

DealerTrack Holdings, Inc.  
Form S-1/A  
September 22, 2005

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As filed with the Securities and Exchange Commission on September 22, 2005

Registration No. 333-126944

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

**Amendment No. 1  
to  
Form S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**DealerTrack Holdings, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**52-2336218**

*(I.R.S. Employer  
Identification No.)*

**7373**

*(Primary Standard Industrial  
Classification Code Number)*

**1111 Marcus Avenue  
Suite M04  
Lake Success, New York 11042  
(516) 734-3600**

*(Address, including zip code, and telephone number,  
including area code, of the registrant's principal executive offices)*

**Eric D. Jacobs, Esq.  
Senior Vice President, General Counsel and Secretary  
DealerTrack Holdings, Inc.**

**1111 Marcus Avenue  
Suite M04  
Lake Success, New York 11042  
(516) 734-3600**

*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

***Copies to:***

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Common stock, par value \$0.01 per share(1)	\$172,500,000	\$20,304

(1) Includes shares of common stock issuable upon exercise of the underwriters' option to purchase additional shares of common stock.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act. Previously paid in connection with the initial filing of this registration statement.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED SEPTEMBER 22, 2005.**

**Preliminary Prospectus**

**Shares**

**Common Stock**

This is the initial public offering of common stock by DealerTrack Holdings, Inc. We are offering shares and the selling stockholders identified in this prospectus are offering an additional shares. We will not receive any of the proceeds from the sale of the shares by the selling stockholders. The estimated initial public offering price is between \$ and \$ per share.

We expect our common stock to be quoted on The NASDAQ National Market under the symbol TRAK.

An affiliate of an underwriter is a selling stockholder in this offering and after giving effect to this offering will own approximately % of our common stock. For more information, see Prospectus Summary Transactions and Relationships with Certain of the Underwriters and Their Affiliates and Risk Factors Risks Relating to this Offering Risks relating to transactions and relationships with certain of our stockholders, the underwriters and their respective affiliates. The initial public offering price will be determined by agreement between us and the underwriters in accordance with the recommendation of a qualified independent underwriter, as defined in the Conduct Rules of the National Association of Securities Dealers, Inc.

**Investing in our common stock involves risks. See Risk Factors beginning on page 11 of this prospectus.**

	<b>Per Share</b>	<b>Total</b>
Initial public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to DealerTrack, before expenses	\$	\$
Proceeds to the selling stockholders, before expenses	\$	\$

We have granted the underwriters a 30-day option to purchase up to an additional shares from us on the same terms and conditions as set forth above if the underwriters sell more than shares of common stock in this offering.

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

The underwriters expect to deliver the shares on or about , 2005.

**Lehman Brothers**

**JPMorgan**

**Wachovia Securities**

**William Blair & Company**  
, 2005

**SG Cowen & Co.**

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DealerTrack Automotive Industry Network Connects Dealers, Financing Sources and Other Service and Information Providers Automotive Dealers **20,000+ Active Automotive Dealers**- Over 80% of all franchised dealers **DealerTrack™** Other Service and Information Providers All major credit bureaus Used car value guides Financing Sources **140+ Financing Sources- Top 20** independent financing sources | Eight captive financing sources Enables the Sale of On-Demand Software Products and Services **RETAIL AUTOMOTIVE VALUE CHAIN** Contracting Pre-Sales Marketing and Prospecting Sales Financing Data and Reporting Finance and Insurance Aftermarket Sales  
**PRODUCTS AND SERVICES** Subscription Based Transaction Based  
**PRE-SALES MARKETING AND PROSPECTING** -ALG Residual Value Guides- Chrome Carbook and PC Carbook Website Plus TMSALES Chrome Inventory Search™ DeskLink Finance Wizard<sup>1</sup> **FINANCE AND INSURANCE** BookOut DealerTrack eMenu™ DealTransfer eContracting **DATA AND REPORTING** Activity Reports™-ALG Data Services Chrome New Vehicle Data Chrome VIN Search Data SALES Credit Reports **FINANCE AND INSURANCE** eContracting Toolkit (credit application processing) **DealerTrack™** The network's value increases with more products, services and participants.

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FIRST AMENDMENT TO JOINT MARKETING AGREEMENT  
AGREEMENT BETWEEN DEALERTRACK, INC AND CREDIT REPORT PLUS  
APPLICATION SERVICE PROVIDER CONTRACT  
MASTER AGREEMENT  
NON-COMPETITION AGREEMENT  
LICENSE AGREEMENT  
STOCK SUBSCRIPTION AND EXCHANGE AGREEMENT  
ASSET PURCHASE AGREEMENT  
STOCK PURCHASE AGREEMENT  
ASSET PURCHASE AGREEMENT  
LENDER AGREEMENT  
LENDER AGREEMENT  
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LENDER AGREEMENT  
LEASE AGREEMENT  
CONSENT OF PRICEWATERHOUSECOOPER LLP  
CONSENT OF PRICEWATERHOUSECOOPER LLP  
CONSENT OF KPMG LLP  
CONSENT OF PRICEWATERHOUSECOOPER LLP  
CONSENT OF PRICEWATERHOUSECOOPER LLP  
CONSENT OF PRICEWATERHOUSECOOPERS LLP

Until \_\_\_\_\_, 2005 (the 25th day after the date of this prospectus), all dealers effecting transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to any unsold allotments or subscriptions. This prospectus may also be used by J.P. Morgan Securities Inc. and its affiliates in connection with offers and sales of the common stock in market-making transactions from the date of this prospectus until \_\_\_\_\_, 2005.

You should rely only on the information contained in this prospectus. We and the selling stockholders have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the selling stockholders are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, prospects, financial condition and results of operations may have changed since that date.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

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**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus. Although we believe this summary is materially complete, you should read this entire prospectus carefully, including the matters set forth under Risk Factors, Unaudited Combined Condensed Pro Forma Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and the notes thereto and the financial statements and related notes thereto for each of LLDG Operating Company (formerly known as Lease Marketing, Ltd.) and its subsidiaries (collectively, LML), dealerAccess Inc. and its subsidiary (collectively, dealerAccess), Chrome Systems Corporation (Chrome), NAT Holdings, Inc. (NAT) and DJR US, LLC (formerly known as Automotive Lease Guide (alg), LLC) and its affiliate (collectively, ALG) appearing elsewhere in this prospectus, before making an investment decision. Unless the context requires otherwise, references in this prospectus to DealerTrack, we, us and our refer to DealerTrack Holdings, Inc. and its subsidiaries on a consolidated basis.*

**Our Business**

DealerTrack is a leading provider of on-demand software and data solutions for the automotive retail industry in the United States. We utilize the Internet to link automotive dealers with banks, finance companies, credit unions and other financing sources, and other service and information providers, such as the major credit reporting agencies. We have established a network of active relationships with over 20,000 automotive dealers, including over 80% of all franchised dealers; over 140 financing sources, including the 20 largest independent financing sources in the United States and eight captive financing sources; and a number of other service and information providers to the automotive retail industry. Our credit application processing product enables dealers to automate and accelerate the indirect automotive financing process by increasing the speed of communications between these dealers and their financing sources. We have leveraged our leading market position in credit application processing to address other inefficiencies in the automotive retail industry value chain. Our proven network of over 20,000 dealers provides a competitive advantage for distribution of our on-demand software and data solutions. Our integrated subscription-based software products and services enable our automotive dealer customers to receive valuable consumer leads, compare various financing and leasing options and programs, sell insurance and other aftermarket products, document compliance with certain laws and execute financing contracts electronically. In addition, we offer data and other products and services to various industry participants, including lease residual value and automobile configuration data.

Traditionally, the workflow processes in each stage of the automotive retail industry value chain have been manual and paper intensive and/or performed on stand-alone legacy systems, resulting in inefficiencies. In contrast to most dealer legacy systems, our web-based solutions are open and flexible, and easily integrate with other widely used software systems. Our network improves efficiency and reduces processing time for both dealers and financing sources, and integrates other information and service providers' products and services, such as credit reporting agencies. In addition, we intend to aggregate automotive industry information and introduce products and services that report the aggregated information to dealers, financing sources and other industry participants. We primarily generate revenue on both a transaction and subscription basis.

We began our principal business operations in February 2001 with the introduction of our credit application processing product to address inefficiencies in the automotive financing process. Since then, we have substantially increased the number of participants in our network and have introduced new products and services through our internal product development efforts as well as through acquisitions. As a result, we have increased our total addressable market by enhancing our offering of subscription products and our data and reporting capabilities, and expanding our network of relationships. We have grown, and believe we will continue to grow, our revenue significantly faster than our costs and expenses, which generates operating leverage. For example, our revenue increased \$31.3 million, or 81%, to \$70.0 million for the year ended December 31, 2004 from \$38.7 million for the year ended December 31, 2003. Costs and expenses for the same period increased \$20.4 million, or 49%, to \$62.3 million from \$41.9 million.

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### **Our Solution**

Our suite of integrated on-demand software products and services addresses many of the existing inefficiencies in the automotive retail industry value chain. We believe our solutions deliver benefits to dealers, financing sources and other service and information providers.

*Dealers.* We offer franchised and independent automotive dealers an integrated suite of on-demand sales and finance solutions that significantly shorten financing processing times, allowing them to spend more time selling automobiles and aftermarket products. Traditionally, dealers and financing sources have relied upon the fax method of processing credit applications. This cumbersome process limited the range of options available to dealers and delayed the availability of financing. Our automated, web-based credit application processing product allows automotive dealers to originate and route their consumers' credit application information electronically. In addition, our suite of complementary subscription products and services allows dealers to integrate and better manage their business processes across the automotive retail industry value chain. For example, we offer a product that allows dealers to compare deal configurations from one or multiple financing and leasing sources on a real-time basis, which is referred to in the industry as *desking*. We also offer a product that allows dealers and consumers to complete finance contracts electronically, which a dealer can transmit to participating financing sources for funding, further streamlining the financing process and reducing transactional costs for both dealers and financing sources. Our products and services, when used together, form a more seamless sales and finance solution that integrates with other widely used software systems. As of June 30, 2005, an aggregate of 11,351 of our existing product subscriptions have been purchased by approximately 6,800 dealers.

*Financing Sources.* Our on-demand credit application processing and electronic contracting products eliminate expensive and time-consuming inefficiencies in legacy paper systems, and thereby decrease financing sources' costs of originating loans and leases. Typically, consumers who obtain financing to purchase an automobile do so either indirectly through a dealership or directly from a financing source. In indirect financings, the dealer submits the consumer's credit application information to one or multiple financing sources to obtain approval for the financing. We electronically transmit complete credit application and contract data, reducing costs and errors and improving efficiency for both prime and non-prime financing sources. We believe that financing sources that utilize our solution experience a significant competitive advantage over financing sources that rely on the legacy paper fax process. Currently, a substantial majority of our financing source customers' collective indirect credit application volume is processed through our network.

*Other Service and Information Providers.* Our web-based solutions enable third-party service and information providers to deliver their products and services more broadly and efficiently, which increases the value of our integrated solutions to our dealer customers. We offer our third-party service and information providers a secure and efficient means of delivering their data to our dealer customers.

### **Our Competitive Strengths**

We believe that the following strengths provide us with competitive advantages in the marketplace:

*Leading Market Position.* We currently have active relationships with over 20,000 automotive dealers, including over 80% of all franchised dealers; over 140 financing sources, including the 20 largest independent financing sources in the United States and eight captive financing sources; and a number of other service and information providers. We believe we are also the market leader in *desking*, electronic contracting and residual value data for the automotive finance industry. Our network of relationships combined with our market leading positions provide us with significant competitive advantages, including our ability to maximize cross-selling opportunities for our products and services to all of our customers and to expand the wide range of new participants in our network. For example, our new subsidiaries, Chrome Systems, Inc. and Automotive Lease Guide (ALG), Inc., will be better able to market and distribute their products and services through our network. We believe that customers who regularly use one of our solutions are more inclined to use one or more of our other solutions.



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*Flexible Web-Based Delivery Model.* Our customers are able to access our highly specialized applications on-demand rather than incurring the expense and difficulty of installing and maintaining them independently. In addition, our open architecture facilitates integration with certain existing systems of our automotive dealer customers, financing sources and other service and information providers. We believe our flexible web-based delivery model enhances our customers' operating efficiency and reduces their total operating costs.

*Broad and Integrated Suite of Solutions.* Our broad range of integrated on-demand software products and services improves our customers' operating efficiency in the pre-sales marketing and prospecting, sales and finance and insurance stages of the automotive retail industry value chain. Our integrated product suite eliminates the need for duplicative data entry and allows for the electronic transmission of data to and from selected third parties, which we believe provides us with a competitive advantage over those of our competitors with less integrated product offerings.

*Independent Network.* Our web-based network is independent and does not give any one financing source preference over any other financing source. We believe that this neutral approach makes our network more appealing to both automotive dealers and financing sources than captive alternatives that favor financing sources owned or controlled by one or more automobile manufacturers.

*Proven Acquisition Strategy.* We have successfully completed strategic acquisitions that we believe have increased our market share and/or provided us with products, services and technologies that are complementary to our existing product and service offerings. We believe that our success in completing these acquisitions and integrating them into our business has allowed us to maintain our leadership position in the industry, enhanced our network of relationships and accelerated our growth.

**Our Growth Strategy**

Our growth strategy is to leverage our position as a leading provider of on-demand software solutions to the U.S. automotive retail industry. Key elements of our growth strategy are:

*Sell Additional Products and Services to Our Existing Customers.* Many of our subscription-based products and services have been recently introduced to our customers. As a result, we believe that a significant market opportunity exists for us to sell additional products and services to the approximately 70% of our over 20,000 active dealer customers that utilize our credit application processing product, but have not yet purchased one or more of our subscription-based products or services. Similarly, the over 140 financing sources that utilize our credit application product represent a market opportunity for us to sell our electronic contracting solution, which approximately 10% of our financing source customers have implemented to date.

*Expand Our Customer Base.* We intend to increase our market penetration by expanding our automotive dealer and financing source customer base through the efforts of our direct sales force. Although we currently enjoy active relationships with over 80% of all franchised dealers, currently 5% of the approximately 50,000 independent dealerships in the United States are active in our network. We believe that we are well positioned to increase the number of these active dealer relationships. While we currently have over 140 active financing source customers, we will focus on adding the captive financing affiliates of foreign automotive manufacturers, as well as select regional banks, financing companies and other financing sources to our network. We also intend to increase the number of other service and information providers in our network by adding, among others, insurance and other aftermarket service providers.

*Expand Our Product and Service Offerings.* We expect to expand our suite of products and services to address the evolving needs of our customers. For example, we believe there are opportunities to generate additional revenue from insurance and other aftermarket providers by allowing their products and services to be accessed and offered in our network. We also see opportunities to generate additional revenue by aggregating automotive industry information and offering that information to dealers, financing sources and other industry participants.

*Pursue Acquisitions and Strategic Alliances.* We intend to continue to grow and advance our business through acquisitions and strategic alliances. We believe that acquisitions and strategic alliances will allow us to

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enhance our product and service offerings, sell new products using our network, improve our technology and/or increase our market share.

