

Equels Thomas K.  
Form 4  
July 17, 2017

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Equels Thomas K.

2. Issuer Name and Ticker or Trading Symbol  
HEMISPHERX BIOPHARMA INC  
[HEB]

5. Relationship of Reporting Person(s) to Issuer  
  
(Check all applicable)

(Last) (First) (Middle)  
4649 PONCE DE LEON  
BLVD., #495  
  
(Street)

3. Date of Earliest Transaction  
(Month/Day/Year)  
07/15/2017

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
CEO / President

CORAL GABLES, FL 33146

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)		
				(A) or (D)	Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amount of Underlying Securities
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Security (Instr. 3)	or Exercise Price of Derivative Security	any (Month/Day/Year)	Code (Instr. 8)	Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	(Month/Day/Year)	(Instr. 3 and 4)				
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Options to buy Common Stock <sup>(1)</sup>	\$ 0.48	07/15/2017	A		18,124		07/15/2017	07/15/2027	Common Stock	18,124

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Equels Thomas K. 4649 PONCE DE LEON BLVD. #495 CORAL GABLES, FL 33146	X		CEO / President	

## Signatures

Thomas K.  
Equels  
07/17/2017

\*\*Signature of Reporting Person                      Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This option is being issued in exchange for a voluntary 20% deduction in salary.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 088.5

IAA

720.4 534.1 513.8 700.1 610.4 553.1

AFC(1)

187.4 144.2 125.6 168.8 136.3 93.9

Total operating revenues

\$1,949.5 \$1,469.7 \$1,406.5 \$1,886.3 \$1,822.6 \$1,735.5

Operating expenses (exclusive of depreciation and amortization)(1)

1,492.5 1,116.6 1,048.7 1,424.6 1,382.5 1,367.8

Operating profit

265.3 209.7 226.3 281.9 268.8 195.3

Interest expense

120.6 89.8 112.3 143.1 141.4 172.6

Income from continuing operations

83.6 69.1 57.7 72.2 69.6 23.2

Net income

Explanation of Responses:

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83.6 69.1 57.7 72.2 69.6 23.2

Net income per share

Basic

0.51 0.42 0.53 0.52 0.21

Diluted

0.50 0.42 0.52 0.51 0.21

Weighted average shares outstanding

Basic

136.4 135.9 136.0 134.9 108.0

Diluted

138.8 137.7 137.8 135.9 108.1

	At September 30,		At December 31,		
	2012	2011	2011	2010	2009
<b>Financial Position:</b>					
Working capital(2)	\$ 319.4	\$ 330.6	\$ 177.0	\$ 287.9	\$ 299.5
Total assets	4,926.0	4,611.6	4,779.1	4,525.0	4,251.3
Total debt, net of unamortized debt discount	1,822.2	1,837.8	1,902.8	1,875.7	2,272.9
Total stockholders equity	1,445.4	1,312.9	1,343.2	1,244.6	1,141.5

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	Twelve Months Ended September 30, 2012	Nine Months Ended September 30, 2012      2011		Years Ended December 31, 2011      2010      2009		
<b>Other Financial Data:</b>						
EBITDA(3)	\$ 457.1	\$ 354.6	\$ 310.1	\$ 412.6	\$ 409.4	\$ 378.9
Adjusted EBITDA(3)	492.4	380.3	375.1	487.2	475.2	425.9
Net cash provided by operating activities	338.3	238.0	205.5	305.8	467.6	250.8
Capital expenditures	82.4	60.8	64.2	85.8	78.9	65.6
Depreciation and amortization	191.7	143.4	131.5	179.8	171.3	172.4

- (1) Prior to 2011, certain AFC fees collected from customers were netted against cost of services, as well as certain selling, general and administrative expenses. Such fees included lot check fees, filing fees and postage fees, each of which are charged to and collected from AFC's customers. Beginning in 2011, these fees were included in revenue with the corresponding costs reflected in their respective expense categories, resulting in an increase to revenue, as well as an increase to the related expenses for all periods presented. Prior year amounts have been revised to reflect these changes.
- (2) Working capital is defined as current assets less current liabilities.
- (3) EBITDA and Adjusted EBITDA, as presented herein, are supplemental measures of our performance that are not required by, or presented in accordance with, generally accepted accounting principles in the United States, or GAAP. They are not measurements of our financial performance under GAAP and should not be considered substitutes for net income (loss) or any other performance measures derived in accordance with GAAP.

EBITDA is defined as net income (loss), plus interest expense net of interest income, income tax provision (benefit), depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for the items of income and expense and expected incremental revenue and cost savings as follows (a) gains and losses from asset sales; (b) unrealized foreign currency translation gains and losses in respect of indebtedness; (c) certain non-recurring gains and losses; (d) stock option expense; (e) certain other noncash amounts included in the determination of net income; (f) management, monitoring, consulting and advisory fees paid to the equity sponsors; (g) charges and revenue reductions resulting from purchase accounting; (h) unrealized gains and losses on hedge agreements; (i) minority interest expense; (j) expenses associated with the consolidation of salvage operations; (k) consulting expenses incurred for cost reduction, operating restructuring and business improvement efforts; (l) expenses realized upon the termination of employees and the termination or cancellation of leases, software licenses or other contracts in connection with the operational restructuring and business improvement efforts; (m) expenses incurred in connection with permitted acquisitions; and (n) any impairment charges or write-offs of intangibles.

Management believes that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA is appropriate to provide additional information to investors about one of the principal measures of performance used by our creditors. In addition, management uses Adjusted EBITDA to evaluate our performance and to evaluate results relative to incentive compensation targets. EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of the results as reported under GAAP. These measures may not be comparable to similarly titled measures reported by other companies.

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The following tables reconcile EBITDA and Adjusted EBITDA to net income (loss) for the periods presented:

(Dollars in millions)	Twelve Months	Nine Months		Years Ended		
	Ended September 30, 2012	Ended September 30, 2012	2011	2011	2010	2009
Net income (loss)	\$ 83.6	\$ 69.1	\$ 57.7	\$ 72.2	\$ 69.6	\$ 23.2
Add back:						
Income taxes	61.4	52.4	8.8	17.8	27.2	11.1
Interest expense, net of interest income	120.4	89.7	112.1	142.8	141.3	172.2
Depreciation and amortization	191.7	143.4	131.5	179.8	171.3	172.4
<b>EBITDA</b>	457.1	354.6	310.1	412.6	409.4	378.9
Adjustments	35.3	25.7	65.0	74.6	65.8	47.0
<b>Adjusted EBITDA</b>	\$ 492.4	\$ 380.3	\$ 375.1	\$ 487.2	\$ 475.2	\$ 425.9

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**RISK FACTORS**

*An investment in our securities involves a high degree of risk. You should carefully consider the specific risks described below in addition to those set forth in our other filings with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act before making an investment decision. If any of these risks actually materializes, our business, financial condition, results of operations and prospects could be materially adversely affected. As a result, the value of our securities could decline and you could lose part or all of your investment. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially affect our business, financial condition, results of operations and prospects. See the section entitled *Where You Can Find More Information* beginning on page S-49 of this prospectus supplement.*

**Risks Related to Our Business**

**Decreases in the supply of used vehicles coming to auction have and may continue to impact auction sales volumes and may adversely affect our revenues and profitability.**

The number of new and used vehicles that are leased by consumers affects the supply of vehicles coming to auction in future periods as the leases mature. As manufacturers and other lenders decrease the number of new vehicle lease originations and extend the terms of some of the existing leases, the number of off-lease vehicles available at auction for the industry declines. Based on our estimates, off-lease vehicles available at auction for the industry declined slightly in 2010 and declined by over 40% in 2011, reflecting declines in lease origination volume and new vehicle sales three years earlier during the recent global economic downturn and credit crisis. If the supply of off-lease vehicles coming to auction declines further, our revenues and profitability may be adversely affected. Our expectation is that the decline in off-lease vehicles will disproportionately impact Canada, where we have a significant auction market presence.

Volumes of off-lease vehicles in subsequent periods will be affected by total new vehicle sales and the future leasing behavior of manufacturers and lenders and therefore we may not be able to accurately predict the volume of vehicles coming to auction. The supply of off-lease vehicles coming to auction is also affected by the market value of used vehicles compared to the residual value of those vehicles per the lease terms. In most cases, the lessee and the dealer have the ability to purchase the vehicle at the residual price at the end of the lease term. Generally, as market values of used vehicles rise, the number of vehicles purchased at residual value by the lessees and dealers increases, thus decreasing the number of off-lease vehicles available at auction.

As recently as 2009, the auction industry sales volume was over 9 million units. However, auction sales volumes declined to approximately 7.7 million units in 2011 (excluding approximately 0.3 million units sold by OPENLANE). We believe that auction sales volumes will recover over the next several years, and we estimate volumes to reach nearly 9 million units by 2015, including OPENLANE volumes. We believe that an increase in the volume of off-lease and repossessed vehicles, among others, that are remarketed through whole car auctions are a significant contributor to this growth, and our performance could be adversely impacted if volumes do not increase and we are not able to reduce our costs permanently to compensate for the lower industry auction volumes.

**A prolonged economic downturn may negatively affect our business and results of operations.**

Future adverse economic conditions could increase our exposure to several risks, including:

*Fluctuations in the supply of used vehicles.* We are dependent on the supply of used vehicles coming to auction, and our financial performance depends, in part, on conditions in the automotive industry. During the recent global economic downturn and credit crisis, there was an erosion of retail demand for new and used vehicles that led many lenders to cut back on originations of new loans and leases and led to significant manufacturing capacity reductions by automakers selling vehicles in the United States. Capacity reductions could depress the number of vehicles received at auction in the future and could lead

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to reduced program vehicles and rental fleet sales, negatively impacting auction volumes. In addition, weak growth in or declining new vehicle sales negatively impacts used vehicle trade-ins to dealers and auction volumes. These factors could adversely affect our revenues and profitability.

*Decline in the demand for used vehicles.* We may experience a decrease in demand for used vehicles from buyers due to factors including the lack of availability of consumer credit and the decline in consumer spending and consumer confidence. Adverse credit conditions also affect the ability of dealers to secure financing to purchase used vehicles, which further negatively affects buyer demand. In addition, a reduction in the number of franchised and independent used car dealers negatively affects our ability to collect receivables and may reduce dealer demand for used vehicles.

*Decrease in the supply and demand of salvage vehicles.* If number of miles driven decreases, the number of salvage vehicles received at auction may also decrease. In addition, decreases in commodity prices, such as steel and platinum, may negatively affect vehicle values and demand at salvage auctions. In addition, if consumers eliminate their automotive collision coverage, this could result in fewer vehicles being declared a total loss.

*Decrease in consumer spending.* Consumer purchases of new and used vehicles may be adversely affected by economic conditions such as employment levels, wage and salary levels, trends in consumer confidence and spending, reductions in consumer net worth, interest rates, inflation, the availability of consumer credit and taxation policies. Consumer purchases in general may decline during recessions, periods of prolonged declines in the equity markets or housing markets and periods when disposable income and perceptions of consumer wealth are lower. Expected changes to U.S. federal tax policy in 2013 may negatively affect consumer spending. To the extent retail demand for new and used vehicles decreases, negatively impacting our auction volumes, our results of operations and financial position could be materially and adversely affected.

*Volatility in the asset-backed securities market.* Volatility and disruption in the asset-backed commercial paper market could lead to a narrowing of interest rate spreads at AFC in certain periods. In addition, any volatility and disruption has affected, and could affect, AFC's cost of financing related to its securitization facility.

*Increased counterparty credit risk.* Continued market deterioration could increase the risk of the failure of financial institutions party to our credit agreement and other counterparties with which we do business to honor their obligations to us. Our ability to replace any such obligations on the same or similar terms may be limited if challenging credit and general economic conditions persist.

*Ability to service and refinance indebtedness.* Continued uncertainty in the financial markets may negatively affect our ability to service our existing debt, access additional financing or to refinance our existing indebtedness on favorable terms or at all. If the economic downturn continues, it may affect our cash flow from operations and results of operations, which may affect our ability to service payment obligations on our debt or to comply with our debt covenants.

**Our business is dependent on information and technology systems. Failure to effectively maintain or update these systems could result in us losing customers and materially adversely affect our operating results and financial condition.**

Robust information systems are critical to our operating environment and competitive position, including with respect to our online auctions. We may not be successful in structuring our information system infrastructure or developing, acquiring or implementing information systems which are competitive and responsive to the needs of our customers and we might lack sufficient resources to continue to make the significant necessary investments in information systems to compete with our competitors. Certain information systems initiatives that management considers important to our long-term success will require capital investment, have significant risks associated with their execution, and could take several years to implement. We may not be able to develop/implement these initiatives in a cost-effective, timely manner or at all.



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Our information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by our employees, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If these systems were compromised, not operable for extended periods of time or ceased to function properly, we may have to make a significant investment to fix or replace them and our ability to provide many of our electronic and online solutions to our customers may be impaired. If that were to occur, it could have a material adverse effect on our operating results and financial condition.

Aspects of our operations and business are subject to privacy regulation in the United States and elsewhere. Many U.S. states have enacted data breach regulations and laws requiring varying levels of consumer notification in the event of a security breach. Increased regulation and enforcement activity throughout the world in the areas of data privacy and data security/breach may materially increase our costs, which could have a material adverse effect on our operating results. Our failure to comply with the privacy and data security/breach laws to which we are subject could also result in fines, sanctions and damage to our reputation and trade names.

### **Used vehicle prices have a significant effect on fee revenue per unit at IAA and loan losses at AFC and may impact the supply of used vehicles at ADESA.**

The volume of new vehicle production, accuracy of lease residual estimates, interest rates, customer demand and changes in regulations, among other things, all potentially affect the pricing of used vehicles. Used vehicle prices may affect the volume of vehicles entered for sale at our used vehicle auctions and the demand for those used vehicles, the fee revenue per unit at our salvage auctions, loan losses for our dealer financing business and our ability to retain customers. Throughout 2011, used vehicle prices remained high, which led many used vehicle dealers to retail more of their trade-in vehicles on their own rather than selling them at auction. The high used vehicle prices in 2011 also contributed to strong proceeds in the salvage auction industry. In contrast, a sustained reduction in used vehicle pricing could result in lower proceeds from the sale of salvage vehicles and a related reduction in revenue per vehicle, a potential loss of consignors, an increase in loan losses at AFC and decreased profitability.

### **Significant competition exists in our industry and we may not be able to retain customers.**

We face significant competition for the supply of used and salvage vehicles and for the buyers of those vehicles and for the floorplan financing of these vehicles. Current or potential competition comes from four primary sources: (i) direct competitors, (ii) potential entrants, (iii) potential new vehicle remarketing venues and dealer financing services and (iv) existing alternative vehicle remarketing venues. In addition, due to the increased viability of the Internet as a marketing and distribution channel, new competition has evolved from Internet-based companies and our own customers who have historically remarketed vehicles through various channels, including our auctions. In the whole car and salvage auctions and the dealer financing businesses, we and our competitors are working to develop new services and technologies, or improvements and modifications to existing services and technologies. Some of these competitors may have greater financial and marketing resources than we do, and may be able to respond more quickly to new or emerging services and technologies, evolving industry trends and changes in customer requirements, and devote greater resources to the development, promotion and sale of their services. Increased competition could result in price reductions, reduced margins or loss of market share, any of which could materially and adversely affect our business and results of operations.

ADESA currently competes with online wholesale and retail vehicle selling platforms, including OVE.com, SmartAuction, eBay Motors and others. These online selling platforms generally do not have any meaningful physical presence; however, they may decrease the quantity of vehicles sold through our online and physical auctions. If the number of vehicles sold at our auctions decreases due to these competitors or other remarketing methods, our revenue and profitability may be negatively impacted.

In our salvage auction business, potential competitors include used vehicle auctions, providers of claims software to insurance companies and certain salvage buyer groups and automobile insurance companies, some of

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which currently supply salvage vehicles to us. Insurance companies may in the future decide to dispose of their salvage vehicles directly to end users. Increased competition could result in price reductions, reduced margins or loss of market share, any of which could materially and adversely affect our business and results of operations. There can be no assurance that we will be able to compete successfully against current and future competitors or that competitive pressures faced by us would not have a material adverse effect on our business and results of operations.

ADESA and IAA's agreements with its largest institutional suppliers of used and salvage vehicles are generally subject to cancellation by either party upon 30 to 90 days' notice. In addition, it is common that institutional suppliers regularly review their relationships with whole car and salvage auctions through written requests for proposals. There can be no assurance that our existing agreements will not be cancelled or that we will be able to enter into future agreements with these or other suppliers on similar terms, or at all. There can be no assurance that we will be able to compete successfully against current and future competitors or that competitive pressures faced by us would not have a material adverse effect on our business and results of operations. If we are not able to compete successfully, our ability to grow and achieve or sustain profitability could be impaired.

