Merger ("Merger Agreement") dated February 23, 1995, which contemplates, among other things, that Sub will be merged with and into ADESA (the "Merger"), that ADESA will survive the Merger, and that in connection with the Merger, each shareholder will sell a portion, but not all, of his existing ADESA shares and cancel his unexercised stock options; and

WHEREAS, the Merger Agreement contemplates that immediately after the Merger, MPL will own 80% of the issued and outstanding capital stock of ADESA and the Shareholders will own the remaining 20% of the capital stock of ADESA; and

WHEREAS, the parties contemplate that the Shareholders and MPL will have certain put and call rights with respect to the ADESA shares held by the Shareholders after the Merger, as further specified herein.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

1. Definitions. The following terms shall have the following meanings hereunder:

1.1 "Shares" shall mean the shares of capital stock of ADESA owned by a Shareholder from time to time.

1.2 "EBITDA" shall mean the product of (a) six and (b) the trailing 12-month after-tax earnings of ADESA and its consolidated subsidiaries (calculated as if ADESA at all times owned 100% of ADESA Canada, Inc. ("ADESA Canada), plus any of the following incurred by ADESA and its consolidated subsidiaries during said period (i) all interest expense exclusive of interest expenses of Automotive Finance Corporation and of any dealer floor planning business, consumer finance business or other similar finance business conducted by ADESA or any of its consolidated subsidiaries, (ii) all taxes on or measured by revenue or income, (iii) all rental payments during said period under incentive leases of the type set forth on Exhibit A to this Agreement, exclusive

of operating expenses associated therewith, (iv) all charges resulting from push down accounting, and (v) depreciation and amortization expense. Except for treating ADESA Canada as 100% owned, EBITDA and its components shall be calculated by reference to the books and records of ADESA and its consolidated subsidiaries prepared in accordance with generally accepted accounting principles prepared on a basis consistent with prior periods.

1.3 "Effective Date" shall mean the Effective Time as that term is defined in the Merger Agreement.

1.4 "Maximum Number of Shares" shall mean: (a) on April 30, 1997, 806,811 Shares less one-third of any Shares previously purchased by MPL under any of the Stock Purchase Agreements between MPL and Shareholders; (b) on April 30, 1998, 1,613,622 Shares less one-third of any Shares previously purchased by MPL under any of the Stock Purchase Agreements between MPL and Shareholders, and less that number of Shares put to MPL on April 30, 1997 under Section 2.1 and that number of Shares called by MPL on April 30, 1997 under Section 3.1; and (c) on April 30, 1999, all of the Shares owned by the Shareholders.

1.5 "Put Date" or "Call Date" shall mean April 30, 1997, April 30, 1998 or April 30, 1999.

2. Shareholders' Right to Put Shares to MPL.

2.1 Number of Shares. At least 10 days prior to each Put Date, each Shareholder shall inform MPL in writing whether that Shareholder desires to sell to MPL on that Put Date any of his Shares and if so, the number of Shares to be sold (a "Notice of Exercise"). MPL shall, on the Put Date, purchase from each Shareholder all Shares the Shareholder desires to sell, as specified in the Notice of Exercise, subject to the following: (a) a Shareholder may not require MPL to purchase more than 75% of his Shares prior to April 30, 1999; (b) a Shareholder may not require MPL to purchase any of his Shares prior to April 30, 1999 if his employment with ADESA is terminated by ADESA for "Cause", as that term is defined in that certain Executive Employment Agreement between ADESA and the Shareholder, or if the Shareholder terminates his employment with ADESA for any reason other than one of the reasons set forth in Section 5.5 of said Executive Employment Agreement; and (c) if the total number of Shares to be sold on a Put Date under the Shareholders' Notices of Exercise for that Put Date exceeds the Maximum Number of Shares for that Put Date, then each request by a Shareholder that MPL purchase his Shares on that Put Date shall be proportionately reduced so that the total number of Shares to be purchased from Shareholders pursuant to the Shareholders' Notices of Exercise

for that Put Date does not exceed the Maximum Number of Shares for that date.

2.2 Price. The purchase price for each Share to be purchased under Section 2.1 shall be the per share EBITDA as of the Put Date, determine by dividing EBITDA as of the Put Date by the weighted daily average number of shares of capital stock of ADESA outstanding during the 365 day period ending on the Put Date. In determining the weighted daily average number of shares of ADESA capital stock outstanding, the outstanding shares of ADESA capital stock shall be deemed increased by the number of share of ADESA which James P. Hallett ("James") and/or Helene Hallett ("Helene") would own if their then owned ADESA Canada shares were converted into ADESA shares at a conversion ration of 9.8 ADESA shares for each share of ADESA Canada and such increased number of shares shall be deemed to have been outstanding during the entire 365-day period ending on the Put Date.

3. MPL's Right to Call Shares Owned by Shareholder.

3.1 Number of Shares. At least 5 days prior to each Call Date, MPL shall inform each Shareholder in writing whether MPL desires to purchase from that Shareholder on that Call Date any of his Shares and, if so, the number of Shares to be purchased (a "Notice of Exercise"). MPL may not purchase under Sections 2.1 and 3.1 a number of Shares in excess of the Maximum Number of Shares for that Call Date. In addition, purchases under Section 3.1 from each Shareholder shall be in the same proportion as the number of Shares owned by that Shareholder on that Call Date bears to all Shares owned by all Shareholders on that Call Date, after giving effect to any Shares to be put to MPL on that date under Section 2.1. Subject to these limitations each Shareholder shall, on the Call Date, sell to MPL all Shares MPL desires to purchase, as specified in the Notice of Exercise.

3.2 Price. The purchase price for each Share to be purchased under Section 3.1 shall be: (a) for Shares purchased as of April 30, 1997 or April 30, 1998, the greater of $17.00 per Share or the per share EBITDA as of the Call Date, determined by dividing EBITDA as of the Call Date by the weighted daily average number of shares of capital stock of ADESA outstanding during the 365-day period ending on that Call Date, and (b) for Shares purchased as of April 30, 1999, EBITDA as of the Call Date, divided by the weighted daily average number of shares of capital stock of ADESA outstanding during the 365-day period ending on that Call Date. In determining the weighted daily average number of shares of ADESA capital stock outstanding, the outstanding shares of ADESA capital stock shall be deemed increased by the number of shares of ADESA which James and/or Helene would own if their than owned ADESA Canada shares were converted into ADESA

shares at a conversion ratio of 9.8 ADESA shares for each share of ADESA Canada and such increased number of shares shall be deemed to have been outstanding during the entire 365-day period ending on the Call Date.

4. Closing. The closing of any purchase and sale hereunder shall occur at the offices of ADESA on the 60th day following the applicable Put Date or Call Date, or if such day is not a business day, on the first business day thereafter. At the closing each Shareholder shall deliver to MPL a certificate for the total number of his Shares to be sold hereunder as of that Put Date or Call Date, duly endorsed for transfer, and MPL shall deliver to each Shareholder a certified or cashier's check in the amount of the purchase price for the Shares.

5. Representations. Each Shareholder represents that (a) all Shares sold by him hereunder will be, at the time of a closing, free and clear of all liens, claims and encumbrances of any sort, except as run in favor of MPL or ADESA (b) the execution, delivery and performance of this Agreement does not and will not breach, violate or conflict with any agreement order, judgment, decree or law to which he is or becomes a party or by which his property is or becomes bound.

6. Legend on Shares Certificates.

6.1 Legend on Currently Outstanding Certificates. In addition to any other legends required to be placed on such certificates, ADESA and each Shareholder agrees that a legend substantially as follows shall be conspicuously endorsed on each certificate evidencing Shares owned by the Shareholder:

> "The transfer of the shares represented by this certificate is restricted by, and subject to, the provisions of a certain Put and Call Agreement, dated as of February __, 1995, among the company, the holder hereof, Minnesota Power & Light Company and others. A copy of the Agreement is on file with the Secretary of the company."

The Secretary of ADESA shall keep a copy of this Agreement on file in ADESA's principal office.

6.2 Legend on Certificates Issued Subsequent Hereto. A copy of this Agreement shall be filed with the Secretary of ADESA. During the term of this Agreement, a legend reading as above shall be conspicuously endorsed on each certificate representing Shares hereafter issued by ADESA to the Shareholder.

7. Right to Specific Performance. The parties agree that the remedy at law for failure of any party to perform would be inadequate, and that the injured party or parties, at his option, shall have the right to compel the specific performance of this Agreement in a court of competent jurisdiction. This right shall be in addition to and not in lieu of any additional or alternative right or remedy which may be available to a party at law or in equity.

8. Miscellaneous Provisions.

8.1 Offset of Shareholder Indebtedness. If, at the time of the purchase of Shares hereunder, a Shareholder is indebted to MPL or ADESA, MPL shall have the right to offset any such indebtedness, including interest thereon, against the purchase price due such Shareholder for the Shares.

8.2 Notices. All notices, requests, and other communications from any of the parties hereto to another shall be in writing and shall be considered to have been duly given or served if personally delivered, telecopied, sent by national overnight delivery service, or sent by first class, certified or registered mail, return receipt requested, postage prepaid, to the party at his or its address as provided below, or to such other address as such party may hereafter designate by written notice to the other parties: (a) if to MPL, to 30 West Superior Street, Duluth, Minnesota 55822, Attention: Chairman of the Board, (b) if to the Shareholder, to the address last shown for the Shareholder in the records of ADESA and (c) if to ADESA, to the address of its then principal office, Attention: Chairman of the Board. Such notice shall be deemed to be received when delivered if delivered personally, the next business day after receipt of electronic sent confirmation (or other confirmation of receipt) if telecopied, the next business day if sent by a national overnight delivery service, or three business days after the date mailed if sent by certified or registered mail. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

8.3 Amendment. This Agreement may be altered or amended only by a written amendment signed by the parties hereto.

8.4 Governing Law. This Agreement shall be subject to and governed by the internal laws of the State of Indiana, notwithstanding the choice of law rules of Indiana or any other jurisdiction.

8.5 Parties in Interest. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. Each party does hereby covenant and agree that his or its, as the case may be,

respective heirs, executors, administrators, successors and assigns will take all action and execute any and all instruments, releases, assignments, and consents which may reasonably be required of him or it in order to carry out the provisions of this Agreement.

8.6 Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

8.7 Severability. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, the invalid or unenforceable portion of such provision shall be deleted from this Agreement, and the validity and enforceability of the remainder of such provision and of this Agreement shall be unaffected.

8.8 Captions. The captions at the head of a section or a paragraph of this Agreement are designed for convenience of reference only and are not to be resorted to for the purpose of interpreting any provision of this Agreement.

8.9 Meanings of Pronouns; Singular and Plural Words. All pronouns used in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person to which or to whom reference is made may require. Unless the context in which it is used shall clearly indicate to the contrary, words used in the singular shall include the plural, and words used in the plural shall include the singular.

8.10 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior written and oral agreements and understandings with respect thereto.

8.11 Interpretation. When a reference is made in this Agreement to Sections or Exhibits such reference shall be to a Section or Exhibit to this Agreement unless otherwise indicated. Whenever the words "include," "includes," or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

8.12 Effective Date. This Agreement shall become effective at the Effective Time, as that term is defined in the Merger Agreement contemplated by the Letter of Intent.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

MINNESOTA POWER & LIGHT COMPANY

By Arend J. Sandbulte

Its Chairman, President and CEO

ADESA CORPORATION

By D. Michael Hockett

Its President

D. Michael Hockett

D. Michael Hockett

Larry S. Wechter

Larry S. Wechter

David H. Hill

David H. Hill

Jerry Williams

Jerry Williams

John E. Fuller

John E. Fuller

EXHIBIT A

INCENTIVE LEASES

- - Lease and Development Agreement by and between Auto Dealers Exchange of Concord, Inc. and Asset Holdings III, L.P., dated December 21, 1994.

- - Lease and Development Agreement by and between A.D.E. of Knoxville, Inc. and Asset Holdings III, L.P., dated November 28, 1994.

- - Lease and Development Agreement by and between ADESA-Charlotte, Inc. and Asset Holdings III, L.P., dated November 28, 1994.

- - Lease Agreement with Option to Purchase by and between D.E. Rhodes and ADESA Austin, Inc., executed on or about September 30, 1994.

- - Lease of Commercial Property with Option to Purchase by and between Northfield Auto Auction Corp. and ADESA-Ohio, Inc., dated February 28, 1994.

- - Various tractor and trailer leases pursuant to a Master Lease Agreement by and between ADESA Corporation and Banc One Leasing Corporation, dated November 11, 1993.

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, made and entered into as of this 23rd day of February, 1995, by and among ADESA CORPORATION, an Indiana corporation (the "ADESA"), and D. MICHAEL HOCKETT ("Shareholder").

WHEREAS, Minnesota Power & Light Company ("MPL"), ADESA, Shareholder and others have entered into a letter agreement dated January 5, 1995 ("Letter of Intent") which contemplates, among other things, that a subsidiary of MPL will be merged with and into ADESA (the "Merger") pursuant to the terms of an Agreement and Plan of Merger of even date ("Merger Agreement"), that ADESA will survive the Merger and that, in connection with the Merger, Shareholder will, after the Merger, continue to own 2,129,379 shares of ADESA; and

WHEREAS, the Letter of Intent contemplates that the Shareholder will agree to sell his ADESA shares to ADESA upon his death, disability or termination of employment; and

WHEREAS, MPL will not undertake the Merger unless it is assured that after the Merger the Shareholder will be obligated to sell his ADESA shares to ADESA in said circumstances; and

WHEREAS, to induce MPL to enter into the Merger Agreement contemplated by the Letter of Intent, and thereafter to consummate the Merger, Shareholder and ADESA desire to enter into this Stock Purchase Agreement, upon the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

1. Definitions. The following terms shall have the following meanings hereunder:

1.1 "Shares" shall mean all the shares of capital stock of ADESA owned by the Shareholder at the time of any Triggering Event.

1.2 "Disability" shall mean (a) that as a result of the Shareholder's incapacity due to physical or mental illness, including without limitation chemical dependency, the Shareholder shall have been absent from his full time duties with ADESA for six months during any 12-month period or (b) while employed by ADESA, Shareholder is found to be permanently disabled by (i) any insurer of ADESA pursuant to the terms of any disability insurance contract covering Shareholder which is then in effect, (ii) the Social Security Administration for purposes of Social Security disability payments, or (iii) by any tribunal or court.

1.3 "EBITDA" shall mean the product of (a) six and (b) the trailing 12-month after-tax earnings of ADESA and its consolidated subsidiaries (calculated as if ADESA at all times owned 100% of ADESA Canada), plus any of the following incurred by ADESA and its consolidated subsidiaries during said period (i) all interest expense exclusive of interest expenses of Automotive Finance Corporation and of any dealer floor planning business, consumer finance business or other similar finance business conducted by ADESA or any of its consolidated subsidiaries , (ii) all taxes on or measured by revenue or income, (iii) all rental payments made under incentive leases of the type set forth on Exhibit A to this Agreement, exclusive of operating expenses associated therewith, (iv) all charges resulting from push down accounting, and (v) depreciation and amortization expense. Except for treating ADESA Canada as 100% owned, EBITDA and its components shall be calculated by reference to the books and records of ADESA and its consolidated subsidiaries prepared in accordance with generally accepted accounting principles prepared on a basis consistent with prior periods.

1.4 "Effective Date" shall mean the Effective Time as that term is defined in the Merger Agreement.

1.5 "Triggering Event" shall mean the (a) death of the Shareholder at any time during or after his employment by ADESA, (b) Disability occurring during Shareholder's employment with ADESA, (c) termination by Shareholder of the Shareholder's employment with ADESA for "Good Reason" as defined in Section 5.5(a) of the Executive Employment Agreement between ADESA and the Shareholder, or (d) termination by ADESA without "Cause" as such term is defined in Section 5.3 of said Executive Employment Agreement.

1.6 "Transfer" shall mean any sale, assignment, trade, transfer, encumbrance, pledge, hypothecation, gift or any other disposition of Shares whether voluntary or involuntary or by operation of law, and whether testamentary or inter vivos, other than a sale of Shares under this Agreement or under that certain Put and Call Agreement between ADESA and the Shareholder of even date herewith.

2. Purchase and Sale of Stock Upon Triggering Event.

2.1 Agreement to Purchase and Sell. After the Effective Date and upon the occurrence of a Triggering Event ADESA shall purchase from Shareholder, and the Shareholder shall sell to ADESA, all of the Shares at the purchase price specified in Section 2.2 hereof.