**Recent Developments**

***Acquisitions***

On May 25, 2005, we acquired substantially all the assets and certain liabilities of ALG for a purchase price of \$39.7 million (including direct acquisition costs of approximately \$0.5 million), payable in cash and notes payable to ALG. ALG's products and services provide lease residual value data for new and used leased automobiles and guidebooks and consulting services related thereto, to manufacturers, financing sources, investment banks, automobile dealers and insurance companies. We intend to combine ALG's lease residual value data with our other products and services to allow us to aggregate automotive industry information and report the aggregated information to dealers, financing sources and other industry participants. For the year ended December 31, 2004, ALG had revenue of \$7.8 million.

On May 23, 2005, we acquired substantially all the assets and certain liabilities of NAT for a purchase price of \$8.7 million (including direct acquisition costs of approximately \$0.3 million), payable in cash. NAT's products and services streamline and automate many traditionally time-consuming and error-prone manual processes of administering after-market products, such as extended service contracts, guaranteed asset protection coverage, theft deterrent devices and credit life insurance. We intend to add NAT's products and services to our suite of solutions in order to enhance our menu-selling offering and to add insurance and other aftermarket providers to our network. For the year ended December 31, 2004, NAT had revenue of \$3.9 million.

On May 10, 2005, we acquired substantially all the assets and certain liabilities of Chrome for a purchase price of \$20.4 million (including direct acquisition costs of \$0.4 million), payable in cash. Chrome's products and services collect, standardize and enhance raw automotive data and deliver it in a format that is easy to use and tailored to specific industry requirements. Chrome's products and services enable dealers, manufacturers, financing sources, Internet portals, consumers and insurance companies to configure, compare, and price automobiles on a standardized basis. This provides more accurate valuations for both consumer trade-ins and dealer used automobile inventory. We intend to integrate Chrome's products and services into our network to create an expanded subscription product offering for our dealer customers. For the year ended December 31, 2004, Chrome had revenue of \$12.8 million.

***Credit Facilities***

On April 15, 2005, we and one of our subsidiaries, DealerTrack, Inc., entered into credit facilities comprised of a \$25.0 million revolving credit facility and a \$25.0 million term loan facility. The revolving credit facility is available for general corporate purposes (including acquisitions), subject to certain conditions. Proceeds from borrowings under the credit facilities were used to fund a portion of the Chrome, NAT and ALG acquisitions. As of August 31, 2005, the principal amount borrowed under the credit facilities was \$43.5 million and we had \$6.5 million available for additional borrowings under the revolving credit facility. The revolving credit facility matures on April 15, 2008 and the term loan facility matures on April 15, 2010.

**Transactions and Relationships with Certain of the Underwriters and Their Affiliates**

We have engaged in transactions with, and established relationships with, certain of the underwriters and their affiliates, including Lehman Brothers Inc. (Lehman Brothers), J.P. Morgan Securities Inc. (JPMorgan) and Wachovia Capital Markets, LLC (Wachovia). In particular, one affiliate of JPMorgan is a stockholder that is selling shares of common stock in this offering and another is a significant customer and vendor of ours. Additionally, an affiliate of each of Lehman Brothers, JPMorgan and Wachovia is a lender under our credit facilities. Additionally, the Wachovia Corporation, an affiliate of Wachovia, has announced

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plans to acquire WFS Financial, Inc., which is an affiliate of one of our stockholders and a significant customer of ours. These transactions and relationships are more fully described below:

Prior to the completion of this offering, an affiliate of JPMorgan will beneficially own approximately 26.6% of the outstanding shares of our equity securities. Most of this affiliate's remaining shares of common stock will be transferred to a voting trust that will be formed on or around the completion of this offering. After giving effect to this offering, the affiliate and voting trust will hold voting power with respect to approximately % and % of the outstanding shares of our common stock, respectively;

Certain affiliates of JPMorgan and an affiliate of Wachovia are financing source customers of ours and we provide certain hosting services for JPMorgan;

The financing source affiliates of JPMorgan and Wachovia use competing electronic technology and systems in addition to ours, including their own proprietary services. They currently originate automotive finance business by means other than our credit application processing product and we expect that they will continue to do so in the future;

Affiliates of each of Lehman Brothers, JPMorgan and Wachovia are lenders under our credit facilities. We are required to use up to 25% of the proceeds to us from the sale of shares in this offering to repay the \$25.0 million term loan under our credit facilities. Therefore, these affiliates will receive a portion of the proceeds from this offering;

We license certain limited technology from an affiliate of JPMorgan. This license was obtained as a contributed asset in connection with our initial capitalization. This license is royalty-free and perpetual. There are no ongoing payments or other ongoing consideration with respect to this license agreement. The license agreement restricts our ability to use this technology outside of the automotive finance industry;

We maintain certain banking relationships with, including the receipt of investment management services from, an affiliate of JPMorgan;

We provide lease residual value data for new and used leased automobiles as well as guidebooks, and consulting services related thereto, to a financing source affiliate of JPMorgan;

We provide vehicle description and specification data for automobiles, and software related thereto, to a financing source affiliate of JPMorgan; and

In the ordinary course of their business, the underwriters or their affiliates have engaged, are engaged and may in the future engage in investment banking and financial advisory transactions with us, our affiliates or our significant stockholders, including Lehman Brothers' role as financial advisor and its delivery of a fairness opinion to an affiliate of one of our significant stockholders, The First American Corporation, in connection with First Advantage Corporation's acquisition of the companies and assets comprising the credit information segment of The First American Corporation.

For more information, see Risk Factors Risks Relating to Our Business We are dependent on several customers that are affiliates of our stockholders, Risks Relating to this Offering Risks relating to transactions and relationships with certain of our stockholders, the underwriters and their respective affiliates, Related Party Transactions and Underwriting.

## **Company Information**

We are a Delaware corporation formed in August 2001 in connection with the combination of DealerTrack, Inc., which commenced operations in February 2001, and webalg, inc., which commenced operations in April 2000. Our principal executive offices are located at 1111 Marcus Avenue, Suite M04, Lake Success, New York 11042. Our

telephone number is (516) 734-3600 and our website address is [www.dealertrack.com](http://www.dealertrack.com). The information contained on our website is not part of this prospectus.

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**The Offering**

Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding after this offering	shares <sup>(1)</sup>
Initial public offering price	\$ per share
Use of proceeds	We will receive net proceeds from this offering of approximately \$ million. We are required to use up to 25% of such proceeds to repay the \$25.0 million term loan facility and will use the remainder for general corporate purposes, which may include strategic alliances or acquisitions. Therefore, the affiliates of the underwriters that are lenders under our credit facilities will receive a portion of the net proceeds to us from this offering. See Use of Proceeds. We will not receive any of the proceeds from the sale of shares of common stock offered by the selling stockholders.
Proposed NASDAQ National Market symbol	TRAK

(1) The total number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of August 31, 2005 and excludes:  
 3,613,867 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of \$6.19 per share, of which 1,285,610 options were exercisable, and  
 2,115,216 shares of common stock reserved for future issuance under our 2005 Incentive Award Plan.

Except as otherwise indicated, the information in this prospectus:  
 assumes that the underwriters do not exercise their over-allotment option;  
 has been adjusted to reflect the 1-for-8 reverse stock split of our common stock effected on March 19, 2003;  
 reflects the automatic conversion of our outstanding shares of series A preferred stock, series A-1 preferred stock, series A-2 preferred stock, series B preferred stock, series B-1 preferred stock, series C preferred stock, series C-1 preferred stock, series C-2 preferred stock and series C-3 preferred stock into an aggregate of 26,397,589 shares of common stock upon the completion of this offering; and  
 assumes our authorized capital stock is increased to 175 million shares of common stock and 10 million shares of preferred stock, which will occur immediately prior to the completion of this offering.

**Risk Factors**

See Risk Factors beginning on page 11 and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

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**Summary Historical Consolidated Financial Data**

The summary historical consolidated financial data set forth below as of December 31, 2003 and 2004 and for each of the three years in the period ended December 31, 2004 have been derived from our audited consolidated financial statements and related notes thereto included in this prospectus. The summary historical consolidated financial data set forth below as of June 30, 2005 and for the six months ended June 30, 2004 and 2005 have been derived from our unaudited consolidated financial statements and related notes thereto included in this prospectus. These unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair statement of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

We completed several acquisitions during the periods presented below, the operating results of which have been included in our historical results of operations from the respective acquisition dates. These acquisitions have significantly affected our revenue, results of operations and financial condition. Accordingly, the results of operations for the periods presented may not be comparable due to these acquisitions.

Upon the completion of this offering, each of the outstanding shares of redeemable convertible participating preferred stock will automatically convert into shares of common stock. The pro forma consolidated financial data included in this summary give effect only to the automatic conversion of all the outstanding shares of redeemable convertible participating preferred stock into common stock. The pro forma consolidated financial data included in this summary do not give effect to this offering, including the application of the proceeds therefrom.

The following data should be read in conjunction with Unaudited Combined Condensed Pro Forma Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and related notes thereto and the consolidated financial statements and related notes thereto for each of dealerAccess, LML, Chrome, NAT and ALG, in each case included elsewhere in this prospectus.

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	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
	(unaudited)				
	(Dollars in thousands, except per share data)				
<b>Consolidated Statements of Operations Data:</b>					
Net revenue <sup>(2)</sup>	\$ 11,711	\$ 38,679	\$ 70,044	\$ 32,209	\$ 51,921
Operating costs and expenses:					
Cost of revenue <sup>(2)(3)</sup>	17,556	25,362	29,665	13,494	20,180
Product development <sup>(3)</sup>	2,101	1,539	2,256	1,028	2,084
Selling, general and administrative <sup>(3)</sup>	9,008	15,048	30,401	14,762	24,347
Total operating costs and expenses	28,665	41,949	62,322	29,284	46,611
(Loss) income from operations	(16,954)	(3,270)	7,722	2,925	5,310
Interest income	179	75	54	22	87
Interest expense		(22)	(115)	(36)	(373)
(Loss) income before provision for income taxes	(16,775)	(3,217)	7,661	2,911	5,024
(Provision) benefit for income taxes		(72)	3,592	(452)	(2,160)
Net (loss) income	\$ (16,775)	\$ (3,289)	\$ 11,253	\$ 2,459	\$ 2,864
Basic net (loss) income per share applicable to common stockholders <sup>(4)</sup>	\$ (23,334.99)	\$ (1,000.30)	\$ 0.45	\$ 0.10	\$ 0.11
Diluted net (loss) income per share applicable to common stockholders <sup>(4)</sup>	\$ (23,334.99)	\$ (1,000.30)	\$ 0.02 <sup>(1)</sup>	\$ 0.00	\$ 0.06
Weighted average shares outstanding	1,009	3,288	40,219	13,689	567,302
Average shares outstanding assuming dilution	1,009	3,288	1,025,248	381,793	1,146,402
Pro forma basic net income per share (unaudited)			\$ 0.43		\$ 0.11
Pro forma diluted net income per share (unaudited)			\$ 0.41		\$ 0.10
Pro forma weighted average shares outstanding <sup>(5)</sup> (unaudited)			26,437,808		26,964,891

Pro forma weighted average shares outstanding assuming dilution <sup>(5)</sup> (unaudited)						27,422,837				27,543,991
<b>Other Data:</b>										
EBITDA <sup>(6)</sup> (unaudited)	\$	(5,760)	\$	7,746	\$	18,595	\$	8,029	\$	13,923
Capital expenditures	\$	395	\$	542	\$	1,825	\$	790	\$	2,162
Active dealers in the network as of end of period <sup>(7)</sup> (unaudited)		12,752		15,999		19,150		17,902		20,742
Active financing sources in the network as of end of period <sup>(8)</sup> (unaudited)		21		55		94		71		135
Transactions processed <sup>(9)</sup> (unaudited)		6,912,272		22,995,715		33,964,195		16,870,626		28,415,099
Product subscriptions as of end of period <sup>(10)</sup> (unaudited)		317		3,030		7,705		5,451		11,351



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	As of December 31,		As of	Pro Forma <sup>(11)</sup>
	2003	2004	June 30,	as of June 30,
			2005	2005
	(unaudited)			
	(Dollars in thousands)			
<b>Consolidated Balance Sheets Data:</b>				
Cash and cash equivalents	\$ 16,790	\$ 21,753	\$ 5,428	\$ 5,428
Working capital <sup>(12)</sup>	15,640	23,390	4,782	4,782
Total assets	46,643	76,681	133,997	133,997
Long-term debt, capital lease obligations (long and short-term) and other long-term liabilities	1,100	3,448	42,660	42,660
Total redeemable convertible participating preferred stock	72,226	72,226	72,226	
Accumulated deficit	(36,287)	(25,034)	(22,170)	(22,170)
Total stockholders' (deficit) equity	(33,608)	(20,001)	(15,158)	57,068

(1) During the three months ended June 30, 2005, we determined that diluted net income per share applicable to common stockholders for the year ended December 31, 2004 was miscalculated. As a result, we have adjusted our diluted net income per share applicable to common stockholders calculation to \$0.02 per share from the previously reported \$0.00 per share. There was no impact on the calculation of basic net income per share applicable to common stockholders.

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
	(unaudited)				
	(Dollars in thousands)				
(2) Related party revenue	\$ 8,191	\$ 13,717	\$ 19,070	\$ 9,053	\$ 13,371
Related party cost of revenue	199	3,985	3,306	1,780	1,676

(3) We recorded non-cash charges for compensation expense resulting from certain stock option grants for the year ended December 31, 2004 and the six months ended June 30, 2005. Stock based compensation recorded for the year ended December 31, 2004 and the six months ended June 30, 2004 and June 30, 2005 was classified as follows:

	Year Ended December 31, 2004	Six Months Ended June 30, 2004	2005
	(unaudited)		
	(Dollars in thousands)		

Cost of revenue	\$	286	\$	203	\$	99
Product development		84		54		36
Selling, general and administrative		1,263		886		467
Total stock-based compensation expense	\$	1,633	\$	1,143	\$	602

- (4) The basic and diluted earnings per share calculations include adjustments to net (loss) income relating to preferred dividends earned, but not paid, and net income amounts allocated to the participating preferred stockholders in order to compute net (loss) income applicable to common stockholders in accordance with SFAS No. 128, *Earnings per Share* and EITF 03-6, *Participating Securities and the Two-Class Method* under FASB No. 128. For more detail, please see Note 2 to our historical consolidated financial statements.
- (5) Unaudited pro forma basic and diluted net income per share have been computed to give effect, even if antidilutive, to the issuance of all shares issuable upon automatic conversion of the redeemable convertible participating preferred stock into common stock upon the completion of this offering on an as-if converted basis for the year ended December 31, 2004 and the six months ended June 30, 2005.
- (6) EBITDA represents net (loss) income before interest expense (income), taxes, depreciation and amortization. We present EBITDA because we believe that EBITDA provides useful information regarding our operating results. We rely on EBITDA as a primary measure to review and assess the operating performance of our company and management team in connection with our executive compensation plan incentive payments. We believe EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, many of which present EBITDA when reporting their results. In addition, our credit agreement uses EBITDA (with additional adjustments), in part, to measure our compliance with covenants such as interest coverage.

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EBITDA has limitations as an analytical tool and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

Other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA only supplementally. EBITDA is a measure of our performance that is not required by, or presented in accordance with, GAAP. EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.

The following table sets forth the reconciliation of EBITDA, a non-GAAP financial measure, to net income (loss), our most directly comparable financial measure in accordance with GAAP.