**Fluctuations in the supply of and demand for salvage vehicles impact auction sales volumes, which may adversely affect our revenues and profitability.**

We are dependent upon receiving a sufficient number of total loss vehicles as well as recovered theft vehicles to sustain profit margins in our salvage auction business. Factors that can adversely affect the number of vehicles received include, but are not limited to, a decrease in the number of vehicles in operation or miles driven, mild weather conditions that cause fewer traffic accidents, reduction of policy writing by insurance providers that would affect the number of claims over a period of time, a decrease in the percentage of claims resulting in a total loss, delays or changes in state title processing, and changes in direct repair procedures that would reduce the number of newer, less damaged total loss vehicles, which tend to have higher salvage values. In addition, our salvage auction business depends on a limited number of key insurance companies to supply the salvage vehicles we sell at auction. Our agreements with these insurance company suppliers are generally subject to cancellation by either party upon 30 to 90 days' notice. There can be no assurance that our existing agreements will not be cancelled or that we will be able to enter into future agreements with these suppliers. Future decreases in the quality and quantity of vehicle inventory, and in particular the availability of newer and less damaged vehicles, could have a material adverse effect on our operating results and financial condition. In addition, in the last few years there has been a slight decline in the percentage of claims resulting in total losses, as well as a declining trend in theft occurrences which reduces the number of stolen vehicles recovered by insurance companies for which a claim settlement has been made. If the supply of salvage vehicles coming to auction declines significantly, our revenues and profitability may be adversely affected.

**An increase in the number of used and salvage vehicles purchased on virtual auction platforms could materially adversely affect our operating results and financial condition.**

We acquired OPENLANE in recognition of the increasing use of the Internet as a means to purchase wholesale vehicles. In connection with online auctions, ADESA and IAA offer physical auctions, which allow buyers to physically inspect and compare vehicles. If sellers and buyers increase the number of vehicles transacted on virtual auction platforms, our revenue per vehicle will likely decline. In addition, our cost structure includes a significant fixed cost component, including occupancy costs, that cannot be reduced if revenue per vehicle declines. If a shift in the percentage of used and salvage vehicles sold online as compared with used and salvage vehicles sold at physical auctions occurs, and we are unable to generate new sources of revenue, our operating results and financial condition could be adversely affected.

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### **If we are unable to successfully acquire and integrate other businesses, it could adversely affect our growth prospects.**

Acquisitions have been a significant part of our historical growth and have enabled us to further broaden and diversify our service offerings. Our strategy generally involves the acquisition and integration of additional physical auction sites, technologies and personnel. Acquisition of businesses requires substantial time and attention of management personnel and may also require additional equity or debt financings. Further, integration of newly established or acquired businesses is often disruptive. Since we have acquired or in the future may acquire one or more businesses, there can be no assurance that we will identify appropriate targets, will acquire such businesses on favorable terms, or will be able to successfully integrate such organizations into our business. Failure to do so could materially adversely affect our business, financial condition and results of operations. In addition, we expect to compete against other auction groups or new industry consolidators for suitable acquisitions. If we are able to consummate acquisitions, such acquisitions could be dilutive to earnings, and we could overpay for such acquisitions.

In pursuing a strategy of acquiring other businesses, we face other risks including, but not limited to:

incurring significantly higher capital expenditures and operating expenses;

entering new markets with which we are unfamiliar;

incurring potential undiscovered liabilities at acquired businesses;

failing to maintain uniform standards, controls and policies;

impairing relationships with employees and customers as a result of management changes; and

increasing expenses for accounting and computer systems, as well as integration difficulties.

### **We may not successfully implement our business strategies or maintain gross profit margins.**

We are pursuing strategic initiatives that management considers critical to our long-term success, including but not limited to growing market share and volume, increasing revenue per vehicle and improving customer experiences through Internet initiatives, using excess cash flow to reduce debt, leveraging AFC's products and services at ADESA and IAA and continuing to improve operating efficiency. There are significant risks involved with the execution of these initiatives, including significant business, economic and competitive uncertainties, many of which are outside of our control. Accordingly, we cannot predict whether we will succeed in implementing these strategic initiatives. For example, if we are unsuccessful in continuing to generate significant cash flows from operations (we generated \$305.8 million and \$467.6 million of cash flow from operations for the years ended December 31, 2011 and 2010, respectively), we may be unable to reduce our outstanding indebtedness, which could negatively affect our financial position and results of operations and our ability to execute our other strategies. It could take several years to realize any direct financial benefits from these initiatives if any direct financial benefits from these initiatives are achieved at all. Additionally, our business strategy may change from time to time, which could delay our ability to implement initiatives that we believe are important to our business.

### **Changes in interest rates or market conditions could adversely impact the profitability and business of AFC.**

Rising interest rates may have the effect of depressing the sales of used vehicles because many consumers finance their vehicle purchases. In addition, AFC securitizes a majority of its finance receivables on a revolving basis. Volatility and/or market disruption in the asset-backed securities market in the U.S. or Canada can impact AFC's cost of financing related to, or its ability to arrange financing on acceptable terms through, its securitization facility, which could negatively affect AFC's business and our financial condition and operations.

In addition, AFC typically assesses its U.S. dealer customers with an interest rate comprised of a minimum prime rate of 5% plus an interest spread. The U.S. prime rate was 3.25% at September 30, 2012. Any increase



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above 3.25% up to 5% will likely compress AFC's margins as the variable cost of securitizing receivables will rise without a corresponding increase in the financing rate AFC charges to its U.S. dealer customers.

### **Increases in the value of the U.S. dollar relative to certain foreign currencies may negatively impact foreign buyer participation at our auctions.**

We have a significant number of non-U.S. based buyers who participate in our auctions. Increases in the value of the U.S. dollar relative to these buyers' local currencies may reduce the prices they are willing to pay at auction, which may negatively affect our revenues.

### **Weather-related and other events beyond our control may adversely impact operations.**

Extreme weather or other events, such as hurricanes, tornadoes, earthquakes, forest fires, floods, terrorist attacks or war, may adversely affect the overall economic environment, the markets in which we compete, our operations and profitability. These events may impact our physical auction facilities, causing a material increase in costs, or delays or cancellation of auction sales, which could have a material adverse impact on our revenues and profitability. In some instances, for example with the recent severe storm in October 2012, known as Superstorm Sandy, these events may result in a sharp influx in the available supply of salvage vehicles and there can be no assurance that our salvage auction business will have sufficient resources to handle such extreme increases in supply. Our failure to meet our customers' demands in such situations could negatively affect our relationships with such customers and result in a loss of future business, which would adversely affect our operating results and financial condition. In addition, salvage revenues generated as a result of the total loss of vehicles associated with such a catastrophe are typically recognized subsequent to the incurrence of incremental costs.

Mild weather conditions tend to result in a decrease in the available supply of salvage vehicles because traffic accidents decrease and fewer automobiles are damaged. Accordingly, mild weather can have an adverse effect on our salvage vehicle inventories, which would be expected to have an adverse effect on our revenue and operating results and related growth rates.

The growing political and scientific sentiment is that increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere may influence the unpredictability, severity and frequency of weather patterns. Changing weather patterns could further impact our operations as described above.

### **High fuel prices could lead to a reduction in miles driven and may have an adverse effect on our revenues and operating results, as well as our earnings growth rates.**

High fuel prices could lead to a reduction in the miles driven per vehicle, which may reduce accident rates. High fuel prices may also disproportionately affect the demand for sport utility and full-sized vehicles which are generally not as fuel-efficient as smaller vehicles. Retail sales and accident rates are factors that affect the number of used and salvage vehicles sold at auction, wholesale prices of those vehicles and the conversion rates at used vehicle auctions. Additionally, high fuel costs increase the cost of transportation and towing of vehicles and we may not be able to pass on such higher costs to our customers.

### **A portion of our net income is derived from our international operations, primarily Canada, which exposes us to foreign exchange risks that may impact our financial statements.**

Fluctuations between U.S. and foreign currency values may adversely affect our results of operations and financial position, particularly fluctuations with Canadian currency values. In addition, there may be tax inefficiencies in repatriating cash from Canada. For the year ended December 31, 2011, approximately 17% of our revenues were attributable to our Canadian operations. A decrease in the value of the Canadian currency relative to the U.S. dollar would reduce our profits from Canadian operations and the value of the net assets of our Canadian operations when reported in U.S. dollars in our financial statements. This could have a material adverse effect on our business, financial condition or results of operations as reported in U.S. dollars.

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In addition, fluctuations in exchange rates may make it more difficult to perform period-to-period comparisons of our reported results of operations. For purposes of accounting, the assets and liabilities of our Canadian operations are translated using period-end exchange rates; such translation gains and losses are reported in Accumulated other comprehensive income/loss as a component of stockholders' equity. The revenues and expenses of our Canadian operations are translated using average exchange rates during each period.

**Environmental, health and safety risks could adversely affect our operating results and financial condition.**

Our operations are subject to various foreign, federal, state and local environmental, health and safety laws and regulations, including those governing the emission or discharge of pollutants into the air or water, the generation, treatment, storage and release of hazardous materials and wastes and the investigation and remediation of contamination. Our failure to comply with current or future environmental, health or safety laws or to obtain and comply with permits required under such laws, could subject us to significant liability or require costly investigative, remedial or corrective actions.

In the used vehicle remarketing industry, large numbers of vehicles, including wrecked vehicles at salvage auctions, are stored and/or refurbished at auction facilities and during that time minor releases of fuel, motor oil and other materials may occur. We have investigated or remediated, or are currently investigating or remediating, contamination resulting from various sources, including gasoline, fuel additives (such as methyl tertiary butyl ether, or MTBE), motor oil, petroleum products and other hazardous materials released from aboveground or underground storage tanks or in connection with current or former operations conducted at our facilities. In one instance, contamination migrated to nearby properties which resulted in claims from private parties. We have incurred and may in the future incur expenditures relating to releases of hazardous materials, investigative, remedial or corrective actions, claims by third parties and other environmental issues, and such expenditures, individually or in the aggregate, could be significant.

On March 25, 2008, the United States Environmental Protection Agency, or the EPA, issued a General Notice of Potential Liability, or General Notice, pursuant to Section 107(a), and a Request for Information pursuant to Section 104(e) of the Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA to IAA for a Superfund site known as the Lower Duwamish Waterway Superfund Site ( LDW Site ) in Seattle, Washington. On November 7, 2012, the EPA issued a Second General Notice of Potential Liability, or Second General Notice, to IAA for the LDW Site. Since 2004, IAA has operated a branch on property it leases in Tukwila, Washington, which is located adjacent to the LDW Site. The LDW Site was identified as a Superfund site in 2001, three years before IAA began leasing the branch in Tukwila. At this time, the EPA has not demanded that IAA pay any funds or take any action apart from responding to the Section 104(e) Information Request. The EPA's website indicates that the EPA has issued notice letters to approximately 111 entities, and has issued Section 104(e) Requests to more than 300 entities. Four Potentially Responsible Parties, or PRPs, The Boeing Company, the City of Seattle, the Port of Seattle and King County, have funded a remedial investigation and feasibility study of the LDW Site, but the EPA has not yet issued a plan for remediating the site. IAA is aware that certain authorities may bring natural resource damage claims against PRPs. In the General Notice and Second General Notice, the EPA informed IAA that the EPA believes IAA may be a PRP, but the EPA has not specified the factual basis for this assertion. At this time, the Company does not have adequate information to determine IAA's responsibility for contamination at this site, if any, or to estimate IAA's loss as a result of this potential liability.

In addition, the Washington State Department of Ecology is working with the EPA in relation to the LDW Site, primarily to investigate and address sources of potential contamination contributing to the LDW Site. The current Tukwila property owner, the former Tukwila property owner and IAA have had discussions with the Washington State Department of Ecology concerning possible source control obligations, including an investigation of the water and soils entering the stormwater system, an analysis of the source of any contamination identified within the system and possible repairs and upgrades to the stormwater capture and filtration system. In 2011, IAA submitted

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results of its stormwater system investigation to comply with the Washington State Department of Ecology source control requirements. Additional source control obligations, if any, are not expected to have a material adverse effect on future recurring operating costs.

**We have a substantial amount of debt, which could impair our financial condition and adversely affect our ability to react to changes in our business.**

As of September 30, 2012, our total debt was approximately \$1.8 billion, exclusive of liabilities related to our securitization facilities, and we had \$250.0 million of borrowing capacity under our senior secured credit facilities. In addition, we had related outstanding letters of credit in the aggregate amount of \$22.8 million at September 30, 2012, which reduce the amount available for borrowings under the credit facilities.

Our substantial indebtedness could have important consequences including:

limiting our ability to borrow additional amounts to fund working capital, capital expenditures, debt service requirements, execution of our business strategy, acquisitions and other purposes;

requiring us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on debt, which would reduce the funds available for other purposes, including funding future expansion;

making us more vulnerable to adverse changes in general economic, industry and competitive conditions, in government regulation and in our business by limiting our flexibility in planning for, and making it more difficult to react quickly to, changing conditions; and

exposing us to risks inherent in interest rate fluctuations because the majority of our indebtedness is at variable rates of interest, which could result in higher interest expenses in the event of increases in interest rates.

In addition, if we are unable to generate sufficient cash from operations to service our debt and meet other cash needs, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We may not be able to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all, particularly because of our high levels of debt and the restrictions imposed by the agreement governing our Credit Facility and the indenture governing our floating senior notes on our ability to incur additional debt and use the proceeds from asset sales. If we must sell certain of our assets, it may negatively affect our ability to generate revenue. The inability to obtain additional financing could have a material adverse effect on our financial condition.

If we cannot make scheduled payments on our debt, we would be in default and, as a result:

our debt holders could declare all outstanding principal and interest to be due and payable;

the lenders under our senior secured credit facilities could terminate their commitments to lend us money and foreclose against the assets securing their borrowings; and

we could be forced into bankruptcy or liquidation.

**Restrictive covenants in agreements governing our debt may adversely affect our ability to operate our business.**

The indenture governing our floating senior notes and the agreement governing our credit facility contain, and future debt instruments may contain, various provisions that limit our ability and the ability of our subsidiaries, including ADESA and IAA, to, among other things:

incur additional debt;

provide guarantees in respect of obligations of other persons;

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issue redeemable stock and preferred stock;

pay dividends or distributions or redeem or repurchase capital stock;

prepay, redeem or repurchase certain debt;

make loans, investments and capital expenditures;

incur liens;

pay dividends or make other payments by our restricted subsidiaries;

enter into certain transactions with affiliates;

sell assets and capital stock of our subsidiaries; and

consolidate or merge with or into, or sell substantially all of our assets to, another person.

**We assume the settlement risk for all vehicles sold through our auctions.**

We do not have recourse against sellers for any buyer's failure to satisfy its payment obligations. Since revenue for most vehicles does not include the gross sales proceeds, failure to collect the receivables in full may result in a net loss up to the gross sales proceeds on a per vehicle basis in addition to any expenses incurred to collect the receivables and to provide the services associated with the vehicle. If we are unable to collect payments on a large number of vehicles, the resulting payment obligations to the seller and decreased fee revenues may have a material adverse effect on our results of operations and financial condition.

**Changes in laws affecting the importation of salvage vehicles may have an adverse effect on our business and financial condition.**

Our Internet-based auction services have allowed us to offer our products and services to international markets and has increased our international buyer base. As a result, foreign importers of salvage vehicles now represent a significant part of our total buyer base. Changes in laws and regulations that restrict the importation of salvage vehicles into foreign countries may reduce the demand for salvage vehicles and impact our ability to maintain or increase our international buyer base. For example, in March 2008, a decree issued by the president of Mexico became effective that placed restrictions on the types of vehicles that can be imported into Mexico from the United States. The adoption of similar laws or regulations in other jurisdictions that have the effect of reducing or curtailing our activities abroad could have a material adverse effect on our results of operations and financial condition by reducing the demand for our products and services.

**We are partially self-insured for certain losses.**

We self-insure a portion of employee medical benefits under the terms of our employee health insurance program, as well as a portion of our automobile, general liability and workers' compensation claims. We record an accrual for the claims expense related to our employee medical benefits, automobile, general liability and workers' compensation claims based upon the expected amount of all such claims. If actual trends, including the severity of claims and medical cost inflation above expectations were to occur, our self-insured costs would increase, which could have an adverse impact on the operating results in that period.

**If we fail to attract and retain key personnel, we may not be able to execute our business strategy and our financial results could be negatively affected.**

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Our success depends in large part on the performance of our executive management team and other key employees, including key field personnel. If we lose the services of one or more of our executive officers or key employees, or if one or more of them decides to join a competitor or otherwise compete with us, we may not be able to effectively implement our business strategies, our business could suffer and the value of our common stock could be materially adversely affected. Our auction business is directly impacted by the business

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relationships our employees have established with customers and suppliers and, as a result, if we lose key personnel, we may have difficulty in retaining and attracting customers, developing new services, negotiating favorable agreements with customers and providing acceptable levels of customer service. Leadership changes will occur from time to time and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. We do not have nor do we currently expect to obtain key person insurance on any of our executive officers.