2.2 Purchase Price. The purchase price per Share for sales occurring under this Section 2 shall be: (a) if the Triggering Event occurs on or before April 30, 1999, the

greater of (i) $17.00, or (ii) EBITDA divided by the weighted daily average number of shares of ADESA's capital stock outstanding during the 365-day period ending on the date of the Triggering Event, and (b) if the Triggering Event occurs after April 30, 1999, the greater of (i) EBITDA divided by the weighted daily average number of shares of ADESA's capital stock outstanding during the 365-day period ending on the date of the Triggering Event or (ii) the fair value of the Shares, without discount for minority interest or lack of marketability as determined by agreement by the parties or, if the parties do not reach agreement within thirty days after the Triggering Event, the fair value of the Shares as determined by arbitration in Indianapolis, Indiana or, if the parties shall agree in writing, by mediation. In determining the weighted daily average number of shares of ADESA capital stock outstanding, the outstanding shares of ADESA capital stock shall be deemed increased by the number of shares of ADESA which James Hallett and/or Helene Hallett would own if their then owned ADESA Canada shares were converted into ADESA shares at a conversion ratio of 9.8 ADESA shares for each share of ADESA Canada and such increased number of shares shall be deemed to have been oustanding during the entire 365-day period ending on the date of the Triggering Event. If arbitration is used, the arbitration shall be conducted by three arbitrators; one arbitrator shall be selected by each party and the two arbitrators shall chose an impartial third arbitrator who shall preside at the arbitration. If either party fails to appoint its arbitrator within 10 days after being requested to do so by the other party, the latter, after 10 days' notice of its intention to do so, may appoint the second arbitrator. If the two arbitrators are unable to agree upon the third arbitrator within 10 days after their appointment, the third arbitrator shall be selected from a list of six individuals (three named by each arbitrator) by a judge of the federal district court having jurisdiction over the geographical area in which the arbitration is to take place, or if the federal court declines to act, the state court having general jurisdiction in such area. Promptly after appointment of all arbitrators, the panel shall meet and determine timely periods for briefs, discovery procedures and schedules for hearings. The decision of any two arbitrators or the mediator when rendered in writing shall be final and binding and judgment upon the award of the arbitrators or mediator may be entered in any court having jurisdiction thereof. All costs of the arbitration or mediation shall be allocated by the panel or the mediator. If arbitration is used, the arbitration shall, in all other respects, be conducted in accordance with the rules and procedures of the American Arbitration Association.

2.3 Closing. The closing of any purchase and sale under this Section 2 shall occur at the offices of ADESA. The closing shall occur on the later of the 30th day after (a) the

Triggering Event (or if such date is not a business day, on the next business day thereafter), or (b) not more than 10 business days from the date the mediator or arbitrators render a decision in the event that the parties fail to reach agreement as to fair value in a circumstance governed by Section 2.2(b).

3. Prohibition of Certain Voluntary Transfers. From the date hereof through and including April 30, 1999 the Shareholder shall not voluntarily Transfer any Shares to any person or entity without the prior written consent of ADESA which consent may be withheld by ADESA in its sole discretion.

4. Right of First Refusal in Favor of Corporation.

4.1 Voluntary Transfers After April 30, 1999. After April 30, 1999, the Shareholder shall not voluntarily Transfer any Shares to any person or entity without first giving ADESA 60 days' written notice of his intent to transfer Shares during which time Shareholder will, if so requested by ADESA, enter into good faith negotiations with ADESA with respect to the purchase of the Shares by ADESA. If ADESA and Shareholder are unable, within said 60-day period, to agree on the price and terms for the purchase of the Shares by ADESA, and if Shareholder is not then in default hereunder, the Shareholder shall be entitled, for a period of 90 days following the expiration of said 60-day period, to Transfer the Shares to a Transferee. If the Transfer of the Shares has not closed within said 90-day period, the Shareholder's right to Transfer the Shares free of the restriction set forth in this Section 4.1 shall expire and the Shares shall not thereafter be Transferred without again complying with this Section 4.1.

4.2 Involuntary Transfers. In the case of any involuntary Transfer of any of the Shares (other than a Transfer upon death) after the Effective Date as a consequence of an order in a divorce proceeding or due to any other consequences, ADESA shall have the right to purchase such Shares in the manner set forth in this Section 4.2. Immediately upon becoming aware of an involuntary Transfer of his Shares the Shareholder shall furnish written notice to ADESA. For a period expiring on the later of the 60th day after the Shareholder's notice or the first day on which ADESA becomes aware of an involuntary Transfer, ADESA shall have the right to elect to purchase the Shares acquired by the Transferee at the price specified in Section 2.2(a) if the Transfer occurs on or before April 30, 1999, or the price specified in Section 2.2(b) if the Transfer occurs after April 30, 1999. ADESA shall inform the Shareholder and the Transferee of its election by written notice. If ADESA fails to give written notice to the Shareholder and the Transferee within the 60-day period, ADESA shall be deemed to have elected not to purchase the Shares, and the involuntary

transferee shall become the owner thereof, free of the restrictions set forth herein.

4.3 Closing. The closing of any purchase under this Section 4 shall occur at the offices of ADESA. A closing under Section 4.1 shall occur on the date agreed upon by ADESA and the Shareholder. A closing under Section 4.2 shall occur on a date specified by ADESA but in no case later than the 61st day after the later of the date on which ADESA receives notice from the Shareholder of the involuntary Transfer or the date on which ADESA otherwise learns of the involuntary Transfer.

5. Representations. The Shareholder represents that (a) at the time of closing, all Shares sold by him hereunder will be free and clear of all liens, claims and encumbrances of any sort and (b) the execution, delivery and performance of this Agreement does not and will not breach, violate or conflict with any agreement order, judgment, decree or law to which he is or becomes a party or by which his property is or becomes bound.

6. Offset of Shareholder Indebtedness. If, at the time of the purchase of the Shares hereunder, the Shareholder is indebted to ADESA, ADESA shall have the right to offset any such indebtedness, including interest thereon, against the purchase price due for the Shares.

7. Legend on Shares Certificates.

7.1 Legend on Currently Outstanding Certificates. In addition to any other legends required to be placed on such certificates, ADESA and the Shareholder agree that the following legend shall be conspicuously endorsed on each certificate evidencing Shares owned by the Shareholder:

> "The transfer of the shares represented by this certificate is restricted by, and subject to, the provisions of a certain Stock Purchase Agreement, dated as of February ___, 1995 between the registered holder hereof and ADESA Corporation. A copy of the Agreement is on file with the secretary of the Company."

The Secretary of ADESA shall keep a copy of this Agreement on file in ADESA's principal office.

7.2 Legend on Certificates Issued Subsequent Hereto. A copy of this Agreement shall be filed with the Secretary of ADESA. During the term of this Agreement, a legend reading as above shall be conspicuously endorsed on each certificate representing Shares hereafter issued by ADESA to the Shareholder.

8. Right to Specific Performance. The parties agree that the remedy at law for failure of any party to perform would be inadequate, and that the injured party or parties, at his option, shall have the right to compel the specific performance of this Agreement in a court of competent jurisdiction. This right shall be in addition to and not in lieu of any additional or alternative right or remedy which may be available to a party at law or in equity.

9. Miscellaneous Provisions.

9.1 Notices. All notices, requests, and other communications from any of the parties to another shall be in writing and shall be considered to have been duly given or served if personally delivered, telecopied, sent by national overnight delivery service, or sent by first class, certified or registered mail, return receipt requested, postage prepaid, to the party at his or its address as provided below, or to such other address as such party may hereafter designate by written notice to the other parties: (a) if to ADESA, to the address of its then principal office, Attention: Chairman of the Board; (b) if to MPL, to the address of MPL noted below; and (c) if to the Shareholder, to the address last shown for the Shareholder in the records of ADESA. Copies of all notices shall be sent to MPL at 30 West Superior Street, Duluth, Minnesota 55822, Attention: Chairman of the Board. Any notice shall be deemed to be received when delivered if delivered personally, the next business day after receipt of electronic sent confirmation (or other confirmation of receipt) if telecopied, the next business day if sent by a national overnight delivery service, or three business days after the date mailed if sent by certified or registered mail. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

9.2 Amendment. This Agreement may not be altered or amended without the prior written consent of MPL, and then may be altered or amended only by a written amendment signed by the Shareholder and ADESA. No amendment which enlarges the Shareholder's rights hereunder shall be effective unless James P. Hallett and all the Management Shareholders (as that term is defined in the Merger Agreement), if they then own Shares or ADESA Canada stock, shall have consented thereto in writing.

9.3 Governing Law. This Agreement shall be subject to and governed by the internal laws of the State of Indiana notwithstanding the choice of law rules of Indiana or any other jurisdiction.

9.4 Parties in Interest. This Agreement shall be binding upon the heirs, executors, administrators, successors

and assigns of the Shareholder and of ADESA. The Shareholder and ADESA do hereby covenant and agree that they, their heirs, executors, administrators, successors and assigns will take all action and execute any and all instruments, releases, assignments, and consents which may reasonably be required of them in order to carry out the provisions of this Agreement. It is the intention of the parties that MPL be a third party beneficiary of this Agreement, entitled to enforce this Agreement for and on behalf of ADESA.

9.5 Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

9.6 Severability. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, the invalid or unenforceable portion of such provision shall be deleted from this Agreement, and the validity and enforceability of the remainder of such provision and of this Agreement shall be unaffected.

9.7 Captions. The captions at the head of a section or a paragraph of this Agreement are designed for convenience of reference only and are not to be resorted to for the purpose of interpreting any provision of this Agreement.

9.8 Meanings of Pronouns; Singular and Plural Words. All pronouns used in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person to which or to whom reference is made may require. Unless the context in which it is used shall clearly indicate to the contrary, words used in the singular shall include the plural, and words used in the plural shall include the singular.

9.9 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior written and oral agreements and understandings with respect thereto.

9.10 No Assignment. Neither this Agreement nor any rights or obligations hereunder may be assigned or delegated by any party hereto without the written consent of the other party.

9.11 Interpretation. When a reference is made in this Agreement to Sections or Exhibits such reference shall be to a Section or Exhibit to this Agreement unless otherwise indicated. Whenever the words "include," "includes," or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

9.12 Effective Date. This Agreement shall become effective on the Effective Date.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ADESA Corporation

By D. Michael Hockett

Its President

Shareholder:

D. Michael Hockett

EXHIBIT A

INCENTIVE LEASES

Lease and Development Agreement by and between Auto Dealers Exchange of Concord, Inc. and Asset Holdings III, L.P., dated December 21, 1994.

Lease and Development Agreement by and between A.D.E. of Knoxville, Inc. and Asset Holdings III, L.P., dated November 28, 1994.

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Lease of Commercial Property with Option to Purchase by and between Northfield Auto Auction Corp. and ADESA-Ohio, Inc., dated February 28, 1994.

Various tractor and trailer leases pursuant to a Master Lease Agreement by and between ADESA Corporation and Banc One Leasing Corporation, dated November 11, 1993.

Exhibit 10(x)

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, made and entered into as of this 23rd day of February, 1995, by and among ADESA CORPORATION, an Indiana corporation (the "ADESA"), and LARRY W. WECHTER ("Shareholder").

WHEREAS, Minnesota Power & Light Company ("MPL"), ADESA, Shareholder and others have entered into a letter agreement dated January 5, 1995 ("Letter of Intent") which contemplates, among other things, that a subsidiary of MPL will be merged with and into ADESA (the "Merger") pursuant to the terms of an Agreement and Plan of Merger of even date ("Merger Agreement"), that ADESA will survive the Merger and that, in connection with the Merger, Shareholder will, after the Merger, continue to own 68,388 shares of ADESA; and

WHEREAS, the Letter of Intent contemplates that the Shareholder will agree to sell his ADESA shares to ADESA upon his death, disability or termination of employment; and

WHEREAS, MPL will not undertake the Merger unless it is assured that after the Merger the Shareholder will be obligated to sell his ADESA shares to ADESA in said circumstances; and

WHEREAS, to induce MPL to enter into the Merger Agreement contemplated by the Letter of Intent, and thereafter to consummate the Merger, Shareholder and ADESA desire to enter into this Stock Purchase Agreement, upon the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

1. Definitions. The following terms shall have the following meanings hereunder:

1.1 "Shares" shall mean all the shares of capital stock of ADESA owned by the Shareholder at the time of any Triggering Event.

1.2 "Disability" shall mean (a) that as a result of the Shareholder's incapacity due to physical or mental illness, including without limitation chemical dependency, the Shareholder shall have been absent from his full time duties with ADESA for six months during any 12-month period or (b) while employed by ADESA, Shareholder is found to be permanently disabled by (i) any insurer of ADESA pursuant to the terms of any disability insurance contract covering Shareholder which is then in effect, (ii) the Social Security Administration for purposes of Social Security disability payments, or (iii) by any tribunal or court.

1.3 "EBITDA" shall mean the product of (a) six and (b) the trailing 12-month after-tax earnings of ADESA and its consolidated subsidiaries (calculated as if ADESA at all times owned 100% of ADESA Canada), plus any of the following incurred by ADESA and its consolidated subsidiaries during said period (i) all interest expense exclusive of interest expenses of Automotive Finance Corporation and of any dealer floor planning business, consumer finance business or other similar finance business conducted by ADESA or any of its consolidated subsidiaries, (ii) all taxes on or measured by revenue or income, (iii) all rental payments made under incentive leases of the type set forth on Exhibit A to this Agreement, exclusive of operating expenses associated therewith, (iv) all charges resulting from push down accounting, and (v) depreciation and amortization expense. Except for treating ADESA Canada as 100% owned, EBITDA and its components shall be calculated by reference to the books and records of ADESA and its consolidated subsidiaries prepared in accordance with generally accepted accounting principles prepared on a basis consistent with prior periods.

1.4 "Effective Date" shall mean the Effective Time as that term is defined in the Merger Agreement.

1.5 "Triggering Event" shall mean the (a) death of the Shareholder at any time during or after his employment by ADESA, (b) Disability occurring during Shareholder's employment with ADESA, (c) termination by Shareholder of the Shareholder's employment with ADESA for "Good Reason" as defined in Section 5.5(a) of the Executive Employment Agreement between ADESA and the Shareholder, or (d) termination by ADESA without "Cause" as such term is defined in Section 5.3 of said Executive Employment Agreement.

1.6 "Transfer" shall mean any sale, assignment, trade, transfer, encumbrance, pledge, hypothecation, gift or any other disposition of Shares whether voluntary or involuntary or by operation of law, and whether testamentary or inter vivos, other than a sale of Shares under this Agreement or under that certain Put and Call Agreement between ADESA and the Shareholder of even date herewith.

2. Purchase and Sale of Stock Upon Triggering Event.

2.1 Agreement to Purchase and Sell. After the Effective Date and upon the occurrence of a Triggering Event ADESA shall purchase from Shareholder, and the Shareholder shall sell to ADESA, all of the Shares at the purchase price specified in Section 2.2 hereof.

2.2 Purchase Price. The purchase price per Share for sales occurring under this Section 2 shall be: (a) if the Triggering Event occurs on or before April 30, 1999, the

greater of (i) $17.00, or (ii) EBITDA divided by the weighted daily average number of shares of ADESA's capital stock outstanding during the 365-day period ending on the date of the Triggering Event, and (b) if the Triggering Event occurs after April 30, 1999, the greater of (i) EBITDA divided by the weighted daily average number of shares of ADESA's capital stock outstanding during the 365-day period ending on the date of the Triggering Event or (ii) the fair value of the Shares, without discount for minority interest or lack of marketability as determined by agreement by the parties or, if the parties do not reach agreement within thirty days after the Triggering Event, the fair value of the Shares as determined by arbitration in Indianapolis, Indiana or, if the parties shall agree in writing, by mediation. In determining the weighted daily average number of Shares of ADESA capital stock outstanding, the outstanding shares of ADESA capital stock shall be deemed increased by the number of shares of ADESA which James Hallett and/or Helene Hallett would own if their then owned ADESA Canada shares were converted into ADESA shares at a conversion ratio of 9.8 ADESA shares for each share of ADESA Canada and such increased number of shares shall be deemed to have been outstanding during the entire 365-day period ending on the date of the Triggering Event. If arbitration is used, the arbitration shall be conducted by three arbitrators; one arbitrator shall be selected by each party and the two arbitrators shall chose an impartial third arbitrator who shall preside at the arbitration. If either party fails to appoint its arbitrator within 10 days after being requested to do so by the other party, the latter, after 10 days' notice of its intention to do so, may appoint the second arbitrator. If the two arbitrators are unable to agree upon the third arbitrator within 10 days after their appointment, the third arbitrator shall be selected from a list of six individuals (three named by each arbitrator) by a judge of the federal district court having jurisdiction over the geographical area in which the arbitration is to take place, or if the federal court declines to act, the state court having general jurisdiction in such area. Promptly after appointment of all arbitrators, the panel shall meet and determine timely periods for briefs, discovery procedures and schedules for hearings. The decision of any two arbitrators or the mediator when rendered in writing shall be final and binding and judgment upon the award of the arbitrators or mediator may be entered in any court having jurisdiction thereof. All costs of the arbitration or mediation shall be allocated by the panel or the mediator. If arbitration is used, the arbitration shall, in all other respects, be conducted in accordance with the rules and procedures of the American Arbitration Association.