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
					(unaudited)
					(Dollars in thousands)
Net (loss) income	\$ (16,775)	\$ (3,289)	\$ 11,253	\$ 2,459	\$ 2,864
Interest income	(179)	(75)	(54)	(22)	(87)
Interest expense		22	115	36	373
Tax expense (benefit)		72	(3,592)	452	2,160
Depreciation of property and equipment and amortization of capitalized software and website costs	10,101	7,278	4,349	2,328	1,914
Amortization of acquired identifiable intangibles	1,093	3,738	6,524	2,776	6,699
<b>EBITDA</b>	<b>\$ (5,760)</b>	<b>\$ 7,746</b>	<b>\$ 18,595</b>	<b>\$ 8,029</b>	<b>\$ 13,923</b>

(7)

We consider a financing source to be active as of a date if the financing source completed at least one revenue generating transaction in our network during the most recently ended calendar month.

- (8) We consider a financing source to be active in our network as of a date if it is accepting credit application data electronically from dealers in our network.
- (9) Represents revenue generating transactions processed in our network in a given period.
- (10) Represents revenue generating subscriptions at the end of a given period.
- (11) The pro forma balance sheet data give effect only to the automatic conversion of all outstanding shares of redeemable convertible participating preferred stock into shares of common stock.
- (12) Working capital is defined as current assets less current liabilities.

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**RISK FACTORS**

*You should carefully consider the risks described below, together with all of the other information in this prospectus, before deciding to invest in our common stock. The risks and uncertainties described below are those that we have identified as material. Risks and uncertainties not currently identifiable by us, or that we believe are immaterial, are not included below, but may also impair our business operations. If any of the events contemplated by the following discussion of risks should occur, our business, prospects, financial condition and results of operations may suffer. As a result, the trading price of our common stock could decline and you could lose part or all of your investment in our common stock.*

**Risks Relating to Our Business**

***We may be unable to continue to compete effectively in our industry.***

Competition in the automotive retail technology industry is intense. The indirect automotive retail finance industry is highly fragmented and is served by a variety of entities, including:

web-based automotive finance credit application processors, including CU Direct Corporation's Credit Union Direct Lending ( CUDL ) and RouteOne LLC ( RouteOne );

the proprietary credit application processing systems of the financing source affiliates of automobile manufacturers, including those provided by American Honda Finance Corp. and Volkswagen Credit;

dealer management system providers, including ADP, Inc. and The Reynolds and Reynolds Company;

automotive retail sales deskings providers, including ADP, Inc. and Market Scan Information Systems, Inc.; and

vehicle configuration providers, including Automotive Information Center, Autodata Solutions Company and JATO Dynamics, Inc.

We also compete with warranty and insurance providers, as well as software providers, among others, in the market for menu-selling products and services. Some of our competitors have longer operating histories, greater name recognition and significantly greater financial, technical, marketing and other resources than we do. Many of these competitors also have longstanding relationships with dealers and may offer dealers other products and services that we do not provide. As a result, these companies may be able to respond more quickly to new or emerging technologies and changes in customer demands or to devote greater resources to the development, promotion and sale of their products and services than we can to ours. We expect the market to continue to attract new competitors and new technologies, possibly involving alternative technologies that are more sophisticated and cost-effective than our technology. There can be no assurance that we will be able to compete successfully against current or future competitors or that competitive pressures we face will not materially adversely affect our business, prospects, financial condition and results of operations.

***Our systems and network may be subject to security breaches, events beyond our control, interruptions, failures and/or other errors.***

*Our systems may be subject to security breaches.*

Our success depends on the confidence of dealers, financing sources, the major credit reporting agencies and our other network participants in our ability to transmit confidential information securely over the Internet and our ability to operate our computer systems and operations without significant disruption or failure. We transmit substantial amounts of confidential information, including non-public personal information, over the Internet. If our security measures are breached and unauthorized access is obtained to confidential information, our service may be perceived as not being secure and financing sources or dealers may curtail or stop using our service. Any failure to provide secure online products and services could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our products and services rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to achieve secure transmission of confidential information.



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Despite our focus on Internet security, we may not be able to stop unauthorized attempts to gain access to or disrupt the transmission of communications among dealers, financing sources, the major credit reporting agencies and other service and information providers. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments could result in a compromise or breach of the algorithms used by our products and services to protect certain data contained in our databases and the information being transferred.

Although we generally limit warranties and liabilities relating to security in financing source and dealer contracts, third parties may seek to hold us liable for any losses suffered as a result of unauthorized access to their confidential information or non-public personal information. We may not have limited our warranties and liabilities sufficiently or have adequate insurance to cover these losses. We may be required to expend significant capital and other resources to protect against security breaches or to alleviate the problems caused. Moreover, concerns over the security of transactions conducted on the Internet and commercial online services, which may be heightened by any well-publicized compromise of security, may deter customers from using our products and services. Our security measures may not be sufficient to prevent security breaches, and failure to prevent security breaches could have a material adverse effect on our business, prospects, financial condition and results of operations.

*Our systems may be harmed by events beyond our control.*

Our computer systems and operations are vulnerable to damage or interruption from natural disasters, such as fire, floods and hurricanes, power outages, telecommunications failures, network service outages and disruptions, denial of service attacks, computer viruses, break-ins, sabotage and other similar events beyond our control. The occurrence of a natural disaster or unanticipated problems at our facilities in New York or New Jersey or at any third-party facility we utilize could cause interruptions or delays in our business, loss of data or render us unable to provide our products and services. In addition, failure of a third-party facility to provide the data communications capacity required by us, as a result of human error, bankruptcy, natural disaster or other operational disruption, could cause interruptions to our computer systems and operations. The occurrence of any or all of these events could have a material adverse effect on our business, prospects, financial condition and results of operations.

*Our network may be vulnerable to interruptions or failures.*

From time to time, we have experienced, and may experience in the future, network slowdowns and interruptions. These network slowdowns and interruptions may interfere with our ability to do business. Although we regularly back up data and take other measures to protect against data loss and system failures, there is still some risk that we may lose critical data or experience network failures. For example, in August 2005, we experienced a system failure that caused a delay in our ability to process credit applications and other transactions on two separate days. As a result, our customers experienced a disruption to their use of our systems and we may have lost revenue opportunities on those days.

*Undetected errors in our software may harm our operations.*

Our software may contain undetected errors, defects or bugs. Although we have not suffered significant harm from any errors or defects to date, we may discover significant errors or defects in the future that we may not be able to correct. Our products and services are integrated with products and systems developed by third parties. Complex third-party software programs may contain undetected errors or bugs when they are first introduced or as new versions are released. It is possible that errors will be found in our existing or future products and services or third-party products upon which our products and services are dependent, with the possible results of delays in or loss of market acceptance of our products and services, diversion of our resources, injury to our reputation, increased service and warranty expenses and payment of damages.

**Table of Contents*****We may face increased competition from RouteOne and the captive financing source affiliates of the manufacturers that have formed RouteOne.***

Our network of financing sources does not include the captive financing sources affiliated with DaimlerChrysler AG, Ford Motor Company, General Motors Corporation or Toyota Motor Corporation, which have formed RouteOne to operate as a direct competitor of ours to serve their respective franchised dealers. RouteOne has the ability to offer its dealers access to captive or other financing sources that are not in our network. RouteOne was launched in November 2003, and officially re-launched in July 2004. Several independent financing sources, including some of the independent financing sources in our network, are participating on the RouteOne credit application processing and routing portal. Currently, we believe the RouteOne credit application processing and routing portal preferences the captive financing sources over the independent financing sources, which we believe has been a hindrance to its efforts to establish a comprehensive network of independent financing sources comparable to our network. However, if RouteOne increases the number of independent financing sources on its credit application processing and routing portal and/or offers products and services that better address the needs of our customers or offer our customers a lower cost alternative, our business, prospects, financial condition and results of operations could be materially adversely affected. In addition, if a substantial amount of our current customers migrate from our network to RouteOne, our ability to sell additional products and services to, or earn transaction revenue from, these customers could diminish. RouteOne has repeatedly approached each of our largest financing source customers seeking to have them join the RouteOne credit application processing and routing portal. For example, Chase Auto Finance, which is an affiliate of one of our selling stockholders and one of the underwriters in this offering, has announced that it has agreed to participate on the RouteOne credit application processing and routing portal. Our other financing source customers have engaged, are engaged and/or may in the future engage, in discussions with RouteOne regarding their participation on the RouteOne credit application processing and routing portal or may already have agreed to participate, or be participating, on this portal.

***We are dependent on several customers that are affiliates of our stockholders.***

We have historically earned a substantial portion of our total revenue from financing source customers that are affiliates of our stockholders. For the year ended December 31, 2004, \$19.1 million, or 27%, and for the six months ended June 30, 2005, \$12.5 million, or 24% of our total revenue was generated by the nine financing sources that are affiliates of our stockholders. Although each financing source customer is currently a party to an agreement with us, the obligations of the financing sources under these agreements are minimal and these financing source customers, like all of our other financing source customers, may terminate their agreements at the end of their respective terms or for uncured breach. They may also enter into, and in some cases may have already entered into, agreements with our competitors. None of these financing source customers is contractually or otherwise obligated to use our network exclusively. RouteOne has repeatedly approached each of these financing sources seeking to have them join the RouteOne credit application processing and routing portal. For example, Chase Auto Finance, which is an affiliate of one of our selling stockholders and one of the underwriters in this offering, has announced that it has agreed to participate on the RouteOne credit application processing and routing portal. Our other financing source affiliated selling stockholders have engaged, are engaged and/or in the future may engage, in discussions with RouteOne regarding their participation in the RouteOne credit application processing and routing portal or may already have agreed to participate, or be participating, on this portal.

Five of the selling stockholders in this offering are affiliates of certain financing source customers. Each has the right to appoint a member to our board of directors, which will terminate upon the completion of this offering, although only one such selling stockholder currently has an appointed member on our board. Reduced involvement of these financing sources in our governance after this offering due to their loss of a right to designate a member of our board of directors, or the reduction in the level of their equity ownership in us as a result of their sale of our capital stock either pursuant to this offering or following the completion of this offering, may cause them to reduce or discontinue their use of our products and services, which could negatively impact the use of our network by our other customers. The cessation of, or a significant reduction



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in, participation in our network by these customers, or their participation in a competing business, may have a material adverse effect on our business, prospects, financial condition and results of operations.

***Our failure or inability to execute any element of our business strategy could adversely affect our operations.***

Our business, prospects, financial condition and results of operations depend on our ability to execute our business strategy, which includes the following key elements:

selling additional products and services to our existing customers;

expanding our customer base;

expanding our product and service offerings; and

pursuing acquisitions and strategic alliances.

We may not succeed in implementing a portion or all of our business strategy and, even if we do succeed, our strategy may not have the favorable impact on operations that we anticipate. Our success depends on our ability to execute our business plan, leverage our distribution channel and value proposition for dealers, financing sources and other service and information providers, offer a broad array of products and services, provide convenient, high-quality products and services, maintain our technological position and implement other elements of our business strategy.

We may not be able to effectively manage the expansion of our operations or achieve the rapid execution necessary to fully avail ourselves of the market opportunity for our products and services. If we are unable to adequately implement our business strategy, our business, prospects, financial condition and results of operations could be materially adversely affected.

***We have a very limited operating history and incurred significant net losses through 2003.***

We have a very limited operating history upon which you may evaluate our business and our prospects. We launched our business as DealerTrack, Inc. in February 2001. We will continue to encounter risks and difficulties frequently encountered by companies in an early stage of development in new and rapidly evolving markets. In order to overcome these risks and difficulties, we must, among other things:

minimize security concerns;

increase and retain the number of financing sources and automotive dealers that are active in our network;

build brand recognition of our network among dealership employees;

prevent and respond quickly to service interruptions;

develop our technology, new products and services;

reduce the time involved in integrating new financing sources and other third parties into our network; and

continue to attract, hire, motivate and retain qualified personnel.

If we fail to adequately address these risks and difficulties or fail in executing our business strategy, our business, prospects, financial condition and results of operations may be materially adversely affected.

Our losses were \$14.9 million, \$16.8 million and \$3.3 million for the years ended December 31, 2001, December 31, 2002 and December 31, 2003, respectively. For the year ended December 31, 2004, we reported net income of \$11.3 million and for the six months ended June 30, 2005, we reported net income of \$2.9 million. Our accumulated deficit as of June 30, 2005 was \$22.2 million.

Our budgeted operating costs are based on the anticipated growth of our future revenue, which is based on our ability to retain existing automotive dealer and financing source customers, integrate new automotive



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dealer and financing source customers and launch the products and services we have under development. We may not, however, be able to forecast growth accurately due to our limited operating history. If we do not grow as anticipated and our expenditures are not reduced accordingly, our operating results could decline significantly, and we may not remain profitable.

***Our quarterly revenue, operating results and profitability will vary from quarter to quarter, which may result in volatility in our stock price.***

Our quarterly revenue, operating results and profitability have varied in the past and are likely to continue to vary significantly from quarter to quarter. This may lead to volatility in our stock price. These fluctuations are due to several factors related to the number of transactions we process and to the number of subscriptions to our products and services, including:

the volume of new and used automobiles financed or leased by our participating financing source customers;

the timing, size and nature of our subscriptions;

the incurrence of marketing expenses in the first quarter in connection with the National Automotive Dealers Association's (NADA) annual trade show;

the timing of introduction and market acceptance of new products, services or product enhancements by us or our competitors;

automobile manufacturers or their captive financing sources offering special incentive programs such as discount pricing or 0% financing;

unpredictable sales cycles;

the number of weekends, holidays and Mondays in a particular quarter;

the timing of our acquisitions of businesses, products and services;

product and price competition regarding our products and services and those of our participating financing sources;

changes in our operating expenses;

software bugs or other computer system or operation disruptions or failures; and

personnel changes and fluctuations in economic and financial market conditions.

We believe that period-to-period comparisons of our results of operations are not necessarily meaningful. We cannot assure you that future revenue and results of operations will not vary substantially from quarter to quarter. It is also possible that in future quarters, our results of operations will be below the expectations of public market analysts, investors or our announced guidance. In either case, the price of our common stock could be materially adversely affected.

***We may be unable to develop and bring products and services in development and new products and services to market in a timely manner.***

Our success depends in part upon our ability to bring to market the products and services that we have in development and offer new products and services that meet changing customer needs. The time, expense and effort associated with developing and offering these new products and services may be greater than anticipated. The length of the development cycle varies depending on the nature and complexity of the product, the availability of

development, product management and other internal resources, and the role, if any, of strategic partners. If we are unable to develop and bring additional products and services to market in a timely manner, we could lose market share to competitors who are able to offer these additional products and services, which could also materially adversely affect our business, prospects, financial condition and results of operations.

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***Some vendors of software products used by automotive dealers, including certain of our competitors, are developing their software and using financial incentives to make it more difficult for our customers to use our products and services.***

Currently, some software vendors have developed software systems that are difficult to integrate with third-party products and services such as ours. Some software vendors also use financial or other incentives to encourage their customers to purchase such vendors' proprietary complementary products and services. These obstacles could make it more difficult for us to compete with these vendors and could have a material adverse effect on our business, prospects, financial condition and results of operations. Further, we have agreements in place with various third-party software providers to facilitate integration between their software and our network, and we cannot assure you that each of these agreements will remain in place.