**We are subject to extensive governmental regulations, including vehicle brokerage and auction laws and currency reporting obligations. Our business is subject to risks related to litigation and regulatory actions.**

Our operations are subject to regulation, supervision and licensing under various U.S. and Canadian federal, state, provincial and local authorities, agencies, statutes and ordinances, which, among other things, require us to obtain and maintain certain licenses, permits and qualifications, provide certain disclosures and notices and limit interest rates, fees and other charges. The regulations and laws that impact our company include, without limitation, the following:

The acquisition and sale of used, leased, totaled and recovered theft vehicles are regulated by state or other local motor vehicle departments in each of the locations in which we operate.

Some of the transport vehicles used at our auctions are regulated by the U.S. Department of Transportation or similar regulatory agencies in Canada and Mexico.

In many states and provinces, regulations require that a salvage vehicle be forever branded with a salvage notice in order to notify prospective purchasers of the vehicle's previous salvage status.

Some state, provincial and local regulations limit who can purchase salvage vehicles, as well as determine whether a salvage vehicle can be sold as rebuildable or must be sold for parts or scrap only.

AFC is subject to laws in certain states and in Canada which regulate commercial lending activities and interest rates and, in certain jurisdictions, require AFC or one of its subsidiaries to be licensed.

We are subject to various local zoning requirements with regard to the location of our auction and storage facilities, which requirements vary from location to location.

Changes in law or governmental regulations or interpretations of existing law or regulations could result in increased costs, reduced vehicle prices and decreased profitability for us. In addition, failure to comply with present or future laws and regulations or changes in existing laws or regulations or in their interpretation could have a material adverse effect on our operating results and financial condition.

We are also subject from time to time to a variety of legal actions relating to our current and past business operations, including litigation relating to employment-related issues, the environment and insurance claims. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. In addition we could incur substantial costs in defending ourselves or in asserting our rights in such actions. The costs and other effects of pending litigation and administrative actions against us cannot be determined with certainty. Although we currently believe that no such proceedings will have a material adverse effect, there can be no assurance that the outcome of such proceedings will be as expected.

**If we are unable to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.**

We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect our

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proprietary rights. In the United States and internationally, we have filed various applications for protection of certain aspects of our intellectual property, and we currently hold issued patents in the United States. However, third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future

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trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. Although we have taken measures to protect our proprietary rights, there can be no assurance that others will not offer products or concepts that are substantially similar to ours and compete with our business. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our service and methods of operations. Any of these events could have an adverse effect on our business and financial results.

**We may be subject to patent or other intellectual property infringement claims, which could have an impact on our business or operating results due to a disruption in our business operations, the incurrence of significant costs and other factors.**

From time to time, we may receive notices from others claiming that we infringed or otherwise violated their patent or intellectual property rights, and the number of these claims could increase in the future. Claims of intellectual property infringement or other intellectual property violations could require us to enter into licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question, which could require us to change business practices and limit our ability to compete effectively. Even if we believe that the claims are without merit, the claims can be time-consuming and costly to defend and may divert management's attention and resources away from our businesses. If we are required to take any of these actions, it could have an adverse impact on our business and operating results.

**We are dependent on the continued and uninterrupted service from our workforce.**

Currently, none of our employees participate in collective bargaining agreements. If we negotiate a first-time collective bargaining agreement, we could be subject to a substantial increase in labor and benefits expenses that we may be unable to pass through to customers for some period of time, if at all. The U.S. Congress could pass labor legislation, such as the proposed Employee Free Choice Act, or the EFCA, (also called card-check legislation) that could adversely affect our operations. The EFCA would make it significantly easier for union organizing drives to be successful for example, by eliminating employees' absolute right to a secret ballot vote in union elections and could give third-party arbitrators the ability to impose terms of collective bargaining agreements upon us and a labor union if we and such union are unable to agree to the terms of a collective bargaining agreement. Such an arbitrated initial contract could include pay, benefit and work rules that could adversely affect our profitability and operational flexibility.

**We have a material amount of goodwill which, if it becomes impaired, would result in a reduction in our net income.**

Goodwill represents the amount by which the cost of an acquisition accounted for using the purchase method exceeds the fair value of the net assets acquired. Current accounting standards require that goodwill no longer be amortized but instead be periodically evaluated for impairment based on the fair value of the reporting unit. A significant percentage of our total assets represent goodwill primarily associated with the 2007 Transactions. Declines in our profitability or the value of comparable companies may impact the fair value of our reporting units, which could result in a write-down of goodwill and a reduction in net income.

**New accounting pronouncements or new interpretations of existing standards could require us to make adjustments to accounting policies that could adversely affect the financial statements.**

The Financial Accounting Standards Board, or the FASB, the Public Company Accounting Oversight Board, the SEC, and other accounting organizations or governmental entities from time to time issue new pronouncements or new interpretations of existing accounting and auditing standards that require changes to our

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accounting policies and procedures and could cause us to incur additional costs. To date, we do not believe any new pronouncements or interpretations have had a material adverse effect on our financial condition or results of operations, but future pronouncements or interpretations could require the change of policies or procedures.

### **Risks Related to this Offering and Ownership of Our Common Stock**

**The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders.**

You should consider an investment in our common stock to be risky, and you should invest in our common stock only if you can withstand a significant loss and wide fluctuations in the market value of your investment. Many factors could cause the market price of our common stock to rise and fall, including the following:

our announcements or our competitors' announcements regarding new products or services, enhancements, significant contracts, acquisitions or strategic investments;

changes in earnings estimates or recommendations by securities analysts, if any, who cover our common stock;

results of operations that are below our announced guidance, including our estimated results set forth in Summary Recent Developments, or below securities analysts' or consensus estimates or expectations;

fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;

changes in our capital structure, such as future issuances of securities, sales of large blocks of common stock by our stockholders or our incurrence of additional debt;

investors' general perception of us and our industry;

changes in general economic and market conditions in North America;

changes in industry conditions; and

changes in regulatory and other dynamics.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if successful, could be costly to defend and a distraction to management.

**Future offerings of debt or equity securities, which would rank senior to our common stock, may adversely affect the market price of our common stock.**

If, in the future, we decide to issue debt or equity securities that rank senior to our common stock, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or

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exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us.

**The market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public markets.**

At November 15, 2012, there were 136,648,020 shares of our common stock outstanding, including the shares to be sold by the selling stockholder in this offering. All of the common stock sold in this offering will be

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freely transferable, except for any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. Pursuant to a registration rights agreement entered into at the time of the merger, KAR LLC caused us to file a registration statement under the Securities Act, including the accompanying prospectus, covering resales of all shares of our common stock held by KAR LLC. These shares represent approximately 78.2% of our outstanding common stock. Following completion of the offering, approximately 68.3% of our outstanding common stock (or approximately 66.8% if the underwriters exercise in full their option to purchase additional shares) will be held indirectly through their investment in KAR LLC by affiliates of the Equity Sponsors, other equity co-investors and members of our management. These shares also may be sold pursuant to Rule 144 under the Securities Act, depending on the holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates. As restrictions on resale end or if KAR LLC exercises its registration rights, the market price of our stock could decline if KAR LLC sells the restricted shares or is perceived by the market as intending to sell them.

We, our executive officers, our directors, KAR LLC and the Equity Sponsors, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through 90 days after the date of this prospectus supplement except with the prior written consent of Credit Suisse Securities (USA) LLC and Goldman, Sachs & Co. See Underwriting.

Pursuant to a registration statement under the Securities Act, we have registered shares of common stock reserved for issuance in respect of stock options and other incentive awards granted to our officers and certain of our employees. If any of these holders cause a large number of securities to be sold in the public market, the sales could reduce the trading price of our common stock. These sales also could impede our ability to raise future capital.

### **Provisions in our amended and restated certificate of incorporation and by-laws, and of Delaware law, may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.**

Our amended and restated certificate of incorporation and by-laws contain provisions that may be considered to have an anti-takeover effect and may delay or prevent a tender offer or other corporate transaction that a stockholder might consider to be in its best interest, including those transactions that might result in a premium over the market price for our shares.

These provisions include:

limiting the right of stockholders to call special meetings of stockholders to holders of at least 35% of our outstanding common stock;

rules regarding how our stockholders may present proposals or nominate directors for election at stockholder meetings;

permitting our board of directors to issue preferred stock without stockholder approval;

granting to the board of directors, and not the stockholders, the sole power to set the number of directors; and

authorizing vacancies on our board of directors to be filled only by a vote of the majority of the directors then in office and specifically denying our stockholders the right to fill vacancies in the board.

From and after the time that KAR LLC no longer has beneficial ownership of 35% or more of our outstanding common stock, these provisions will also include:

authorizing the removal of directors only for cause and only upon the affirmative vote of holders of a majority of the outstanding shares of our common stock entitled to vote for the election of directors; and



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prohibiting stockholder action by written consent.  
These provisions apply even if an offer may be considered beneficial by some stockholders.

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**The Equity Sponsors (through KAR LLC) will continue to have significant influence over us after this offering, including control over decisions that require the approval of shareholders, which could limit your ability to influence the outcome of key transactions, including a change of control.**

Currently, we are indirectly controlled by affiliates of the Equity Sponsors. Affiliates of the Equity Sponsors, other equity co-investors and management will indirectly own through their investment in KAR LLC approximately 68.3% of our common stock (or approximately 66.8% if the underwriters exercise in full their option to purchase additional shares) after the completion of this offering. As a result, affiliates of the Equity Sponsors will have control over our decisions to enter into any corporate transaction and the ability to prevent any transaction that requires shareholder approval regardless of whether others believe that the transaction is in our best interests. So long as the Equity Sponsors continue to indirectly hold a majority of our outstanding common stock, they will have the ability to control the vote in any election of directors.

We have entered into a director designation agreement that provides for the rights of KAR LLC directly, and the Equity Sponsors indirectly, to nominate designees to our board of directors.

The Equity Sponsors are also in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The Equity Sponsors may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as the Equity Sponsors, or other funds controlled by or associated with the Equity Sponsors, continue to indirectly own a significant amount of our outstanding common stock, even if such amount is less than 50%, the Equity Sponsors will continue to be able to strongly influence or effectively control our decisions. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive shareholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

**Under our amended and restated certificate of incorporation, the Equity Sponsors and, in some circumstances, any of our directors and officers who is also a director, officer, manager, member or employee of any of our Equity Sponsors, have no obligation to offer us corporate opportunities.**

Our amended and restated certificate of incorporation provides that the Equity Sponsors and their respective subsidiaries and affiliates have the right to engage or invest in, and do not have a duty to abstain from engaging or investing in, the same or similar businesses as us, do business with any of our clients, customers or vendors or employ or otherwise engage any of our officers, directors or employees. If any Equity Sponsor or any of its officers, directors, managers, members, partners or employees acquires knowledge of a potential transaction that could be a corporate opportunity for us, such person has no duty to offer that opportunity to us, our stockholders or our affiliates, even if it is one that we might reasonably have pursued. Neither the Equity Sponsors nor their officers, directors, managers, members, partners or employees will generally be liable to us or our stockholders for breach of any duty by reason of engaging in such activities. In addition, any of our directors and officers who is also a director, officer, manager, member, partner or employee of any of our Equity Sponsors and is offered or acquires knowledge of a corporate opportunity, other than solely in such person's capacity as our director or officer, will not have any liability to us if any of the Equity Sponsors pursues or acquires such corporate opportunity.

**You may not receive any future dividends on our common stock.**

On November 30, 2012, we announced that our board of directors has approved the initiation of a quarterly cash dividend on our common stock. The initial quarterly dividend of \$0.19 per share will be paid on December 28, 2012 to stockholders of record at the close of business on December 19, 2012, representing an annualized dividend of \$0.76 per share. Holders of our common stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. We are not required to declare cash dividends on our common stock. Future dividend decisions will be based on and affected by a

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variety of factors, including our financial condition and results of operations, contractual restrictions, including restrictive covenants contained in our credit agreement, AFC's securitization facilities and the indenture governing our outstanding debt securities, capital requirements and other factors that our board of directors deems relevant. Therefore, no assurance can be given as to whether any future dividends may be declared by our board of directors or the amount thereof.

**We are a controlled company within the meaning of the NYSE rules and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to shareholders of companies that are subject to such requirements.**

KAR LLC controls a majority of the voting power of our outstanding common stock. As a result, we are a controlled company within the meaning of the NYSE corporate governance standards. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

the requirement that a majority of the board of directors consist of independent directors;

the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;

the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees. We are utilizing these exemptions. As a result, we do not have a majority of independent directors, our nominating/corporate governance committee and compensation committee do not consist entirely of independent directors and such committees are not be subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE.

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**USE OF PROCEEDS**

All shares of common stock sold pursuant to this prospectus supplement will be sold by the selling stockholder and we will not receive any of the proceeds from such sales.

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**Table of Contents****PRICE RANGE OF OUR COMMON STOCK**

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol KAR and has been traded on the NYSE since December 11, 2009. Prior to that time, there was no public market for our common stock.

The following table sets forth the range of high and low intraday sales prices per share of common stock for the periods indicated as reported on the NYSE:

	<b>2012</b>	
	<b>High</b>	<b>Low</b>
4th Quarter (October 1 - December 5)	\$ 20.49	\$ 17.00
3rd Quarter (July 1 - September 30)	\$ 20.85	\$ 14.10
2nd Quarter (April 1 - June 30)	\$ 18.57	\$ 14.39
1st Quarter (January 1 - March 31)	\$ 16.85	\$ 13.46

	<b>2011</b>	
	<b>High</b>	<b>Low</b>
4th Quarter (October 1 - December 31)	\$ 14.53	\$ 10.92
3rd Quarter (July 1 - September 30)	\$ 19.64	\$ 11.92
2nd Quarter (April 1 - June 30)	\$ 21.00	\$ 15.30
1st Quarter (January 1 - March 31)	\$ 15.74	\$ 13.75

	<b>2010</b>	
	<b>High</b>	<b>Low</b>
4th Quarter (October 1 - December 31)	\$ 14.37	\$ 11.74
3rd Quarter (July 1 - September 30)	\$ 13.73	\$ 11.03
2nd Quarter (April 1 - June 30)	\$ 15.84	\$ 11.52
1st Quarter (January 1 - March 31)	\$ 15.56	\$ 13.10

	<b>2009</b>	
	<b>High</b>	<b>Low</b>
4th Quarter (December 11 - December 31)	\$ 13.92	\$ 11.09

On December 5, 2012, the closing sale price of our common stock as reported on the NYSE was \$18.14 per share.

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**DIVIDEND POLICY**

On November 30, 2012, we announced that our board of directors has approved the initiation of a quarterly cash dividend on our common stock. The initial quarterly dividend of \$0.19 per share will be paid on December 28, 2012 to stockholders of record at the close of business on December 19, 2012, representing an annualized dividend of \$0.76 per share. Future dividend decisions will be based on and affected by a variety of factors, including our financial condition and results of operations, contractual restrictions, including restrictive covenants contained in our credit agreement, AFC's securitization facilities and the indenture governing our outstanding debt securities, capital requirements and other factors that our board of directors deems relevant. We have no prior history of declaring or paying any cash or other dividends, and no assurance can be given as to whether any future dividends may be declared by our board of directors or the amount thereof.

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**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated capitalization as of September 30, 2012.

You should read the data set forth in the table below in conjunction with Risk Factors, Selected Financial Data, our audited consolidated financial statements and related notes, and other financial information incorporated by reference in this prospectus supplement.

(Dollars in millions)	As of September 30, 2012
<b>Debt:</b>	
Revolving credit facility	\$
Term Loan B	1,678.7
Floating Rate Senior Notes	150.0
Unamortized debt discount	(6.5)
<b>Total debt</b>	<b>1,822.2</b>
<b>Stockholders equity:</b>	
Common stock, par value \$0.01 per share, 400,000,000 shares authorized, 136,619,187 shares issued and outstanding, actual	1.4
Preferred stock, par value \$0.01 per share, 100,000,000 shares authorized, no shares issued and outstanding	
Additional paid-in capital	1,430.1
Accumulated deficit	(23.6)
Accumulated other comprehensive income	37.5
<b>Total stockholders equity</b>	<b>1,445.4</b>
<b>Total capitalization</b>	<b>\$ 3,267.6</b>

**Table of Contents****SELECTED FINANCIAL DATA**

The following consolidated financial data for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 is based on our audited financial statements. We were incorporated on November 9, 2006, but had no operations in 2006 or for the period of January 1 through April 19, 2007. On April 20, 2007, we consummated a merger agreement with ADESA, and as part of the related transactions, ADESA and IAA became, directly or indirectly, our wholly-owned subsidiaries.