2.3 Closing. The closing of any purchase and sale under this Section 2 shall occur at the offices of ADESA. The closing shall occur on the later of the 30th day after (a) the

Triggering Event (or if such date is not a business day, on the next business day thereafter), or (b) not more than 10 business days from the date the mediator or arbitrators render a decision in the event that the parties fail to reach agreement as to fair value in a circumstance governed by Section 2.2(b).

3. Prohibition of Certain Voluntary Transfers. From the date hereof through and including April 30, 1999 the Shareholder shall not voluntarily Transfer any Shares to any person or entity without the prior written consent of ADESA which consent may be withheld by ADESA in its sole discretion.

4. Right of First Refusal in Favor of Corporation.

4.1 Voluntary Transfers After April 30, 1999. After April 30, 1999, the Shareholder shall not voluntarily Transfer any Shares to any person or entity without first giving ADESA 60 days' written notice of his intent to transfer Shares during which time Shareholder will, if so requested by ADESA, enter into good faith negotiations with ADESA with respect to the purchase of the Shares by ADESA. If ADESA and Shareholder are unable, within said 60-day period, to agree on the price and terms for the purchase of the Shares by ADESA, and if Shareholder is not then in default hereunder, the Shareholder shall be entitled, for a period of 90 days following the expiration of said 60-day period, to transfer the Shares to a Transferee. If the Transfer of the Shares has not closed within said 90-day period, the Shareholder's right to transfer the Shares free of the restriction set forth in this Section 4.1 shall expire and the Shares shall not thereafter be Transferred without again complying with this Section 4.1

4.2 Involuntary Transfers. In the case of any involuntary Transfer of any of the Shares (other than a Transfer upon death) after the Effective Date as a consequence of an order in a divorce proceeding or due to any other consequences, ADESA shall have the right to purchase such Shares in the manner set forth in this Section 4.2. Immediately upon becoming aware of an involuntary Transfer of his Shares the Shareholder shall furnish written notice to ADESA. For a period expiring on the later of the 60th day after the Shareholder's notice or the first day on which ADESA becomes aware of an involuntary Transfer, ADESA shall have the right to elect to purchase the Shares acquired by the Transferee at the price specified in Section 2.2(a) if the Transfer occurs on or before April 30, 1999, or the price specified in Section 2.2(b) if the Transfer occurs after April 30, 1999. ADESA shall inform the Shareholder and the Transferee of its election by written notice. If ADESA fails to give written notice to the Shareholder and the Transferee within the 60-day period, ADESA shall be deemed to have elected not to purchase the Shares, and the involuntary

transferee shall become the owner thereof, free of the restrictions set forth herein.

4.3 Closing. The closing of any purchase under this Section 4 shall occur at the offices of ADESA. A closing under Section 4.1 shall occur on the date agreed upon by ADESA and the Shareholder. A closing under Section 4.2 shall occur on a date specified by ADESA but in no case later than the 61st day after the later of the date on which ADESA receives notice from the Shareholder of the involuntary Transfer or the date on which ADESA otherwise learns of the involuntary Transfer.

5. Representations. The Shareholder represents that (a) at the time of closing, all Shares sold by him hereunder will be free and clear of all liens, claims and encumbrances of any sort and (b) the execution, delivery and performance of this Agreement does not and will not breach, violate or conflict with any agreement order, judgment, decree or law to which he is or becomes a party or by which his property is or becomes bound.

6. Offset of Shareholder Indebtedness. If, at the time of the purchase of the Shares hereunder, the Shareholder is indebted to ADESA, ADESA shall have the right to offset any such indebtedness, including interest thereon, against the purchase price due for the Shares.

7. Legend on Shares Certificates.

7.1 Legend on Currently Outstanding Certificates. In addition to any other legends required to be placed on such certificates, ADESA and the Shareholder agree that the following legend shall be conspicuously endorsed on each certificate evidencing Shares owned by the Shareholder:

> "The transfer of the shares represented by this certificate is restricted by, and subject to, the provisions of a certain Stock Purchase Agreement, dated as of February , 1995 between the registered holder hereof and ADESA Corporation. A copy of the Agreement is on file with the secretary of the Company."

The Secretary of ADESA shall keep a copy of this Agreement on file in ADESA's principal office.

7.2 Legend on Certificates Issued Subsequent Hereto. A copy of this Agreement shall be filed with the Secretary of ADESA. During the term of this Agreement, a legend reading as above shall be conspicuously endorsed on each certificate representing Shares hereafter issued by ADESA to the Shareholder.

8. Right to Specific Performance. The parties agree that the remedy at law for failure of any party to perform would be inadequate, and that the injured party or parties, at his option, shall have the right to compel the specific performance of this Agreement in a court of competent jurisdiction. This right shall be in addition to and not in lieu of any additional or alternative right or remedy which may be available to a party at law or in equity.

9. Miscellaneous Provisions.

9.1 Notices. All notices, requests, and other communications from any of the parties to another shall be in writing and shall be considered to have been duly given or served if personally delivered, telecopied, sent by national overnight delivery service, or sent by first class, certified or registered mail, return receipt requested, postage prepaid, to the party at his or its address as provided below, or to such other address as such party may hereafter designate by written notice to the other parties: (a) if to ADESA, to the address of its then principal office, Attention: Chairman of the Board; (b) if to MPL, to the address of MPL noted below; and (c) if to the Shareholder, to the address last shown for the Shareholder in the records of ADESA. Copies of all notices shall be sent to MPL at 30 West Superior Street, Duluth, Minnesota 55822, Attention: Chairman of the Board. Any notice shall be deemed to be received when delivered if delivered personally, the next business day after receipt of electronic sent confirmation (or other confirmation of receipt) if telecopied, the next business day if sent by a national overnight delivery service, or three business days after the date mailed if sent by certified or registered mail. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

9.2 Amendment. This Agreement may not be altered or amended without the prior written consent of MPL, and then may be altered or amended only by a written amendment signed by the Shareholder and ADESA. No amendment which enlarges the Shareholder's rights hereunder shall be effective unless James P. Hallett and all the Management Shareholders (as that term is defined in the Merger Agreement), if they then own Shares or ADESA Canada stock, shall have consented thereto in writing.

9.3 Governing Law. This Agreement shall be subject to and governed by the internal laws of the State of Indiana notwithstanding the choice of law rules of Indiana or any other jurisdiction.

9.4 Parties in Interest. This Agreement shall be binding upon the heirs, executors, administrators, successors

and assigns of the Shareholder and of ADESA. The Shareholder and ADESA do hereby covenant and agree that they, their heirs, executors, administrators, successors and assigns will take all action and execute any and all instruments, releases, assignments, and consents which may reasonably be required of them in order to carry out the provisions of this Agreement. It is the intention of the parties that MPL be a third party beneficiary of this Agreement, entitled to enforce this Agreement for and on behalf of ADESA.

9.5 Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

9.6 Severability. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, the invalid or unenforceable portion of such provision shall be deleted from this Agreement, and the validity and enforceability of the remainder of such provision and of this Agreement shall be unaffected.

9.7 Captions. The captions at the head of a section or a paragraph of this Agreement are designed for convenience of reference only and are not to be resorted to for the purpose of interpreting any provision of this Agreement.

9.8 Meaning of Pronouns; Singular and Plural Words. All pronouns used in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person to which or to whom reference is made may require. Unless the context in which it is used shall clearly indicate to the contrary, words used in the singular shall include the plural, and words used in the plural shall include the singular.

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9.10 No Assignment. Neither this Agreement nor any rights or obligations hereunder may be assigned or delegated by any party hereto without the written consent of the other party.

9.11 Interpretation. When a reference is made in this Agreement to Sections or Exhibits such reference shall be to a Section or Exhibit to this Agreement unless otherwise indicated. Whenever the words "include," "includes," or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

9.12 Effective Date. This Agreement shall become effective on the Effective Date.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ADESA Corporation

By D. Michael Hockett

Its President

Shareholder:

L.S. Wechter

EXHIBIT A

INCENTIVE LEASES

- - Lease and Development Agreement by and between Auto Dealers Exchange of Concord, Inc. and Asset Holdings III, L.P., dated December 21, 1994.

- - Lease and Development Agreement by and between A.D.E. of Knoxville, Inc. and Asset Holdings III, L.P., dated November 28, 1994.

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Exhibit 12

Minnesota Power & Light Company
Computation of Ratios of Earnings to Fixed Charges and
Supplemental Ratios of Earnings to Fixed Charges

	For the Year Ended December 31,				
	1991	1992	1993	1994	1995
	(In thousands except ratios)				
Income from continuing operations per consolidated statement of income	$ 70,854	$ 67,821	$ 64,374	$ 59,465	$ 61,857
Add (deduct)					
Current income tax expense	16,371	29,147	29,277	24,116	13,356
Deferred income tax expense (benefit)	9,734	(1,113)	1,084	(981)	(11,336)
Deferred investment tax credits	(1,615)	(1,568)	(2,035)	(2,478)	(865)
Undistributed income from less than 50% owned equity investments	(4,941)	(5,733)	(6,009)	(7,547)	(9,124)
Minority interest	(129)	2,684	(83)	(879)	260
	90,274	91,238	86,608	71,696	54,148
Fixed charges					
Interest on long-term debt	44,516	44,008	44,647	48,137	45,713
Capitalized interest	--	422	3,010	--	1,395
Other interest charges - net	8,008	6,455	1,501	7,382	7,934
Interest component of all rentals	5,695	5,728	5,729	5,737	3,670
Total fixed charges	58,219	56,613	54,887	61,256	58,712
Earnings before income taxes and fixed charges (excluding capitalized interest)	$ 148,493	$ 147,429	$ 138,485	$ 132,952	$ 111,465
Ratio of earnings to fixed charges	2.55	2.60	2.52	2.17	1.90
Earnings before income taxes and fixed charges (excluding capitalized interest)	$ 148,493	$ 147,429	$ 138,485	$ 132,952	$ 111,465
Supplemental charges	16,846	16,017	15,149	14,370	13,519
Earnings before income taxes and fixed and supplemental charges (excluding capitalized interest)	$ 165,339	$ 163,446	$ 153,634	$ 147,322	$ 124,984
Total fixed charges	$ 58,219	$ 56,613	$ 54,887	$ 61,256	$ 58,712
Supplemental charges	16,846	16,017	15,149	14,370	13,519
Fixed and supplemental charges	$ 75,065	$ 72,630	$ 70,036	$ 75,626	$ 72,231
Supplemental ratio of earnings to fixed charges	2.20	2.25	2.19	1.95	1.73

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Ratios for prior periods have been restated to reflect discontinued operations.

The supplemental ratio of earnings to fixed charges includes the Company's obligation under a contract with Square Butte Electric Cooperative (Square Butte) which extends through 2007, pursuant to which the Company is purchasing 71 percent of the output of a generating unit capable of generating up to 470 megawatts. The Company is obligated to pay Square Butte all of Square Butte's leasing and operating and debt service costs, less any amount collected from the sale of power or energy to others, which shall not have been paid by Square Butte when due. See Note 12 to the Company's 1995 Consolidated Financial Statements incorporated herein by reference from the Minnesota Power 1995 Annual Report.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Minnesota Power has operations in four business segments: (1) electric operations, which include electric and gas services, and coal mining; (2) water operations, which include water and wastewater services; (3) automobile auctions, which also include a finance company and an auto transport company; and (4) investments, which include real estate operations, a 22.1% equity investment in a financial guaranty reinsurance company, and a securities portfolio.

Earnings Per Share. Earnings per share of common stock were $2.16 in 1995 compared to $2.06 in 1994 and $2.20 in 1993. The most significant factor contributing to the higher earnings in 1995 was the recognition of tax benefits associated with real estate operations which contributed 52 cents to earnings per share. Of the 52 cents recognized, 5 cents is attributed to normal operations in 1995. Earnings in 1995 also reflect increased electric sales to industrial customers and other power suppliers, and the improved performance of the Company's securities portfolio. Earnings in 1995 were reduced by lower water sales in Florida and a 14 cent per share loss associated with exiting Reach All, the truck-mounted lifting equipment business. Automobile auctions did not contribute to earnings per share for the six months ended Dec. 31, 1995.

Major factors contributing to 1994 earnings include 42 cents per share from the sale of certain water plant assets and 13 cents per share from the recognition of escrow funds associated with real estate operations. Poor securities market conditions, in addition to a 21 cent per share write-off of a securities investment and an 11 cent per share loss from the Company's investment in Reach All, lowered earnings in 1994. In 1993 the recognition of unbilled revenue and increased sales to other power suppliers helped offset lost electric revenue from the idling of one of the Company's large power customers.

Discontinued operations include the paper and pulp business which was sold in June 1995. The increase in income from discontinued operations reflect higher paper and pulp prices in 1995 and 1994. A worldwide excess paper supply depressed paper prices in 1993.

Earnings Per Share	1995	1994	1993
Continuing Operations			
Electric Operations			
Electric	$1.22	$1.18	$1.29
Coal	.11	.11	.10
	1.33	1.29	1.39
Water Operations	(.05)	.48	.08
Automobile Auctions	.00	-	-
Investments			
Portfolio and reinsurance	.47	.06	.64
Real estate operations	.58	.36	.24
Other	(.27)	(.20)	(.08)
	.78	.22	.80
Total Continuing Operations	2.06	1.99	2.27
Discontinued Operations	.10	.07	(.07)
Total Earnings Per Share	$2.16	$2.06	$2.20
Average Shares of Common Stock - 000s	28,483	28,239	26,987

Consolidated Financial Review

Operating Revenue and Income. Electric operations operating revenue was higher in 1995 than 1994 because of record kWh sales. There were increased retail sales, higher commercial and residential rates, and significantly more sales to other power suppliers. 1994 was lower than 1993 because the Company recognized $5.1 million of unbilled revenue and recovered $14.6 million more of coal contract termination costs in 1993. Also, National, a taconite producer and major electric customer of the Company, operated all year in 1995, only four months in 1994 and seven months in 1993. The decrease in kWh sales in 1994 was offset by $11.1 million of additional revenue from an interim rate increase.

Water operations operating revenue and income was lower in 1995 compared to 1994 due to 15,000 fewer customers following the December 1994 sale of Venice Gardens' assets. The sale resulted in a $19.1 million gain in 1994. In addition, 1994 included 12 months of increased rates, while 1993 included only four months. Abnormally high rainfall in Florida and customer water conservation efforts also lowered operating revenue in 1995 and 1994.

Automobile auctions operating revenue is included as of July 1, 1995, the purchase date of ADESA, the automobile auction business.

Investments operating revenue and income in 1995 reflects improved results due to the record-setting securities market. 1994 includes a $10.1 million write-off of a securities investment. Operating revenue and income from real estate operations was lower in 1995 compared to 1994 and 1993 due to fewer commercial land sales and Lehigh's maturing accounts receivable portfolio. In 1994 Lehigh recognized $4.5 million of escrow funds.

Operating Expenses. Fuel and purchased power expenses were higher in 1995 than 1994 because of a 13% increase in kWh sold. Power purchases increased $17 million primarily because of the increased demand by industrial customers in Minnesota and also by neighboring utilities. Expenses were lower in 1994 compared to 1993 because the monthly amortization of coal contract termination costs was completed in March 1994. 1994 expenses included additional purchased power to provide for unscheduled outages at Boswell and to meet unexpected demand from three taconite customers.

Operations expenses were higher in 1995 than 1994 due to the inclusion of ADESA, scheduled electric maintenance costs, and increased expenses related to conservation improvement programs (CIP) and customer services. Expenses in 1994 were higher than 1993 because of increased expense related to CIP and unscheduled outages at Boswell.

Administrative and general expenses were higher in 1995 than 1994 and 1993 due to the addition of ADESA and salary and benefit increases. Salary and benefit increases were tempered by lower payroll costs associated with an early retirement offering to electric utility employees that were age 53 or older with 10 or more years of service.

Interest expense was higher in 1995 than 1994 due to the addition of ADESA. Expense was higher in 1994 than 1993 reflecting debt financing for capital expenditures relating to water operations and more commercial paper outstanding.

Income from equity investments was higher in 1995 compared to 1994 because of increased income from Capital Re. This increase was partially offset by a $6.4 million loss associated with exiting Reach All in 1995. 1994 was lower than 1993 due to a $5.2 million loss at Reach All.