***Economic trends that affect the automotive retail industry may have a negative effect on our business.***

Economic trends that negatively affect the automotive retail industry may adversely affect our business by reducing the number of financing source or automotive dealer customers that purchase our products and services or by reducing the amount that such customers spend on our products and services. Purchases of new automobiles are typically discretionary for consumers and may be affected by negative trends in the economy. A reduction in the number of automobiles purchased by consumers may adversely affect our financing source and dealer customers and lead to a reduction in transaction volumes and in spending by our financing source and automotive dealer customers on our subscription products and services. Any such reductions in transactions or subscriptions could have a material adverse effect on our business, prospects, financial condition and results of operations.

***The indirect automotive financing and automotive retail industries are subject to extensive and complex federal and state regulation.***

We are directly and indirectly subject to various laws and regulations. Federal laws and regulations governing privacy of consumer information generally apply in the context of our business, such as the Gramm-Leach-Bliley Act (the "GLB Act") and its implementing Regulation P, as well as the Fair Credit Reporting Act (the "FCRA"). If a financing source or dealer discloses consumer information provided through our system in violation of these or other laws, we may be subject to claims from such consumers or enforcement actions by state or federal regulators. We cannot predict whether such claims or enforcement actions will arise or the extent to which, if at all, we may be held liable.

A majority of states have passed, or are currently contemplating, consumer protection, privacy, and data security laws or regulations that may relate to our business. The FCRA contains certain provisions that explicitly preempt some state laws to the extent the state laws seek to regulate certain specified areas, including the responsibilities of persons furnishing information to consumer reporting agencies. Unlike the FCRA, however, the GLB Act does not limit the ability of the states to enact privacy legislation that provides greater protections to consumers than those provided by the GLB Act. Some state legislatures or regulatory agencies have imposed, and others may impose, greater restrictions on the disclosure of consumer information than are already contained in the GLB Act and Regulation P. Any such legislation or regulation could adversely impact our ability to provide our customers with the products and services they require and that are necessary to make our products and services attractive to them. In the event that any state imposes additional statutory or regulatory requirements on us or our customers, we may be required to modify our business model in that state in a manner that may undermine our attractiveness to dealers and/or financing sources doing business in that state. Alternatively, if we determine that a given state's requirements are overly burdensome or if we determine that our activities cannot be structured in a manner that does not implicate such requirements, we may elect to terminate operations in such state. Any of these circumstances could have a material adverse effect on our business, prospects, financial condition and results of operations.

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***The use of our electronic contracting product by financing sources is governed by relatively new laws.***

In the United States, the enforceability of electronic transactions is primarily governed by the Electronic Signatures in Global and National Commerce Act ( E-SIGN ), a federal law enacted in 2000 that largely preempts inconsistent state law, and the Uniform Electronic Transactions Act ( UETA ), a uniform state law that was finalized by the National Conference of Commissioners on Uniform State Laws ( NCCUSL ) in 1999 and has now been adopted by most states. Case law has generally upheld the use of electronic signatures in commercial transactions and in consumer transactions where proper notice is provided and consumer consent to electronic contracting is obtained. The Revised Uniform Commercial Code Section 9-105 ( UCC 9-105 ), seeks to implement a regime to perfect security interests in electronic chattel paper. These laws impact the degree to which the financing sources in our network use our electronic contracting product. We believe that our electronic contracting product enables the perfection of a security interest in electronic chattel paper by meeting the transfer of control requirements of UCC 9-105. However, this issue has not been challenged in any legal proceeding. If a court were to find that our electronic contracting product is not sufficient to perfect a security interest in electronic chattel paper, or if existing laws were to change, our business, prospects, financial condition and results of operations could be materially adversely affected.

***Future legislation may negatively impact our business.***

Our ability to conduct, and our cost of conducting, business may be adversely affected by a number of legislative and regulatory proposals concerning aspects of the Internet, which are currently under consideration by federal, state, local and foreign governments and various courts. These proposals include, but are not limited to, the following matters: on-line content, user privacy, taxation, access charges, liability of third-party activities and jurisdiction. Moreover, we do not know how existing laws relating to these issues will be applied to the Internet. The adoption of new laws or the application of existing laws could decrease the growth in the use of the Internet, which could in turn decrease the demand for our products and services, increase our cost of doing business or otherwise have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, government restrictions on Internet content could slow the growth of Internet use and decrease acceptance of the Internet as a communications and commercial medium and thereby have a material adverse effect on our business, prospects, financial condition and results of operations.

If a federal or state government or agency imposes additional legislative and/or regulatory requirements on us or our customers, or prohibits or limits our activities as currently structured, we may be required to modify or terminate our products and services in that jurisdiction in a manner which may undermine our attractiveness or availability to dealers and/or financing sources doing business in that jurisdiction.

***We utilize certain key technologies from, and integrate our network with, third parties and may be unable to replace those technologies if they become obsolete, unavailable or incompatible with our products or services.***

Our proprietary on-demand software is designed to work in conjunction with certain software procured by third-party vendors, including Microsoft, Oracle and eOriginal. Any significant interruption in the supply of such third-party software could have a material adverse effect on our network unless and until we can replace the functionality provided by these products. In addition, we are dependent upon these third parties' ability to enhance their current products, develop new products on a timely and cost-effective basis and respond to emerging industry standards and other technological changes. There can be no assurance that we would be able to replace the functionality provided by the third-party software currently incorporated into our products or services in the event that such software becomes obsolete or incompatible with future versions of our products or services or is otherwise not adequately maintained or updated. Any delay in or inability to replace any such functionality could have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, delays in the release of new and upgraded versions of third-party software products could have a material adverse effect on our business, prospects, financial condition and results of operations.

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For example, we are a party to an agreement with ADP, Inc., one of our selling stockholders, that, among other things, allows us to integrate our network with ADP's automotive dealer management system software. This agreement with ADP terminates on March 19, 2006. We are also a party to an agreement with Equifax Information Services LLC, that, among other things, allows us to integrate consumer credit reports directly with this major credit reporting agency. This agreement with Equifax terminates on April 1, 2006. We expect to negotiate new agreements with each of these entities to take effect upon the termination of the agreements currently in place. If we do not enter into a new agreement with any of these parties, we may not be able to continue to offer the same level of integration with such party. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

***We may be unable to adequately protect, and we may incur significant costs in defending, our intellectual property and other proprietary rights.***

Our success depends, in large part, on our ability to protect our intellectual property and other proprietary rights. We rely upon a combination of trademark, trade secret, copyright, patent and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. In addition, we attempt to protect our intellectual property and proprietary information by requiring our employees and consultants to enter into confidentiality, non-competition and assignment of inventions agreements. To the extent that our intellectual property and other proprietary rights are not adequately protected, third parties might gain access to our proprietary information, develop and market products and services similar to ours, or use trademarks similar to ours. Existing U.S. federal and state intellectual property laws offer only limited protection. Moreover, the laws of Canada, and any other foreign countries in which we may market our products and services in the future, may afford little or no effective protection of our intellectual property. If we resort to legal proceedings to enforce our intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, the proceedings could be burdensome and expensive, and we may not prevail. We are currently asserting our patent rights against RouteOne in a proceeding that challenges their system and method for credit application processing and routing. There can be no assurances that we will prevail in that proceeding or that the proceeding will not result in certain of our patent rights being deemed invalid. See Business Legal Proceedings. The failure to adequately protect our intellectual property and other proprietary rights may have a material adverse effect on our business, prospects, financial condition and results of operations.

We own the Internet domain names dealertrack.com, alg.com, chrome.com, dealeraccess.com and certain other domain names. The regulation of domain names in the United States and foreign countries may change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names, any or all of which may dilute the strength of our domain names. We may not acquire or maintain our domain names in all of the countries in which our websites may be accessed or for any or all of the top-level domain names that may be introduced. The relationship between regulations governing domain names and laws protecting intellectual property rights is unclear. Therefore, we may not be able to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other intellectual property rights.

***We could be sued for contract or product liability claims, and such lawsuits may disrupt our business, divert management's attention or have an adverse effect on our financial results.***

We provide guarantees to subscribers of certain of our products and services that the data they receive through these products and services will be accurate. Additionally, general errors, defects or other performance problems in our products and services could result in financial or other damages to our customers. There can be no assurance that any limitations of liability set forth in our contracts would be enforceable or would otherwise protect us from liability for damages. We maintain general liability insurance coverage, including coverage for errors and omissions in excess of the applicable deductible amount. There can be no assurance that this coverage will continue to be available on acceptable terms or in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage for any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in





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our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, litigation, regardless of its outcome, could result in substantial cost to us and divert management's attention from our operations. Any contract liability claim or litigation against us could, therefore, have a material adverse effect on our business, prospects, financial condition and results of operations. In addition, some of our products and services are business-critical for our financing source customers, and a failure or inability to meet a customer's expectations could seriously damage our reputation and affect our ability to retain existing business or attract new business.

***We have made strategic acquisitions in the past and intend to do so in the future. If we are unable to find suitable acquisitions or partners or to achieve expected benefits from such acquisitions or partnerships, there could be a material adverse effect on our business, prospects, financial condition and results of operations.***

Since 2001, we have acquired eight businesses. As part of our ongoing business strategy to expand product offerings and acquire new technology, we frequently engage in discussions with third parties regarding, and enter into agreements relating to, possible acquisitions, strategic alliances and joint ventures. There may be significant competition for acquisition targets in our industry, or we may not be able to identify suitable acquisition candidates or negotiate attractive terms for acquisitions. If we are unable to identify future acquisition opportunities, reach agreement with such third parties or obtain the financing necessary to make such acquisitions, we could lose market share to competitors who are able to make such acquisitions, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Even if we are able to complete acquisitions or enter into alliances and joint ventures that we believe will be successful, such transactions are inherently risky. Significant risks to these transactions include the following: integration and restructuring costs, both one-time and ongoing;

maintaining sufficient controls, policies and procedures;

diversion of management's attention from ongoing business operations;

establishing new informational, operational and financial systems to meet the needs of our business;

losing key employees;

failing to achieve anticipated synergies, including with respect to complementary products or services; and unanticipated and unknown liabilities.

If we are not successful in completing acquisitions in the future, we may be required to reevaluate our acquisition strategy. We also may incur substantial expenses and devote significant management time and resources in seeking to complete acquisitions. In addition, we could use substantial portions of our available cash, including a portion of the net proceeds from this offering, to pay all or a portion of the purchase prices of future acquisitions.

***Any acquisitions that we complete may dilute your ownership interest in us, may have adverse effects on our business, prospects, financial condition and results of operations and may cause unanticipated liabilities.***

Future acquisitions may involve the issuance of our equity securities as payment, in part or in full, for the businesses or assets acquired. Any future issuances of equity securities would dilute your ownership interests. Future acquisitions may also decrease our earnings or earnings per share and the benefits derived by us from an acquisition might not outweigh or might not exceed the dilutive effect of the acquisition. We also may incur additional indebtedness or suffer adverse tax and accounting consequences in connection with any future acquisitions. We incurred indebtedness to finance our recent acquisitions of Chrome, NAT and ALG and will

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incur significant interest expense until that indebtedness is repaid. In addition, our depreciation and amortization expense will increase materially as a result of the Chrome, NAT and ALG acquisitions, which were each recorded under the purchase method of accounting. Currently, we are completing a fair value assessment of the identifiable intangible assets acquired in these acquisitions. Our financial statements, as presented, assume that 100% of the excess purchase price will be attributable to identifiable intangibles. At the conclusion of the fair value assessments, a significant portion of the excess purchase price could be attributed to goodwill. See Unaudited Combined Condensed Pro Forma Financial Information. Future acquisitions may have similar or other adverse effects on our business, prospects, financial condition and results of operations.

***We may not successfully integrate recent or future acquisitions.***

The integration of the Chrome, NAT and ALG acquisitions involves a number of risks and presents financial, managerial and operational challenges. In particular, we may have difficulty, and may incur unanticipated expenses related to, integrating management and personnel from Chrome, NAT and ALG with our management and personnel. Chrome and ALG earn revenue from the data they collect and generate in their respective businesses. If we are unable to integrate or sell such data in our other products and services, we will not be able to fully realize the business synergies we anticipate from these acquisitions. Several pre-existing customers of Chrome and ALG are also competitors or affiliates of competitors of ours. Some of these customers may elect to find alternative vendors instead of doing business with an affiliate of a competitor. For example, Chrome is party to a contract with General Motors Corporation, an affiliate of General Motors Acceptance Corporation, which has an ownership interest in RouteOne, that expires in 2006. For the year ended December 31, 2004 and the six months ended June 30, 2005, Chrome generated \$6.5 million and \$3.1 million, respectively, in revenue from General Motors Corporation pursuant to this contract. There can be no assurance that General Motors will renew this contract upon its expiration. Failure to successfully integrate the acquisitions of Chrome, NAT, ALG or any future acquisitions we may make, may have a material adverse effect on our business, prospects, financial condition and results of operations.

***Restrictive covenants in our credit facilities may restrict our ability to pursue our business strategies.***

Our credit facilities contain restrictive covenants that limit our ability and our existing or future subsidiaries abilities, among other things, to:

access our, or our existing or future subsidiaries', cash flow and value and, therefore, to pay interest and/or principal on our other indebtedness or to pay dividends on our common stock;

incur additional indebtedness;

issue preferred stock;

pay dividends or make distributions in respect of our, or our existing or future subsidiaries', capital stock or to make certain other restricted payments or investments;

sell assets, including our capital stock;

enter into sale and leaseback transactions;

agree to payment restrictions;

consolidate, merge, sell or otherwise dispose of all or substantially all of our or the applicable subsidiary's assets;

enter into transactions with our or the applicable subsidiary's affiliates;

incur liens; and

designate any of our, or the applicable subsidiary s, future subsidiaries as unrestricted subsidiaries.

In addition, our credit facilities include other and more restrictive covenants and prohibit our subsidiaries from prepaying our other indebtedness while indebtedness under our credit facilities is outstanding. The

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agreements governing our credit facilities also require us and our subsidiaries to achieve specified financial and operating results and maintain compliance with specified financial ratios on a consolidated basis. Our and our subsidiaries' ability to comply with these ratios may be affected by events beyond our control.

The restrictions contained in the agreements governing our credit facilities could limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans and adversely affect our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these restrictive covenants or our inability to comply with the required financial ratios could result in a default under the agreements governing our credit facilities. If a default occurs, the lenders under our credit facilities may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable or prevent our subsidiaries from making distributions to us in order for us to make payments on our indebtedness, either of which could result in an event of default under such indebtedness. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under our credit facilities will also have the right to proceed against the collateral, including our available cash, granted to them to secure the indebtedness. If the indebtedness under our credit facilities were to be accelerated, we can make no assurances that our assets would be sufficient to repay in full that indebtedness and our other indebtedness. See Description of Our Credit Facilities.

***We are dependent on our key management, direct sales force and technical personnel for continued success.***

We have grown significantly in recent years, and our management remains concentrated in a small number of key employees. Our future success depends to a significant extent on our executive officers and key employees, including members of our direct sales force and technology staff, such as our software developers and other senior technical personnel. We rely primarily on our direct sales force to sell subscription products and services to automotive dealers. We may need to hire additional sales, customer service, integration and training personnel in the near-term and beyond if we are to achieve revenue growth in the future. The loss of the services of any of these individuals or group of individuals could have a material adverse effect on our business, prospects, financial condition and results of operations.