(Dollars in millions, except per share amounts)	Nine Months Ended September 30,			Years Ended December 31,			
	2012	2011	2011	2010	2009	2008	2007(1)
<b>Operations:</b>							
Operating revenues							
ADESA	\$ 791.4	\$ 767.1	\$ 1,017.4	\$ 1,075.9	\$ 1,088.5	\$ 1,123.4	\$ 677.7
IAA	534.1	513.8	700.1	610.4	553.1	550.3	330.1
AFC(2)	144.2	125.6	168.8	136.3	93.9	102.3	98.3
Total operating revenues	\$ 1,469.7	\$ 1,406.5	\$ 1,886.3	\$ 1,822.6	\$ 1,735.5	\$ 1,776.0	\$ 1,106.1
Operating expenses (exclusive of depreciation and amortization and impairment charges)(2)	1,116.6	1,048.7	1,424.6	1,382.5	1,367.8	1,441.3	873.1
Goodwill and other intangibles impairment						164.4	
Operating profit (loss)	209.7	226.3	281.9	268.8	195.3	(12.5)	106.4
Interest expense	89.8	112.3	143.1	141.4	172.6	215.2	162.3
Income (loss) from continuing operations	69.1	57.7	72.2	69.6	23.2	(216.2)	(38.3)
Net income (loss)	69.1	57.7	72.2	69.6	23.2	(216.2)	(38.3)
Net income (loss) per share							
Basic	0.51	0.42	0.53	0.52	0.21	(2.02)	(0.36)
Diluted	0.50	0.42	0.52	0.51	0.21	(2.02)	(0.36)
Weighted average shares outstanding							
Basic	136.4	135.9	136.0	134.9	108.0	106.9	106.7
Diluted	138.8	137.7	137.8	135.9	108.1	106.9	106.7

	At September 30,		2011	2010	At December 31,		2007
	2012	2011			2009	2008	
<b>Financial Position:</b>							
Working capital(3)	\$ 319.4	\$ 330.6	\$ 177.0	\$ 287.9	\$ 299.5	\$ 304.3	\$ 442.1
Total assets	4,926.0	4,611.6	4,779.1	4,525.0	4,251.3	4,157.6	4,530.8
Total debt, net of unamortized debt discount	1,822.2	1,837.8	1,902.8	1,875.7	2,272.9	2,527.4	2,616.7
Total stockholders' equity	1,445.4	1,312.9	1,343.2	1,244.6	1,141.5	750.7	1,013.6

	Nine Months Ended September 30,			Years Ended December 31,			
	2012	2011	2011	2010	2009	2008	2007(1)
<b>Other Financial Data:</b>							
Net cash provided by operating activities	\$ 238.0	\$ 205.5	\$ 305.8	\$ 467.6	\$ 250.8	\$ 224.9	\$ 96.8
Capital expenditures	60.8	64.2	85.8	78.9	65.6	129.6	62.7
Depreciation and amortization	143.4	131.5	179.8	171.3	172.4	182.8	126.6



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- (1) We had no operations prior to the merger transactions on April 20, 2007; as such, this data represents the period from April 20, 2007 through December 31, 2007.
- (2) Prior to 2011, certain AFC fees collected from customers were netted against cost of services, as well as certain selling, general and administrative expenses. Such fees included lot check fees, filing fees and postage fees, each of which are charged to and collected from AFC's customers. Beginning in 2011, these fees were included in revenue with the corresponding costs reflected in their respective expense categories, resulting in an increase to revenue, as well as an increase to the related expenses for all periods presented. Prior year amounts have been revised to reflect these changes.
- (3) Working capital is defined as current assets less current liabilities.

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**Table of Contents****SELLING STOCKHOLDER**

KAR LLC is the sole selling stockholder under this prospectus supplement.

On April 20, 2007, KAR LLC acquired the shares that may be offered for resale pursuant to this prospectus supplement in connection with a merger and related transactions pursuant to which ADESA, Inc. and Insurance Auto Auctions, Inc. became subsidiaries of KAR Auction Services, the issuer of the shares offered hereby. At the time of the merger and until its initial public offering of common stock in December 2009, KAR Auction Services was a wholly-owned subsidiary of KAR LLC. In connection with the merger, KAR LLC contributed to KAR Auction Services approximately \$1.1 billion of consideration, consisting of a combination of cash, stock of ADESA, Inc. and stock of Axle Holdings, Inc. (the then-owner of IAA), in exchange for the 106,853,660 shares offered for resale pursuant to the accompanying prospectus (after giving effect to certain capitalization transactions and a 10-for-1 stock split in December 2009). The per share purchase price was approximately \$10 (after giving effect to a 10-for-1 stock split in December 2009).

See the **Certain Related Party Relationships** section of the proxy statement for our annual meeting of shareholders held on May 17, 2012, which is incorporated by reference into this prospectus supplement, for a description of material relationships between us and the selling stockholder.

The following table sets forth the name of the selling stockholder, the number of shares and percentage of our common stock beneficially owned by the selling stockholder as of November 15, 2012, the number of shares of common stock being sold in this offering and the number of shares to be beneficially owned by the selling stockholder after the completion of this offering. The applicable percentage of ownership for the selling stockholder is based on 136,648,020 shares of common stock outstanding as of November 15, 2012.

Name of Beneficial Owner	Shares Beneficially Owned Prior to This Offering		Number of Shares Offered	Shares Beneficially Owned After This Offering	
	Number	Percent of Class		Number	Percent of Class
KAR Holdings II, LLC	106,853,660	78.2%	13,500,000	93,353,660	68.3%

KAR LLC is controlled by the Equity Sponsors, which own common units in KAR LLC. The Equity Sponsors do not directly hold any shares of our common stock that may be offered for resale pursuant to this prospectus supplement.

The Equity Sponsors acquired common units in KAR LLC in connection with the above-mentioned merger and related transactions that occurred on April 20, 2007. In connection with the merger, the Equity Sponsors and the Company's management contributed to the selling stockholder approximately \$1.1 billion of consideration, consisting of a combination of cash, stock of ADESA, Inc. and stock of Axle Holdings, Inc., in exchange for common units in KAR LLC.

Pursuant to the Second Amended and Restated Limited Liability Company Agreement of KAR LLC, as amended, the business and affairs of KAR LLC are managed by a board of directors. Affiliates of Kelso Investment Associates VII, L.P., GS Capital Partners VI, L.P. and ValueAct Capital Master Fund, L.P. each have the right to designate two directors for election to KAR LLC's board and affiliates of Parthenon Investors II, L.P. have the right to designate one director, in each case so long as they continue to hold a specified amount of their original common units.

Pursuant to a director designation agreement entered into in connection with the initial public offering of our common stock in December 2009, KAR LLC has the right to directly nominate individuals to our board of directors. The director designation agreement provides that, for so long as KAR LLC owns more than 10% of our outstanding common stock, no change will be made to the size of our board without the consent of KAR LLC.

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KAR LLC will have the right to nominate individuals to our board at each meeting of stockholders where directors are to be elected and, subject to limited exceptions, we will include in the slate of nominees recommended to our stockholders for election as directors the number of individuals designated by KAR LLC as follows (depending on the percentage ownership of KAR LLC at the time of such election):

so long as KAR LLC owns more than 50% of our outstanding common stock, seven individuals;

so long as KAR LLC owns 50% or less but at least 30% of our outstanding common stock, six individuals;

so long as KAR LLC owns less than 30% but at least 20% of our outstanding common stock, four individuals;

so long as KAR LLC owns less than 20% but at least 10% of our outstanding common stock, three individuals;

so long as KAR LLC owns less than 10% but at least 5% of our outstanding common stock, one individual; and

after such time as KAR LLC owns less than 5% of our outstanding common stock, no individuals.

The selling stockholder may be deemed to be an affiliate of Goldman, Sachs & Co., a registered broker-dealer. The selling stockholder acquired the shares offered pursuant to this prospectus supplement and that may be offered for resale pursuant to the accompanying prospectus with investment intent in the ordinary course of business (such business being the investment in and development of companies) in connection with the merger transaction described above. At the time of the purchase of these shares, neither the selling stockholder nor Goldman, Sachs & Co. had any agreements or understandings, directly or indirectly, with any person to distribute the securities.

The Equity Sponsors and certain members of management do not own the shares of our common stock offered pursuant to this prospectus supplement and that may be offered for resale pursuant to the accompanying prospectus. KAR LLC holds all of these shares and the Equity Sponsors and certain members of management hold common units in KAR LLC. The following table presents information on what the beneficial ownership of these shares would be if beneficial ownership of these shares were attributed to the Equity Sponsors and certain members of management based solely on their proportionate holdings of common units in KAR LLC at November 15, 2012. In addition, (i) the information presented in the footnotes to this table are based on shares beneficially owned prior to this offering and (ii) other than for KAR LLC, the number of shares deemed sold by each holder reflects a pro rata portion of the shares sold by KAR LLC in this offering based on such holder's approximate percentage ownership of common equity interests in KAR LLC. In accordance with its limited liability company agreement, KAR LLC will distribute the net proceeds of its sale of common stock in this offering to its members pro rata based upon the relative number of common units of KAR LLC held by such members.

Name of Beneficial Owner	Shares Beneficially Owned Prior to This Offering		Number of Shares Offered	Shares Beneficially Owned After This Offering	
	Number(1)	Percent of Class(2)		Number(1)	Percent of Class(2)
KAR Holdings II, LLC	106,853,660	78.2%	13,500,000	93,353,660	68.3%
KELSO GROUP:					
Kelso Investment Associates VII, L.P.(3)(4)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
KEP VI, LLC(3)(4)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Frank T. Nickell(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Thomas R. Wall, IV(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
George E. Matelich(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Michael B. Goldberg(3)(4)(5)(6)	45,323,240	33.2%	5,726,184	39,597,056	29.0%



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Name of Beneficial Owner	Shares Beneficially Owned Prior to This Offering		Number of Shares Offered	Shares Beneficially Owned After This Offering	
	Number(1)	Percent of Class(2)		Number(1)	Percent of Class(2)
David I. Wahrhaftig(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Frank K. Bynum, Jr.(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Philip E. Berney(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Frank J. Loverro(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
James J. Connors, II(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Church M. Moore(3)(4)(5)(6)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Stanley de J. Osborne(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Christopher L. Collins(3)(4)(5)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
PARTHENON GROUP:					
Parthenon Investors II, L.P. and related funds(7)(8)(9)	8,865,530	6.5%	1,120,080	7,745,450	5.7%
GOLDMAN GROUP:					
GS Capital Partners VI Fund, L.P. and related funds(10)(11)	27,081,968	19.8%	3,421,563	23,660,405	17.3%
VALUEACT GROUP:					
ValueAct Capital Master Fund, L.P.(12)(13)(26)(28)	23,371,818	17.1%	2,851,288	20,520,530	15.0%
AXLE HOLDINGS II, LLC(3)(27)	27,326,090	20.0%	3,452,406	23,873,684	17.5%
EXECUTIVE OFFICERS AND DIRECTORS					
David J. Ament					
Kelly J. Barlow					
Warren W. Byrd(16)	53,490	*	634	52,856	*
Thomas J. Carella (6)(11)(24)(25)	27,081,968	19.8%	3,421,563	23,660,405	17.3%
Thomas J. Caruso(17)	110,080	*	634	109,446	*
Brian T. Clingen(6)(14)	1,382,680	1.0%	174,689	1,207,991	*
Robert M. Finlayson(6)	13,848	*		13,848	*
Peter R. Formanek(6)	19,418	*		19,418	*
Michael B. Goldberg(3)(4)(5)(6)(25)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Donald S. Gottwald(18)	70,880	*		70,880	*
James P. Hallett(6)(15)	119,050	*	12,672	106,378	*
Peter J. Kelly(29)	87,500	*		87,500	*
Eric M. Loughmiller(19)	15,910	*	380	15,530	*
Sanjeev K. Mehra(6)(11)(24)(25)	27,081,968	19.8%	3,421,563	23,660,405	17.3%
Church M. Moore(3)(4)(5)(6)(25)	45,323,240	33.2%	5,726,184	39,597,056	29.0%
Thomas C. O'Brien(6)(20)	27,930	*	3,529	24,401	*
Rebecca C. Polak(21)	51,700	*	950	50,750	*
Benjamin Skuy(22)	93,005	*	3,169	89,836	*
Gregory P. Spivy					
David J. Vignes(23)	72,285	*	443	71,842	*
Jonathan P. Ward(6)	13,848	*		13,848	*
Executive officers and directors as a group (21 persons)(26)	74,536,832	54.5%	9,344,847	65,191,985	47.7%

\* Less than one percent.

(1) The number of shares includes shares of common stock subject to options exercisable within 60 days of November 15, 2012.

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- (2) Shares subject to options exercisable within 60 days of November 15, 2012 are considered outstanding for the purpose of determining the percent of the class held by the holder of such option, but not for the purpose of computing the percentage held by others. Percentages for KAR LLC, Axle LLC, the members of the Kelso Group, the members of the Goldman Group, ValueAct Capital and the members of the Parthenon Group are reflective of beneficial ownership of KAR LLC common interests (which, in certain cases, includes beneficial ownership of KAR LLC common interests held by Axle LLC). Except as indicated, percentages for executive officers and directors are reflective of beneficial ownership of outstanding shares of KAR Auction Services (including shares that may be deemed to be owned by virtue of common ownership interests in KAR LLC or Axle LLC, as applicable).
- (3) The business address for these persons is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, NY 10022.
- (4) Includes (i) 18,479,970 shares of common stock held of record by KAR LLC (which are attributable to Axle LLC), by virtue of Kelso Investment Associates VII, L.P., a Delaware limited partnership ( KIA VII ), ownership interest in Axle LLC, (ii) 4,575,990 shares of common stock held of record by KAR LLC (which are attributable to Axle LLC), by virtue of KEP VI, LLC, a Delaware limited liability company ( KEP VI ), ownership interest in Axle LLC, (iii) 17,847,820 shares of common stock held of record by KAR LLC, by virtue of KIA VII s ownership interest in KAR LLC and (iv) 4,419,460 shares of common stock held of record by KAR LLC, by virtue of KEP VI s ownership interest in KAR LLC. Kelso GP VII, LLC, a Delaware limited liability company ( GP VII, LLC ), is the general partner of Kelso GP VII, L.P., a Delaware limited partnership ( GP VII, L.P. ). GP VII, L.P. is the general partner of KIA VII. KIA VII is the majority owner of KAR LLC. Each of GP VII, LLC, GP VII, L.P., and KIA VII disclaims beneficial ownership of the shares owned of record by KAR LLC, except to the extent of their respective pecuniary interests therein. Each of GP VII, LLC, GP VII, L.P., and KIA VII, due to their common control, could be deemed to beneficially own each other s securities. GP VII, LLC disclaims beneficial ownership of all of the shares owned of record, or deemed beneficially owned, by each of GP VII L.P. and KIA VII except to the extent of its pecuniary interest therein. GP VII, L.P. disclaims beneficial ownership of all of the shares owned of record, or deemed beneficially owned, by each of GP VII, LLC and KIA VII, except, in the case of KIA VII, to the extent of its pecuniary interest therein. KIA VII disclaims beneficial ownership of all of the shares owned of record, or deemed beneficially owned, by each of GP VII, LLC and GP VII, L.P., except to the extent of its pecuniary interest therein, if any. KIA VII and KEP VI, due to their common control, could be deemed to beneficially own each of the other s shares. KEP VI disclaims beneficial ownership of all of the shares owned of record, or deemed beneficially owned, by each of GP VII, LLC, GP VII L.P. and KIA VII. Each of GP VII, LLC, GP VII L.P. and KIA VII disclaims beneficial ownership of all of the shares owned of record, or deemed beneficially owned, by KEP VI. KEP VI disclaims beneficial ownership of the shares owned of record by KAR Holdings, LLC, except to the extent of its pecuniary interest therein.
- (5) Messrs. Berney, Bynum, Goldberg, Loverro, Matelich, Nickell, Wahrhaftig, Wall, Connors, Osborne, Moore and Collins may be deemed to share beneficial ownership of securities owned of record by KAR LLC or indirectly by KIA VII, by virtue of their status as managing members of GP VII, LLC, but disclaim beneficial ownership of such securities. Messrs. Berney, Bynum, Goldberg, Loverro, Matelich, Nickell, Wahrhaftig, Wall, Connors, Osborne, Moore and Collins may also be deemed to share beneficial ownership of securities owned of record by KAR LLC or indirectly by KEP VI, by virtue of their status as managing members of KEP VI, but disclaim beneficial ownership of such interests.
- (6) Members of our Board of Directors.
- (7) The business address for these persons is c/o Parthenon Capital Partners, 1 Federal Street, 21st Floor Boston, MA 02110.
- (8) Includes 6,018,180 shares of common stock beneficially owned by PCap KAR, LLC through KAR LLC. PCap KAR, LLC is controlled by Parthenon Investors II, L.P. and Parthenon Investors III, L.P. Also includes shares beneficially owned by the following entities by virtue of their ownership in Axle Holdings II, LLC, which in turn is a member of KAR LLC: (i) 2,766,570 shares through Parthenon Investors II, L.P., (ii) 38,070 shares through PCIP Investors, and (iii) 42,710 shares through J&R Founders Fund II, L.P.