Income tax expense in 1995 includes the recognition of $18.4 million of tax benefits associated with real estate operations.

Income from discontinued operations includes the operating results and the $1.5 million net loss on the sale of the paper and pulp business. Significantly higher paper and pulp prices increased earnings in 1995 and 1994 compared to 1993. In June 1995 the Company sold the paper and pulp business for $118 million.

Electric Operations

Electric operations generate, transmit, distribute and sell electricity. Minnesota Power provides electricity to 122,000 customers in northern Minnesota, while the Company's wholly owned subsidiary, Superior Water, Light and Power Company, sells electricity to 14,000 customers and natural gas to 11,000 customers, and provides water to 10,000 customers in northwestern Wisconsin. Another wholly owned subsidiary, BNI Coal, owns and operates a lignite mine in North Dakota. Two electric generating cooperatives, Minnkota Power Cooperative, Inc. and Square Butte, consume virtually all of BNI Coal's production of lignite coal under contracts extending to 2027.

Electric Retail Rates. Effective June 1, 1995, the MPUC authorized a final rate increase of $19 million annually.

Summary of Changes in Electric Revenue	1995	1994
	(Change from previous year in millions)	
Electric sales (including demand and energy charges)	$28.2	$(12.4)
Unbilled revenue	-	(5.1)
Rate increases	12.1	11.1
Conservation improvement programs	3.0	7.8
Fuel clause adjustments	2.6	(3.4)
Coal revenue	1.9	2.4
Other	(2.7)	(4.9)
	$45.1	$ (4.5)

Electric Sales. Kilowatt-hour sales reached a new record level in 1995 due to warm summer weather and increased demand from large industrial customers and other power suppliers. The Company continues to explore opportunities to expand services and assistance provided to its customers as well as increase sales beyond the Company's traditional service territory.

The two major industries in Minnesota Power's service territory are taconite production, and paper and wood products manufacturing. These two industries contributed about half of the Company's electric operating revenue from 1993 through 1995. Taconite mining customers accounted for 35% of electric operating revenue in 1995, and 34% in 1994 and in 1993. The paper and wood products industries accounted for 12% of electric operating revenue in 1995, 13% in 1994 and 14% in 1993.

Taconite is an important raw material for the steel industry and is made from low iron content ore mined in northern Minnesota. Taconite processing plants use large quantities of electric power to grind the ore and concentrate the iron particles into taconite pellets. Annual taconite production in Minnesota was 47 million tons in 1995 compared to 43 million tons in 1994 and 41 million tons in 1993. Minnesota's taconite production in 1996 is expected to be approximately 48 million tons. An 18% increase in kWh sold to taconite customers contributed to higher electric sales in 1995.

While taconite production is expected to continue at near record setting levels, the long-term future of this cyclical industry is less certain. Even with the Company's commitment to help the taconite customers remain competitive, it is possible that production will decline gradually some time after the year 2005.

Large Power Customer Contracts. Electric service contracts with 11 large power industrial customers require payment of minimum monthly demand charges that cover most fixed costs associated with having capacity available to serve them, including a return on common equity. The demand charge is paid by these customers even if no electrical energy is taken. An energy charge is also paid to cover the variable cost of energy actually used. A four-year cancellation notice is required to terminate the contracts. The rates and corresponding revenue associated with capacity and energy provided under these contracts are subject to change through the regulatory process governing all retail electric rates.

Summary of Revenue and Demand Under Contract as of February 1, 1996

	Minimum Annual Revenue	Monthly Megawatts
1996	$100.5 million	619
1997	$90.9 million	572
1998	$79.0 million	493
1999	$61.8 million	388
2000	$48.1 million	309

The Company believes revenue from these large power customers will be substantially in excess of the minimum contract amounts.

These 11 large power customers each require 10 MW or more of power and have contract termination dates ranging from April 1997 to December 2005. Five of these customers are taconite producers, five are paper manufacturers and one is a pipeline company. In addition to the minimum demand provisions, the contracts with the taconite producers require these customers to purchase their entire electric service requirements from the Company. Six of the large power customers purchase a combined total of 200 MW of interruptible service pursuant to contract amendments incorporating an interruptible rate schedule. Under this schedule and pursuant to these amendments, the Company has the right to serve 100 MW of these customers' needs through Oct. 31, 2008, and an additional 100 MW of these customers' needs through April 30, 2010. The Company has the right of first refusal to serve an additional 200 MW during these same time periods following the termination of any of these contracts. In total these six customers will save about $12 million annually in reduced demand charges. These savings are partially offset by the cost of interruptible energy being higher than the cost of firm energy. The Company is able to market the 200 MW of capacity to other power suppliers.

Fuel. The cost of coal is the Company's largest single operating expense in generating electricity. Coal consumption at the Company's generating stations in 1995 was 3.6 million tons. Minnesota Power currently has two coal supply agreements in place with Montana suppliers which terminate in May 1997 and December 2000. Under these agreements the Company has the tonnage flexibility to procure between 55% and 100% of its total coal requirements. The Company will use this flexibility to purchase coal under spot-market agreements when favorable market conditions exist. The Company continues to explore future supply options and believes that adequate supplies of low-sulfur, sub-bituminous coal will be available. The Company has contracts with Burlington Northern Railroad to deliver coal from Montana and Wyoming to the Company's generating facilities in Minnesota through December 2003.

Purchased Power Contract. Under an agreement extending through 2007 with Square Butte, Minnesota Power purchases 71% (about 320 MW during the summer months and 333 MW during the winter months) of the output of a mine-mouth generating unit located near Center, North Dakota. The Square Butte unit is one of two lignite-fired units at Minnkota Power Cooperative's Milton R. Young Generating Station.

Square Butte has the option, upon five years advance notice, to reduce the Company's share of the unit's output to 49%. Minnesota Power has the option, though not the obligation, to continue to purchase 49% of the output at market-based prices after 2007 to the end of the plant's economic life. Minnesota Power must pay any Square Butte costs and expenses that have not been paid by Square Butte when due, regardless of whether or not the Company received any power from that unit.

Early Retirement Plan. In 1995 an early retirement offer was accepted by 178 of the 215 eligible electric utility employees, representing a 12% reduction of the electric operations workforce. A cost of approximately $15 million will be amortized over 3 years consistent with regulatory precedent. The plan was funded through excess pension plan assets. The early retirement offer is part of the Company's ongoing efforts to control costs and maintain low electric rates.

Competition. The competitive landscape of the electric utility industry is changing at both the wholesale and retail levels, and is affecting the way the Company strategically views the future.

Wholesale. In 1995 the FERC issued a Notice of Proposed Rulemaking (NOPR) on Open Access Non-Discriminatory Transmission Services by Public Utilities and Transmitting Utilities and a supplemental NOPR on Recovery of Stranded Costs. The purpose of the proposed rules is to facilitate wholesale power competition, remove undue discrimination in electric transmission and set standards for recovery of stranded costs through FERC-approved rates for wholesale service. These final FERC rules are expected to be published by mid-1996.

Regional. The Company is a member of the Mid-Continent Area Power Pool (MAPP). The MAPP power pool enhances electric service reliability, and provides the opportunity for members to enter into various wholesale power transactions and coordinate planning of new generation and transmission facilities. The MAPP membership is in the process of reorganizing to establish (1) a regional transmission group to provide comparable and efficient transmission service on a regional basis, coordinate regional transmission planning and to resolve transmission service disputes; (2) a power and energy market for market-based wholesale transactions among interested participants; and (3) a generation reserve sharing pool to maintain and share generation reserves for purposes of further efficiencies. The reorganization must be approved by MAPP and will be subject to FERC approval.

Retail. In 1995 the MPUC initiated an investigation into structural and regulatory issues in the electric utility industry. To make certain that delivery of electric service continues to be efficient following any restructuring, the MPUC adopted 15 principles to guide a deliberate and orderly approach to developing reasonable restructuring alternatives that ensure the fairness of a competitive market and protect the public interest. In January 1996 the MPUC established a competition working group in which company representatives will participate to initially address issues related to wholesale competition and then to consider retail competition issues including rate flexibility, innovative regulation, unbundling, safety and reliability.

Customers. Minnesota Power anticipates that its large power customers will continue to aggressively seek lower energy costs through negotiations with the Company and consideration of alternative suppliers. With electric rates among the lowest in the United States and with its long-term wholesale and large power contracts in place, Minnesota Power believes it is well positioned to address competitive pressures. The Company remains opposed to retail wheeling because it would benefit only a few large customers while potentially adversely impacting smaller customers' rates and shareholder returns.

Conservation. Minnesota requires electric utilities to spend 1.5% of annual electric revenue on conservation improvement programs (CIP) each year. State law allows utilities to recover state-approved CIP costs through a customer billing mechanism. Since January 1994 the Company has been recovering ongoing CIP spending and $8.2 million of CIP spending from previous years. A billing adjustment and retail base rates allow the Company to recover both costs of energy-saving programs and "lost margins" associated with power saved as a result of such programs.

The Company's largest conservation programs are targeted at taconite and paper customers to promote their efficient use of energy. CIP also provides demand-side management grants on a competitive basis to commercial and small industrial customers, low-cost financing for energy-saving investments, and promotes energy conservation for all residential and commercial customers. SWL&P also offers electric and gas conservation programs to qualified customers as approved by the Public Service Commission of Wisconsin.

Clean Air Act. While many utilities and their customers will face high costs to comply with clean-air legislation, the Company expects to meet future requirements without major spending. By burning low-sulfur fuels in units equipped with pollution control equipment, the Company's power plants already operate at or near the sulfur dioxide emission limits set for the year 2000 by the Federal Clean Air Act Amendment of 1990. To meet newly proposed nitrogen oxide emission limits for 2000, the Company expects to install new burner technology that is currently estimated to cost $9 to $11 million in total, for Boswell and Laskin. No limits have been proposed for Hibbard. Total clean-air compliance costs cannot be accurately estimated yet, as regulations are not final.

1995 to 1994 Comparison. 1995 was an excellent year for electric operations. The Company set new records for electric sales, revenue and generation. Operating revenue from electric operations was higher in 1995 compared to 1994, due to a 13% increase in total kWh sales, increased retail rates in effect since June 1, 1995, and collection of CIP expenditures. Warm summer weather and increased demand from large industrial customers and other power suppliers significantly increased sales over 1994. Electric operations earned a return of 13.3% on average common equity invested in electric utility plant in 1995, compared with 12.8% in 1994.

1994 to 1993 Comparison. Total electric sales increased 4% primarily because of increased sales to large industrial customers, wholesale customers and other power suppliers. Operating revenue included $11.1 million from interim rates collected after March 1, 1994, and $7.8 million from the recovery of CIP expenses in 1994. Operating revenue was $12.4 million lower in 1994 because of reduced demand revenue from National and lower rates associated with interruptible service. The Company also completed recovery of the remaining $3.9 million of coal contract buyout costs in March 1994, whereas 1993 included $18.5 million, a full year recovery. Additionally the unbilled revenue adjustment added $5.1 million to revenue in 1993. Electric operations earned a return of 12.8% on average common equity invested in electric utility plant in 1994, compared with 12.4% in 1993.

Water Operations

Water operations include SSU and Heater. SSU provides water to 117,000 customers and wastewater treatment services to 53,000 customers in Florida. Heater provides water to 26,000 customers and wastewater treatment services to 3,000 customers in North Carolina and South Carolina.

Water and Wastewater Rates. Responding to a Florida Supreme Court decision addressing the issue of retroactive ratemaking with respect to another company, on March 5, 1996, the FPSC voted to reconsider an October 1995 order (Refund Order) which would have required SSU to refund about $10 million, including interest, to customers who paid more since October 1993 under uniform rates than they would have paid under stand-alone rates. Under the Refund Order, the collection of the $10 million from customers who paid less under uniform rates would not be permitted. The Refund Order was in response to the Florida First District Court of Appeals reversal in April 1995 of the 1993 FPSC order which approved uniform rates for most of SSU's service areas in Florida. With "uniform rates," all customers in the uniform rate areas pay the same rates for water and wastewater services. Uniform rates are an alternative to "stand-alone" rates which are calculated based on the cost of serving each service area. The FPSC will reconsider the Refund Order at an undetermined date. The Company continues to believe that it would be improper for the FPSC to order a refund to one group of customers without permitting recovery of a similar amount from the remaining customers since the First District Court of Appeals affirmed the Company's total revenue requirement for operations in Florida. No provision for refund has been recorded.

In June 1995 SSU filed a request with the FPSC for an $18.1 million annual increase in water and wastewater treatment rates. On Nov. 1, 1995, the FPSC denied the Company's original $12 million interim rate request for two reasons: (1) it was based on uniform rates which were deemed improper by a court order subsequent to the Company's original filing, and (2) the FPSC had not yet formulated a policy on allowable investments and expenses to be included in a forward-looking interim test year. The Company submitted additional information to support interim rate approval of $12 million based on a forward-looking test year and $8.4 million based on a historical test year. On Jan. 4, 1996, the FPSC permitted the Company to implement an interim rate increase (based on a historical test year) of $7.9 million, on an annualized basis, over revenue previously collected under a uniform rate structure. Interim rates went into effect on Jan. 23, 1996. Final rates are anticipated to become effective in the fourth quarter of 1996.

Florida law permits water and wastewater utilities to make an annual index filing to recover inflationary increases in system operations and maintenance expenses, thus delaying or avoiding the costs of full rate case filings. Similarly, another Florida law allows water and wastewater utilities to file annually to recover increased purchased water and wastewater treatment costs and property tax increases. Since 1993 the Company was allowed $2.9 million of the $3 million requested in annual rate increases under these laws.

Summary of Changes in Water Revenue and Income	1995	1994
	(Change from previous year in millions)	
Water sales	$ (1.9)	$ 1.4
Wastewater treatment services	(2.0)	2.6
Rate increases	1.2	1.6
Gain on sale of water assets	(19.1)	19.1
Other	-	1.1
	$(21.8)	$25.8

Competition. The responsibility of providing the fast growing populations of Florida, North Carolina and South Carolina with an adequate supply of clean water requires the constant attention and foresight of the Company's water operations.

The regulated water and wastewater services industry is experiencing a series of transformations including privatization, consolidation and regionalization. These new trends are a direct result of expanded environmental regulation and increasingly limited water supply and wastewater disposal options. Consequently, growth in the industry will be realized by those who make adequate capital investment to achieve these transformations. Since economic regulation has not kept pace with the investment demands placed on private utilities, regulatory lag has delayed the recovery of private utilities' service costs.

Historically, competition and change have been minimal in the water and wastewater industry. During the next five years, however, the Company believes that the water and wastewater industry will become more competitive and innovation-driven. The Company is focused on the application of technology to reduce costs and increase efficiency, objectives that are critical in the competitive pursuit of regulated, as well as unregulated, markets.

1995 and 1994 Comparison. Operating revenue and income from water operations fell 24% in 1995 compared to 1994. The decrease is attributed to 15,000 fewer customers following the sale of Venice Gardens' assets in December 1994 and lower water consumption due to abnormally high rainfall and customer conservation efforts. The sale of Venice Gardens' assets contributed $19.1 million to water operations in 1994. Customers lost in the Venice Gardens' sale were replaced in December 1995 when the Company purchased the assets of Orange Osceola Utilities, Inc. for $13 million. This purchase added 17,000 customers to the Company's Florida customer base.

1994 and 1993 Comparison. Operating revenue and income from water operations increased 39% in 1994 compared to 1993 due to the $19.1 million gain associated with the December 1994 sale of Venice Gardens' assets. 1994 also included 12 months of increased rates, while 1993 included only four months. Abnormally high rainfall in Florida and customer water conservation efforts offset the new rates in 1994.

Automobile Auctions

Minnesota Power has an 83% ownership interest in ADESA, the third largest automobile auction business in the United States. ADESA, headquartered in Indianapolis, Indiana, owns and operates 19 automobile 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. Two wholly owned subsidiaries of ADESA, Automotive Finance Corporation (AFC) and ADESA Auto Transport, perform related services. Sellers at ADESA's auctions include domestic and foreign auto manufacturers, car dealers, fleet/lease companies, banks and finance companies.

The Company acquired 80% of ADESA on July 1, 1995, for $167 million in cash. Proceeds from the sale of the paper and pulp business combined with proceeds from the sale of securities investments were used to fund this acquisition. Acquired goodwill and other intangible assets associated with this acquisition are being amortized on a straight line basis over periods not exceeding 40 years. In January 1996 the Company provided an additional $15 million of capital in exchange for 1,982,346 original issue common stock shares of ADESA. This capital contribution increased the Company's ownership interest in ADESA to 83%. Put and call agreements with ADESA's four top managers provide ADESA management the right to sell to Minnesota Power, and Minnesota Power the right to purchase, ADESA management's 17% retained ownership interest in ADESA, in increments during the years 1997, 1998 and 1999, at a price based on ADESA's financial performance.