Competition for qualified personnel in the technology industry is intense and we compete for these personnel with other technology companies that have greater financial and other resources than we do. Our future success will depend in large part on our ability to attract, retain and motivate highly qualified personnel, and there can be no assurance that we will be able to do so. Any difficulty in hiring needed personnel could have a material adverse effect on our business, prospects, financial condition and results of operations.

***If we fail to effectively manage our growth, our financial results could be adversely affected.***

We have expanded our operations rapidly in recent years. For example, net revenue increased from \$11.7 million for the year ended December 31, 2002 to \$38.7 million for the year ended December 31, 2003 and \$70.0 million for the year ended December 31, 2004. Our growth may place a strain on our management team, information systems and other resources. Our ability to successfully offer products and services and implement our business plan requires adequate information systems and resources and oversight from our senior management. We will need to continue to improve our financial and managerial controls, reporting systems and procedures as we continue to grow and expand our business. As we grow, we must also continue to hire, train, supervise and manage new employees. We may not be able to hire, train, supervise and manage sufficient personnel or develop management and operating systems to manage our expansion effectively. If we are unable to manage our growth, our business, prospects, financial condition and results of operations could be adversely affected.

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***Claims that we or our technologies infringe upon the intellectual property or other proprietary rights of a third party may require us to incur significant costs, enter into royalty or licensing agreements or develop or license substitute technology.***

We may in the future be subject to claims that our technologies in our products and services infringe upon the intellectual property or other proprietary rights of a third party. In addition, the vendors providing us with technology that we use in our own technology could become subject to similar infringement claims. Although we believe that our products and services do not infringe any intellectual property or other proprietary rights, we cannot assure you that our products and services do not, or that they will not in the future, infringe intellectual property or other proprietary rights held by others. Any claims of infringement could cause us to incur substantial costs defending against the claim, even if the claim is without merit, and could distract our management from our business. Moreover, any settlement or adverse judgment resulting from the claim could require us to pay substantial amounts, or obtain a license to continue to use the products and services that is the subject of the claim, and/or otherwise restrict or prohibit our use of the technology. There can be no assurance that we would be able to obtain a license on commercially reasonable terms from the third party asserting any particular claim, if at all, that we would be able to successfully develop alternative technology on a timely basis, if at all, or that we would be able to obtain a license from another provider of suitable alternative technology to permit us to continue offering, and our customers to continue using, the products and services. In addition, we generally provide in our customer agreements for certain products and services that we will indemnify our customers against third-party infringement claims relating to technology we provide to those customers, which could obligate us to pay damages if the products and services were found to be infringing. Infringement claims asserted against us, our vendors or our customers may have a material adverse effect on our business, prospects, financial condition and results of operations.

***We may need additional capital in the future, which may not be available to us, and if we raise additional capital, it may dilute your ownership in us.***

We may need to raise additional funds through public or private debt or equity financings in order to meet various objectives, such as:

acquiring businesses, technologies, products and services;

taking advantage of growth opportunities, including more rapid expansion;

making capital improvements to increase our capacity;

developing new services or products; and

responding to competitive pressures.

Any debt incurred by us could impair our ability to obtain additional financing for working capital, capital expenditures or further acquisitions. Covenants governing any debt we incur would likely restrict our ability to take specific actions, including our ability to pay dividends or distributions on, or redeem or repurchase, our capital stock, enter into transactions with affiliates, merge, consolidate or sell our assets or make capital expenditure investments. In addition, the use of a substantial portion of the cash generated by our operations to cover debt service obligations and any security interests we grant on our assets could limit our financial and business flexibility.

Any additional capital raised through the sale of equity or convertible debt securities may dilute your ownership percentage in us. Furthermore, any additional debt or equity financing we may need may not be available on terms favorable to us, or at all. If future financing is not available or is not available on acceptable terms, we may not be able to raise additional capital, which could significantly limit our ability to implement our business plan. In addition, we may issue securities, including debt securities, that may have rights, preferences and privileges senior to our common stock.

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***Our future success depends substantially on continued growth in the use of the Internet by automotive dealers and the indirect automotive finance industry.***

The Internet is a relatively new commercial marketplace for automotive dealers, particularly for their finance and insurance department managers, and may not continue to grow. The market for web-based automotive finance is rapidly evolving and the ultimate demand for and market acceptance of web-based automotive finance remains uncertain. Market acceptance of Internet automotive financing depends on financing sources and dealers willingness to use the Internet for general commercial and financial services transactions. Other critical issues concerning the commercial use of the Internet, including reliability, cost, ease of use and access and quality of service, may also impact the growth of Internet use by financing sources and dealers. Consequently, web-based automotive financing may not become as widely accepted as traditional methods of financing and electronic contracting may not become as widely accepted as paper contracting. In either case our business, prospects, financial condition and results of operations could be materially adversely affected. If Internet use by automotive dealers and financing sources does not continue to grow, dealers may revert to traditional methods of communication with financing sources, such as the fax machine, and thus, our business, prospects, financial condition and results of operations could be materially adversely affected.

Additionally, to the extent the Internet's technical infrastructure or security concerns adversely affect its growth, our business, prospects, financial condition and results of operations could be materially adversely affected. The Internet could also lose its commercial viability due to delays in the development or adoption of new standards and protocols required to handle increased levels of activity or due to increased governmental regulation. Changes in or insufficient availability of telecommunication services could produce slower response times and adversely affect Internet use.

**Risks Relating to this Offering**

***Risks relating to transactions and relationships with certain of our stockholders, the underwriters and their respective affiliates.***

*We are dependent on certain of our financing source customers. Several affiliates of these financing source customers are selling stockholders and an affiliate of one such selling stockholder is acting as an underwriter in this offering.*

We have historically earned a substantial portion of our total revenue from certain financing sources, affiliates of which are selling stockholders in this offering. See Risk Factors Risks Relating to Our Business We are dependent on several of our customers that are affiliates of our stockholders. In addition, we rely on our financing source customers to receive credit application and electronic contracting data from automotive dealers through our network. Five of these stockholders ACF Investment Corp., Capital One Auto Finance, Inc., J.P. Morgan Partners (23A SBIC), LLC, Wells Fargo Small Business Investment Company, Inc. and WFS Web Investments which are affiliates of certain of our financing source customers, have a right to appoint a member of our board of directors that will terminate upon the completion of this offering. None of these financing source customers are contractually or otherwise obligated to continue to use our network exclusively. Reduced involvement in our affairs by these financing sources after this offering due to their affiliates loss of a right to designate a member of our board of directors, or the reduction in the level of their affiliates equity ownership as a result of these affiliates selling shares of our common stock either as a part of or following the completion of this offering, may cause them to reduce or discontinue their use of our network and other services. This could negatively impact the use of our network by our other financing source and dealer customers. The loss of, or a significant reduction of, participation in our network by these financing source customers may have a material adverse effect on our business, prospects, financial condition and results of operations.

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*Several of our financing source customers or their affiliates will beneficially own, in the aggregate, a significant portion of our outstanding common stock upon the completion of this offering. These customers may have strategic interests that differ from those of our other stockholders.*

Upon completion of this offering, several of our financing source customers or their affiliates will beneficially own, in the aggregate, approximately % of our outstanding common stock (or approximately % of our common stock if the underwriters over-allotment option to purchase additional shares is exercised in full). These financing source customers may have strategic interests that are different from ours and those of our other stockholders. For example, in their capacity as financing source customers, they would presumably favor lower credit application and electronic contracting fees. Furthermore, as participants, or potential participants, of competitive networks, they may decide to direct some or all of their business to one or more of our competitors. While these actions, if taken, would presumably reduce our revenue and our market capitalization, and, therefore, the value of their ownership position in us, there can be no assurance that they will not decide to take such actions for their own strategic or other reasons.

We are not a party to any voting agreement with any of our stockholders, other than voting agreements that terminate upon the completion of this offering, and are not aware of any voting agreements among our financing source customers; however, they may enter into a voting agreement in the future or otherwise vote in a similar manner. To the extent that all of these financing source customers or their affiliates vote similarly, they will be able to determine decisions requiring approval by our stockholders. As a result, they or their affiliates may be able to:

control the composition of our board of directors through their ability to nominate directors and vote their shares to elect them;

control our management and policies; and

determine the outcome of significant corporate transactions, including changes in control that may be beneficial to other stockholders.

As a result of these factors, we may be less likely to enter into relationships with competitors of our stockholders, which could impede our ability to expand our business and strengthen our competitive position. Furthermore, these factors could also limit stockholder value by preventing a change in control or sale of us.

*Our financing source customers, including our stockholders, may elect to use competing third party services, either in addition to or instead of our network.*

Our financing source customers continue to receive credit applications and purchase retail installment sales and lease contracts directly from their dealer customers through traditional indirect financing methods, including via facsimile and other electronic means of communication, in addition to using our network. Many of our financing source customers are involved in other ventures as participants and/or as equity holders, and such ventures or newly created ventures may compete with us and our network now and in the future. Continued use of alternative methods to ours by these financing source customers may have a material adverse effect on our business, prospects, financial condition and results of operations.

*A license agreement we have with a financing source customer that is also an affiliate of an underwriter in this offering restricts our ability to utilize the technology licensed under this agreement beyond the automotive finance industry.*

An affiliate of JPMorgan claims certain proprietary rights with respect to certain limited technology developed as of February 1, 2001. We have an exclusive, perpetual, irrevocable, royalty-free license throughout the world to use this technology in connection with the sale, leasing and financing of automobiles only, and the right to market, distribute and sub-license this technology solely to automotive dealerships, consumers and financing sources in connection with the sale, leasing and financing of automobiles only. The license agreement defines automobile as a passenger vehicle or light truck, snowmobiles, recreational vehicles, motorcycles, boats and other watercraft and commercial vehicles and excludes manufactured homes. We are limited in our ability to utilize the licensed technology beyond the automotive finance industry.





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*We intend to use a portion of the net proceeds of this offering to repay the term loan under our credit facilities entered into with several affiliates of the underwriters.*

Prior to the completion of this offering, an affiliate of JPMorgan owned more than 10% of our outstanding equity securities. In addition, we expect to use the net proceeds of this offering to repay the term loan under our credit facilities entered into with several affiliates of the underwriters. Therefore, these affiliates will receive a portion of the proceeds to us from this offering. See *Use of Proceeds*. Accordingly, this offering is being made in compliance with Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc. William Blair & Company, L.L.C. ( Blair ) has assumed the responsibilities of acting as a qualified independent underwriter. In such role, Blair has performed a due diligence investigation of us and participated in the preparation of this prospectus and the registration statement. The offering price of the shares of common stock will be no higher than the price recommended by Blair. See *Underwriting*.

***The price of our common stock may be volatile.***

The trading price of our common stock following this offering may fluctuate substantially. The price of the common stock that will prevail in the market after this offering may be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and may not be related to our operating performance. The fluctuations could cause you to lose part or all of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include, but are not limited to:

price and volume fluctuations in the overall stock market from time to time;

actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of securities analysts;

trends in the automotive and automotive finance industries;

major catastrophic events;

loss of one or more significant customers or strategic alliances;

significant acquisitions, strategic alliances, joint ventures or capital commitments by us or our competitors;

legal or regulatory matters, including legal decisions affecting the indirect automotive finance industry or involving the enforceability or order of priority of security interests of electronic chattel paper affecting our electronic contracting product; and

additions or departures of key employees.

For example, it has been reported that hurricane Katrina likely damaged more than 200 dealers in Louisiana, Mississippi and Alabama, according to estimates by dealer associations in those states. This damage to dealerships, combined with the powerful effect that hurricane Katrina may have on the local and national economy (including the possible impact on gasoline prices), may reduce the public's desire and ability to purchase automobiles, and therefore reduce the number of credit applications transmitted through our network.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may therefore be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

***If there are substantial sales of our common stock, our stock price could decline.***

If our stockholders sell large numbers of shares of our common stock or the public market perceives that stockholders might sell shares of common stock, the market price of our common stock could decline significantly. All of the shares being sold in this offering will be freely tradable without restriction or further



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registration under the U.S. federal securities laws, unless purchased by our affiliates as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the Securities Act).

As of the date of this prospectus, after giving effect to this offering, we will have outstanding \_\_\_\_\_ shares of common stock. The shares of common stock being sold in this offering may be resold in the public market immediately. The remaining \_\_\_\_\_ shares, or \_\_\_\_\_ % of our outstanding shares after this offering, are currently restricted as a result of the application of securities laws or by virtue of lock-up agreements entered into with the underwriters in connection with this offering, but may be sold in the near future as set forth below.

**Number of Shares and % of Total Outstanding**

**Date Available for Sale into Public Market**

shares, or %

Beginning 90 days after the date of this prospectus, depending on the applicable requirements of the federal securities laws.

shares, or %

Beginning 180 days after the date of this prospectus due to lock-up agreements between the holders of these shares and the underwriters. However, Lehman Brothers may waive the provisions of these lock-up agreements and allow these stockholders to sell their shares prior to the expiration of the 180-day lock-up period.

Upon completion of this offering, subject to certain conditions, holders of an aggregate of approximately \_\_\_\_\_ shares of common stock will have rights with respect to the registration of these shares of common stock with the Securities and Exchange Commission. If we register their shares of common stock following the expiration of their lock-up agreements entered into with the underwriters, they may sell these shares in the public market.

Promptly following completion of this offering, we intend to register approximately 5,729,083 shares of common stock that are authorized for issuance under our stock plans. As of August 31, 2005, 1,285,610 shares were issuable upon exercise of outstanding options. Additionally, we intend to register approximately 1,500,000 shares of common stock that are authorized for issuance under our employee stock purchase plan. Once we register the shares authorized for issuance under our stock plans, they may be freely sold in the public market upon issuance, subject to the lock-up agreements referred to above and the restrictions imposed on our affiliates under Rule 144 under the Securities Act.

***If you purchase shares of our common stock in this offering, you will experience immediate and substantial dilution in the book value of your shares.***

The assumed initial public offering price is substantially higher than the net tangible book value per share of our common stock. If you purchase shares of our common stock in this offering, you will pay a price per share that substantially exceeds the net tangible book value per share of our common stock. Investors purchasing common stock in this offering will incur immediate and substantial dilution of \$ \_\_\_\_\_ per share, based on an assumed initial public offering price of \$ \_\_\_\_\_ per share. Further, investors purchasing common stock in this offering will contribute approximately \_\_\_\_\_ % of the total amount invested by stockholders since our inception, but will own only approximately \_\_\_\_\_ % of the shares of common stock outstanding. This dilution is due in large part to the fact that our earlier investors paid substantially less than the price of the shares being sold in this offering when they purchased their shares of our capital stock. You will experience additional dilution upon the exercise of stock options to purchase common stock and the issuance of restricted stock to our employees under our stock plans. In addition, we may utilize our common stock as consideration to fund future acquisitions, which could cause you to experience further dilution. See Dilution.

