

DENT DEMON, LLC
Form 424B3
November 13, 2008
Table of Contents

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-149137

PROSPECTUS SUPPLEMENT NO. 2

(to Prospectus dated August 29, 2008)

KAR HOLDINGS, INC.

\$150,000,000 Floating Rate Senior Notes Due 2014

\$450,000,000 8³/₄% Senior Notes Due 2014

\$425,000,000 10% Senior Subordinated Notes Due 2015

Attached hereto and incorporated by reference herein is our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008, filed with the Securities and Exchange Commission on November 13, 2008. You should read this Prospectus Supplement No. 2 in connection with the prospectus, dated August 29, 2008, including the prospectus supplement, dated October 15, 2008. This Prospectus Supplement No. 2 is qualified by reference to the prospectus, including the prospectus supplement dated October 15, 2008, except to the extent that the information in this Prospectus Supplement No. 2 supersedes the information contained therein.

SEE RISK FACTORS BEGINNING ON PAGE 16 OF THE PROSPECTUS AND UNDER ITEM 1A IN THE QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008 INCLUDED AS PART OF THIS PROSPECTUS SUPPLEMENT NO. 2 FOR A DISCUSSION OF CERTAIN RISKS YOU SHOULD CONSIDER BEFORE INVESTING IN THE NOTES.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus has been prepared for and may be used by Goldman, Sachs & Co. in connection with offers and sales of the notes related to market-making transactions in the notes effected from time to time. Goldman, Sachs & Co. may act as principal or agent in these transactions. Such sales will be made at prevailing market prices at the time of sale, at prices related thereto or at negotiated prices. We will not receive any proceeds from such sales.

GOLDMAN, SACHS & CO.

November 13, 2008

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended September 30, 2008

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

Commission File Number: 333-148847

KAR Holdings, Inc.

(Exact name of Registrant as specified in its charter)

Edgar Filing: DENT DEMON, LLC - Form 424B3

Delaware
(State or other jurisdiction of
incorporation or organization)

20-8744739
(I.R.S. Employer
Identification No.)

13085 Hamilton Crossing Boulevard

Carmel, Indiana 46032

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (800) 923-3725

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2008, 10,685,366 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

Table of Contents**KAR Holdings, Inc.****Table of Contents**

The financial statements referred to below include the financial statements of KAR Holdings, Inc. as of and for the three and nine months ended September 30, 2008 and 2007. KAR Holdings, Inc. had no operations until the consummation of the merger of ADESA, Inc. (together with its subsidiaries, ADESA) and combination of Insurance Auto Auctions, Inc. (together with its subsidiaries, IAAI) on April 20, 2007, after which ADESA and IAAI became wholly owned subsidiaries of KAR Holdings, Inc. As such, the historical financial statements of ADESA and IAAI are presented for the period prior to April 20, 2007, as noted below.

| | Page |
|--|-------------|
| PART I FINANCIAL INFORMATION | |
| Item 1. Financial Statements | |
| Consolidated Financial Statements of KAR Holdings, Inc. | |
| <u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2008 and 2007</u> | 3 |
| <u>Consolidated Balance Sheets as of September 30, 2008 and December 31, 2007</u> | 4 |
| <u>Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 2008</u> | 6 |
| <u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2008 and 2007</u> | 7 |
| <u>Notes to Consolidated Financial Statements</u> | 8 |
| Consolidated Financial Statements of ADESA, Inc. | |
| <u>Consolidated Statement of Income for the period January 1, 2007 through April 19, 2007</u> | 31 |
| <u>Consolidated Statement of Cash Flows for the period January 1, 2007 through April 19, 2007</u> | 32 |
| <u>Notes to Consolidated Financial Statements</u> | 33 |
| Consolidated Financial Statements of Insurance Auto Auctions, Inc. | |
| <u>Consolidated Statement of Operations for the period January 1, 2007 through April 19, 2007</u> | 40 |
| <u>Consolidated Statement of Cash Flows for the period January 1, 2007 through April 19, 2007</u> | 41 |
| <u>Notes to Consolidated Financial Statements</u> | 42 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 47 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 69 |
| Item 4T. <u>Controls and Procedures</u> | 70 |
| PART II OTHER INFORMATION | |
| Item 1. <u>Legal Proceedings</u> | 71 |
| Item 1A. <u>Risk Factors</u> | 72 |
| Item 6. <u>Exhibits</u> | 73 |
| <u>Signatures</u> | 74 |
| <u>Exhibit Index</u> | 75 |

Table of Contents

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements**KAR Holdings, Inc.****Consolidated Statements of Operations****(Operations Commenced April 20, 2007)***(In millions)**(Unaudited)*

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|----------------|--------------------------|----------------|
| | September 30, | | September 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Operating revenues | | | | |
| ADESA Auction Services | \$ 286.4 | \$ 241.4 | \$ 862.7 | \$ 432.3 |
| IAAI Salvage Services | 135.4 | 117.7 | 426.0 | 208.4 |
| AFC | 22.8 | 35.2 | 86.5 | 63.7 |
| Total operating revenues | 444.6 | 394.3 | 1,375.2 | 704.4 |
| Operating expenses | | | | |
| Cost of services (exclusive of depreciation and amortization) | 261.4 | 221.8 | 792.9 | 391.1 |
| Selling, general and administrative | 92.7 | 82.5 | 285.2 | 146.3 |
| Depreciation and amortization | 45.0 | 39.6 | 137.3 | 66.8 |
| Goodwill and other intangibles impairment | 164.4 | | 164.4 | |
| Total operating expenses | 563.5 | 343.9 | 1,379.8 | 604.2 |
| Operating profit (loss) | (118.9) | 50.4 | (4.6) | 100.2 |
| Interest expense | 52.1 | 59.0 | 161.5 | 104.4 |
| Other (income) expense, net | 4.1 | (3.7) | 4.9 | (6.7) |
| Income (loss) before income taxes | (175.1) | (4.9) | (171.0) | 2.5 |
| Income taxes | (5.2) | 3.7 | (4.1) | 6.5 |
| Net loss | (\$169.9) | (\$8.6) | (\$166.9) | (\$4.0) |