For the six months ended Dec. 31, 1995, operating revenue was $61.3 million with no net income contribution. Financial results are attributed to auction cancellations because of severe weather conditions in the eastern United States in December 1995, as well as start-up costs associated with major construction projects. First quarter 1996 financial results will also be affected by severe weather which continued in January 1996.

Competition. Within the automobile auction industry, ADESA's competition includes independently owned auctions as well as major chains and associations with auctions in geographic proximity to those of ADESA. ADESA competes with other auctions for dealers, financial institutions and other sellers to provide automobiles for auction at consignment sales and for the supply of rental repurchase vehicles from the automobile manufacturers for auction at factory sales. The automobile manufacturers often choose between auctions across multi-state areas in distributing rental repurchase vehicles. ADESA competes for sellers of automobiles by attempting to attract a large number of dealers to purchase vehicles, which ensures competitive prices and supports the volume of vehicles auctioned, and by providing a full range of services including floorplan financing, reconditioning services which prepare automobiles for auction, transporting automobiles to auction and the prompt handling of the paperwork necessary to complete the sales.

Auto auction sales for the industry are predicted to rise at a rate of 6% to 8% annually. ADESA expects to participate in this industry's growth through acquisitions, greenfield start-ups and expanded services. In September 1995 ADESA opened the world's largest indoor automobile auction facility in Framingham, Massachusetts. Expansion projects at Manville, New Jersey and Jacksonville, Florida and a relocation project in Indianapolis, Indiana are nearing completion. These projects are expected to begin operations in the first quarter of 1996.

Investments

Investments include an 80% interest in Lehigh, a Florida real estate company, a 22.1% equity investment in Capital Re, a financial guaranty reinsurance company, and a portfolio of securities managed by Minnesota Power which is intended to provide funds for reinvestment and business acquisitions. The Company ceased operations at Reach All, the truck-mounted lifting equipment business, and sold its assets in 1995.

Portfolio. The performance of the securities portfolio improved significantly over 1994 earning an after-tax return of 8.7% in 1995 compared to 1.7% in 1994 and 7.4% in 1993. Securities investments totaling $60 million were sold to partially fund the purchase of ADESA. Poor market conditions and the write-off of a $10.1 securities investment lowered earnings in 1994 compared to 1993. The Company plans to continue to concentrate in market neutral strategies that provide stable and acceptable returns without sacrificing needed liquidity. Returns will continue to be partially dependent upon general market yields.

Reinsurance. The Company's equity investment in Capital Re continues to be a major contributor to earnings. In 1995 Capital Re contributed $8.2 million to earnings compared to $7 million in 1994 and $5.7 million in 1993. Capital Re earned after-tax returns of 10.1% in 1995, 10.5% in 1994 and 10.1% in 1993. Capital Re is the parent company of a group of specialty reinsurance companies.

Real Estate Operations. Income from real estate operations was higher in 1995 than 1994 primarily due to the recognition of $18.4 million of tax benefits. In March 1995, based on the results of a project which analyzed the economic feasibility of realizing future tax benefits available to the Company, the board of directors of Lehigh directed the management of Lehigh to dispose of Lehigh's assets in a manner that would maximize utilization of tax benefits. The Company's portion of the tax benefits reflected in net income is $14.7 million. This tax benefit was partially offset by fewer commercial land sales and Lehigh's maturing accounts receivable portfolio. Earnings were higher in 1994 compared to 1993 because the recognition of escrow funds contributed $3.6 million in 1994.

Lehigh currently owns 4,000 acres of land and approximately 8,000 homesites near Fort Myers, Florida and 1,250 homesites in Citrus County, Florida. The real estate strategy is to acquire large residential community properties at low cost, adding value, and selling them at going market prices.

Other. Included are the financial results for Reach All and charges for general corporate expenses. In 1995 Reach All's operating assets were sold resulting in a 14 cent per share loss compared to an 11 cent per share loss in 1994. Pre-tax losses from Reach All were $6.4 million in 1995, $5.2 million in 1994 and $764,000 in 1993.

Liquidity and Capital Resources

As detailed in the consolidated statement of cash flows, cash flows from operating activities were affected by a number of factors representative of normal operations. Automobile auction operations are included since the July 1, 1995, acquisition of ADESA.

Cash from investing activities included proceeds from the sale of the paper and pulp business and proceeds from the sale of a portion of the securities portfolio that was used to fund the purchase of ADESA.

Working capital, if and when needed, generally is provided by the sale of commercial paper. In addition, securities investments can be liquidated to provide funds for reinvestment in existing businesses or acquisition of new businesses, and approximately 700,000 original issue shares of common stock are available for issuance through the DRIP. Minnesota Power's $77 million bank lines of credit provide liquidity for the Company's commercial paper program. The amount and timing of future sales of the Company's securities will depend upon market conditions and the specific needs of the Company. The Company may from time to time sell securities to meet capital requirements, to provide for the early redemption of issues of long-term debt and/or preferred stock, to reduce short-term debt and for other corporate purposes.

A substantial amount of ADESA's working capital is generated internally from payments made by vehicle purchasers. However, ADESA utilizes an $18 million line of credit 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 also offers short-term on-site financing for dealers to purchase automobiles at auctions in exchange for a security interest in those automobiles. The financing is provided through the earlier of the date the dealer sells the automobile or a general borrowing term of 30-60 days. As a result, AFC has a $40 million revolving line of credit to meet its operational requirements.

In January 1996 SSU issued $35.1 million of 6.5% Industrial Development Refunding Revenue Bonds Series 1996 due Oct. 1, 2025. The proceeds were used to refund existing industrial development revenue bonds totaling $33.8 million. Also in January 1996 the Company contributed an additional $15 million of equity to ADESA in exchange for 1,982,346 shares of ADESA original issue common stock. As a result, the Company's ownership interest increased from 80% to 83%. Funds from the issuance of commercial paper were used to purchase the additional shares. ADESA expects to use the funds to pay for capital expansion projects.

Minnesota Power's electric utility first mortgage bonds and secured pollution control bonds are currently rated the following investment grades: Baa1 by Moody's Investor Services and BBB+ by Standard and Poor's. The disclosure of these security ratings is not a recommendation to buy, sell or hold the Company's securities.

In 1995 the Company paid out 94% of its per-share earnings in dividends. Over the longer term, Minnesota Power's goal is to reduce dividend payout to 75% to 80% of earnings. This is expected to be accomplished by increasing earnings rather than reducing dividends.

Capital Requirements. Consolidated capital expenditures in 1995 totaled $115 million. These expenditures included $38 million for electric operations, of which $7 million was for coal operations, $34 million for water operations and $43 million for automobile auction site relocation and development. Internally generated funds and long-term bank financing was used to fund these capital expenditures.

Capital expenditures are expected to be $93 million in 1996 and total about $325 million for 1997 through 2000. The 1996 amount includes $34 million for routine electric capital expenditures, $25 million for upgrades, water reuse projects and new water facilities, $28 million for automobile auction site relocation and development, and $6 million for coal mining equipment and other capital expenditures. The Company expects to use internally generated funds, long-term bank financing and original issue equity securities to fund these capital expenditures.

No new power plants or major changes to existing plants are expected in the 1996-2010 period. Future water utility capital expenditures include facility upgrades to meet environmental standards and new water and wastewater treatment facilities to accommodate customer growth. Capital expenditures for automobile auctions will continue to be for auction site relocation and development.

New Accounting Standards. In March 1995 the FASB issued SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," effective for fiscal years beginning after Dec. 15, 1995. SFAS 121 requires that long-lived assets and intangible assets be reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS 121 also requires that a utility's deferred regulatory charges must be probable of recovery in future rates. The adoption of SFAS 121 is expected to be immaterial to the Company's financial position and results of operations.

In October 1995 the FASB issued SFAS 123, "Accounting for Stock-Based Compensation," effective for fiscal years beginning after Dec. 15, 1995. SFAS 123 requires companies to either record or disclose pro forma information on the fair value of certain stock-based employee compensation programs. In 1996 the Company anticipates offering stock options to certain employees and, in accordance with SFAS 123, will be required either to record compensation expense for stock options based on their fair values or provide pro forma disclosures of net income and earnings per share reflecting this information. The Company plans to account for its stock-based employee compensation programs in accordance with APB 25, "Accounting for Stock Issued to Employees," and will provide the pro forma disclosures required by SFAS 123, if material.

Reports

Independent Accountant

To the Shareholders and
Board of Directors of Minnesota Power Logo

In our opinion, based upon our audits and the report of other auditors, the accompanying consolidated balance sheet and the related consolidated statements of income, of retained earnings and of cash flows present fairly, in all material respects, the financial position of Minnesota Power and its subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of ADESA Corporation, an 80% owned subsidiary acquired July 1, 1995, which statements reflect total assets of $355,819,000 at December 31, 1995 and total revenues of $60,641,000 for the six month period ended December 31, 1995. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for ADESA Corporation, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with generally accepted auditing standards 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 and the report of other auditors provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Minneapolis, Minnesota
January 22, 1996

Management

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

To meet its responsibilities with respect to financial information, management maintains and enforces 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 which provides an appropriate segregation of responsibilities, careful selection and training of personnel, written policies and procedures, and periodic reviews by the internal audit department. In addition, the Company has a personnel policy which requires 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 its system of internal accounting controls in response to changes in business conditions. The Company's internal audit staff is charged with the responsibility for determining compliance with Company procedures.

Five directors of the Company, not members of management, serve as the Audit Committee. The Board of Directors, through its 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 its responsibilities. The internal auditors and the independent accountants have full and free access to the Audit Committee without management present.

Price Waterhouse LLP and Ernst & Young LLP, independent accountants, are engaged to express an opinion on the financial statements. Their audits are conducted in accordance with generally accepted auditing standards and include a review of internal controls and test transactions to the extent necessary to allow them to report on the fairness of the operating results and financial condition of the Company.

Arend J. Sandbulte	Edwin L. Russell	David G. Gartzke
Arend J. Sandbulte Chairman	Edwin L. Russell President and Chief Executive Officer	David G. Gartzke Chief Financial Officer

Minnesota Power Consolidated Balance Sheet

December 31	1995	1994
	In thousands	
Assets		
Plant and Other Assets		
Electric operations	$ 786,159	$ 789,789
Water operations	337,500	295,451
Automobile auctions	123,632	-
Investments	201,360	355,263
Total plant and other assets	1,448,651	1,440,503
Current Assets		
Cash and cash equivalents	31,577	27,001
Trading securities	40,007	74,046
Trade accounts receivable (less reserve of $3,325 and $1,041)	128,072	51,105
Notes and other accounts receivable	12,220	61,654
Fuel, material and supplies	26,383	26,405
Prepayments and other	13,706	25,927
Total current assets	251,965	266,138
Deferred Charges		
Regulatory	88,631	74,919
Other	25,037	24,353
Total deferred charges	113,668	99,272
Intangible Assets		
Goodwill	120,245	1,885
Other	13,096	-
Total intangible assets	133,341	1,885
Total Assets	$1,947,625	$1,807,798
Capitalization and Liabilities		
Capitalization		
Common stock, without par value, 65,000,000 shares authorized; 31,467,650 and 31,246,557 shares outstanding	$ 377,684	$ 371,178
Unearned ESOP shares	(72,882)	(76,727)
Net unrealized gain (loss) on securities investments	3,206	(5,410)
Cumulative translation adjustment	(177)	-
Retained earnings	276,241	272,646
Total common stock equity	584,072	561,687
Cumulative preferred stock	28,547	28,547
Redeemable serial preferred stock	20,000	20,000
Long-term debt	639,548	601,317
Total capitalization	1,272,167	1,211,551
Current Liabilities		
Accounts payable	68,083	36,792
Accrued taxes	40,999	41,133
Accrued interest and dividends	14,471	14,157
Notes payable	96,218	54,098
Long-term debt due within one year	9,743	12,814
Other	27,292	23,799
Total current liabilities	256,806	182,793
Deferred Credits		
Accumulated deferred income taxes	164,737	192,441
Contributions in aid of construction	98,167	87,036
Regulatory	57,950	55,996
Other	97,798	77,981
Total deferred credits	418,652	413,454
Commitments and Contingencies		
Total Capitalization and Liabilities	$1,947,625	$1,807,798

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

For the year ended December 31	1995	1994	1993
	In thousands except per share amounts		
Operating Revenue and Income			
Electric operations	$ 498,352	$ 453,287	$ 457,719
Water operations	69,379	91,224	65,463
Automobile auctions	61,254	-	-
Investments	43,932	37,656	59,313
Total operating revenue and income	672,917	582,167	582,495
Operating Expenses			
Fuel and purchased power	176,960	157,687	170,277
Operations	286,204	232,280	218,890
Administrative and general	102,896	68,300	64,879
Interest expense	48,041	46,750	41,544
Total operating expenses	614,101	505,017	495,590
Income from Equity Investments	4,196	2,972	5,795
Operating Income from Continuing Operations	63,012	80,122	92,700
Income Tax Expense	1,155	20,657	28,326
Income from Continuing Operations	61,857	59,465	64,374
Income (Loss) from Discontinued Operations	2,848	1,868	(1,753)
Net Income	64,705	61,333	62,621
Dividends on Preferred Stock	(3,200)	(3,200)	(3,342)
Earnings Available for Common Stock	$ 61,505	$ 58,133	$ 59,279
Average Shares of Common Stock	28,483	28,239	26,987
Earnings Per Share of Common Stock			
Continuing operations	$ 2.06	$ 1.99	$ 2.27
Discontinued operations	.10	.07	(.07)
Total	$ 2.16	$ 2.06	$ 2.20
Dividends Per Share of Common Stock	$ 2.04	$ 2.02	$ 1.98

Consolidated Statement of Retained Earnings

For the year ended December 31	1995	1994	1993
	In thousands		
Balance at Beginning of Year	$ 272,646	$ 271,177	$ 265,648
Net income	64,705	61,333	62,621
Redemption and retirement of stock	--	--	(425)
Total	337,351	332,510	327,844
Dividends Declared			
Preferred stock	3,200	3,200	3,342
Common stock	57,910	56,664	53,325
Total	61,110	59,864	56,667
Balance at End of Year	$ 276,241	$ 272,646	$ 271,177

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

For the year ended December 31	1995	1994	1993
		In thousands	
Operating Activities			
Net income	$ 64,705	$ 61,333	$ 62,621
Depreciation and amortization	59,554	50,236	43,508
Amortization of coal contract termination costs	-	3,920	18,460
Deferred income taxes	(26,082)	6,201	5,517
Deferred investment tax credits	(864)	(2,478)	(2,035)
Pre-tax (gain) loss on sale of plant	1,786	(19,147)	(812)
Changes in operating assets and liabilities net of the effects of discontinued operations and subsidiary acquisitions			
Trading securities	34,039	24,198	-
Notes and accounts receivable	(12,989)	(14,061)	(11,999)
Fuel, material and supplies	(3,164)	(5,641)	4,226
Accounts payable	(9,794)	1,112	(1,170)
Other current assets and liabilities	15,890	4,935	2,473
Other-- net	873	5,857	1,954
Cash from operating activities	123,954	116,465	122,743
Investing Activities			
Proceeds from sale of investments in securities	103,189	59,339	242,950
Proceeds from sale of discontinued operations-- net of cash sold	107,606	-	-
Proceeds from sale of plant	-	37,361	6,584
Additions to investments	(59,468)	(97,620)	(266,276)
Additions to plant	(117,749)	(80,161)	(68,156)
Acquisition of subsidiaries -- net of cash acquired	(129,531)	-	-
Changes to other assets-- net	(2,645)	(10,699)	(54,763)
Cash for investing activities	(98,598)	(91,780)	(139,661)
Financing Activities			
Issuance of common stock	6,438	1,033	57,605
Issuance of long-term debt	28,070	21,982	171,571
Changes in notes payable	16,726	33,623	(33,496)
Reductions of long-term debt and preferred stock	(10,904)	(26,132)	(107,256)
Dividends on preferred and common stock	(61,110)	(59,864)	(56,667)
Cash (for) from financing activities	(20,780)	(29,358)	31,757
Change in Cash and Cash Equivalents	4,576	(4,673)	14,839
Cash and Cash Equivalents at Beginning of Period	27,001	31,674	16,835
Cash and Cash Equivalents at End of Period	$ 31,577	$ 27,001	$ 31,674
Supplemental Cash Flow Information			
Cash paid during the period for			
Interest (net of capitalized)	$ 48,913	$ 48,385	$ 41,840
Income taxes	$ 25,018	$ 20,584	$ 24,490