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***We have broad discretion in the use of a significant portion of the proceeds of this offering.***

A portion of the net proceeds that we receive from this offering will be used to repay the term loan under our credit facilities and the remainder, or excess proceeds, as determined by management in its sole discretion, will be used for general corporate purposes including working capital and capital expenditures, as well as for the possible acquisition of or investment in, companies, technologies, products, services or assets that we believe are complementary to our current or future business. However, we have not determined the specific allocation of the excess proceeds among the various uses described in this prospectus. Our management will have broad discretion over the use and investment of the excess proceeds, and, accordingly, investors in this offering will need to rely upon the judgment of our management with respect to the use of the excess proceeds, with only limited information concerning management's specific intentions. See Use of Proceeds.

***Insiders will continue to have substantial control over us after this offering and could limit your ability to influence the outcomes of key transactions, including a change of control.***

Our stockholders that own more than 5% of our equity securities, directors and executive officers, and entities affiliated with them, beneficially owned approximately 92.0% of the outstanding shares of our equity securities as of August 31, 2005, and will beneficially own approximately % of the outstanding shares of our common stock after this offering. Accordingly, these principal stockholders, directors and executive officers, and entities affiliated with them, if acting together, may be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders 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.

***The requirements of being a public company may strain our resources and distract management.***

As a public company, we will incur significant legal, accounting, corporate governance and other expenses that we did not incur as a private company. We will be subject to the requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), the NASDAQ Stock Market and other rules and regulations. These rules and regulations may place a strain on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. Sarbanes-Oxley requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We currently do not have an internal audit group. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. As a result, management's attention may be diverted from other business concerns, which could have a material adverse effect on our business, prospects, financial condition and results of operations. In addition, we will need to hire additional legal and accounting staff with appropriate public company experience and technical accounting knowledge and we cannot assure you that we will be able to do so in a timely fashion.

These rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

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***Some provisions in our certificate of incorporation and by-laws may deter third parties from acquiring us.***

Our fifth amended and restated certificate of incorporation and our amended and restated by-laws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors, including, but not limited to, the following:

our board of directors is classified into three classes, each of which serves for a staggered three-year term;

only our board of directors may call special meetings of our stockholders;

we have authorized undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;

our stockholders have only limited rights to amend our by-laws; and

we require advance notice for stockholder proposals.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions you desire. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team.

In addition, we are subject to Section 203 of the Delaware General Corporation Law which, subject to certain exceptions, prohibits business combinations between a publicly-held Delaware corporation and an interested stockholder, which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation's voting stock, for a three-year period following the date that such stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring or preventing a change in control of our company that our stockholders might consider to be in their best interests.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terms such as anticipates, believes, continue, could, estimates, expects, intends, may, plans, potential, predicts or the negative of such terms or other comparable terms or similar expressions. These statements are only predictions. You should not place undue reliance on these forward-looking statements. Actual events or results may differ materially from the plans. In evaluating these statements, you should specifically consider various important factors, including the risks outlined under Risk Factors. These factors may cause our actual results to differ materially from any forward-looking statement.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, investments or strategic alliances we may make. Except as may be required under the federal securities laws, we are under no duty to update any of the forward-looking statements after the date of this prospectus to conform such statements to actual results.

**MARKET AND INDUSTRY DATA**

In this prospectus, we rely on and refer to information and statistics regarding the industries and the markets in which we compete. We obtained this information and these statistics from various third-party sources. We believe that these sources and the estimates contained therein are reliable, but have not independently verified them. Such information involves risks and uncertainties and is subject to change based on various factors, including those discussed under the caption Risk Factors in this prospectus.

In this prospectus, we define the top 20 independent financing sources as those having originated the highest total number of indirect finance and lease contracts, based on data collected by AutoCount, Inc. from most of the state departments of motor vehicles. We define major credit bureaus or major credit reporting agencies to be the three nationwide credit reporting agencies that are required by the FCRA to provide consumers with free copies of their credit reports once every twelve months. We calculate our percentage of franchised dealers based on information published by NADA. NADA has reported that as of December 31, 2004, there were 21,640 franchised dealers in the United States. As of August 31, 2005, we had 21,091 active dealers on our network, 2,665 of which have indicated to us that they are independent and the remaining 18,426 of which we treat as being franchised.

In this prospectus, we base our claim of industry leadership on the fact that we have established a network of active relationships with over 20,000 automotive dealers, including over 80% of all franchised dealers; over 140 financing sources, including the 20 largest independent financing sources in the United States and eight captive financing sources; and a number of other service and information providers to the automotive retail industry. We believe no other competitor has a more comprehensive network of dealers and financing sources.

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**REGISTERED TRADEMARKS**

We own federal registrations for several trademarks and service marks, including Dealer Track®, ALG®, Automotive Lease Guide®, The Chrome Standard®, Credit Connection®, CreditOnline® and PC CARBOOK®. We have applied for U.S. federal registrations for several marks and continue to register other trademarks and service marks as they are created. We believe we have the rights to trademarks and service marks that we use in conjunction with the operation of our business. This prospectus contains trade names, trademarks and service marks of other companies. These trade names, trademarks and service marks appearing in this prospectus are the property of their respective holders. We do not intend our use or display of other parties' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of, these other parties.

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**USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of the primary shares of common stock in this offering will be approximately \$            million, assuming an initial public offering price of \$            per share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise the over-allotment option, in full, we estimate that the net proceeds to us from such exercise will be approximately \$            million. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

On April 15, 2005, we and one of our subsidiaries, DealerTrack, Inc., entered into credit facilities comprised of a \$25.0 million revolving credit facility and a \$25.0 million term loan facility. We used the proceeds of the credit facilities to fund a portion of the Chrome, NAT and ALG acquisitions in May 2005. We are required to use up to 25% of the net offering proceeds to repay the \$25.0 million term loan facility and will use the remainder for general corporate purposes, which may include strategic alliances or acquisitions. Pending final use, we may temporarily repay borrowings under our revolving credit facility. As of August 31, 2005, we had \$18.5 million outstanding under our revolving credit facility. The revolving credit facility matures on April 15, 2008, and as of August 31, 2005, bore an interest rate of 5.0625%. The term loan facility matures on April 15, 2010, and as of August 31, 2005, bore an interest rate of 5.0625%. For additional information on our credit facilities, see Description of Our Credit Facilities.

Pending use of the remaining net proceeds as described above, we intend to invest the net proceeds of this offering in short-term, marketable securities.

The affiliates of the underwriters that are lenders under our credit facilities will receive a portion of the proceeds to us from this offering, which will be used to repay the term loan in an amount proportional to each lender's respective outstanding loan amounts under the term loan. An affiliate of Lehman Brothers will receive 40%, an affiliate of J.P. Morgan will receive 40% and an affiliate of Wachovia will receive 20%, respectively, of the up to 25% of the net offering proceeds used to repay the \$25.0 million term loan under our credit facilities. These affiliates will also receive any net offering proceeds used to repay borrowings under our revolving credit facility. See Underwriting.

**DIVIDEND POLICY**

We have never declared or paid any cash dividends on our common stock. We currently intend to retain earnings, if any, to finance the growth and development of our business and we do not expect to pay any cash dividends on our common stock in the foreseeable future. Payment of future dividends, if any, will be at the discretion of our board of directors and will depend on our financial condition, results of operations, general business condition, restrictions contained in current or future debt agreements and other factors our board of directors deems relevant. The terms of our credit facilities also restrict us from paying cash dividends on our common stock under certain circumstances. See Description of Our Credit Facilities.



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

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2005 on:

an actual basis; and

a pro forma basis, as adjusted to reflect: (i) the issuance and sale of shares of common stock upon completion of this offering at an assumed initial public offering price of \$ per share; (ii) the automatic conversion of our redeemable convertible participating preferred stock into an aggregate of 26,397,589 shares of common stock upon the completion of this offering; (iii) the filing of our fifth amended and restated certificate of incorporation to increase the number of our authorized capital stock to 175 million shares of common stock and 10 million shares of preferred stock and (iv) the application of the net proceeds of this offering to repay borrowings under the term loan of our credit facility.

You should read the following table together with Unaudited Combined Condensed Pro Forma Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	<b>As of June 30, 2005</b>	
	<b>(unaudited)</b>	
	<b>Actual</b>	<b>Pro Forma, as Adjusted</b>
	<b>(In thousands, except share and per share data)</b>	
Cash and cash equivalents	\$ 5,428	\$
Total debt:		
Credit facilities:		
Revolving credit facility <sup>(1)</sup>	18,500	
Term loan facility	25,000	
Capital lease obligations	667	
Total debt	44,167	
Redeemable convertible participating preferred stock <sup>(2)</sup>	72,226	
Stockholders' (deficit) equity:		
Preferred stock, par value \$0.01 per share; no shares authorized and outstanding actual; no shares authorized and outstanding pro forma; 10,000,000 shares authorized, no shares outstanding pro forma, as adjusted		
Common stock, par value \$0.01 per share; 30,000,000 shares authorized, 670,917 outstanding actual; 30,000,000 shares authorized, 670,917 outstanding pro forma; 175,000,000 shares authorized and shares outstanding, pro forma, as adjusted		7
Additional paid-in-capital	12,779	
Deferred stock-based compensation	(5,853)	
Accumulated other comprehensive income	79	

Accumulated deficit	(22,170)		
Total stockholders (deficit) equity	(15,158)		
Total capitalization	\$ 101,235	\$	

(1) Our revolving credit facility provides for borrowings of up to \$25.0 million.

(2) Consists of our series A preferred stock, series A-1 preferred stock, series A-2 preferred stock, series B preferred stock, series B-1 preferred stock, series C preferred stock, series C-1 preferred stock, series C-2 preferred stock and series C-3 preferred stock.

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**DILUTION**

As of June 30, 2005, our net tangible deficit was \$(30.4) million, or \$(53.65) per share. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding before giving effect to this offering and the conversion of all outstanding shares of our redeemable convertible participating preferred stock.

After giving effect to our sale of \_\_\_\_\_ primary shares of common stock in this offering, at an assumed initial public offering price of \$ \_\_\_\_\_ per share (the mid-point of the price range set forth on the cover page of this prospectus), less estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the anticipated application of the proceeds from the offering, our net tangible book value as of June 30, 2005 would have been approximately \$ \_\_\_\_\_, or \$ \_\_\_\_\_ per share. This represents an immediate increase in net tangible book value per share of \$ \_\_\_\_\_ to existing stockholders and immediate dilution in net tangible book value of \$ \_\_\_\_\_ per share to new investors purchasing our common stock in the offering at the assumed initial public offering price. Dilution per share to new investors is determined by subtracting net tangible book value per share after this offering from the initial public offering price per share paid by a new investor. The following table illustrates the per share dilution without giving effect to the over-allotment option granted to the underwriters:

	<b>As of June 30, 2005</b>	<b>Pro Forma, as Adjusted</b>
Assumed initial public offering price per share		\$
Net tangible deficit per share as of June 30, 2005	\$ (53.65)	
Increase in net tangible book value per share attributable to new investors purchasing shares in this offering		
Increase in net tangible book value per share attributable to conversion of all outstanding shares of redeemable convertible participating preferred stock		
Net tangible book value per share after the offering		
Dilution in net tangible book value per share to new investors		\$

If the underwriters exercise their over-allotment option in full, the net tangible book value per share after the offering would be \$ \_\_\_\_\_ per share, the increase in net tangible book value per share to existing stockholders would be \$ \_\_\_\_\_ per share and the dilution in net tangible book value to new investors would be \$ \_\_\_\_\_ per share.

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The following table gives effect to the conversion of all outstanding shares of redeemable convertible participating preferred stock into shares of common stock and summarizes, as of August 31, 2005, the differences between the number of shares of common stock purchased from us, the total cash consideration paid and the average price per share paid by our existing stockholders and by new investors in this offering. We have used the initial public offering price of \$ \_\_\_\_\_ per share (the mid-point of the price range set forth on the cover page of this prospectus), and have not deducted the underwriting discounts and commissions and other expenses of the offering:

	Shares Purchased		Total Cash Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders	26,397,589	%	\$	%	\$
New investors					
<b>Total</b>		100%	\$	100%	\$

The share data in the table above are based on shares outstanding as of August 31, 2005 and excludes:

3,613,867 shares of common stock issuable upon exercise of outstanding stock options under our 2001 Stock Option Plan and 2005 Incentive Award Plan at a weighted average exercise price of \$6.19 per share, of which 1,285,610 options were exercisable; and

2,115,216 shares of common stock reserved for future issuance under our 2005 Incentive Award Plan.

If the underwriters' over-allotment option is exercised in full, the following will occur:

the percentage of shares of common stock held by existing stockholders will decrease to approximately \_\_\_\_\_ % of the total number of shares of our common stock outstanding after this offering; and

the number of shares held by new investors will be increased to \_\_\_\_\_ or approximately \_\_\_\_\_ % of the total number of shares of our common stock outstanding after this offering.

**Table of Contents****UNAUDITED COMBINED CONDENSED PRO FORMA FINANCIAL INFORMATION**

The following unaudited combined condensed pro forma financial information has been derived by the application of pro forma adjustments to the historical consolidated financial statements of DealerTrack Holdings, Inc. and its subsidiaries included elsewhere in this prospectus. The unaudited pro forma statement of operations for the six months ended June 30, 2005 gives pro forma effect to the Chrome, NAT and ALG acquisitions, and the consummation of our credit facilities, as if each had occurred on January 1, 2004. The unaudited combined condensed pro forma statement of operations for the year ended December 31, 2004 gives pro forma effect to the LML, Chrome, NAT and ALG acquisitions, and the consummation of our credit facilities, as if each had occurred on January 1, 2004. The unaudited combined condensed pro forma balance sheet, as adjusted, as of June 30, 2005 gives pro forma effect to this offering, including the application of proceeds therefrom, as if each occurred on June 30, 2005. The unaudited combined condensed pro forma statement of operations, as adjusted, for the fiscal year ended December 31, 2004 gives pro forma effect to the LML, Chrome, NAT and ALG acquisitions, the consummation of our credit facilities and this offering, including the application of proceeds therefrom (the Transactions), as if each had occurred on January 1, 2004. The unaudited combined condensed pro forma statement of operations, as adjusted, for the six months ended June 30, 2005 gives pro forma effect to the Chrome, NAT and ALG acquisitions, the consummation of our credit facilities and this offering, including the application of proceeds therefrom, as if each had occurred on January 1, 2004. We collectively refer to the adjustments relating to the LML, Chrome, NAT and ALG acquisitions, including the financing thereof, as the case may be, as the Acquisition Adjustments and the adjustments relating to this offering, including the use of proceeds therefrom, as the Offering Adjustments. The pro forma effect of the acquisition of GO BIG! Software, Inc. (Go Big) has not been included in the unaudited combined condensed pro forma financial information as it is not considered a significant acquisition. The adjustments, which are based upon available information and upon assumptions that management believes to be reasonable, are described in the accompanying notes. The unaudited combined condensed pro forma financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Transactions actually been consummated on the dates indicated and does not purport to be indicative of results of operations as of any future date or for any future period.