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- (9) Messrs. Kessinger, Golson and Ament may be deemed to share beneficial ownership of securities owned of record by KAR LLC or indirectly by Parthenon Investors II, L.P. or by Parthenon Investors III, L.P., by virtue of their control of Parthenon Investors II, L.P. and Parthenon Investors III, L.P., but disclaim beneficial ownership of such securities. J&R Advisors F.F., LLC is the general partner of J&R Founders Fund II, L.P. J&R Advisors F.F., LLC disclaims beneficial ownership of the securities owned of record by KAR LLC or indirectly by J&R Founders Fund II, L.P., except to the extent of its pecuniary interests therein.
- (10) Shares reported are held of record by KAR LLC but are beneficially owned directly by GS Capital Partners VI Fund, L.P., GS Capital Partners VI Parallel, L.P., GS Capital Partners VI GmbH & Co. KG, GS Capital Partners VI Offshore Fund, L.P. GSCP VI Advisors, L.L.C., GSCP VI Offshore Advisors, L.L.C., Goldman, Sachs Management GP GMBH and GS Advisors VI, L.L.C. (together, the GSCP Entities). Affiliates of The Goldman Sachs Group, Inc. and Goldman, Sachs & Co. are the general partner, managing limited partner or the managing partner of each of the GSCP Entities. Goldman, Sachs & Co. is the investment manager for certain of the GSCP Entities. Goldman, Sachs & Co. is a direct and indirect, wholly-owned subsidiary of The Goldman Sachs Group, Inc. The Goldman Sachs Group, Inc. is a public entity and its common stock is publicly traded on the NYSE. The Goldman Sachs Group, Inc., Goldman, Sachs & Co. and the GSCP Entities share voting and investment power with certain of their respective affiliates. Each of The Goldman Sachs Group Inc. and Goldman, Sachs & Co. disclaims beneficial ownership of the common shares owned directly or indirectly by the GSCP Entities, except to the extent of its pecuniary interest therein, if any.
- (11) The business address for these persons is c/o Goldman, Sachs & Co., 200 West Street, New York, NY 10282.
- (12) Includes 22,568,190 shares of common stock held of record by KAR LLC but is beneficially owned directly by ValueAct Capital Master Fund, L.P. by virtue of ValueAct Capital Master Fund, L.P.'s ownership interest in KAR LLC and may be deemed to be beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Capital Master Fund, L.P., (ii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, LLC as General Partner of ValueAct Capital Management, L.P., (iv) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC, and as the majority owner of the membership interests of VA Partners I, LLC, and (v) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. Each of the foregoing reporting persons disclaims beneficial ownership of the reported stock except to the extent of their pecuniary interest therein.
- (13) The business address for these persons is c/o ValueAct Capital, 435 Pacific Avenue, 4th Floor, San Francisco, CA 94133.
- (14) Includes (i) 379,650 shares of common stock held of record by KAR LLC (which are attributable to Axle LLC), by virtue of Mr. Clingen's common ownership interest in Axle LLC, and (ii) 1,003,030 shares of common stock held of record by KAR LLC, by virtue of Mr. Clingen's common ownership interest in KAR LLC.
- (15) Includes (i) 18,750 shares of common stock issuable pursuant to options that are exercisable within 60 days of November 15, 2012, and (ii) 100,300 shares of common stock held of record by KAR LLC, by virtue of Mr. Hallett's common ownership interest in KAR LLC.
- (16) Includes (i) 48,470 shares of common stock issuable pursuant to options that are exercisable within 60 days of November 15, 2012, and (ii) 5,020 shares of common stock held of record by KAR LLC, by virtue of Mr. Byrd's common ownership interest in KAR LLC.
- (17) Includes (i) 105,060 shares of common stock issuable pursuant to options that are exercisable within 60 days of November 15, 2012, and (ii) 5,020 shares of common stock held of record by KAR LLC, by virtue of Mr. Caruso's common ownership interest in KAR LLC.
- (18) Includes 70,880 shares of common stock issuable pursuant to options that are exercisable within 60 days of November 15, 2012.
- (19) Includes (i) 3,010 shares of common stock held of record by KAR LLC, by virtue of Mr. Loughmiller's common ownership interest in KAR LLC, and (ii) 12,900 shares of common stock owned by Mr. Loughmiller.

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- (20) Includes (i) 25,920 shares of common stock held of record by KAR LLC (which are attributable to Axle LLC), by virtue of Mr. O'Brien's common ownership interest in Axle LLC, and (ii) 2,010 shares of common stock held of record by KAR LLC, by virtue of Mr. O'Brien's common ownership interest in KAR LLC.
- (21) Includes (i) 7,520 shares of common stock held of record by KAR LLC, by virtue of Ms. Polak's common ownership interest in KAR LLC, and (ii) 44,180 shares of common stock issuable pursuant to options that are exercisable within 60 days of November 15, 2012.
- (22) Includes (i) 62,925 shares of common stock issuable pursuant to options that are exercisable within 60 days of November 15, 2012, (ii) 25,080 shares of common stock held of record by KAR LLC, by virtue of Mr. Skuy's common ownership interest in KAR LLC, and (iii) 5,000 shares of common stock owned by Mr. Skuy.
- (23) Includes (i) 63,775 shares of common stock issuable pursuant to options that are exercisable within 60 days of November 15, 2012, (ii) 3,510 shares of common stock held of record by KAR LLC, by virtue of Mr. Vignes' common ownership interest in KAR LLC, and (iii) 5,000 shares of common stock owned by Mr. Vignes.
- (24) Messrs. Mehra and Carella are managing directors of Goldman, Sachs & Co. Mr. Mehra, Mr. Carella and The Goldman Sachs Group, Inc. each disclaims beneficial ownership of the common stock owned directly or indirectly by the GSCP Entities and Goldman, Sachs & Co., except to the extent of his or its pecuniary interest therein, if any. Each of The Goldman Sachs Group, Inc. and Goldman, Sachs & Co. disclaims beneficial ownership of the common shares owned directly or indirectly by the GSCP Entities, except to the extent of its pecuniary interest therein, if any.
- (25) Includes shares of common stock the beneficial ownership of which (i) Mr. Goldberg may be deemed to share, as described in footnote 5 above, (ii) Mr. Moore may be deemed to share, as described in footnote 5 above, (iii) Mr. Mehra may be deemed to share, as described in footnote 24 above, and (vi) Mr. Carella may be deemed to share, as described in footnote 24 above.
- (26) 803,628 shares of common stock directly beneficially owned by ValueAct Capital Master Fund, L.P. and may be deemed to be indirectly beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Capital Master Fund, L.P., (ii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, LLC as General Partner of ValueAct Capital Management, L.P., (iv) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC, and (v) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. Each of the foregoing reporting persons disclaims beneficial ownership of the reported stock, except to the extent of their pecuniary interest therein.
- (27) Axle may be deemed to share beneficial ownership of shares of common stock owned of record by KAR LLC by virtue of its status as a member of KAR LLC. Axle shares investment and voting power along with the other members of KAR LLC with respect to the securities owned by KAR LLC, but disclaims beneficial ownership of such securities. KIA VII, KEP VI, Parthenon Investors II, L.P., PCIP Investors and J&R Founders Fund II, L.P., due to their ownership interest in Axle, could be deemed to share beneficial ownership of securities owned of record by Axle. KIA VII, KEP VI, Parthenon Investors II, L.P., PCIP Investors and J&R Founders Fund II, L.P. share investment and voting power along with the other members of Axle with respect to securities owned by Axle, but disclaim beneficial ownership of such common shares except to the extent of their pecuniary interest therein.
- (28) Messrs. Jeffrey W. Ubben, G. Mason Morfit and George F. Hamel may be deemed to share beneficial ownership of securities owned of record by KAR LLC or indirectly by ValueAct Holdings GP, LLC, by virtue of serving on the management board of ValueAct Holdings GP, LLC, but disclaim beneficial ownership of such common shares.
- (29) Includes 87,500 shares of common stock issuable pursuant to options that are exercisable within 60 days of November 15, 2012.



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**CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO  
NON-U.S. HOLDERS OF COMMON STOCK**

The following is a general discussion of certain U.S. federal income tax consequences relating to the ownership and disposition of our common stock by non-U.S. holders (as defined below) who purchase our common stock in this offering and hold such common stock as capital assets for U.S. federal income tax purposes (generally for investment). This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, applicable U.S. Treasury regulations promulgated thereunder, judicial decisions, and rulings and pronouncements of the U.S. Internal Revenue Service, or the IRS, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or subject to different interpretation.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to specific non-U.S. holders in light of their particular circumstances or to non-U.S. holders subject to special treatment under U.S. federal income tax laws (such as banks or other financial institutions, insurance companies, tax-exempt organizations, foreign governments, controlled foreign corporations, passive foreign investment companies, retirement plans, entities that are treated as partnerships for U.S. federal income tax purposes, dealers in securities or currencies, brokers, U.S. expatriates, non-U.S. holders who have acquired our common stock as compensation or otherwise in connection with the performance of services, or non-U.S. holders who have acquired our common stock as part of a straddle, hedge, conversion transaction or other integrated investment).

This discussion does not address the state, local, non-U.S. tax or U.S. federal alternative minimum tax consequences relating to the ownership and disposition of our common stock. You should consult your tax advisor regarding the U.S. federal tax consequences of owning and disposing of our common stock, as well as the applicability and effect of any state, local or foreign tax laws.

As used in this discussion, the term non-U.S. holder refers to a beneficial owner of our common stock that for U.S. federal income tax purposes is not:

- (i) an individual who is a citizen or resident of the United States;
- (ii) a corporation (or other entity subject to tax as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, or the District of Columbia;
- (iii) an estate the income of which is subject to U.S. federal income tax regardless of the source thereof; or
- (iv) a trust (a) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (b) that has in effect a valid election under applicable Treasury Regulations to be treated as a U.S. person.

If an entity or arrangement classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of the partnership and its partners generally depends on the status of the partner and the activities of the partnership. If you are an entity or arrangement treated as partnership for U.S. federal income tax purposes holding our common stock, or a partner in such entity, you should consult your tax adviser as to the particular U.S. federal income tax consequences applicable to you.

**EACH NON-U.S. HOLDER SHOULD CONSULT ITS TAX ADVISER REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF ACQUIRING, HOLDING AND DISPOSING OF OUR COMMON STOCK.**

**Distributions on Common Stock**

If we make a distribution of cash or other property (other than certain distributions of our stock) in respect of our common stock, the distribution generally will be treated as a dividend to the extent of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If the amount of a

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distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), the excess amount generally will be treated first as a tax-free return of capital, on a share by share basis, to the extent of the non-U.S. holder's tax basis in our common stock, and then as capital gain.

Distributions treated as dividends paid by us to a non-U.S. holder generally will be subject to U.S. federal withholding tax at a 30% rate, unless (i) an applicable income tax treaty reduces or eliminates such tax, or (ii) the dividends are effectively connected with such non-U.S. holder's conduct of a trade or business in the United States and, in each case, the non-U.S. holder provides us with proper IRS documentation. In the latter case, a non-U.S. holder generally will be subject to U.S. federal income tax with respect to such dividends in the same manner as a U.S. person, unless otherwise provided in an applicable income tax treaty. Additionally, a non-U.S. holder that is a corporation may be subject to a branch profits tax on its after-tax effectively connected dividend income at a rate of 30% (or at a reduced rate under an applicable income tax treaty). If a non-U.S. holder is eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty, such non-U.S. holder may obtain a refund or credit of any excess amount withheld by filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the manner of claiming the benefits of such treaty.

### **Sale, Exchange or Other Disposition of Common Stock**

Generally, a non-U.S. holder will not be subject to U.S. federal income tax on gain realized upon the sale, exchange or other disposition of our common stock unless (i) such non-U.S. holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met, (ii) the gain is effectively connected with such non-U.S. holder's conduct of a trade or business in the United States and, where a tax treaty so provides, the gain is attributable to such non-U.S. holder's permanent establishment or fixed base in the United States, or (iii) we are or have been a United States real property holding corporation at any time within the shorter of the five-year period ending on the date of such sale, exchange or other disposition or the period that such non-U.S. holder held our common stock and either (a) our common stock was not regularly traded on an established securities market at any time during the calendar year in which the sale, exchange or other disposition occurs, or (b) such non-U.S. holder owns or owned (actually or constructively) more than five percent of our common stock at any time during the preceding five years. We have determined that we are not, and we believe we will not become, a United States real property holding corporation.

An individual non-U.S. holder described in (i) above is subject to U.S. federal income tax on such non-U.S. holder's gains (including gain from the sale of common stock, net of applicable U.S.-source losses incurred on sales or exchanges of other capital assets during the year) at a flat rate of 30% (or at a reduced rate under an applicable income tax treaty). Other non-U.S. holders who may be subject to U.S. federal income tax on the disposition of our common stock will be subject to U.S. federal income tax on the disposition of our common stock in the same manner in which citizens or residents of the United States would be subject to U.S. federal income tax.

### **Information Reporting and Backup Withholding Tax**

The amount of dividends on our common stock paid to a non-U.S. holder and the amount of any tax withheld from such dividends must generally be reported annually to the IRS and to the non-U.S. holder. The IRS may make this information available to the tax authorities of the country in which the non-U.S. holder is a resident under the provisions of an applicable tax treaty or agreement. Backup withholding tax (at the then applicable rate) may apply to dividends on our common stock paid to a non-U.S. holder, unless the non-U.S. holder certifies as to its status as a non-U.S. holder under penalties of perjury or otherwise establishes an exemption and certain other conditions are satisfied. Information reporting and backup withholding tax (at the then applicable rate) may apply to payments treated as the proceeds of a sale of our common stock made to a non-U.S. holder, unless the non-U.S. holder certifies as to its status as a non-U.S. holder under penalties of perjury or otherwise establishes an exemption and certain other conditions are satisfied.

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Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder will be allowed as a refund or a credit against such non-U.S. holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Non-U.S. holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules to them.

**Foreign Account Tax Compliance Act**

Recently enacted legislation will require, after December 31, 2013, withholding at a rate of 30% on dividends in respect of, and, after December 31, 2016, gross proceeds from the sale of, our common stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Treasury to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury regulations, may modify these requirements. Accordingly, the entity through which our common stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, our common stock held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any substantial United States owners or (ii) provides certain information regarding the entity's substantial United States owners, which we will in turn provide to the Secretary of the Treasury. We will not pay any additional amounts to stockholders in respect of any amounts withheld. Non-U.S. holders are encouraged to consult their tax advisers regarding the possible implications of the legislation on their investment in our common stock.

**Table of Contents****UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement, dated December 5, 2012, the selling stockholder has agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and J.P. Morgan Securities LLC are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	3,543,750
Goldman, Sachs & Co.	3,543,750
J.P. Morgan Securities LLC	1,687,500
Barclays Capital Inc.	776,250
BMO Capital Markets Corp.	776,250
Merrill Lynch, Pierce, Fenner & Smith Incorporated	776,250
Deutsche Bank Securities Inc.	776,250
Robert W. Baird & Co. Incorporated	405,000
Barrington Research Associates, Inc.	405,000
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	405,000
Stephens Inc.	405,000
<b>Total</b>	<b>13,500,000</b>

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the underwriters' option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The selling stockholder has granted to the underwriters a 30-day option to purchase on a pro rata basis up to 2,025,000 additional outstanding shares from the selling stockholder at the public offering price set forth on the cover page of this prospectus supplement less the underwriting discounts and commissions.

The underwriters propose to offer the shares of common stock initially at the public offering price set forth on the cover page of this prospectus supplement and to selling group members at that price less a selling concession of up to \$0.4725 per share. After the initial public offering, the representatives may change the public offering price and concession.

The following table summarizes the compensation the selling stockholder will pay, assuming both no exercise and full exercise of the underwriters' option to purchase 2,025,000 additional shares of common stock:

	Per Share		Total	
	No Exercise	Full Exercise	No Exercise	Full Exercise
Underwriting Discounts and Commissions paid by the selling stockholder	\$ 0.7875	\$ 0.7875	\$ 10,631,250.00	\$ 12,225,937.50
We estimate that the out of pocket expenses for this offering which will be paid by us will be approximately \$0.6 million.				

We, our executive officers, our directors, the selling stockholder and the Equity Sponsors have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of our common stock or securities

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convertible into or exchangeable for shares of common stock during the period from the date of this prospectus supplement continuing through the date 90 days after the date of this prospectus supplement, except with the prior written consent of Credit Suisse Securities (USA) LLC and Goldman, Sachs & Co. This agreement does not apply to any of our existing employee benefit plans.

We and the selling stockholder have agreed to indemnify the several underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

Our common stock is listed on The New York Stock Exchange, under the symbol KAR .