See accompanying Notes to Consolidated Financial Statements

Table of Contents**KAR Holdings, Inc.****Consolidated Balance Sheets***(In millions)*

| | September 30, 2008 <i>(Unaudited)</i> | December 31, 2007 |
|---|---|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 201.2 | \$ 204.1 |
| Restricted cash | 10.6 | 16.9 |
| Trade receivables, net of allowances of \$9.7 and \$6.3 | 352.8 | 278.3 |
| Finance receivables, net of allowances of \$7.8 and \$7.5 | 198.7 | 246.9 |
| Retained interests in finance receivables sold | 60.8 | 71.5 |
| Deferred income tax assets | 33.0 | 29.3 |
| Other current assets | 46.7 | 54.8 |
| Total current assets | 903.8 | 901.8 |
| Other assets | | |
| Goodwill | 1,517.3 | 1,617.6 |
| Customer relationships, net of accumulated amortization of \$95.7 and \$44.9 | 838.7 | 844.4 |
| Other intangible assets, net of accumulated amortization of \$32.8 and \$15.7 | 254.9 | 251.4 |
| Unamortized debt issuance costs | 72.6 | 81.6 |
| Other assets | 56.8 | 60.8 |
| Total other assets | 2,740.3 | 2,855.8 |
| Property and equipment, net of accumulated depreciation of \$132.7 and \$65.8 | 700.9 | 773.2 |
| Total assets | \$ 4,345.0 | \$ 4,530.8 |

See accompanying Notes to Consolidated Financial Statements

Table of Contents**KAR Holdings, Inc.****Consolidated Balance Sheets***(In millions, except share and par value data)*

| | September 30, 2008 <i>(Unaudited)</i> | December 31, 2007 |
|---|---|----------------------|
| Liabilities and Stockholders Equity | | |
| <i>Current liabilities</i> | | |
| Accounts payable | \$ 366.5 | \$ 292.8 |
| Accrued employee benefits and compensation expenses | 49.9 | 54.8 |
| Accrued interest | 35.7 | 16.4 |
| Other accrued expenses | 85.4 | 80.1 |
| Current maturities of long-term debt | | 15.6 |
| Total current liabilities | 537.5 | 459.7 |
| <i>Non-current liabilities</i> | | |
| Long-term debt | 2,561.0 | 2,601.1 |
| Deferred income tax liabilities | 353.8 | 378.1 |
| Other liabilities | 59.3 | 78.3 |
| Total non-current liabilities | 2,974.1 | 3,057.5 |
| Commitments and contingencies (Note 14) | | |
| <i>Stockholders equity</i> | | |
| Preferred stock, \$0.01 par value: | | |
| Authorized shares: 5,000,000 | | |
| Issued shares: none | | |
| Common stock, \$0.01 par value: | | |
| Authorized shares: 20,000,000 | | |
| Issued shares: 10,685,366 in 2008 | | |
| 10,686,316 in 2007 | 0.1 | 0.1 |
| Additional paid-in capital | 1,029.4 | 1,027.9 |
| Retained deficit | (208.4) | (41.5) |
| Accumulated other comprehensive income | 12.3 | 27.1 |
| Total stockholders equity | 833.4 | 1,013.6 |
| Total liabilities and stockholders equity | \$ 4,345.0 | \$ 4,530.8 |

See accompanying Notes to Consolidated Financial Statements

Table of Contents**KAR Holdings, Inc.****Consolidated Statement of Stockholders Equity***(In millions)**(Unaudited)*

| | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Total |
|--|------------------------------------|------------------------------------|---|--|--|-----------------|
| Balance at December 31, 2007 | 10.7 | \$ 0.1 | \$ 1,027.9 | (\$41.5) | \$ 27.1 | \$ 1,013.6 |
| Comprehensive loss: | | | | | | |
| Net loss | | | | (166.9) | | (166.9) |
| Other comprehensive income (loss), net of tax: | | | | | | |
| Unrealized gain on interest rate swap | | | | | 3.9 | 3.9 |
| Foreign currency translation | | | | | (18.7) | (18.7) |
| Comprehensive loss | | | | (166.9) | (14.8) | (181.7) |
| Stock-based compensation expense | | | 1.6 | | | 1.6 |
| Repurchase of common stock | | | (0.1) | | | (0.1) |
| Balance at September 30, 2008 | 10.7 | \$ 0.1 | \$ 1,029.4 | (\$208.4) | \$ 12.3 | \$ 833.4 |

See accompanying Notes to Consolidated Financial Statements

Table of Contents**KAR Holdings, Inc.****Consolidated Statements of Cash Flows****(Operations Commenced April 20, 2007)***(In millions)**(Unaudited)*

| | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2008 | 2007 |
| Operating activities | | |
| Net loss | (\$166.9) | (\$4.0) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 137.3 | 66.8 |
| Provision for credit losses | 7.1 | 1.9 |
| Deferred income taxes | (27.8) | |
| Amortization of debt issuance costs | 10.2 | 5.8 |
| Stock-based compensation | (4.2) | 0.7 |