The unaudited combined condensed pro forma financial information reflects that the acquisitions were recorded under the purchase method of accounting. Under the purchase method of accounting, the total purchase price, including direct acquisition costs, is allocated to the net assets acquired based upon estimates of the fair value of those assets and liabilities. Any excess purchase price is allocated to goodwill. The preliminary allocation of the purchase price of the Chrome, NAT and ALG acquisitions was based upon an estimate of the fair value of the acquired assets and liabilities in accordance with Statement of Financial Accounting Standard (SFAS) No. 141, *Business Combinations*. Currently, we are completing a fair value assessment of the acquired assets, liabilities and identifiable intangibles for each of Chrome, NAT and ALG and at the conclusion of the valuations, the purchase prices will be allocated accordingly.

You should read our unaudited combined condensed pro forma financial information and the related notes hereto in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, our historical consolidated financial statements and the related notes thereto, the historical consolidated financial statements of LML and the related notes thereto, the historical financial statements of Chrome and the related notes thereto, the historical financial statements of NAT and the related notes thereto and the historical combined financial statements of ALG and the related notes thereto, included elsewhere in this prospectus.

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**UNAUDITED COMBINED CONDENSED PRO FORMA BALANCE SHEET**  
**As of June 30, 2005**

	<b>DealerTrack</b>	<b>Pro Forma, as Adjusted</b>	
	<b>Holdings, Inc.<sup>(1)</sup></b>	<b>Offering</b>	<b>Combined,</b>
		<b>Adjustments</b>	<b>as</b>
			<b>Adjusted</b>
<b>(Dollars in thousands)</b>			
Current assets	\$ 33,791	\$	\$
Property and equipment, net and software and website development costs, net	10,477		
Intangibles, net	74,993		
Goodwill	12,508		
Other assets	2,228		
 Total assets	 \$ 133,997	 \$	 \$
<b>LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY</b>			
Current liabilities	\$ 29,009	\$	\$
Long-term liabilities	47,920		
Total redeemable convertible participating preferred stock	72,226		
Total stockholders (deficit) equity	(15,158)		
 Total liabilities, redeemable convertible participating preferred stock and stockholders (deficit) equity	 \$ 133,997	 \$	 \$

(1) Derived from the unaudited consolidated balance sheet of DealerTrack Holdings, Inc., as of June 30, 2005.  
See accompanying notes to the unaudited combined condensed pro forma balance sheet.

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**UNAUDITED COMBINED CONDENSED PRO FORMA STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2004**

	<b>DealerTrack Holdings, Inc.<sup>(2)</sup></b>	<b>LML<sup>(3)</sup></b>	<b>Chrome<sup>(3)</sup></b>	<b>NAT<sup>(3)</sup></b>	<b>ALG<sup>(3)</sup></b>	<b>Acquisition Adjustments<sup>(4)</sup></b>	<b>Pro Forma Combined Adjustments</b>	<b>Offering Adjustments</b>	<b>Pro Forma, as Adjusted</b>	<b>Combined, as Adjusted</b>
<b>(Dollars in thousands, except per share data)</b>										
Net revenue	\$ 70,044	\$ 18,509	\$ 12,769	\$ 3,897	\$ 7,829	\$ (15,216) <sup>(5)</sup>	\$	\$	\$	\$
Cost of revenue	29,665	3,047	2,214	2,442	3,127	20,717 <sup>(6)</sup>	61,212			
Product development	2,256		2,129	656			5,041			
Selling, general and administrative	30,401	11,619	6,940	3,347	2,388	(1,547) <sup>(7)</sup>	53,148			
Interest and other income (expense), net	(61)	(3,109)	(8)	(86)	(76)	523 <sup>(8)</sup>	(2,817)			
Income (loss) before provision for income taxes	7,661	734	1,478	(2,634)	2,238	(33,863)	(24,386)			
Benefit (provision) for income taxes	3,592		(34)	(1)		(3,557) <sup>(13)</sup>				
Net income (loss)	\$ 11,253	\$ 734	\$ 1,444	\$ (2,635)	\$ 2,238	\$ (37,420)	\$ (24,386)	\$	\$	\$
Basic net income (loss) per share applicable to common stockholders	\$ 0.45						\$ 606.33 <sup>(14)</sup>			\$
Weighted average shares outstanding	40,219						40,219 <sup>(14)</sup>			
Diluted net income (loss) per share applicable to	\$ 0.02 <sup>(1)</sup>						\$ 606.33 <sup>(14)</sup>			\$

common  
stockholders

Weighted  
average shares  
outstanding  
assuming  
dilution

1,025,248

40,219 <sup>(14)</sup>

See accompanying notes to the unaudited combined condensed pro forma statements of operations.



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**UNAUDITED COMBINED CONDENSED PRO FORMA STATEMENT OF OPERATIONS**  
**For the Six Months Ended June 30, 2005**

	DealerTrack Holdings, Inc. <sup>(2)</sup>		Chrome <sup>(3)</sup>		NAT <sup>(3)</sup>		ALG <sup>(3)</sup>		Acquisition Adjustments <sup>(4)</sup>		Pro Forma Combined	Pro Forma, as Adjusted		
											Offering Adjustments	Combined, as Adjusted		
<b>(Dollars in thousands, except per share data)</b>														
Net revenue	\$	51,921	\$	4,302		1,370	\$	3,028	\$	(330) <sup>(9)</sup>	\$	60,291	\$	\$
Cost of revenue		20,180		885		868		955		8,690 <sup>(10)</sup>		31,578		
Product development		2,084		934		365						3,383		
Selling, general and administrative		24,347		3,101		2,221		1,058		(814) <sup>(11)</sup>		29,913		
Interest and other income (expense), net		(286)		11		(17)		(33)		(1,074) <sup>(12)</sup>		(1,399)		
Income (loss) before provision for income taxes		5,024		(607)		(2,101)		982		(9,280)		(5,982)		
Provision for income taxes		(2,160)		(10)						2,170 <sup>(13)</sup>				
Net income (loss)	\$	2,864	\$	(617)		(2,101)	\$	982	\$	(7,110)		(5,982)	\$	
Basic net income (loss) per share applicable to common stockholders	\$	0.11										(10.54) <sup>(14)</sup>	\$	
Weighted average shares outstanding		567,302										567,302 <sup>(14)</sup>		
Diluted net income (loss) per share applicable to common stockholders	\$	0.06										(10.54) <sup>(14)</sup>	\$	
Weighted average shares outstanding assuming dilution		1,146,402										567,302 <sup>(14)</sup>		

See accompanying notes to the unaudited combined condensed pro forma statements of operations.

**Table of Contents****NOTES TO UNAUDITED COMBINED CONDENSED PRO FORMA  
STATEMENTS OF OPERATIONS****(Dollars in thousands, except where noted otherwise)**

(1) During the three months ended June 30, 2005, we determined that diluted net income per share applicable to common stockholders for the year ended December 31, 2004 was miscalculated. As a result, we have adjusted our diluted net income per share applicable to common stockholders calculation to \$0.02 per share from the previously reported \$0.00 per share. There was no impact on the calculation of basic net income per share applicable to common stockholders.

(2) Derived from the audited consolidated statement of operations for DealerTrack for the year ended December 31, 2004. Also, derived from the unaudited consolidated statement of operations for DealerTrack for the six months ended June 30, 2005.

(3) Derived from the audited consolidated statement of operations for LML for the seven months ended July 31, 2004, the audited statement of operations for Chrome for the year ended December 31, 2004, the audited statement of operations for NAT for the year ended December 31, 2004 and the audited combined statement of operations for ALG for the year ended December 31, 2004. Also, derived from the unaudited statement of operations for Chrome for the period of January 1, 2005 through May 9, 2005, the unaudited statement of operations for NAT for the period of January 1, 2005 through May 22, 2005 and the unaudited combined statement of operations for ALG for the period of January 1, 2005 through May 24, 2005.

(4) Our unaudited combined condensed pro forma statement of operations for the year ended December 31, 2004 is presented as if the LML acquisition had been completed on January 1, 2004. The unaudited combined condensed pro forma statement of operations for the year ended December 31, 2004 combines our results of operations and LML's for the seven months ended July 31, 2004, as the results of operations related to the assets we acquired and liabilities we assumed from LML for the period August 1, 2004 to December 31, 2004 are already in the DealerTrack results of operations.

On August 1, 2004, we acquired substantially all the assets and certain liabilities of LML. The aggregate purchase price was \$12.9 million (including direct acquisition costs of \$0.5 million) in cash. \$8.0 million of the purchase price (excluding direct acquisition costs) was payable at closing and the remaining payments of \$4.3 million are payable as follows: \$0.9 million, \$0.9 million, \$1.4 million and \$1.1 million are payable on the first, second, third and fourth anniversaries of the effective date, respectively. Under the terms of the purchase agreement, we have future payment obligations if certain contingency increases in dealer subscribers are met through July 2008. The additional purchase consideration, if any, will be recorded as additional goodwill on our consolidated balance sheet when the contingency is resolved. The LML acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being allocated to the assets acquired and liabilities assumed according to their estimated fair market values at the date of acquisition as follows:

Current assets	\$ 177
Property and equipment	183
Intangible assets	10,140
Goodwill	7,816
<b>Total assets acquired</b>	<b>18,316</b>
Total liabilities assumed	(5,420)
<b>Net assets acquired</b>	<b>\$ 12,896</b>

We allocated amounts to intangible assets and goodwill based on fair value appraisals, which break down as follows: \$7.2 million of the purchase price to customer contracts, \$1.7 million to purchased technology and \$1.2 million to a non-compete agreement. These intangibles are being amortized on a straight-line basis over two to

five years based on each intangible's estimated useful life. We also recorded \$7.8 million in goodwill,

**Table of Contents****NOTES TO UNAUDITED COMBINED CONDENSED PRO FORMA  
STATEMENTS OF OPERATIONS (Continued)**

which represents the remainder of the excess of the purchase price over the fair value of the net assets acquired.

On May 10, 2005, we acquired substantially all the assets and certain liabilities of Chrome for a purchase price of \$20.4 million (including direct acquisition costs of approximately \$0.4 million) in cash. For the year ended December 31, 2004, Chrome had revenue of \$12.8 million. The Chrome acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being preliminarily allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows:

Current assets	\$ 2,497
Property and equipment	900
Intangible assets	17,888
Total assets acquired	21,285
Total liabilities assumed	(859)
Net assets acquired	\$ 20,426

For the purposes of this pro forma presentation, the excess purchase price of \$17.9 million has been preliminarily allocated to identifiable intangibles (e.g. customer lists, non-competes and technology) with an average useful life of three years. This preliminary methodology is based upon our experience with previous acquisitions and our knowledge of the assets acquired. However, we are completing a fair value assessment, which is expected to be completed by December 31, 2005, of all of the acquired assets, liabilities and identifiable intangibles. At the conclusion of that assessment, the purchase price will be allocated accordingly. The final allocation may be materially different from the preliminary allocation. For every 5% of the excess purchase price that our final assessment allocates to goodwill rather than identifiable intangibles, amortization expense will be reduced by approximately \$0.3 million per annum. Separately, a change in the useful life per our final assessment from the estimated average three year life used in our preliminary allocation could result in a material change to intangible amortization expense. For purposes of preparing pro forma results herein, we have assumed that no purchase price is allocated to goodwill and accordingly the pro forma results assumes the maximum amount of amortization expense assuming a three-year useful life.

On May 23, 2005, we acquired substantially all the assets and certain liabilities of NAT. The purchase price was \$8.7 million (including direct acquisition costs of approximately \$0.3 million) in cash. For the year ended December 31, 2004, NAT had revenue of approximately \$3.9 million. The NAT acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being preliminarily allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows:

Current assets	\$ 490
Property and equipment	69
Intangible assets	8,254
Total assets acquired	8,813
Total liabilities assumed	(113)
Net assets acquired	\$ 8,700

For the purposes of this pro forma presentation, the excess purchase price of \$8.3 million has been preliminarily allocated to identifiable intangibles (e.g. customer lists, non-competes and technology) with an average useful life of three years. This preliminary methodology was based upon our experience with previous

**Table of Contents****NOTES TO UNAUDITED COMBINED CONDENSED PRO FORMA  
STATEMENTS OF OPERATIONS (Continued)**

acquisitions and our knowledge of the assets acquired. However, we are completing a fair value assessment, which is expected to be completed by December 31, 2005, of all of the acquired assets, liabilities and identifiable intangibles. At the conclusion of that assessment, the purchase price will be allocated accordingly. The final allocation may be materially different from the preliminary allocation. For every 5% of the excess purchase price that our final assessment allocates to goodwill rather than identifiable intangibles, amortization expense will be reduced by approximately \$0.1 million per annum. Separately, a change in the useful life per our final assessment from the estimated average three year life used in our preliminary allocation could result in a material change to intangible amortization expense. For purposes of preparing pro forma results herein, we have assumed that no purchase price is allocated to goodwill and accordingly the pro forma results assumes the maximum amount of amortization expense assuming a three-year useful life.

On May 25, 2005, we acquired substantially all the assets and certain liabilities of ALG for a purchase price of \$39.7 million (including direct acquisition costs of approximately \$0.5 million) in cash and notes payable to ALG. Additional contingent consideration of \$11.3 million may be paid upon certain future increases in revenue of Automotive Lease Guide (ALG), Inc. and another subsidiary through December 2009. We did not acquire the equity interest in us owned by ALG as part of the acquisition and DJR US, LLC, which was formerly known as Automotive Lease Guide (alg), LLC, remains one of our stockholders. The ALG acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being preliminarily allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows:

Current assets	\$ 95
Property and equipment	259
Other long-term assets	581
Intangible assets	38,885
<b>Total assets acquired</b>	<b>39,820</b>
Total liabilities assumed	(88)
<b>Net assets acquired</b>	<b>\$ 39,732</b>

For the purposes of this pro forma presentation, the excess purchase price of \$38.9 million has been preliminarily allocated to identifiable intangibles (e.g. customer lists, non-competes and technology) with an average useful life of three years. This preliminary methodology was based upon our experience with previous acquisitions and our knowledge of the assets acquired. However, we are completing a fair value assessment, which is expected to be completed by December 31, 2005, of all of the acquired assets, liabilities and identifiable intangibles. At the conclusion of that assessment, the purchase price will be allocated accordingly. The final allocation may be materially different from the preliminary allocation. For every 5% of the excess purchase price that our final assessment allocates to goodwill rather than identifiable intangibles, amortization expense will be reduced by approximately \$0.6 million per annum. Separately, a change in the useful life per our final assessment from the estimated average three year life used in our preliminary allocation could result in a material change to intangible amortization expense. For purposes of preparing pro forma results herein, we have assumed that no purchase price is allocated to goodwill and accordingly the pro forma results assumes the maximum amount of amortization expense assuming a three year useful life.