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act of 1934.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares subject to the underwriters' option to purchase additional shares. The underwriters may close out any covered short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares. If the underwriters sell more shares than could be covered by the option to purchase additional shares, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions. These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The New York Stock Exchange and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advisory, investment

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management, investment research, principal investment, hedging, financing and brokerage activities and services. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking, commercial banking and other services for the Company and its affiliates, for which they received or will receive customary fees and expenses.

Affiliates of Goldman, Sachs & Co. beneficially own through their investment in KAR LLC 19.8% of the Company's common stock. Pursuant to the director designation agreement of KAR LLC, such affiliates have the right to designate a specified number of individuals to serve on the Board of Directors of KAR LLC. See the "Certain Related Party Relationships" section of the proxy statement for our annual meeting of shareholders held on May 17, 2012, which is incorporated by reference in the accompanying prospectus, for a description of this agreement and other material relationships between us and the selling stockholder, including the affiliates of Goldman, Sachs & Co. Sanjeev Mehra and Thomas J. Carella, each a Managing Director of Goldman, Sachs & Co., are directors of the Company. An affiliate of Credit Suisse Securities (USA) LLC holds class A common units in KAR LLC, which total less than 1% of all outstanding units in KAR LLC as of the date of this prospectus supplement.

J.P. Morgan Securities LLC is sole lead arranger and joint book-runner and its affiliate JP Morgan Chase Bank, N.A. is administrative agent and a lender under our Credit Agreement dated as of May 19, 2011, or the "Credit Agreement," among the Company, the lenders named therein and JP Morgan Chase Bank, N.A., as administrative agent. An affiliate of Goldman, Sachs & Co. is a syndication agent and a lender under the Credit Agreement. Affiliates of Credit Suisse Securities (USA) LLC, Barclays Capital Inc., Deutsche Bank Securities Inc. and Merrill, Lynch, Pierce, Fenner & Smith Incorporated are also lenders under the Credit Agreement.

BMO Capital Markets Corp. and affiliates of Deutsche Bank Securities Inc. and Barclays Capital Inc. are agents under the Fourth Amended and Restated Receivables Purchase Agreement, dated April 26, 2011, relating to AFC's U.S. securitization facility. An affiliate of BMO Capital Markets Corp. is securitization agent under the Amended and Restated Receivables Purchase Agreement dated May 24, 2011, relating to AFC's Canadian securitization facility.

### **Conflict of Interest**

Because affiliates of Goldman, Sachs & Co. beneficially own more than 10% of our outstanding common stock, Goldman, Sachs & Co. is deemed to be an affiliate of the Company within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, or "Rule 5121," and is deemed to have a conflict of interest under Rule 5121. In addition, KAR LLC, the selling stockholder and an affiliate of Goldman, Sachs & Co., will receive all of the net proceeds of this offering. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 5121 as required by Rule 5121. Because there is a "bona fide public market" (as defined in Rule 5121) for our common stock, the Rule 5121 requirement for the participation of a qualified independent underwriter does not apply to this offering.

### **Offering Restrictions**

#### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each a "Relevant Member State," each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of the shares of common stock which are the subject of the offering contemplated by this prospectus supplement to the public in that Relevant Member State other than:

to any legal entity which is a qualified investor as defined in the Prospectus Directive;

to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the

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Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the above, (i) the expression an offer of shares of common stock to the public in relation to any shares of common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, (ii) the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and (iii) the expression 2010 PD Amending Directive means Directive 2010/73/EU.

In the case of any common stock being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the common stock acquired by it in the offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the underwriters has been obtained to each such proposed offer or resale. KAR Auction Services, Inc and the underwriters and their affiliates, and others will rely on the truth and accuracy of the foregoing representation, acknowledgment and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the underwriters of such fact in writing may, with the consent of the underwriters, be permitted to subscribe for or purchase the common stock in the offering.

### **United Kingdom**

Each underwriter has represented and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of the shares of common stock in circumstances in which Section 21(1) of such Act does not apply to KAR Auction Services, Inc. and that it has complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any shares of common stock in, from or otherwise involving the United Kingdom.

### **Hong Kong**

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

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**Singapore**

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA ), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

**Japan**

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.



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**LEGAL MATTERS**

Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York is representing us in connection with this offering. Debevoise & Plimpton LLP, New York, New York is acting as counsel to the underwriters. Debevoise & Plimpton LLP has in the past provided, and continues to provide, legal services to Kelso & Company and certain of its affiliates other than us.

**EXPERTS**

The consolidated financial statements of KAR Auction Services, Inc. and subsidiaries as of December 31, 2011 and 2010 and for each of the years in the three-year period ended December 31, 2011 and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2011 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit report on internal control over financial reporting as of December 31, 2011, contains an explanatory paragraph that states that management has excluded OPENLANE, Inc. from its assessment of internal control over financial reporting as of December 31, 2011 because it was acquired by KAR Auction Services on October 3, 2011. KPMG has also excluded OPENLANE, Inc. from its audit of internal control over financial reporting. Total assets and total revenues of OPENLANE, Inc. represent 5.2% and 0.9%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may inspect without charge any documents filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

The SEC allows us to incorporate by reference information into this prospectus supplement and the accompanying prospectus, which means that we can disclose important information to you by referring you to other documents filed separately with the SEC. The information incorporated by reference is considered part of this prospectus supplement, and information filed with the SEC subsequent to this prospectus supplement and prior to the termination of the particular offering referred to in this prospectus supplement will automatically be deemed to update and supersede this information. We incorporate by reference into this prospectus supplement the documents listed below (excluding any portions of such documents that have been furnished but not filed for purposes of the Exchange Act):

our Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 28, 2012;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 8, 2012;

our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed on August 7, 2012;

our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed on November 7, 2012;

portions of our Definitive Proxy Statement on Schedule 14A filed on April 13, 2012, that are incorporated by reference into Part III of our Annual Report on Form 10-K for the year ended December 31, 2011;

our Current Reports on Form 8-K filed on May 21, 2012, November 19, 2012, November 30, 2012 and December 4, 2012; and

the description of our common stock contained in our Form 8-A filed on December 2, 2009, and any amendment or report filed for the purpose of updating such description.

We also incorporate by reference any future filings made by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this prospectus supplement and the date all of the securities offered hereby are sold or the offering is otherwise terminated, with the exception of any information furnished under Item 2.02 and Item 7.01 of Form 8-K (and exhibits filed under Item 9.01 of Form 8-K relating to such information), which is not deemed filed and which is not incorporated by reference herein. Any such filings shall be deemed to be incorporated by reference and to be a part of this prospectus supplement from the respective dates of filing of those documents.

We will provide without charge upon written or oral request to each person, including any beneficial owner, to whom a prospectus supplement is delivered, a copy of any and all of the documents which are incorporated by reference into this prospectus supplement but not delivered with this prospectus supplement (other than exhibits unless such exhibits are specifically incorporated by reference in such documents).

You may request a copy of these documents by writing or telephoning us at:

KAR Auction Services, Inc.

13085 Hamilton Crossing Blvd.

Edgar Filing: Equels Thomas K. - Form 4

Carmel, IN 46032

Attention: Investor Relations

(800) 923-3725

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You may also access the documents incorporated by reference into this prospectus supplement through our website at [www.karauctionservices.com](http://www.karauctionservices.com). Except for these specific incorporated documents, the contents of our website are not part of this prospectus supplement, and you should not consider the contents of our website in making an investment decision with respect to our securities.

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**Filed Pursuant to Rule 424(b)(2)  
Registration No. 333-174038**

PROSPECTUS

# **KAR AUCTION SERVICES, INC.**

## **106,853,660 Shares of Common Stock**

This prospectus relates to up to 106,853,660 shares of our common stock, par value \$0.01 per share, which may be offered for sale from time to time by the selling stockholder named in this prospectus. The selling stockholder may elect to sell the shares of common stock described in this prospectus in a number of different ways and at varying prices. We provide more information about how the selling stockholder may elect to sell its shares of common stock in the section titled "Plan of Distribution" on page 12 of this prospectus. We will not receive any proceeds from the sale of shares of common stock by the selling stockholder. We will bear all expenses of the offering of common stock, except that the selling stockholder will pay any applicable underwriting fees, discounts or commissions and certain transfer taxes.

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the trading symbol "KAR." On June 3, 2011, the last reported sale price for our common stock on the New York Stock Exchange was \$18.97 per share.

**Investing in our securities involves a high degree of risk. See the section entitled Risk Factors beginning on page 2 of this prospectus before you make your investment decision.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or the accompanying prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.**

June 22, 2011

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration process. Under the shelf process, certain of our stockholders may offer from time to time, in one or more offerings, up to 106,853,660 shares of our common stock.

This prospectus only provides you with a general description of the securities the selling stockholder may offer. If required by applicable law, each time the selling stockholder sells securities described in the prospectus we will provide a supplement to this prospectus that will contain specific information about the terms of that offering, including the specific amounts, prices and terms of the securities offered. The prospectus supplement may also add, update or change information contained in this prospectus. You should read in their entirety both this prospectus and any accompanying prospectus supplement or other offering materials, together with the additional information described under the section entitled "Where You Can Find More Information" beginning on page 17 of this prospectus.

You should rely only on the information contained in or incorporated by reference into this prospectus. Neither we nor the selling stockholder have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The selling stockholder is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

This prospectus and any accompanying prospectus supplement or other offering materials do not contain all of the information included in the registration statement as permitted by the rules and regulations of the SEC. For further information, we refer you to the registration statement on Form S-3, including its exhibits. We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and, therefore, file reports and other information with the SEC. Statements contained in this prospectus and any accompanying prospectus supplement or other offering materials about the provisions or contents of any agreement or other document are only summaries. If SEC rules require that any agreement or document be filed as an exhibit to the registration statement, you should refer to that agreement or document for its complete contents.

You should not assume that the information in this prospectus, any accompanying prospectus supplement or any other offering material is accurate as of any date other than the date on the front of each document, regardless of the time of delivery of this prospectus, any accompanying prospectus supplement or any sale of securities. Our business, financial condition, results of operations and prospects may have changed since then.

In this prospectus, unless otherwise specified or the context otherwise requires, we use the terms KAR Auction Services, the Company, we, us and our to refer to KAR Auction Services, Inc., a Delaware corporation, and its consolidated subsidiaries.

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**SUMMARY**

*This summary description about us and our business highlights selected information contained elsewhere in this prospectus or incorporated by reference into this prospectus. It does not contain all the information you should consider before purchasing our securities. You should read in their entirety this prospectus, any accompanying prospectus supplement and any other offering materials, together with the additional information described under the section entitled "Where You Can Find More Information" beginning on page 17 of this prospectus.*

**Our Company**

We are a leading provider of vehicle auction services in North America. We facilitate an efficient marketplace providing auction services for sellers of used, or whole car, vehicles and salvage vehicles through our 229 physical auction locations at March 31, 2011, and multiple proprietary Internet venues. In 2010, we facilitated the sale of over 3.1 million used and salvage vehicles. Our revenues are generated through auction fees from both vehicle buyers and sellers as well as by providing value-added ancillary services, including inspections, storage, transportation, reconditioning, salvage recovery, titling, and floorplan financing. We facilitate the transfer of ownership directly from seller to buyer and we do not take title or ownership to substantially all vehicles sold at our auctions.

Our principal executive offices are located at 13085 Hamilton Crossing Boulevard, Carmel, Indiana 46032, and our telephone number is (800) 923-3725. Our website is located at [www.karauctionservices.com](http://www.karauctionservices.com). The information on, or accessible through, the website is not a part of, or incorporated by reference into, this prospectus. This reference to our website is an inactive textual reference only and is not a hyperlink. You should not consider the contents of our website in making an investment decision with respect to our securities.



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**RISK FACTORS**

An investment in our securities involves a high degree of risk. You should carefully consider the specific risks described in our Annual Report on Form 10-K for the year ended December 31, 2010 (the 2010 Annual Report ), which is incorporated by reference into this prospectus, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, which is incorporated by reference into this prospectus, the risk factors described under the section entitled Risk Factors in any applicable prospectus supplement and any risk factors set forth in our other filings with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act before making an investment decision. If any of the foregoing risks actually materializes, our business, financial condition, results of operations and prospects could be materially adversely affected. As a result, the value of our securities could decline and you could lose part or all of your investment. The foregoing risks are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially affect our business, financial condition, results of operations and prospects. See the section entitled Where You Can Find More Information beginning on page 17 of this prospectus.

**USE OF PROCEEDS**

All shares of common stock sold pursuant to this prospectus will be sold by the selling stockholder and we will not receive any of the proceeds from such sales.

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**DESCRIPTION OF CAPITAL STOCK**

*The following information describes our common stock and preferred stock, as well as certain provisions of our amended and restated certificate of incorporation and amended and restated by-laws and relevant sections of the Delaware General Corporation Law (the "DGCL"), and is only a summary. You should refer to our amended and restated certificate of incorporation and amended and restated by-laws, which are filed as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of the DGCL.*

**General**

Our authorized capital stock consists of 400,000,000 shares of common stock, par value \$0.01 per share, and 100,000,000 shares of preferred stock, par value \$0.01 per share. As of May 31, 2011, we had 136,167,393 shares of common stock outstanding and no shares of preferred stock outstanding.

**Common Stock**

We have one class of common stock. All holders of our common stock are entitled to the same rights and privileges, as described below.

*Voting Rights.* Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the holders of our common stock, voting together as a single class, including the election of directors. Our stockholders do not have cumulative voting rights in the election of directors. Directors standing for election at an annual meeting of stockholders will be elected by a plurality of the votes cast in the election of directors at the annual meeting, either in person or represented by properly authorized proxy.

*Dividends.* Subject to the prior rights of holders of preferred stock, holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors.

*Liquidation and Dissolution.* Subject to the prior rights of our creditors and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock, in the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders.

*Other Rights.* Holders of our common stock have no preemptive, subscription, redemption or conversion rights. All of our outstanding shares of common stock are, and the shares of common stock to be issued pursuant to this offering will be, fully paid and non-assessable.

**Preferred Stock**

Under our amended and restated certificate of incorporation we are authorized to issue up to 100,000,000 shares of preferred stock, par value \$0.01 per share, in one or more series, none of which was issued and outstanding as of May 31, 2011. Our board of directors has the authority, without action by our stockholders, to issue preferred stock and to fix voting powers for each class or series of preferred stock, and to provide that any class or series may be subject to redemption, entitled to receive dividends, entitled to rights upon dissolution, or convertible or exchangeable for shares of any other class or classes of capital stock. The rights with respect to a series or class of preferred stock may be greater than the rights attached to our common stock. It is not possible to state the actual effect of the issuance of any shares of our preferred stock on the rights of holders of our common stock until our board of directors determines the specific rights attached to that preferred stock. The effect of issuing preferred stock could include, among other things, one or more of the following:

restricting dividends in respect of our common stock;

diluting the voting power of our common stock or providing that holders of preferred stock have the right to vote on matters as a class;

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impairing the liquidation rights of our common stock; or

delaying or preventing a change of control of us.

**Anti-Takeover Effects of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws**

We elected in our amended and restated certificate of incorporation not to be subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Accordingly, we will not be subject to any anti-takeover effects of Section 203.

Certain other provisions of our amended and restated certificate of incorporation and amended and restated by-laws may be considered to have an anti-takeover effect and may delay or prevent a tender offer or other corporate transaction that a stockholder might consider to be in its best interest, including those transactions that might result in payment of a premium over the market price for our shares. These provisions are designed to discourage certain types of transactions that may involve an actual or threatened change of control of us without prior approval of our board of directors. These provisions are meant to encourage persons interested in acquiring control of us to first consult with our board of directors to negotiate terms of a potential business combination or offer. We believe that these provisions protect against an unsolicited proposal for a takeover of us that might affect the long term value of our stock or that may be otherwise unfair to our stockholders. For example, these provisions include:

limiting the right of stockholders to call special meetings of stockholders to holders of at least 35% of our outstanding common stock;

rules regarding how our stockholders may present proposals or nominate directors for election at stockholder meetings;

permitting our board of directors to issue preferred stock without stockholder approval;

granting to the board of directors, and not to the stockholders, the sole power to set the number of directors; and

authorizing vacancies on our board of directors to be filled only by a vote of the majority of the directors then in office and specifically denying our stockholders the right to fill vacancies in the board.

From and after the time that KAR Holdings II, LLC ( "KAR LLC" ) no longer has beneficial ownership of 35% or more of our outstanding common stock, these provisions will also include:

authorizing the removal of directors only for cause and only upon the affirmative vote of holders of a majority of the outstanding shares of our common stock entitled to vote for the election of directors; and

prohibiting stockholder action by written consent.