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1 Business Segments

For the year ended December 31	Consolidated	Electric Operations		Water Operations	Automobile Auctions	Investments	
		Electric	Coal			Portfolio, Reinsurance & Other	Real Estate
Thousands							
1995							
Operating revenue and income	$ 672,917	$469,481	$28,871	$ 69,379	$ 61,254	$ 24,374	$ 19,558
Operation and other expense	508,753	350,184	21,840	48,365	55,314	12,808	20,242
Depreciation and amortization expense	57,307	38,361	1,506	12,796	4,367	--	277
Interest expense	48,041	20,642	1,250	10,672	675	14,776	26
Income from equity investments	4,196	-	-	-	-	4,196	-
Operating income (loss) from continuing operations	63,012	60,294	4,275	(2,454)	898	986	(987)
Income tax expense (benefit)	1,155	23,504	1,197	(1,110)	1,116	(6,117)	(17,435)
Income (loss) from continuing operations	61,857	$ 36,790	$ 3,078	$(1,344)	$ (218)	$ 7,103	$(16,448)
Income from discontinued operations	2,848						
Net income	$ 64,705						
Total assets	$1,947,625	$936,260	$32,331	$354,294	$355,843	$219,076	$ 49,821
Accumulated depreciation	$ 619,343	$485,353	$18,875	$113,125	$ 1,990	-	-
Accumulated amortization	$ 3,036	-	-	-	$ 2,311	-	$ 725
Construction work in progress	$ 56,019	$ 5,386	-	$ 12,314	$ 38,319	-	-
1994							
Operating revenue and income	$ 582,167	$426,288	$26,999	$ 91,224	-	$ 6,003	$ 31,653
Operation and other expense	412,490	314,333	20,438	47,754	-	9,455	20,510
Depreciation and amortization expense	45,777	35,209	1,352	8,936	-	4	276
Interest expense	46,750	19,167	1,035	12,214	-	14,322	12
Income from equity investments	2,972	-	-	-	-	2,972	-
Operating income (loss) from continuing operations	80,122	57,579	4,174	22,320	-	(14,806)	10,855
Income tax expense (benefit)	20,657	22,150	1,114	8,733	-	(12,031)	691
Income (loss) from continuing operations	59,465	$ 35,429	$ 3,060	$ 13,587	-	$(2,775)	$ 10,164
Income from discontinued operations	1,868						
Net income	$ 61,333						
Total assets	$1,807,798	$941,041	$28,353	$327,367	-	$301,355	$ 34,549
Accumulated depreciation	$ 582,075	$471,141	$17,598	$ 88,650	-	$ 5	-
Accumulated amortization	$ 434	-	-	-	-	-	$ 434
Construction work in progress	$ 27,619	$ 21,736	-	$ 5,883	-	-	-
1993							
Operating revenue and income	$ 582,495	$433,117	$24,602	$ 65,463	-	$ 28,284	$ 31,029
Operation and other expense	410,141	319,513	18,609	42,550	-	6,946	22,523
Depreciation and amortization expense	43,905	32,782	1,095	9,792	-	6	230
Interest expense	41,544	18,943	1,024	9,997	-	11,565	15
Income from equity investments	5,795	-	-	-	-	5,795	-
Operating income from continuing operations	92,700	61,879	3,874	3,124	-	15,562	8,261
Income tax expense (benefit)	28,326	24,696	1,150	1,054	-	(435)	1,861
Income from continuing operations	64,374	$ 37,183	$ 2,724	$ 2,070	-	$ 15,997	$ 6,400
Loss from discontinued operations	(1,753)						
Net income	$ 62,621						
Total assets	$1,760,526	$916,378	$27,998	$330,653	-	$295,210	$30,726
Accumulated depreciation	$ 546,706	$443,407	$16,097	$ 86,495	-	$ 17	-
Accumulated amortization	$ 145	-	-	-	-	-	$ 145
Construction work in progress	$ 31,227	$ 18,019	-	$ 13,208	-	-	-

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Purchased July 1, 1995.

Includes $3.7 million of minority interest relating to the recognition of tax benefits. (See Note 14.)

Includes a $6.4 million pre-tax write-off from exiting the equipment manufacturing business.

Includes $18.4 million of tax benefits. (See Note 14.)

Includes a $19.1 million pre-tax gain from the sale of certain water plant assets.

Includes a $10.1 million pre-tax loss from the write-off of an investment.

Includes $3.6 million of income related to escrow funds.

Includes $175.1 million related to operations discontinued in 1995.

Includes $4.7 million related to operations discontinued in 1995.

Includes $159.6 million related to operations discontinued in 1995.

Includes $0.7 million related to operations discontinued in 1995.

2 Operations and Significant Accounting Policies

Financial Statement Preparation. Minnesota Power prepares its financial statements in conformity with generally accepted accounting principles. These principles require management to make estimates and assumptions that (1) affect the reported amounts of assets and liabilities, (2) disclose contingent assets and liabilities at the date of the financial statements, and (3) report amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and all of its 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.

Nature of Operations and Revenue Recognition. Minnesota Power is a diversified utility that has operations in four principal business segments.

Electric Operations. Electric service is provided to 136,000 customers in northern Minnesota and northwestern Wisconsin. Large industrial customers, which include paper mills, Minnesota's taconite industry and a pipeline company, purchase under contract about half of the electricity the Company generates. BNI Coal, a subsidiary, mines and sells lignite coal to two North Dakota mine-mouth generating units, one of which is Square Butte which supplies Minnesota Power with 71% of its output under a long-term contract. (See Note 12.)

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 yet billed. Electric rates include adjustment clauses which 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.

During 1995, 1994 and 1993, revenue derived from one major customer was $60.4, $60.2 and $59.6 million, respectively. Revenue derived from another major customer was $44.9, $45.3 and $45 million, respectively.

Water Operations. SSU, a wholly owned subsidiary, is the largest independent supplier of water and wastewater utility service in Florida. Heater, another subsidiary, provides water and wastewater services in North Carolina and South Carolina. In total, 143,000 water and 56,000 wastewater treatment customers are served. Water rates are under the jurisdiction of various state and county regulatory authorities. Billings are rendered on a cycle basis. Revenue is accrued for water sold but not billed.

Automobile Auctions. In July 1995, the Company purchased 80% of ADESA, an automobile auction business that operates in 19 locations in the U.S. and Canada. As discussed in Note 3, the Company's ownership interest increased to 83% in January 1996. ADESA acts as an agent in the sales process, receiving fees from both buyers and sellers of automobiles. ADESA also provides a wide range of related services such as floorplan financing, auto reconditioning, title processing and vehicle transport. Revenue is recognized when services are performed.

Investments. The Company's securities portfolio provides funds for reinvestment and business acquisitions. The Company has a 22.1% ownership in Capital Re, a financial guaranty reinsurance company, accounted for using the equity method, and an 80% ownership in Lehigh, a Florida real estate business. Real estate revenue is recognized on the accrual basis. Investment income is discussed in Note 7.

Plant and Depreciation. Plant is recorded at original cost. The cost of additions to plant and replacement of retirement units of property are capitalized. Maintenance costs and replacements of minor items of property are charged to expense as incurred. Costs of depreciable units of plant retired are eliminated from the plant accounts. Such costs plus removal expenses less salvage are charged to accumulated depreciation. Plant stated on the balance sheet includes construction work in progress and is net of accumulated depreciation. Various pollution abatement facilities are leased from municipalities which have issued pollution control revenue bonds to finance the cost of the facilities. The cost of the facilities and the related debt obligation, which is guaranteed by the Company, has been recorded as electric plant and long-term debt, respectively.

Depreciation of utility plant is computed using rates based on estimated useful lives of the various classes of property. Provisions for depreciation of the average original cost of depreciable property approximated 3.3% in 1995, 3% in 1994 and 2.9% in 1993. Contributions in aid of construction (CIAC) relate to water and wastewater plant contributed to the Company by developers and customers. CIAC is amortized on a straight-line basis over the estimated life of the asset to which it relates when placed in service. Amortization of CIAC reduces depreciation expense.

Fuel, Material and Supplies. Fuel, material and supplies are stated at the lower of cost or market. Cost is determined by the average cost method.

Goodwill. Goodwill represents the excess of cost over net assets of businesses acquired and is amortized on a straight-line basis over forty years.

Deferred Regulatory Charges and Credits. The Company is subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." The Company capitalizes 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. (See Note 4.)

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. The Company considers all investments purchased with maturities of three months or less to be cash equivalents.

3 Acquisitions and Divestitures

Acquisition of ADESA. The Company acquired 80% of ADESA on July 1, 1995, for $167 million in cash. The Company accounted for the acquisition as a purchase. Acquired goodwill and other intangible assets associated with this acquisition are being amortized on a straight line basis over periods not exceeding 40 years. In January 1996 the Company provided an additional $15 million of capital in exchange for 1,982,346 original issue common stock shares of ADESA. This capital contribution increased the Company's ownership interest in ADESA to 83%. Put and call agreements with ADESA's four top managers provide ADESA management the right to sell to Minnesota Power, and Minnesota Power the right to purchase, ADESA management's 17% retained ownership interest in ADESA, in increments during the years 1997, 1998 and 1999, at a price based on ADESA's financial performance.

The following summary presents unaudited pro forma consolidated results as if ADESA was acquired on Jan. 1, 1994. The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of 1994, nor are they necessarily indicative of future consolidated results. The pro forma results should be read in conjunction with the historical consolidated financial statements and related notes of Minnesota Power.

Summary Pro Forma Financial Information -- Year ended December 31-- Unaudited	1995	1994
	In thousands	
Operating revenue and income	$729,674	$674,696
Income from continuing operations	$61,422	$61,771
Net income	$64,270	$63,639
Earnings per share of common stock from continuing operations	$2.04	$2.07
Total earnings per share of common stock	$2.14	$2.14

Acquisition of Orange Osceola. On Dec. 1, 1995, SSU acquired the operating assets of Orange Osceola Utilities for approximately $13 million. The acquisition adds over 17,000 water customers.

Sale of Water Plant Assets. In December 1994 SSU sold all of the assets of its Venice Gardens water and wastewater utilities to Sarasota County in Florida (the County) for $37.6 million. The sale increased 1994 net income by $11.8 million and contributed 42 cents to 1994 earnings per share. Water operations on the consolidated statement of income includes a pre-tax gain of $19.1 million from the sale. This sale was negotiated in anticipation of an eminent domain action by the County.

Discontinued Operations. On June 30, 1995, Minnesota Power sold its interest in the paper and pulp business to Consolidated Papers, Inc. (CPI) for $118 million in cash, plus CPI's assumption of certain debt and lease obligations. The Company is still committed to a maximum guaranty of $90 million to ensure a portion of a $33.4 million annual lease obligation for paper mill equipment under an operating lease extending to 2012. CPI has agreed to indemnify the Company for any payments the Company may make as a result of the Company's obligation relating to this operating lease.

The financial results of the paper and pulp business, including the loss on disposition, have been accounted for as discontinued operations.

Summary of Discontinued Operations -- Year ended December 31	1995	1994	1993
	In thousands		
Operating revenue and income	$44,324	$55,615	$ 7,112
Income (loss) from equity investments	$7,496	$2,327	$(1,865)
Income (loss) from operations	$7,476	$2,677	$(3,132)
Income tax expense (benefit)	3,117	809	(1,379)
	4,359	1,868	(1,753)
Loss on disposal	(1,786)	-	-
Income tax benefit	275	-	-
	(1,511)	-	-
Income (loss) from discontinued operations	$2,848	$1,868	$(1,753)

4 Regulatory Matters

The Company files for periodic rate revisions with the Minnesota Public Utilities Commission (MPUC), the Federal Energy Regulatory Commission (FERC), the Florida Public Service Commission (FPSC) and other state and county regulatory authorities. The MPUC had regulatory authority over approximately 76% in 1995, 77% in 1994 and 76% in 1993 of the Company's total electric operating revenue. Interim rates in Minnesota and Florida are placed into effect, subject to refund with interest, pending a final decision by the appropriate commission.

Electric Rate Proceedings. In November 1994, the MPUC granted the Company an increase in annual electric operating revenue of $19 million and an 11.6% return on equity. Effective June 1, 1995, rates for large industrial customers increased less than 4%, while the rate for smaller businesses increased 6.5%. Rate increases for residential customers were approved to be phased in over three years: 13.5% began in June 1995 and 3.75% in January 1996, another 3.75% will begin in January 1997.

In January 1994 the Company began recovering ongoing CIP expenditures and $8.2 million of deferred CIP expenditures incurred prior to Dec. 31, 1993, through a customer billing adjustment and retail base rates approved by the MPUC. The Company collected $10.8 million and $7.8 million of CIP related revenue in 1995 and 1994.

Water Rate Proceedings. Responding to a Florida Supreme Court decision addressing the issue of retroactive ratemaking with respect to another company, on March 5, 1996, the FPSC voted to reconsider an October 1995 order (Refund Order) which would have required SSU to refund about $10 million, including interest, to customers who paid more since October 1993 under uniform rates than they would have paid under stand-alone rates. Under the Refund Order, the collection of the $10 million from customers who paid less under uniform rates would not be permitted. The Refund Order was in response to the Florida First District Court of Appeals reversal in April 1995 of the 1993 FPSC order which approved uniform rates for most of SSU's service areas in Florida. With "uniform rates," all customers in the uniform rate areas pay the same rates for water and wastewater services. Uniform rates are an alternative to "stand-alone" rates which are calculated based on the cost of serving each service area. The FPSC will reconsider the Refund Order at an undetermined date. The Company continues to believe that it would be improper for the FPSC to order a refund to one group of customers without permitting recovery of a similar amount from the remaining customers since the First District Court of Appeals affirmed the Company's total revenue requirement for operations in Florida. No provision for refund has been recorded.

In June 1995 SSU filed a request with the FPSC for an $18.1 million annual increase in water and wastewater treatment rates. On Nov. 1, 1995, the FPSC denied the Company's original $12 million interim rate request for two reasons: (1) it was based on uniform rates which were deemed improper by a court order subsequent to the Company's original filing, and (2) the FPSC had not yet formulated a policy on allowable investments and expenses to be included in a forward-looking interim test year. The Company submitted additional information to support interim rate approval of $12 million based on a forward-looking test year and $8.4 million based on a historical test year. On Jan. 4, 1996, the FPSC permitted the Company to implement an interim rate increase (based on a historical test year) of $7.9 million, on an annualized basis, over revenue previously collected under a uniform rate structure. Interim rates went into effect on Jan. 23, 1996. Final rates are anticipated to become effective in the fourth quarter of 1996.

Florida law permits water and wastewater utilities to make an annual index filing to recover inflationary increases in system operations and maintenance expenses, thus delaying or avoiding the costs of full rate case filings. Similarly, another Florida law allows water and wastewater utilities to file annually to recover increased purchased water and wastewater treatment costs and property tax increases. Since 1993 the Company was allowed $2.9 million of the $3 million requested in annual rate increases under these laws.

Peabody Contract Buyout. In 1991 Minnesota Power and Peabody Coal Company agreed to terminate the 1968 Coal Supply Contract between the parties (the Coal Contract) two years ahead of the scheduled termination date. As approved by the MPUC and FERC, the Company used the retail and resale fuel adjustment clauses to pass through to electric customers the $35 million charge (plus a return on the funds used to make the payment) paid by the Company in December 1991 to terminate the Coal Contract. The consolidated income statement includes $3.9 and $18.5 million in 1994 and 1993 of the Coal Contract termination costs as fuel expense and the recovery of these costs in revenue through the fuel adjustment clauses.

Deferred Regulatory Charges and Credits. Based on current rate treatment, the Company believes all deferred regulatory charges are probable of recovery.

Summary of Deferred Regulatory Charges and Credits-- December 31	1995	1994
	In thousands	
Deferred Charges		
Income taxes	$22,726	$22,977
Conservation improvement programs	15,793	10,471
Early retirement plan	14,290	3,380
Postretirement benefits	10,801	12,834
Premium on reacquired debt	8,293	9,119
Other	16,728	16,138
	88,631	74,919
Deferred Credits		
Income taxes	57,950	55,996
Net deferred regulatory charges and credits	$30,681	$18,923

5 Jointly Owned Electric Facility

The Company owns 80% of Boswell Unit 4. While the Company operates the plant, certain decisions with respect to the operations of Boswell Unit 4 are subject to the oversight of a committee on which the Company and Wisconsin Public Power, Inc. SYSTEM (WPPI), the owner of the other 20% of Boswell Unit 4, have equal representation and voting rights. Each owner must provide its own financing and is obligated to pay its ownership share of operating costs. The Company's share of direct operating expenses of Boswell Unit 4 is included in operating expense on the consolidated statement of income. The Company's 80% share of the original cost included in electric plant at Dec. 31, 1995 and 1994, was $303 and $306 million.
The corresponding provisions for accumulated depreciation were $123 and $119 million.