**Limitations on Liability and Indemnification of Directors and Officers**

Our amended and restated certificate of incorporation and amended and restated by-laws provide that our directors will not be personally liable to us or our stockholders for monetary damages for breach of a fiduciary duty as a director, except for:

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any breach of the director's duty of loyalty to us or our stockholders;

intentional misconduct or a knowing violation of law;

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liability under Delaware corporate law for an unlawful payment of dividends or an unlawful stock purchase or redemption of stock;  
or

any transaction from which the director derives an improper personal benefit.

Our amended and restated certificate of incorporation provides that we must indemnify our directors and officers to the fullest extent permitted by Delaware law. We are also expressly authorized to advance certain expenses (including attorneys' fees and disbursements and court costs) to our directors and officers and carry directors' and officers' insurance providing indemnification for our directors and officers for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

## **Corporate Opportunities**

Under our amended and restated certificate of incorporation, Kelso Investment Associates VII, L.P., GS Capital Partners VI, L.P., ValueAct Capital Master Fund, L.P. and Parthenon Investors II, L.P. (the "Equity Sponsors") and their respective subsidiaries and affiliates have the right to, and have no duty to abstain from, exercising such right to, engage or invest in the same or similar business as us, do business with any of our clients, customers or vendors or employ or otherwise engage any of our officers, directors or employees. If any Equity Sponsor or any of their officers, directors, managers, members, partners or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty to offer such corporate opportunity to us, our stockholders or affiliates. We have renounced any interest or expectancy in, or in being offered an opportunity to participate in, such corporate opportunities in accordance with Section 122(17) of the DGCL.

In the event that any of our directors and officers who is also a director, officer, manager, member, partner or employee of any of our Equity Sponsors acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as our director or officer, then such person is deemed to have fully satisfied such person's fiduciary duty and is not liable to us if any of the Equity Sponsors pursues or acquires such corporate opportunity or if such person did not present the corporate opportunity to us.

## **Transfer Agent**

The registrar and transfer agent for our common stock is American Stock Transfer and Trust Company.

## **Listing**

Our common stock is listed on the New York Stock Exchange under the symbol "KAR." As of June 3, 2011, the closing price per share of our common stock on the New York Stock Exchange was \$18.97, and we had approximately three holders of record of our common stock.

**Table of Contents****SELLING STOCKHOLDER**

KAR LLC is the sole selling stockholder under this prospectus. This prospectus relates to the possible resale of up to 106,853,660 shares of our common stock by KAR LLC.

On April 20, 2007, KAR LLC acquired the shares that may be offered for resale pursuant to this prospectus in connection with a merger and related transactions pursuant to which ADESA, Inc. and Insurance Auto Auctions, Inc. became subsidiaries of KAR Auction Services, the issuer of the shares offered hereby. At the time of the merger and until its initial public offering of common stock in December 2009, KAR Auction Services was a wholly owned subsidiary of KAR LLC. In connection with the merger, KAR LLC contributed to KAR Auction Services approximately \$1.1 billion of consideration, consisting of a combination of cash, stock of ADESA, Inc. and stock of Axle Holdings, Inc., in exchange for the 106,853,660 shares that may be offered for resale pursuant to this prospectus (after giving effect to certain capitalization transactions and a 10-for-1 stock split in December 2009). The per share purchase price was approximately \$10 (after giving effect to a 10-for-1 stock split in December 2009).

See the Certain Related Party Relationships section of the proxy statement for our annual meeting of shareholders held on May 12, 2011, which is incorporated by reference into this prospectus, for a description of material relationships between us and the selling stockholder.

The following table presents certain information regarding the beneficial ownership of our common shares at May 31, 2011 that may be sold by the selling stockholder from time to time in one or more transactions:

Name of Beneficial Owner	Shares Beneficially Owned		Number of Shares Registered Hereby	Shares Beneficially Owned After Sale of All Shares Offered Hereby	
	Number	Percentage		Number	Percentage
KAR Holdings II, LLC ( KAR LLC )	106,853,660	78.5%	106,853,660		

KAR LLC is controlled by the Equity Sponsors, which own common units in KAR LLC. The Equity Sponsors do not directly hold any shares of our common stock that may be offered for resale pursuant to this prospectus.

The Equity Sponsors acquired common units in KAR LLC in connection with the above-mentioned merger and related transactions that occurred on April 20, 2007. In connection with the merger, the Equity Sponsors and the Company's management contributed to the selling stockholder approximately \$1.1 billion of consideration, consisting of a combination of cash, stock of ADESA, Inc. and stock of Axle Holdings, Inc., in exchange for common units in KAR LLC.

Pursuant to the Second Amended and Restated Limited Liability Company Agreement of KAR LLC, as amended, the business and affairs of KAR LLC are managed by a board of directors. Affiliates of Kelso & Company, GS Capital Partners and ValueAct Capital each have the right to designate two directors for election to KAR LLC's board and affiliates of Parthenon Capital have the right to designate one director, in each case so long as they continue to hold a specified amount of their original common units.

Pursuant to a director designation agreement entered into in connection with the initial public offering of our common stock in December 2009, KAR LLC has the right to directly nominate individuals to our board of directors. The director designation agreement provides that, for so long as KAR LLC owns more than 10% of our outstanding common stock, no change will be made to the size of our board without the consent of KAR LLC. KAR LLC will have the right to nominate individuals to our board at each meeting of stockholders where

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directors are to be elected and, subject to limited exceptions, we will include in the slate of nominees recommended to our stockholders for election as directors the number of individuals designated by KAR LLC as follows (depending on the percentage ownership of KAR LLC at the time of such election):

so long as KAR LLC owns more than 50% of our outstanding common stock, seven individuals;

so long as KAR LLC owns 50% or less but at least 30% of our outstanding common stock, six individuals;

so long as KAR LLC owns less than 30% but at least 20% of our outstanding common stock, four individuals;

so long as KAR LLC owns less than 20% but at least 10% of our outstanding common stock, three individuals;

so long as KAR LLC owns less than 10% but at least 5% of our outstanding common stock, one individual; and

after such time as KAR LLC owns less than 5% of our outstanding common stock, no individuals.

The selling stockholder may be deemed to be an affiliate of Goldman, Sachs & Co. ( Goldman Sachs ), a registered broker-dealer. The selling stockholder acquired the shares that may be offered for resale pursuant to this prospectus with investment intent in the ordinary course of business (such business being the investment in and development of companies) in connection with the merger transaction described above. At the time of the purchase of these shares, neither the selling stockholder nor Goldman Sachs had any agreements or understandings, directly or indirectly, with any person to distribute the securities.

The Equity Sponsors and certain members of management do not own the shares of our common stock offered for resale pursuant to this prospectus. KAR LLC holds all of these shares and the Equity Sponsors and certain members of management hold common units in KAR LLC. The following table presents information on what the beneficial ownership of these shares would be if beneficial ownership of these shares were attributed to the Equity Sponsors and certain members of management based solely on their proportionate holdings of common units in KAR LLC at May 31, 2011.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number (1)	Percentage (2)
KAR Holdings II, LLC	106,853,660	78.5%
KELSO GROUP:		
Kelso Investment Associates VII, L.P. (3)(4)	45,323,240	33.3%
KEP VI, LLC (3)(4)	45,323,240	33.3%
Frank T. Nickell (3)(4)(5)	45,323,240	33.3%
Thomas R. Wall, IV (3)(4)(5)	45,323,240	33.3%
George E. Matelich (3)(4)(5)	45,323,240	33.3%
Michael B. Goldberg (3)(4)(5)(6)	45,323,240	33.3%
David I. Wahrhaftig (3)(4)(5)	45,323,240	33.3%
Frank K. Bynum, Jr. (3)(4)(5)	45,323,240	33.3%
Philip E. Berney (3)(4)(5)	45,323,240	33.3%
Frank J. Loverro (3)(4)(5)	45,323,240	33.3%
James J. Connors, II (3)(4)(5)	45,323,240	33.3%
Church M. Moore (3)(4)(5)(6)	45,323,240	33.3%
Stanley de J. Osborne (3)(4)(5)	45,323,240	33.3%

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Christopher L. Collins (3)(7)

8,995,450

6.6%

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Name of Beneficial Owner	Shares Beneficially Owned	
	Number (1)	Percentage (2)
<b>PARTHENON GROUP:</b>		
Parthenon Investors II, L.P. and related funds (8)(9)(10)	8,865,530	6.5%
<b>GOLDMAN GROUP:</b>		
GS Capital Partners VI Fund, L.P. and related funds (11)(12)	27,081,830	19.9%
<b>VALUEACT GROUP:</b>		
ValueAct Capital Master Fund, L.P. (13)(14)(15)	23,477,018	17.2%
AXLE HOLDINGS II, LLC (3)	27,326,090	20.1%
<b>EXECUTIVE OFFICERS AND DIRECTORS THAT HAVE AN INTEREST IN KAR LLC</b>		
Brian T. Clingen (6)(16)	1,382,680	1.0%
James P. Hallett (6)(17)	109,675	*
Warren W. Byrd (18)	47,740	*
Thomas J. Caruso (19)	73,885	*
Eric M. Loughmiller (20)	15,910	*
Thomas C. O'Brien (6)(21)	27,930	*
Rebecca C. Polak (22)	51,700	*
Benjamin Skuy (23)	85,408	*
David J. Vignes (24)	54,188	*
Thomas J. Carella (6)(12)(25)	27,081,830	19.9%
Michael B. Goldberg (3)(4)(5)(6)	45,323,240	33.3%
Peter H. Kamin (6)(13)(15)	23,477,018	17.2%
Sanjeev K. Mehra (6)(12)(25)	27,081,830	19.9%
Church M. Moore (3)(4)(5)(6)	45,323,240	33.3%
Gregory P. Spivy (6)(13)(15)	23,477,018	17.2%
ALL OTHER PERSONS THAT HAVE AN INTEREST IN KAR LLC AS A GROUP (26)	832,496	*

\* Less than one percent.

- (1) The number of shares includes shares of common stock subject to options exercisable within 60 days of May 31, 2011.
- (2) Shares subject to options exercisable within 60 days of May 31, 2011 are considered outstanding for the purpose of determining the percent of the class held by the holder of such option, but not for the purpose of computing the percentage held by others. Percentages for Axle Holdings II, LLC ( Axle LLC ), the members of the Kelso Group, the members of the Goldman Group, ValueAct Capital and the members of the Parthenon Group are reflective of beneficial ownership of KAR LLC common interests (which, in certain cases, includes beneficial ownership of KAR LLC common interests held by Axle LLC).
- (3) The business address for these persons is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, NY 10022.
- (4) Includes (i) 18,479,970 shares of common stock held of record by KAR LLC (which are attributable to Axle LLC), by virtue of Kelso Investment Associates VII, L.P., a Delaware limited partnership, or KIA VII, ownership interest in Axle LLC, (ii) 4,575,990 shares of common stock held of record by KAR LLC (which are attributable to Axle LLC), by virtue of KEP VI, LLC, a Delaware limited liability company, or KEP VI, ownership interest in Axle LLC, (iii) 17,847,820 shares of common stock held of record by KAR LLC, by virtue of KIA VII's ownership interest in KAR LLC and (iv) 4,419,460 shares of common stock held of record by KAR LLC, by virtue of KEP VI's ownership interest in KAR LLC. KIA VII and KEP VI may be deemed to share beneficial ownership of shares of common stock owned of record by KAR LLC (including beneficial ownership of shares held by KAR LLC that are attributable to Axle LLC), by virtue of their ownership interests in KAR LLC and Axle LLC. KIA VII and KEP VI, due to their common control, could be deemed to beneficially own each of the other's shares. Each of KIA VII and KEP VI disclaim such beneficial ownership.



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- (5) Messrs. Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro, Connors, Moore and Osborne may be deemed to share beneficial ownership of shares of common stock owned of record by KAR LLC (including shares owned by KAR LLC which are attributable to Axle LLC), by virtue of their status as managing members of KEP VI and of Kelso GP VII, LLC, a Delaware limited liability company, the principal business of which is serving as the general partner of Kelso GP VII, L.P., a Delaware limited partnership, the principal business of which is serving as the general partner of KIA VII. Each of Messrs. Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro, Connors, Moore and Osborne (the Kelso Individuals ) share investment and voting power with respect to the ownership interests owned by KIA VII and KEP VI but disclaim beneficial ownership of such interests.
- (6) Members of our Board of Directors.
- (7) Mr. Collins may be deemed to share beneficial ownership of shares of common stock owned of record by KAR LLC (including shares owned by KAR LLC which are attributable to Axle LLC), by virtue of his status as a managing member of KEP VI. Mr. Collins shares investment and voting power with the Kelso Individuals with respect to ownership interests owned by KEP VI but disclaims beneficial ownership of such interests.
- (8) The business address for these persons is c/o Parthenon Capital, 265 Franklin Street, 18th Floor Boston, MA 02110.
- (9) Includes 6,018,180 shares of common stock beneficially owned by PCap KAR, LLC ( Parthenon HoldCo ) through KAR LLC. PCap KAR, LLC is controlled by Parthenon Investors II, L.P. and Parthenon Investors III, L.P. Also includes shares beneficially owned by the following entities by virtue of their ownership in Axle Holdings II, LLC, which in turn is a member of KAR LLC: (i) 2,766,570 shares through Parthenon Investors II, L.P., (ii) 38,070 shares through PCIP Investors, and (iii) 42,710 shares through J&R Founders Fund II, L.P.
- (10) Mr. John C. Rutherford, William Kessinger, David Ament and Brian Golson, by virtue of their status of members of the investment committee of the general partner of Parthenon Holdco, Parthenon Investors II, L.P., Parthenon Investors III, L.P. and PCIP Investors may be deemed to control the shares beneficially owned by these entities. The shares held by J&R Founder Fund II, L.P. may be deemed to be beneficially owned by J&R Advisors F.F., LLC., its general partner, and by Mr. Ernest K. Jacquet and Mr. John C. Rutherford due to their control of J&R Advisors F.F., LLC. Each of these entities and individuals disclaims beneficial ownership of these shares except to the extent of its or his pecuniary interest therein.
- (11) Shares reported are held of record by KAR LLC but are beneficially owned directly by GS Capital Partners VI Fund, L.P., GS Capital Partners VI Parallel, L.P., GS Capital Partners VI GmbH & Co. KG, GS Capital Partners VI Offshore Fund, L.P., GSCP VI Advisors, L.L.C., GSCP VI Offshore Advisors, L.L.C., Goldman, Sachs Management GP GMBH and GS Advisors VI, L.L.C. (together, the Goldman Funds ). Affiliates of The Goldman Sachs Group, Inc. and Goldman, Sachs & Co. are the general partner, managing limited partner or the managing partner of each of the Goldman Funds. Goldman, Sachs & Co. is the investment manager for certain of the Goldman Funds. Goldman, Sachs & Co. is a direct and indirect, wholly owned subsidiary of The Goldman Sachs Group, Inc. The Goldman Sachs Group, Inc. is a public entity and its common stock is publicly traded on the NYSE. The Goldman Sachs Group, Inc., Goldman, Sachs & Co. and the Goldman Funds share voting and investment power with certain of their respective affiliates. Each of The Goldman Sachs Group Inc. and Goldman, Sachs & Co. disclaims beneficial ownership of the common shares owned directly or indirectly by the Goldman Funds, except to the extent of its pecuniary interest therein, if any.
- (12) The business address for these persons is c/o Goldman, Sachs & Co., 200 West Street, New York, NY 10282.
- (13) Includes 22,568,190 shares of common stock held of record by KAR LLC but is beneficially owned directly by ValueAct Capital Master Fund, L.P. by virtue of ValueAct Capital Master Fund, L.P.'s ownership interest in KAR LLC and may be deemed to be beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Capital Master Fund, L.P., (ii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, LLC as General Partner of ValueAct Capital Management, L.P., (iv) ValueAct Holdings, L.P. as the sole owner of the limited



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partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC, and as the majority owner of the membership interests of VA Partners I, LLC, and (v) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. Jeffrey W. Ubben, G. Mason Morfit and George F. Hamel, Jr. serve on the management board of ValueAct Holdings GP, LLC, and as such may be deemed to share voting and investment power with respect to the reported shares. Each of the foregoing reporting persons disclaims beneficial ownership of the reported stock except to the extent of their pecuniary interest therein.