6 Investment in Capital Re

The Company has an equity investment in Capital Re, a company engaged in financial guaranty reinsurance. During 1995 and 1994 the Company purchased an additional 517,100 shares of Capital Re common stock for $11 million. At Dec. 31, 1995, the Company's equity investment was 22.1%. The Company uses the equity method to account for this investment.

Summary of Capital Re Financial Information-- Year ended December 31	1995	1994	1993
	In thousands		
Investment portfolio	$771,767	$638,751	$552,405
Other assets	$201,074	$171,289	$159,231
Liabilities	$171,447	$134,610	$137,407
Deferred revenue	$314,451	$274,916	$250,394
Net revenue	$107,085	$101,462	$79,477
Net income	$45,527	$39,806	$36,354

Summary of Minnesota Power's Ownership in Capital Re-- December 31	1995	1994	1993
	In thousands		
Equity in earnings	$9,811	$8,138	$6,559
Accumulated equity in undistributed earnings	$42,755	$33,683	$26,103
Equity investment	$92,851	$72,054	$60,216
Fair value of equity investment	$100,422	$86,662	$70,778

7 Financial Instruments

Securities Investments. The majority of the Company's securities investments are investment-grade stocks of other utility companies and are considered by the Company to be conservative investments.

Investments in equity and debt securities are classified in two categories on the balance sheet: Trading securities are those bought and held principally for near-term sale. They are recorded at fair value as part of current assets, with changes in fair value during the period included in earnings. Available-for-sale securities, which are held for an indefinite period of time, are recorded at fair value in investments. Changes in fair value during the period are recorded net of tax as a separate component of common stock equity. If the fair value of any available-for-sale securities declines below cost and the decline is considered other than temporary, the securities are written down to fair value and the losses charged to earnings. Realized gains and losses are computed on each specific investment sold.

	Dec. 31, 1995				Dec. 31, 1994			
		Gross Unrealized		Fair		Gross Unrealized		Fair
Summary of Securities	Cost	Gain	(Loss)	Value	Cost	Gain	(Loss)	Value
	In thousands							
Trading				$40,007				$ 74,046
Available-for-sale								
Common stock	$ 2,599	$ -	$ (451)	$ 2,148	$ 10,636	$ 86	$(1,748)	$ 8,974
Preferred stock	64,506	1,969	(3,090)	63,385	117,860	2,747	(3,893)	116,714
	$67,105	$1,969	$(3,541)	$65,533	$128,496	$2,833	$(5,641)	$125,688

The net unrealized gain (loss) on securities investments on the balance sheet at Dec. 31, 1995 and 1994, also included $4.1 and $(3.8) million from the Company's share of Capital Re's unrealized holding gains and losses.

Year ended December 31	1995	1994
	In thousands	
Trading securities		
Change in net unrealized holding gains included in earnings	$1,518	$253
Available-for-sale securities		
Proceeds from sales	$97,139	$53,559
Gross realized gains	$2,974	$1,194
Gross realized (losses)	$(3,313)	$(2,902)

Off-Balance-Sheet Risks. In portfolio strategies designed to reduce market risks, the Company sells common stock securities short and enters into short sales of treasury futures contracts.

Selling common stock securities short is intended to reduce market price risks associated with holding common stock securities in the Company's trading securities portfolio. Transactions involving short sales of common stock are completed on average within 90 days from when the transactions are entered into. Realized and unrealized gains and losses from short sales of common stock securities are included in investment income.

Treasury futures are used as a cross hedge to reduce interest rate risks associated with holding fixed dividend preferred stocks included in the Company's available-for-sale portfolio. Changes in market values of treasury futures are recognized as an adjustment to the carrying amount of the underlying hedged item. Gains and losses on treasury futures are deferred and recognized in investment income concurrently with gains and losses arising from the underlying hedged item. Generally, treasury futures contracts entered into have a maturity date of 90 days.

The notional amounts summarized below do not represent amounts exchanged and are not a measure of the Company's financial exposure. The amounts exchanged are calculated on the basis of these notional amounts and other terms which relate to the change in interest rates and securities prices. The Company continually evaluates the credit standing of counterparties and market conditions with respect to its off-balance-sheet financial instruments. The Company does not expect any counterparties to fail to meet their obligations or any material adverse impact to its financial position from these financial instruments.

Summary of Off-Balance-Sheet Financial Instruments-- December 31	1995	1994
	In thousands	
Short stock sales outstanding	$30,253	$61,523
Treasury futures	$12,700	$31,700
Interest rate swap	-	$20,000

Fair Value of Financial Instruments. The carrying amount of cash and cash equivalents, trading securities, notes and other accounts receivable, and notes payable approximates fair value because of the short maturity of those instruments. The Company records its trading and available-for-sale securities at fair value based on quoted market prices. The fair values for all other financial instruments were based on quoted market prices for the same or similar issues.

Summary of Fair Values-- December 31	1995		1994	
	In thousands			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$(639,548)	$(660,277)	$(601,317)	$(559,859)
Redeemable serial preferred stock	$(20,000)	$(21,050)	$(20,000)	$(19,550)
Short stock sales outstanding (trading)	-	$32,167	-	$59,691
Treasury futures	-	$15,427	-	$31,433
Interest rate swap	-	-	-	$(589)

Concentration of Credit Risk. Financial instruments that subject the Company to concentrations of credit risk consist primarily of trade and other receivables. The Company sells electricity to about 17 customers in northern Minnesota's taconite and paper industries. At Dec. 31, 1995 and 1994, receivables from these customers totaled $7.6 and $8.5 million. The Company does not obtain collateral to support utility receivables, but monitors the credit standing of major customers. The Company has not incurred and does not expect to incur significant credit losses. Approximately $73 million of trade accounts receivable are due from automobile dealers. ADESA has possession of car titles collaterallizing a significant portion of these accounts.

8 Common Stock and Retained Earnings

The Articles of Incorporation, mortgage, and preferred stock purchase agreements contain provisions that, under certain circumstances, would restrict the payment of common stock dividends. As of Dec. 31, 1995, no retained earnings were restricted as a result of these provisions.

Summary of Common Stock	Shares	Equity
	In thousands	
Balance Dec. 31, 1992	29,453	$308,090
1993 Public offering	1,000	34,570
ESPP	25	925
DRIP	588	20,805
Earned ESOP adjustment	-	995
Other	141	5,296
Balance Dec. 31, 1993	31,207	370,681
1994 ESPP	40	1,033
Other	-	(536)
Balance Dec. 31, 1994	31,247	371,178
1995 ESPP	32	786
DRIP	189	5,653
Other	-	67
Balance Dec. 31, 1995	31,468	$377,684

9 Preferred Stock

Summary of Cumulative Preferred Stock-- December 31	1995	1994
	In thousands	
Preferred stock, $100 par value, 116,000 shares authorized;		
5% Series - 113,358 shares outstanding, callable at $102.50 per share	$11,492	$11,492
Serial preferred stock, without par value,1,000,000 shares authorized;		
$7.36 Series - 170,000 shares outstanding, callable at $103.34 per share	17,055	17,055
Total cumulative preferred stock	$28,547	$28,547

Summary of Redeemable Serial Preferred Stock-- December 31	1995	1994
	In thousands	
Serial preferred stock A, without par value, 2,500,000 shares authorized;		
$6.70 Series - 100,000 shares outstanding, noncallable, redeemable in 2000 at $100 per share	$10,000	$10,000
$7.125 Series - 100,000 shares outstanding, noncallable, redeemable in 2000 at $100 per share	10,000	10,000
Total redeemable serial preferred stock	$20,000	$20,000

10 Long-Term Debt

Schedule of Long-Term Debt-- December 31	1995	1994
	In thousands	
Minnesota Power		
First mortgage bonds		
73/8% Series due 1997	$ 60,000	$ 60,000
61/2% Series due 1998	18,000	18,000
61/4% Series due 2003	25,000	25,000
71/2% Series due 2007	35,000	35,000
73/4% Series due 2007	55,000	55,000
7% Series due 2008	50,000	50,000
6% Pollution control Series E due 2022	111,000	111,000
Pollution control revenue bonds due 1996-2010	34,655	35,405
Leveraged ESOP loan due 1996-2004	13,039	13,786
Other long-term debt	17,194	17,054
Subsidiary companies		
First mortgage bonds, 8.75% due 2013	45,000	45,000
Notes payable, variable, due 1998	38,000	-
Notes payable, 7.65% due 2003	-	41,864
Notes payable, 10.44% due 1999	30,000	30,000
Notes payable, variable, due 1999	19,926	-
Other long-term debt	97,477	77,022
Less due within one year	(9,743)	(12,814)
Total long-term debt	$639,548	$601,317

Aggregate amounts of long-term debt maturing during each of the next five years are $9.7, $74.4, $68.8, $63.9 and $8.2 million in 1996, 1997, 1998, 1999 and 2000.

Substantially all Company electric and water plant is subject to the lien of the mortgages securing various first mortgage bonds. All automobile auction plant is subject to liens securing various notes payable.

In January 1996 SSU issued $35.1 million of 6.5% Industrial Development Refunding Revenue Bonds Series 1996 due Oct. 1, 2025. Proceeds were used to refund four industrial development bond issues totaling $33.8 million that SSU had outstanding at Dec. 31, 1995.

11 Short-Term Borrowings and Compensating Balances

The Company had bank lines of credit, which make short-term financing available through short-term bank loans and provide support for commercial paper, aggregating $128 and $72 million at Dec. 31, 1995 and 1994. At Dec. 31, 1995 and 1994, the Company had issued commercial paper with face values of $63 and $54 million, respectively, with liquidity provided by bank lines of credit and the Company's securities portfolio. Certain lines of credit require payment of a 1/8 of 1% commitment fee and others require maintenance of a 5% or 10% compensating balance. Interest rates on commercial paper and borrowings under the lines of credit range from 6.0% to 9.5% at Dec. 31, 1995, and 5.5% to 9.5% at Dec. 31, 1994. The weighted average interest rate on short-term borrowings at Dec. 31, 1995 and 1994, was 6.1% and 5.7%. The total amount of compensating balances at Dec. 31, 1995 and 1994, was immaterial.

12 Square Butte Purchased Power Contract

Under the terms of a 30-year contract with Square Butte that extends through 2007, the Company is purchasing 71% of the output from a mine-mouth, lignite-fired generating plant capable of generating up to 470 MW. This generating unit (Project) is located near Center, N.D. Reductions to about 49% of the output are provided for in the contract and, at the option of Square Butte, could begin after a five-year advance notice to the Company and continue for the remaining economic life of the Project. The Company has the option but not the obligation to continue to purchase 49% of the output after 2007.

The Project is leased to Square Butte through Dec. 31, 2007, by certain banks and their affiliates which have beneficial ownership in the Project. Square Butte has options to renew the lease after 2007 for essentially the entire remaining economic life of the Project.

The Company is obligated to pay Square Butte all Square Butte's leasing, operating and debt service costs (less any amounts collected from the sale of power or energy to others) that shall not have been paid by Square Butte when due. These costs include the price of lignite coal purchased by Square Butte under a cost-plus contract with BNI Coal. The Company's cost of power and energy purchased from Square Butte during 1995, 1994 and 1993 was $57.6, $55.4 and $56.5 million, respectively. The leasing costs of Square Butte included in the cost of power delivered to the Company totaled $19.3 million in 1995 and in 1994, and $19.7 million in 1993, which included approximately $11, $12 and $12.5 million, respectively, of interest expense. The annual fixed lease obligations of the Company for Square Butte are $19.4 million from 1996 through 2000. At Dec. 31, 1995, Square Butte had total debt outstanding of $207 million. The Company's obligation is absolute and unconditional whether or not any power is actually delivered to the Company.

The Company's payments to Square Butte for power and energy are approved as purchased power expense for ratemaking purposes by both the MPUC and FERC.

One principal reason the Company entered into the agreement with Square Butte was to obtain a power supply for large industrial customers. Present electric service contracts with these customers require payment of minimum monthly demand charges that cover most of the fixed costs associated with having capacity available to serve them. These contracts minimize the negative impact on earnings that could result from significant reductions in kilowatt-hour sales to industrial customers. The minimum contract term for the large industrial customers is 10 years, with a four-year cancellation notice required for termination of the contract at or beyond the end of the tenth year. Under the terms of existing contracts, the Company would collect approximately $100.5, $90.9, $79.0, $61.8 and $48.1 million under current rate levels for firm power during the years 1996, 1997, 1998, 1999 and 2000, respectively, even if no power or energy were supplied to these customers after Dec. 31, 1995. The minimum contract provisions are expressed in megawatts of demand, and if rates change, the amounts the Company would collect under the contracts will change in proportion to the change in the demand rate.

13 Leasing Agreements

ADESA leases auction facilities located in North Carolina, Massachusetts and Tennessee from an unrelated third party. The term of these leases is for five years with no renewal options. However, at the beginning of the fourth year of the lease term, ADESA has the option to purchase the leased facilities at a collective price of $26.5 million. In the event ADESA does not exercise its option to purchase, ADESA is required to guarantee any deficiency in sales proceeds the lessor realizes in dispensing of the leased properties should the selling price fall below $25.7 million. ADESA receives any excess sales proceeds over the option price.

ADESA has guaranteed the payment of principal and interest on the lessor's indebtedness which consists of $25.7 million mortgage notes, due Aug. 1, 2000. Interest on the notes accrues at 9.82% per annum and is payable monthly. ADESA had also guaranteed the completion of construction which took place at these properties during 1995.

The Company leases other properties and equipment in addition to those listed above pursuant to operating and capital lease agreements with terms expiring through 2002. Aggregate amounts of future minimum lease payments for capital and operating leases during each of the next five years are $6.6, $6.5, $6.4, $9.2 and $3.4 million in 1996, 1997, 1998, 1999 and 2000.

14 Income Tax Expense

Schedule of Income Tax Expense	1995	1994	1993
		In thousands	
Charged to continuing operations			
Current tax expense			
Federal	$ 8,559	$19,308	$24,157
Foreign	573	-	-
State	4,224	4,808	5,120
	13,356	24,116	29,277
Deferred tax expense			
Federal	6,820	(511)	549
State	244	(470)	535
	7,064	(981)	1,084
Change in valuation allowance	(18,400)	-	-
Deferred tax credits	(865)	(2,478)	(2,035)
Income tax-- continuing operations	1,155	20,657	28,326
Charged to discontinued operations			
Current tax expense			
Federal	13,396	(4,302)	(4,068)
State	4,192	(2,071)	(1,745)
	17,588	(6,373)	(5,813)
Deferred tax expense			
Federal	(11,851)	5,677	3,518
State	(2,895)	1,505	916
	(14,746)	7,182	4,434
Income tax-- discontinued operations	2,842	809	(1,379)
Total income tax expense	$ 3,997	$21,466	$26,947

The Company's overall effective tax rates were 5.8%, 25.9%, and 30.1% in 1995, 1994 and 1993, compared to the federal statutory rate of 35%.

Reconciliation of Federal Statutory Rate to Effective Tax Rate	1995	1994	1993
		In thousands	
Tax computed at federal statutory rate	$24,046	$28,979	$31,333
Increase in tax from state income taxes, net of federal income tax benefit	3,504	2,608	3,684
Basis difference in land	(72)	(2,433)	-
Change in valuation allowance	(18,400)	-	-
Income from unconsolidated subsidiaries	(245)	(985)	(2,885)
Income from escrow funds	-	(1,550)	-
Dividend received deduction	(2,284)	(2,867)	(3,295)
Tax credits	(1,916)	(2,478)	(2,097)
Other	(636)	192	207
Total income tax expense	$ 3,997	$21,466	$26,947

Schedule of Deferred Tax Assets and Liabilities-- December 31	1995	1994
	In thousands	
Deferred tax assets		
Contributions in aid of construction	$ 17,528	$ 18,378
Lehigh basis difference	25,071	26,878
Deferred compensation plans	9,346	7,856
Minimum tax credit carryover	5,464	11,094
Deferred gain	4,781	12,359
Depreciation	11,950	10,472
Investment tax credits	23,904	24,144
Other	21,811	22,289
Gross deferred tax assets	119,855	133,470
Deferred tax asset valuation allowance	(8,943)	(26,878)
Total deferred tax assets	110,912	106,592
Deferred tax liabilities		
Depreciation	188,804	198,174
AFDC	19,399	20,526
Capital lease	--	11,432
Gain on sale of water plant	7,390	7,390
Investment tax credits	34,369	35,982
Other	25,687	25,529
Total deferred tax liabilities	275,649	299,033
Accumulated deferred income taxes	$ 164,737	$ 192,441

In 1995, based on the results of a project which analyzed the economic feasibility of realizing future tax benefits available to the Company, the board of directors of Lehigh directed management to dispose of Lehigh's assets in a manner that would maximize the utilization of tax benefits. Based on this directive, Lehigh recognized $18.4 million of income by reducing the valuation reserve which offsets deferred tax assets. Additional unrealized net deferred tax assets resulting from the original purchase of Lehigh of $8.2 million are included on the Company's balance sheet. These assets are fully offset by the deferred tax asset valuation allowance because under the standards of SFAS 109, "Accounting for Income Taxes," it is currently "more likely than not" that the value of these assets will not be realized. Management reviews the appropriateness of the valuation allowance quarterly.

A provision has not been made for taxes on $19.1 million of pre-1993 undistributed earnings of Capital Re, an investment accounted for under the equity method. Those earnings have been and are expected to continue to be reinvested. The Company estimates that $7.9 million of tax would be payable on the pre-1993 undistributed earnings of Capital Re if the Company should sell its investment. The Company has recognized the income tax impact on undistributed earnings of Capital Re earned since Jan. 1, 1993.

15 Pension Plans and Benefits

Pension Plans. The Company's Minnesota, Wisconsin and Florida utility operations have noncontributory defined benefit pension plans covering eligible employees. Pension benefits for employees in Minnesota and Wisconsin are fully vested after five years and are based on years of service and the highest average monthly compensation earned during four consecutive years within the last 15 years of employment. Employees in Florida are fully vested after five years of credited service, with benefits based on years of service and average earnings. Company policy is to fund accrued pension costs, including amortization of past service costs, over 5 to 30 years. Part of the pension cost is capitalized as a cost of plant construction.

Schedule of Pension Costs	1995	1994	1993
		In thousands	
Service cost	$ 4,290	$ 4,130	$ 3,436
Interest cost	13,025	11,753	11,969
Actual return on assets	(34,515)	(15,103)	(30,590)
Net amortization	17,823	454	17,372
Amortization of early retirement cost	1,978	-	-
Net cost	$ 2,601	$ 1,234	$ 2,187

At Dec. 31, 1995, approximately 55% of pension plan assets were invested in equity securities, 26% in fixed income securities, 12% in other investments and 7% in Company common stock.

Pension Plans Funded Status-- October 1	1995	1994
	In thousands	
Actuarial present value of benefit obligations		
Vested benefit obligation	$(167,590)	$(126,250)
Nonvested benefit obligation	(7,326)	(8,975)
Accumulated benefit obligation	(174,916)	(135,225)
Excess of projected benefit obligation over accumulated benefit obligation	(25,991)	(26,820)
Projected benefit obligation	(200,907)	(162,045)
Plan assets at fair value	222,755	195,942
Plan assets in excess of projected benefit obligation	21,848	33,897
Unrecognized net gain	(35,474)	(33,767)
Prior service cost not yet recognized in net periodic pension cost	6,166	6,647
Unrecognized net obligation at Oct. 1, 1985, being recognized over 20 years	1,898	2,104
Prepaid (accrued) pension cost recognized on the consolidated balance sheet	$ (5,562)	$ 8,881

The weighted average discount rate for 1995 and 1994 was 7.75% and 8.25%. Projected pension obligations assume pay increases averaging 6% in 1995 and 1994. The assumed long-term rate of return on assets was 8.75% for 1995 and 1994.

BNI Coal, ADESA and Heater have defined contribution pension plans covering eligible employees. The aggregate annual pension cost for these plans was about $800,000, $600,000 and $700,000 in 1995, 1994 and 1993.

Postretirement Benefits. The Company provides certain health care and life insurance benefits for retired employees. The regulatory asset for deferred postretirement benefits is being amortized in electric rates over a five year period beginning in 1995.

Schedule of Postretirement Benefit Costs	1995	1994
	In thousands	
Service cost	$ 2,544	$ 2,545
Interest cost	3,624	4,389
Actual return on plan assets	(103)	(125)
Amortization of transition obligation	1,213	3,085
Net periodic cost	7,278	9,894
Net amortization (deferral)	2,015	(6,285)
Net cost	$ 9,293	$ 3,609

Company policy is to fund the net periodic postretirement costs and the amortization of the costs deferred as the amounts are collected in rates. The Company is funding these benefits using Voluntary Employee Benefit Association (VEBA) trusts and an irrevocable grantor trust. The maximum tax deductible contributions are made to the VEBAs. The remainder of the funds are placed in the irrevocable grantor trust until the funds can be used to make tax deductible contributions to the VEBAs. The funds in the irrevocable grantor trust do not qualify as plan assets for purposes of SFAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Postretirement Benefit Plan Funded Status-- December 31	1995	1994
	In thousands	
Accumulated postretirement benefit obligation		
Retirees	$(35,056)	$(18,879)
Fully eligible participants	(9,414)	(17,221)
Other active participants	(15,090)	(25,151)
	(59,560)	(61,251)
Plan assets	5,702	2,486
Accumulated postretirement benefit in excess of plan assets	(53,858)	(58,765)
Unrecognized transition obligation	39,397	45,040
Accrued postretirement benefit obligation	$(14,461)	$(13,725)

For measurement purposes, it was assumed per capita health care benefit costs would increase 12.25% in 1995 and that cost increases would thereafter decrease 1% each year until stabilizing at 5.25% in 2002. Accelerating the rate of assumed health care cost increases by 1% each year would raise the 1995 transition obligation by $6.8 million and service and interest costs by a total of $1.1 million. The weighted average discount rate used in estimating accumulated postretirement benefit obligations was 7.75% for 1995 and 8.25% for 1994. The expected long-term rate of return on plan assets was 8.75% for 1995 and 1994.

Postemployment Benefits. The Company provides certain postemployment benefits to employees and their dependents during the time period following employment but before retirement. On Jan. 1, 1994, the Company adopted SFAS 112, "Employers' Accounting for Postemployment Benefits," which recognizes the estimated future cost of providing postemployment benefits on an accrual basis over the active service life of employees. Adoption of SFAS 112 resulted in a $2.2 million transition obligation.

16 Employee Stock Plans

Employee Stock Ownership Plan. The Company has sponsored an ESOP since 1975, amending it in 1989 and 1990 to establish two leveraged accounts. The Company accounts for the ESOP in accordance with the American Institute of Certified Public Accountants' (AICPA) Statement of Position 93-6 (SOP 93-6).

The 1989 leveraged ESOP account covers all nonunion Minnesota and Wisconsin employees who work more than 1,000 hours per year and have one year of service. The ESOP used the proceeds from a $16.5 million 15-year loan at 9.125%, guaranteed by the Company, to purchase 633,489 shares of Minnesota Power common stock on the open market in early 1990. These shares fund employee benefits totaling not less than 2% of the participants' salaries.

The 1990 leveraged ESOP account covers Minnesota and Wisconsin employees who participated in the non-leveraged ESOP plan prior to Aug. 4, 1989. The ESOP issued a $75 million promissory note at 10.25% with a term not to exceed 25 years to the Company (Employer Loan) as consideration for 2.8 million shares of newly issued Minnesota Power common stock in November 1990. These shares are used to fund a benefit at least equal to the value of the following: (a) dividends on shares held in participants' 1990 leveraged ESOP accounts which are used to make loan payments, and (b) the tax savings generated from deducting all dividends paid on shares currently in the ESOP which were held by the plan on Aug. 4, 1989.

The loans will be repaid with dividends received by the ESOP and with employer contributions. ESOP shares acquired with the loans were initially pledged as collateral for the loans. The ESOP shares are released from collateral and allocated to participants based on the portion of total debt service paid in the year.

Schedule of ESOP Compensation and Interest Expense-- Year ended December 31	1995	1994	1993
		In thousands	
Interest expense	$1,258	$1,328	$1,361
Compensation expense	1,823	2,037	2,396
Total	$3,081	$3,365	$3,757

Schedule of ESOP Shares-- December 31	1995	1994
	In thousands	
Allocated shares	1,633	1,635
Shares released for allocation	41	49
Unreleased shares	2,757	2,903
Total ESOP shares	4,431	4,587
Fair value of unreleased shares	$78,241	$73,305

Employee Stock Purchase Plan. The Company has an Employee Stock Purchase Plan (ESPP). At Dec. 31, 1995, 222,663 shares of common stock were held in reserve for future issuance under the ESPP. The ESPP permits eligible employees to buy up to $23,750 per year in Company common stock. Purchases are at 95% of the stock's closing market price on the first day of each month. At Dec. 31, 1995, 421,629 shares had been issued under the ESPP.

17 Quarterly Financial Data (Unaudited)

Information for any one quarterly period is not necessarily indicative of the results which may be expected for the year. Previously reported quarterly information has been revised to reflect reclassifications to conform with the 1995 method of presentation. These reclassifications had no effect on previously reported consolidated net income.

Quarter Ended	March 31	June 30	Sept. 30	Dec. 31
	In thousands except earnings per share			
1995				
Operating revenue and income	$146,688	$147,337	$186,121	$192,771
Operating income from continuing operations	$8,404	$16,431	$23,663	$14,514
Income				
Continuing operations	$23,805	$10,923	$15,685	$11,444
Discontinued operations	1,652	1,190	33	(26)
Net Income	$25,457	$12,113	$15,718	$11, 418
Earnings available for common stock	$24,657	$11,313	$14,918	$10,617
Earnings per share of common stock				
Continuing operations	$0.82	$0.35	$0.52	$0.37
Discontinued operations	0.05	0.05	-	-
	$0.87	$0.40	$0.52	$0.37
1994				
Operating revenue and income	$139,869	$139,529	$140,755	$162,014
Operating income from continuing operations	$11,019	$18,398	$18,636	$32,069
Income				
Continuing operations	$9,482	$12,771	$14,300	$22,912
Discontinued operations	(114)	199	899	884
Net Income	$9,368	$12,970	$15,199	$23,796
Earnings available for common stock	$8,568	$12,170	$14,399	$22,996
Earnings per share of common stock				
Continuing operations	$0.31	$0.43	$0.48	$0.77
Discontinued operations	(0.01)	0.01	0.03	0.04
	$0.30	$0.44	$0.51	$0.81

Definitions

These abbreviations or acronyms are used throughout this document.

Abbreviations or Acronyms	Term
APB	Accounting Principles Board
BNI Coal	BNI Coal, Ltd.
Boswell	Boswell Energy Center Units No. 1, 2, 3 and 4
BTUs	British thermal units
Capital Re	Capital Re Corporation
CIP	Conservation Improvement Programs
Company	Minnesota Power & Light Company and its Subsidiaries
DRIP	Automatic Dividend Reinvestment and Stock Purchase Plan
ESOP	Employee Stock Ownership Plan
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
Heater	Heater Utilities, Inc.
Hibbard	M.L. Hibbard Station
kWh	Kilowatt-hour(s)
Laskin	Laskin Energy Center
Lehigh	Lehigh Acquisition Corporation
Minnesota Power	Minnesota Power & Light Company and its Subsidiaries
MPCA	Minnesota Pollution Control Agency
MPUC	Minnesota Public Utilities Commission
MW	Megawatt(s)
MWh	Megawatt-hour
National	National Steel Pellet Co.
Note ___	Note ___ to the consolidated financial statements in the Minnesota Power 1995 Annual Report
Reach All	Reach All Partnership
SFAS	Statement of Financial Accounting Standards No.
Square Butte	Square Butte Electric Cooperative
SRFI	Superior Recycled Fiber Industries Joint Venture
SSU	Southern States Utilities, Inc.
SWL&P	Superior Water, Light and Power Company

Price Ranges and Dividends Paid Per Share

	New York Stock Exchange			American Stock Exchange					
	Common			5% Series Preferred			$7.36 Series Preferred		
Quarter	High	Low	Dividends Paid	High	Low	Dividends Paid	High	Low	Dividends Paid
1995 - First	$26 3/8	$24 1/4	$0.51	$62	$54 3/4	$1.25	$ 90 3/4	$ 86	$1.84
Second	28	25 1/4	0.51	65 1/4	59 1/2	1.25	95 1/2	90	1.84
Third	28 1/8	26 3/8	0.51	75	62 3/4	1.25	99 1/2	93	1.84
Fourth	29 1/4	27 1/2	0.51	69	64 1/2	1.25	101 1/2	96 1/4	1.84
Annual			$2.04			$5.00			$7.36
1994 - First	$33	$28	$0.505	$73	$68	$1.25	$105	$100	$1.84
Second	30 1/8	25	0.505	68 1/2	61	1.25	101	93 3/4	1.84
Third	28 1/8	25	0.505	64	60 1/4	1.25	96	88 3/4	1.84
Fourth	26 5/8	24 3/4	0.505	64	55	1.25	91 5/8	84 3/4	1.84
Annual			$2.02			$5.00			$7.36

The Company has paid dividends without interruption on its common stock since 1948, the date of initial distribution of the Company's common stock by American Power & Light Company, the former holder of all such stock. Listed above are dividends paid per share and the high and low prices for the Company's common and preferred stock as reported by The Wall Street Journal, Midwest Edition. On Dec. 31, 1995, there were approximately 28,500 common stock shareholders. On Jan. 23, 1996, the Board of Directors declared a quarterly dividend of 51 cents, payable March 1, 1996, to common stock shareholders of record on Feb. 15, 1996.

Exhibit 23(a)

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-51989) of the Minnesota Power and Affiliated Companies Employee Stock Purchase Plan of our report dated January 22, 1996, appearing on page 21 of Minnesota Power & Light Company's Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule which appears on page 37 of this Form 10-K.

We also consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-32033) of the Minnesota Power and Affiliated Companies Supplemental Retirement Plan of our report dated January 22, 1996, appearing on page 21 of Minnesota Power & Light Company's Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule which appears on page 37 of this Form 10-K.

We also consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-51941) of the Minnesota Power & Light Company Common Stock of our report dated January 22, 1996, appearing on page 21 of Minnesota Power & Light Company's Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule which appears on page 37 of this Form 10-K.

We also consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-50143) of the Minnesota Power & Light Company Common Stock of our report dated January 22, 1996, appearing on page 21 of Minnesota Power & Light Company's Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule which appears on page 37 of this Form 10-K.

We also consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-56134) of the Minnesota Power & Light Company Automatic Dividend Reinvestment and Stock Purchase Plan of our report dated January 22, 1996, appearing on page 21 of Minnesota Power & Light Company's Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule which appears on page 37 of this Form 10-K.

We also consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-55240) of the Minnesota Power & Light Company First Mortgage Bonds of our report dated January 22, 1996, appearing on page 21 of Minnesota Power & Light Company's Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule which appears on page 37 of this Form 10-K.

We also consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-45551) of the Minnesota Power & Light Company Serial Preferred Stock, Cumulative, Without Par Value of our report dated January 22, 1996, appearing on page 21 of Minnesota Power & Light Company's Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule which appears on page 37 of this Form 10-K.

Price Waterhouse LLP

PRICE WATERHOUSE LLP
Minneapolis, Minnesota
March 28, 1996

[Logo] Ernst & Young LLP - One Indiana Square Suite 3400 Indianapolis, Indiana 46204-2094 - Phone: 317 681 7000 Fax: 317 681 7216

Exhibit 23(b)

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements and prospectuses listed below of our report dated January 17, 1996 (except Note 13, as to which the date is January 19, 1996), with respect to the consolidated financial statements of ADESA Corporation (not presented separately therein), included in the consolidated financial statements of Minnesota Power & Light Company that are included in Minnesota Power & Light Company's Annual Report incorporated by reference in this Annual Report (Form 10-K) for the year ended December 31, 1995.

Registration Statement (Form S-8 No. 33-51989) pertaining to the Minnesota Power and Affiliated Companies Employee Stock Purchase Plan.

Registration Statement on Form S-8 (No. 33-32033) of the Minnesota Power and Affiliated Companies Supplemental Retirement Plan.

Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-51941) of the Minnesota Power & Light Company Common Stock.

Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-50143) of the Minnesota Power & Light Company Common Stock.

Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-56134) of the Minnesota Power & Light Company Automatic Dividend Reinvestment and Stock Purchase Plan.

Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-55240) of the Minnesota Power & Light Company First Mortgage Bonds.

Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-45551) of the Minnesota Power & Light Company Serial Preferred Stock, Cumulative, Without Par Value.

ERNST & YOUNG LLP

Indianapolis, Indiana
March 28, 1996

Exhibit 23(c)

Consent of General Counsel

The statements of law and legal conclusions under "Item 1. Business" in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, 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. 33-51941, 33-50143, 33-56134, 33-55240 and 33-45551 on Form S-3, and Registration Statement Nos. 33-51989 and 33-32033 on Form S-8.

Philip R. Halverson

Philip R. Halverson
Duluth, Minnesota
March 28, 1996