- (14) The business address for these persons is c/o ValueAct Capital, 435 Pacific Avenue, 4th Floor, San Francisco, CA 94133.
- (15) Includes 908,828 shares of common stock directly beneficially owned by ValueAct Capital Master Fund, L.P. and may be deemed to be indirectly beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Capital Master Fund, L.P., (ii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, LLC as General Partner of ValueAct Capital Management, L.P., (iv) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC, and (v) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. Each of the foregoing reporting persons disclaims beneficial ownership of the reported stock except to the extent of their pecuniary interest therein.
- (16) Includes (i) 379,650 shares of common stock held of record by KAR LLC (which are attributable to Axle LLC), by virtue of Mr. Clingen's common ownership interest in Axle LLC, and (ii) 1,003,030 shares of common stock held of record by KAR LLC, by virtue of Mr. Clingen's common ownership interest in KAR LLC.
- (17) Includes (i) 9,375 shares of common stock issuable pursuant to options that are currently exercisable, and (ii) 100,300 shares of common stock held of record by KAR LLC, by virtue of Mr. Hallett's common ownership interest in KAR LLC.
- (18) Includes (i) 42,720 shares of common stock issuable pursuant to options that are currently exercisable, and (ii) 5,020 shares of common stock held of record by KAR LLC, by virtue of Mr. Byrd's common ownership interest in KAR LLC.
- (19) Includes (i) 68,865 shares of common stock issuable pursuant to options that are currently exercisable, and (ii) 5,020 shares of common stock held of record by KAR LLC, by virtue of Mr. Caruso's common ownership interest in KAR LLC.
- (20) Includes (i) 3,010 shares of common stock held of record by KAR LLC, by virtue of Mr. Loughmiller's common ownership interest in KAR LLC, and (ii) 12,900 shares of common stock owned by Mr. Loughmiller.
- (21) Includes (i) 25,920 shares of common stock held of record by KAR LLC (which are attributable to Axle LLC), by virtue of Mr. O'Brien's common ownership interest in Axle LLC, and (ii) 2,010 shares of common stock held of record by KAR LLC, by virtue of Mr. O'Brien's common ownership interest in KAR LLC.
- (22) Includes (i) 7,520 shares of common stock held of record by KAR LLC, by virtue of Ms. Polak's common ownership interest in KAR LLC, and (ii) 44,180 shares of common stock issuable pursuant to options that are currently exercisable.
- (23) Includes (i) 55,328 shares of common stock issuable pursuant to options that are currently exercisable, (ii) 25,080 shares of common stock held of record by KAR LLC, by virtue of Mr. Skuy's common ownership interest in KAR LLC, and (iii) 5,000 shares of common stock owned by Mr. Skuy.

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- (24) Includes (i) 45,678 shares of common stock issuable pursuant to options that are currently exercisable, (ii) 3,510 shares of common stock held of record by KAR LLC, by virtue of Mr. Vignes' common ownership interest in KAR LLC, and (iii) 5,000 shares of common stock owned by Mr. Vignes.

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- (25) Messrs. Mehra and Carella are managing directors of Goldman, Sachs & Co. Mr. Mehra, Mr. Carella and The Goldman Sachs Group, Inc. each disclaims beneficial ownership of the common stock owned directly or indirectly by the Goldman Funds and Goldman Sachs & Co., except to the extent of his or its pecuniary interest therein, if any. Each of The Goldman Sachs Group, Inc. and Goldman, Sachs & Co. disclaims beneficial ownership of the common shares owned directly or indirectly by the Goldman Funds, except to the extent of its pecuniary interest therein, if any.
- (26) Includes other persons who in the aggregate own less than 1% of our outstanding common stock indirectly through KAR LLC.

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**PLAN OF DISTRIBUTION**

The selling stockholder may sell the securities offered by this prospectus from time to time in one or more transactions, including without limitation:

directly to one or more purchasers, including affiliates;

through agents;

to or through underwriters, brokers or dealers; or

through a combination of any of these methods.

In addition, the manner in which the selling stockholder may sell the securities, include, without limitation, through:

a block trade in which a broker-dealer will attempt to sell as agent, but may position or resell a portion of the block, as principal, in order to facilitate the transaction;

purchases by a broker-dealer, as principal, and resale by the broker-dealer for its account;

ordinary brokerage transactions and transactions in which a broker solicits purchasers; or

privately negotiated transactions.

The selling stockholder may also enter into hedging transactions. For example, the selling stockholder may:

enter into transactions with a broker-dealer or affiliate thereof in connection with which such broker-dealer or affiliate will engage in short sales of the common stock pursuant to this prospectus, in which case such broker-dealer or affiliate may use common stock received from the selling stockholder to close out its short positions;

sell securities short and redeliver such shares to close out the selling stockholder's short positions;

enter into option or other types of transactions that require the selling stockholder to deliver common stock to a broker-dealer or an affiliate thereof, who will then resell or transfer the common stock under this prospectus; or

loan or pledge the common stock to a broker-dealer or an affiliate thereof, who may sell the loaned shares or, in an event of default in the case of a pledge, sell the pledged shares pursuant to this prospectus.

In addition, the selling stockholder may enter into derivative or hedging transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. In connection with such a transaction, the third parties may sell securities covered



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by and pursuant to this prospectus and an applicable prospectus supplement, if any. If so, the third party may use securities borrowed from the selling stockholder to settle such sales and may use securities received from the selling stockholder to close out any related short positions. The selling stockholder may also loan or pledge securities covered by this prospectus and an applicable prospectus supplement to third parties, who or which may sell the loaned securities or, in an event of default in the case of a pledge, sell the pledged securities pursuant to this prospectus and the applicable prospectus supplement, if any.

If required by applicable law, a prospectus supplement with respect to each offering of securities will state the terms of the offering of the securities, including:

the name or names of any underwriters or agents and the amounts of securities underwritten or purchased by each of them, if any;

the public offering price or purchase price of the securities and the net proceeds to be received from the sale;

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any delayed delivery arrangements;

any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation;

any discounts or concessions allowed or reallocated or paid to dealers; and

any securities exchange or markets on which the securities may be listed.

The offer and sale of the securities described in this prospectus by the selling stockholder, the underwriters or the third parties described above may be effected from time to time in one or more transactions, including privately negotiated transactions, either:

at a fixed price or prices, which may be changed;

at market prices prevailing at the time of sale;

at prices related to the prevailing market prices; or

at negotiated prices.

## **General**

Any public offering price and any discounts, commissions, concessions or other items constituting compensation allowed or reallocated or paid to underwriters, dealers, agents or remarketing firms may be changed from time to time. Underwriters, dealers, agents and remarketing firms that participate in the distribution of the offered securities may be underwriters as defined in the Securities Act of 1933, as amended (the Securities Act). Any discounts or commissions and any profits they receive on the resale of the offered securities may be treated as underwriting discounts and commissions under the Securities Act. The selling stockholder will identify any underwriters, agents or dealers and describe their commissions, fees or discounts in the applicable prospectus supplement, if any.

## **Underwriters and Agents**

If underwriters are used in a sale, they will acquire the offered securities for their own account. The underwriters may resell the offered securities in one or more transactions, including negotiated transactions. These sales may be made at a fixed public offering price or prices, which may be changed, at market prices prevailing at the time of the sale, at prices related to such prevailing market price or at negotiated prices. The selling stockholder may offer the securities to the public through an underwriting syndicate or through a single underwriter. The underwriters in any particular offering will be mentioned in the applicable prospectus supplement, if any.

Unless otherwise specified in connection with any particular offering of securities, the obligations of the underwriters to purchase the offered securities will be subject to certain conditions contained in an underwriting agreement that we and the selling stockholder will enter into with the underwriters at the time of the sale to them. The underwriters will be obligated to purchase all of the securities of the series offered if any of the securities are purchased, unless otherwise specified in connection with any particular offering of securities. Any initial offering price and any discounts or concessions allowed, reallocated or paid to dealers may be changed from time to time.

The selling stockholder may designate agents to sell the offered securities. Unless otherwise specified in connection with any particular offering of securities, the agents will agree to use their best efforts to solicit purchases for the period of their appointment. The selling stockholder may also sell the offered securities to one or more remarketing firms, acting as principals for their own accounts or as agents for the selling stockholder. These firms will remarket the offered securities upon purchasing them in accordance with a redemption or repayment pursuant to the terms of the offered securities. A prospectus supplement will identify any remarketing firm and will describe the terms of its agreement, if any, with us and its compensation.



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In connection with offerings made through underwriters or agents, the selling stockholder may enter into agreements with such underwriters or agents pursuant to which the selling stockholder receives our outstanding securities in consideration for the securities being offered to the public for cash. In connection with these arrangements, the underwriters or agents may also sell securities covered by this prospectus to hedge their positions in these outstanding securities, including in short sale transactions. If so, the underwriters or agents may use the securities received from the selling stockholder under these arrangements to close out any related open borrowings of securities.

### **Dealers**

The selling stockholder may sell the offered securities to dealers as principals. The selling stockholder may negotiate and pay dealers commissions, discounts or concessions for their services. The dealer may then resell such securities to the public either at varying prices to be determined by the dealer or at a fixed offering price agreed to with the selling stockholder at the time of resale. Dealers engaged by the selling stockholder may allow other dealers to participate in resales.

### **Direct Sales**

The selling stockholder may choose to sell the offered securities directly. In this case, no underwriters or agents would be involved.

### **Institutional Purchasers**

The selling stockholder may authorize agents, dealers or underwriters to solicit certain institutional investors to purchase offered securities on a delayed delivery basis pursuant to delayed delivery contracts providing for payment and delivery on a specified future date. The applicable prospectus supplement, if any, will provide the details of any such arrangement, including the offering price and commissions payable on the solicitations.

The selling stockholder will enter into such delayed contracts only with institutional purchasers that the selling stockholder approves. These institutions may include commercial and savings banks, insurance companies, pension funds, investment companies and educational and charitable institutions.

### **Electronic Auctions**

The selling stockholder may also make sales through the Internet or through other electronic means. Since the selling stockholder may from time to time elect to offer securities directly to the public, with or without the involvement of agents, underwriters or dealers, utilizing the Internet or other forms of electronic bidding or ordering systems for the pricing and allocation of such securities, you should pay particular attention to the description of that system we will provide in a prospectus supplement.

Such electronic system may allow bidders to directly participate, through electronic access to an auction site, by submitting conditional offers to buy that are subject to acceptance by the selling stockholder, and which may directly affect the price or other terms and conditions at which such securities are sold. These bidding or ordering systems may present to each bidder, on a so-called real-time basis, relevant information to assist in making a bid, such as the clearing spread at which the offering would be sold, based on the bids submitted, and whether a bidder's individual bids would be accepted, prorated or rejected.

Upon completion of such an electronic auction process, securities will be allocated based on prices bid, terms of bid or other factors. The final offering price at which securities would be sold and the allocation of securities among bidders would be based in whole or in part on the results of the Internet or other electronic bidding process or auction.

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### **Indemnification; Other Relationships**

The selling stockholder may have agreements with agents, underwriters, dealers and remarketing firms to indemnify them against certain civil liabilities, including liabilities under the Securities Act. Agents, underwriters, dealers and remarketing firms, and their affiliates, may engage in transactions with, or perform services for, us in the ordinary course of business. This includes commercial banking and investment banking transactions.

### **Stabilization and Other Transactions**

In connection with any offering of common stock, the underwriters may purchase and sell common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress for the purpose of pegging, fixing or maintaining the price of the securities.

In connection with any offering, the underwriters may also engage in penalty bids. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the securities originally sold by the syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the securities to be higher than it would be in the absence of the transactions. The underwriters may, if they commence these transactions, discontinue them at any time.

### **Fees and Commissions**

In compliance with the guidelines of the Financial Industry Regulatory Authority (the "FINRA"), the aggregate maximum discount, commission or agency fees or other items constituting underwriting compensation to be received by any FINRA member or independent broker-dealer will not exceed 8% of any offering pursuant to this prospectus and any applicable prospectus supplement.

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**LEGAL MATTERS**

Unless otherwise indicated in the applicable prospectus supplement, Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York is representing us in connection with offerings pursuant to this prospectus. Any underwriters will also be advised about legal matters by their own counsel, which will be named in the applicable prospectus supplement, if any.

**EXPERTS**

The consolidated financial statements of KAR Auction Services, Inc. and subsidiaries as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and which are subject to certain risks, trends and uncertainties. In particular, statements made in this prospectus that are not historical facts (including, but not limited to, expectations, estimates, assumptions and projections regarding the industry, business, future operating results, potential acquisitions, potential refinancings and anticipated cash requirements) may be forward-looking statements. Words such as should, may, will, anticipates, expects, intends, plans, believes, seeks, estimates and similar expressions identify forward-looking statements. Such statements, including statements regarding our future growth; anticipated cost savings, revenue increases and capital expenditures; strategic initiatives, greenfields and acquisitions; our competitive position; and our continued investment in information technology are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 filed on February 24, 2011. Some of these factors include:

fluctuations in consumer demand for and in the supply of used, leased and salvage vehicles and the resulting impact on auction sales volumes, conversion rates and loan transaction volumes;

trends in new and used vehicle sales and incentives, including wholesale used vehicle pricing;

the ability of consumers to lease or finance the purchase of new and/or used vehicles;

the ability to recover or collect from delinquent or bankrupt customers;

economic conditions including fuel prices, foreign exchange rates and interest rate fluctuations;

trends in the vehicle remarketing industry;

changes in the volume of vehicle production, including capacity reductions at the major original equipment manufacturers;

the introduction of new competitors;

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laws, regulations and industry standards, including changes in regulations governing the sale of used vehicles, the processing of salvage vehicles and commercial lending activities;

changes in the market value of vehicles auctioned, including changes in the actual cash value of salvage vehicles;

competitive pricing pressures;

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costs associated with the acquisition of businesses or technologies;

litigation developments;

our ability to successfully implement our business strategies or realize expected cost savings and revenue enhancements;

our ability to develop and implement information systems responsive to customer needs;

business development activities, including acquisitions and integration of acquired businesses;

the costs of environmental compliance and/or the imposition of liabilities under environmental laws and regulations;

weather;

general business conditions;

our substantial amount of debt;

restrictive covenants in our debt agreements;

our assumption of the settlement risk for vehicles sold;

any impairment to our goodwill;

our self-insurance for certain risks;

any losses of key personnel;

interruptions to service from our workforce;

changes in effective tax rates;

changes to accounting standards; and



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other risks described from time to time in our filings with the SEC, including our most recent Annual Report on Form 10-K and the Quarterly Reports on Form 10-Q filed by us.

Many of these risk factors are outside of our control, and as such, they involve risks which are not currently known that could cause actual results to differ materially from those discussed or implied herein. The forward-looking statements in this prospectus are made as of the date on which they are made and we do not undertake to update our forward-looking statements.

Our future growth depends on a variety of factors, including our ability to increase vehicle sold volumes and loan transaction volumes, acquire additional auctions, manage expansion, relocate and integrate acquisitions, control costs in our operations, introduce fee increases, expand our product and service offerings including information systems development and retain our executive officers and key employees. Certain initiatives that management considers important to our long-term success include substantial capital investment in e-business, information technology, facility relocations and expansions, as well as operating initiatives designed to enhance overall efficiencies, have significant risks associated with their execution, and could take several years to yield any direct monetary benefits. Accordingly, we cannot predict whether our growth strategy will be successful. In addition, we cannot predict what portion of overall sales will be conducted through online auctions or other redistribution methods in the future and what impact this may have on our auction business.

### **WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may inspect without charge any documents filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation

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of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including KAR Auction Services.

The SEC allows us to incorporate by reference information into this prospectus and any accompanying prospectus supplement, which means that we can disclose important information to you by referring you to other documents filed separately with the SEC. The information incorporated by reference is considered part of this prospectus, and information filed with the SEC subsequent to this prospectus and prior to the termination of the particular offering referred to in such prospectus supplement will automatically be deemed to update and supersede this information. We incorporate by reference into this prospectus and any accompanying prospectus supplement the documents listed below (excluding any portions of such documents that have been furnished but not filed for purposes of the Exchange Act):

our Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 24, 2011;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed on May 4, 2011;

portions of our Definitive Proxy Statement on Schedule 14A filed on April 12, 2011, that are incorporated by reference into Part III of our Annual Report on Form 10-K for the year ended December 31, 2010;

our Current Reports on Form 8-K filed February 16, 2011, April 26, 2011, May 17, 2011, May 20, 2011 and May 25, 2011; and

the description of our common stock contained in our Form 8-A filed on December 2, 2009, and any amendment or report filed for the purpose of updating such description.

We also incorporate by reference any future filings made by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this prospectus and the date all of the securities offered hereby are sold or the offering is otherwise terminated, with the exception of any information furnished under Item 2.02 and Item 7.01 of Form 8-K (and exhibits filed under Item 9.01 of Form 8-K relating to such information), which is not deemed filed and which is not incorporated by reference herein. Any such filings shall be deemed to be incorporated by reference and to be a part of this prospectus from the respective dates of filing of those documents.

We will provide without charge upon written or oral request to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any and all of the documents which are incorporated by reference into this prospectus but not delivered with this prospectus (other than exhibits unless such exhibits are specifically incorporated by reference in such documents).

You may request a copy of these documents by writing or telephoning us at:

KAR Auction Services, Inc.

13085 Hamilton Crossing Blvd.

Carmel, IN 46032

Attention: Investor Relations

(800) 923-3725

You may also access the documents incorporated by reference into this prospectus through our website at [www.karauctionservices.com](http://www.karauctionservices.com). Except for these specific incorporated documents, the contents of our website are not part of this prospectus, and you should not consider the contents of our website in making an investment decision with respect to our securities.



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