(5) The components of the pro forma adjustments to net revenue are as follows:

Reversal of LML factored revenue <sup>(a)</sup>	\$ (14,456)
Elimination of intercompany revenue (cost of revenue reversed as part of (6))	(760)

Total of adjustment (5)	\$ (15,216)
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STATEMENTS OF OPERATIONS (Continued)**

- (a) LML, subsequent to the execution of certain arrangements with its customers, transferred the rights to the payment streams under supply and licensing arrangements with finance companies at a discount. The amounts received from the transferred contracts were then recorded as collateralized borrowings. The outstanding balance is reduced as LML recognized the revenue from these contracts ratably over the contract period (typically greater than 12 months). As of the acquisition date, we assumed the liability of servicing the transferred contracts. This adjustment represents a material event that is directly attributable to the LML transaction, that is factually supportable and that will continue to affect the income statement 12 months after the transaction. Refer to pro forma adjustment (6) for the corresponding service liability.
- (6) The components of pro forma adjustment (6) are as follows:

Entry to record additional amortization expense for LML-acquired identifiable intangible assets as if the acquisition occurred on January 1, 2004 (using a three year life)	\$ 2,044
Elimination of inter-company cost of revenue (revenue reversed as part of (5))	(760)
LML accrued servicing costs	(1,358) <sup>(a)</sup>
Entry to record additional amortization expense for Chrome acquired identifiable intangible assets as if the acquisition occurred on January 1, 2004 (using a three year life)	5,902
Entry to record additional amortization expense for NAT acquired identifiable intangible assets as if the acquisition occurred on January 1, 2004 (using a three year life)	2,214
Entry to record additional amortization expense for ALG acquired identifiable intangible assets as if the acquisition occurred on January 1, 2004 (using a three year life)	13,088
LML license royalties	(413) <sup>(b)</sup>
Total of adjustment (6)	\$ 20,717

- (a) Adjustment represents the incremental cost that we will incur as it relates to servicing the transferred contracts noted above in 5(a) in accordance with EITF 95-3. Assuming that we purchased LML on January 1, 2004, the assumed liability for such contracts would have been recorded in purchase accounting and the costs would not have been recorded in the income statement.
- (b) Adjustment represents the elimination of royalty expense that LML paid to a related party for the license of certain technology. Assuming that we had acquired LML on January 1, 2004, we would not have incurred any royalty expense relating to the license of certain technology, as this technology was an asset acquired from the related party under the purchase agreement.
- (7) Represents the pro forma adjustments made to record depreciation expense assuming that we acquired LML, Chrome and ALG on January 1, 2004, coupled with the reversal of Chrome legal expenses relating to a lawsuit not assumed by us under the purchase agreement.
- (8) Adjustment represents the elimination of interest expense relating to accounting for the transferred contracts noted above in 5(a) as well as interest expense relating to outstanding amounts on a line of credit for LML. Assuming we acquired LML on January 1, 2004, we would not have had the line of credit (not an assumed liability), nor would we have incurred the interest expense related to accounting for such contracts. These eliminations were partially offset by the addition of the estimated annual interest expense on the borrowings under our credit facilities.

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**NOTES TO UNAUDITED COMBINED CONDENSED PRO FORMA  
STATEMENTS OF OPERATIONS (Continued)**

(9) Primarily represents the elimination of intercompany revenue.

(10) Primarily represents the six-month amortization expense of acquired identifiable intangibles related to the Chrome and ALG acquisitions, offset by the elimination of intercompany cost of revenue.

(11) Represents the pro forma adjustments made to record depreciation expense assuming that we acquired Chrome and ALG on January 1, 2004, coupled with the reversal of Chrome legal expenses related to a lawsuit not assumed by us under the purchase agreement.

(12) Adjustment represents the addition of the estimated quarterly interest expense on the borrowings under our credit facilities as if the amounts under the credit facilities had been outstanding as of January 1, 2004.

(13) Adjustments represent the elimination of the deferred tax benefit originally recognized in the year ended December 31, 2004 and the elimination of the tax provision originally recognized in the six months ended June 30, 2005, both entries are due to the pro forma loss before provision for income taxes.

(14) The combined pro forma net loss for the year ended December 31, 2004 and for the six months ended June 30, 2005 (unaudited) is not required to be allocated to our preferred stockholders for purpose of computing the combined pro forma net loss per share under the two-class method as our preferred stockholders do not have an obligation to share in our net loss. In addition, for the year ended December 31, 2004 and the six months ended June 30, 2005 (unaudited), the effect of the potential exercise of stock options and conversion of preferred stock was not considered in the diluted pro forma earnings per share calculation since it would have been antidilutive.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The selected historical consolidated financial data as of December 31, 2003 and 2004 and for each of the three years in the period ended December 31, 2004 have been derived from our consolidated financial statements and related notes thereto included in this prospectus, which have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. The selected historical consolidated financial data as of December 31, 2001 and December 31, 2002 and for the year ended December 31, 2001 have been derived from our audited consolidated financial statements and related notes thereto, which are not included in this prospectus, which have also been audited by PricewaterhouseCoopers LLP. The selected historical consolidated financial data as of June 30, 2005 and for each of the six-month periods ended June 30, 2004 and June 30, 2005 have been derived from our unaudited consolidated financial statements and related notes thereto included in this prospectus. These unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, the unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair statement of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

We completed several acquisitions during the periods presented below, the operating results of which have been included in our historical results of operations from the respective acquisition dates. These acquisitions have significantly affected our revenue, results of operations and financial condition. Accordingly, the results of operations for the periods presented may not be comparable due to these acquisitions.

The following data should be read in conjunction with Unaudited Combined Condensed Pro Forma Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes thereto included elsewhere in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	2000 <sup>(2)</sup>	2001	2002	2003	2004	2004	2005
	(unaudited)					(unaudited)	
	(In thousands, except per share amounts)						
<b>Consolidated Statements of Operations Data:</b>							
Net revenue	\$	\$ 1,338	\$ 11,711	\$ 38,679	\$ 70,044	\$ 32,209	\$ 51,921
(Loss) income from operations	(1,304)	(14,953)	(16,954)	(3,270)	7,722	2,925	5,310
(Loss) income before provision for income taxes	(1,304)	(14,919)	(16,775)	(3,217)	7,661	2,911	5,024
Net (loss) income	\$ (1,304)	\$ (14,919)	\$ (16,775)	\$ (3,289)	\$ 11,253	\$ 2,459	\$ 2,864
Basic net (loss) income per share applicable to common stockholders <sup>(3)</sup>			\$ (23,334.99)	\$ (1,000.30)	\$ 0.45	\$ 0.10	\$ 0.11
Diluted net (loss) income per share applicable to common			\$ (23,334.99)	\$ (1,000.30)	\$ 0.02 <sup>(1)</sup>	\$ 0.00	\$ 0.06

stockholders <sup>(3)</sup>					
Average shares outstanding	1,009	3,288	40,219	13,689	567,302
Average shares outstanding assuming dilution	1,009	3,288	1,025,248	381,793	1,146,402
Pro forma basic net income per share (unaudited) <sup>(4)</sup>			\$ 0.43		\$ 0.11
Pro forma diluted net income per share (unaudited) <sup>(4)</sup>			\$ 0.41		\$ 0.10
Pro forma weighted average shares outstanding (unaudited)			26,437,808		26,964,891
Pro forma weighted average shares outstanding assuming dilution (unaudited)			27,422,837		27,543,991

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	As of December 31,					As of
	2000 <sup>(1)</sup>	2001	2002	2003	2004	June 30, 2005
	(unaudited)					(unaudited)
	(In thousands)					
<b>Consolidated Balance Sheets</b>						
<b>Data:</b>						
Cash and cash equivalents	\$ 1,791	\$ 16,311	\$ 13,745	\$ 16,790	\$ 21,753	\$ 5,428
Working capital <sup>(5)</sup>	1,781	15,138	13,444	15,640	23,390	4,782
Total assets	2,434	34,746	25,865	46,643	76,681	133,997
Capital lease obligations				1,100	886	667
Total redeemable convertible participating preferred stock		46,002	53,226	72,226	72,226	72,226
Accumulated deficit	(1,304)	(16,223)	(32,997)	(36,287)	(25,034)	(22,170)
Total stockholders' equity (deficit)	3,697	(13,594)	(32,747)	(33,608)	(20,001)	(15,158)

- (1) During the three months ended June 30, 2005, we determined that diluted net income per share applicable to common stockholders for the year ended December 31, 2004 was miscalculated. As a result, based on the revised calculation, we have adjusted our diluted net income per share applicable to common stockholders calculation to \$0.02 per share from the previously reported \$0.00 per share. There was no impact on the calculation of basic net income per share applicable to common stockholders.
- (2) We are a Delaware corporation formed in August 2001 in connection with the combination of DealerTrack, Inc., which commenced operations in February 2001, and webalg, inc., which commenced operations in April 2000. This combination was accounted for under the provisions of SFAS No. 141, which requires entities under common control to present the results of operations for those entities for the periods ended December 31, 2000 and December 31, 2001 as if the business combination occurred on April 1, 2000.
- (3) The basic and diluted earnings per share calculations include adjustments to net (loss) income relating to preferred dividends earned, but not paid, and net income amounts allocated to the participating preferred stockholders in order to compute net (loss) income applicable to common stockholders in accordance with SFAS No. 128, *Earnings per Share* and EITF 03-6, *Participating Securities and the Two-Class Method* under FASB No. 128. For more detail, please see Note 2 to our historical consolidated financial statements.
- (4) Pro forma basic and diluted net income per share have been computed to give effect, even if antidilutive, to the issuance of all shares issuable upon automatic conversion of the redeemable convertible participating preferred stock into common stock upon the completion of this offering on an as-if converted basis for the year ended December 31, 2004 and the six months ended June 30, 2005.
- (5) Working capital is defined as current assets less current liabilities.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes thereto included in this prospectus. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from management's expectations. Certain factors that may cause such a difference, include, but are not limited to, those discussed under the section entitled Risk Factors and elsewhere in this prospectus. See Special Note Regarding Forward-Looking Statements.*

**Overview**

DealerTrack is a leading provider of on-demand software solutions for the automotive retail industry in the United States. We utilize the Internet to link automotive dealers with banks, finance companies, credit unions and other financing sources, and other service and information providers, such as the major credit reporting agencies. We have established a network of active relationships with over 20,000 automotive dealers, including over 80% of all franchised dealers; over 140 financing sources, including the 20 largest independent financing sources in the United States and eight captive financing sources; and a number of other service and information providers to the automotive retail industry. Our credit application processing product enables dealers to automate and accelerate the indirect automotive financing process by increasing the speed of communications between these dealers and their financing sources. We have leveraged our leading market position in credit application processing to address other inefficiencies in the automotive retail industry value chain. Our proven network of over 20,000 dealers provides a competitive advantage for distribution of our on-demand software and data solutions. Our integrated subscription-based software products and services enable our automotive dealer customers to receive valuable consumer leads, compare various financing and leasing options and programs, sell insurance and other aftermarket products, document compliance with certain laws and execute financing contracts electronically. In addition, we offer data and other products and services to various industry participants, including lease residual value and automobile configuration data.

We monitor our performance as a business using a number of measures that are not found in our financial statements. These measures include the number of active dealers and financing sources in our network, the number of transactions processed in our network (including credit applications, electronic contracts and consumer credit reports) and the number of product subscriptions in place. We believe that improvements in these metrics will result in improvements in our financial performance over time. We also view the acquisition and successful integration of acquired companies as important milestones in the growth of our business as these acquired companies bring new products to our customers and expand our technological capabilities. We believe that successful acquisitions will also lead to improvements in our financial performance over time. In the near term, however, the purchase accounting treatment of acquisitions can have a negative impact on our net income as the depreciation and amortization expenses associated with acquired assets, particular intangibles (which tend to have a relatively short useful life), can be substantial in the first several years following an acquisition. As a result, we monitor our EBITDA as a measure of operating performance in addition to net income and the other measures included in our financial statements.

**Revenue**

*Transaction Services Revenue.* Transaction revenue consists of revenue earned from our financing source customers for each credit application or electronic contract submitted to them. Additionally, we earn transaction fees from dealers or credit report providers for each fee-bearing credit report accessed by dealers.

*Subscription Services Revenue.* Subscription revenue consists of recurring fees paid to us by dealers (generally on a monthly basis) for use of our on-demand products and services, which enable those automotive dealer customers to obtain valuable consumer leads, compare various financing and leasing options and programs, sell insurance and other aftermarket products and execute financing contracts electronically.

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Over the last three years, we have derived an increasing percentage of our net revenue from subscription fees. For the year ended December 31, 2002, we derived approximately 3.5% of our net revenue from subscription fees, for the year ended December 31, 2003, we derived approximately 10.6% of our net revenue from subscription fees and for the year ended December 31, 2004, we derived approximately 24.3% of our net revenue from subscription fees. We expect that we will derive an increasing percentage of our net revenue from subscription fees in future years.

**Cost of Revenue and Operating Expenses**

*Cost of Revenue.* Cost of revenue primarily consists of expenses related to running our network infrastructure (including Internet connectivity and data storage), customer training, depreciation associated with computer equipment, compensation and related benefits for network personnel, amounts paid to third parties pursuant to contracts under which a portion of certain revenue is owed to those third parties ( revenue share ), allocated overhead and amortization associated with capitalization of software. We allocate overhead such as rent and occupancy charges, employee benefit costs and non-network related depreciation expense to all departments based on headcount, as we believe this to be the most accurate measure. As a result, a portion of general overhead expenses is reflected in our cost of revenue and each operating expense category.

*Product Development Expenses.* Product development expenses consist primarily of compensation and related benefits, consulting fees and other operating expenses associated with our product development departments. The product development departments perform research and development, enhance and maintain existing products, and provide quality assurance.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses consist primarily of compensation and related benefits, facility costs and professional services fees for our sales, marketing and administrative functions. As a public company our expenses and administrative burden will increase, including significant legal, accounting and other expenses that we did not incur as a private company. For example, we will need to revise the roles and duties of our board committees, adopt additional internal controls and disclosure controls and procedures and bear all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws, including the addition of new personnel.

**Acquisitions**

We have grown our business since inception through a combination of organic growth and acquisitions. The operating results of each business acquired have been included in our consolidated financial statements from the respective dates of acquisition.

On May 25, 2005, we acquired substantially all the assets and certain liabilities of ALG. ALG's products and services provide lease residual value data for new and used leased automobiles and guidebooks and consulting services related thereto, to manufacturers, financing sources, investment banks, automobile dealers and insurance companies. We intend to combine ALG's lease residual value data with our other products and services to allow us to aggregate automotive industry information and report the aggregated information to dealers, financing sources and other industry participants. The purchase price was \$39.7 million (including direct acquisition costs of approximately \$0.5 million) in cash and notes payable to ALG. Additional consideration of up to \$11.3 million may be paid contingent upon certain future increases in revenue of Automotive Lease Guide (ALG), Inc. and another of our subsidiaries through December 2009. We did not acquire the equity interest in us owned by ALG as part of this acquisition and DJR US, LLC, which was formerly known as Automotive Lease Guide (alg), LLC, remains one of our stockholders. For the year ended December 31, 2004, ALG had revenue of \$7.8 million.

On May 23, 2005, we acquired substantially all the assets and certain liabilities of NAT. NAT's products and services streamline and automate many traditionally time-consuming and error-prone manual processes of administering aftermarket products, such as extended service contracts, guaranteed asset protection coverage, theft deterrent devices and credit life insurance. We intend to add NAT's products and services to our suite of solutions in order to enhance our menu-selling offering and to add insurance and other aftermarket providers

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to our network. The purchase price was \$8.7 million (including direct acquisition costs of approximately \$0.3 million) in cash. For the year ended December 31, 2004, NAT had revenue of \$3.9 million.

On May 10, 2005, we acquired substantially all the assets and certain liabilities of Chrome. Chrome's products and services collect, standardize and enhance raw automotive data and deliver it in a format that is easy to use and tailored to specific industry requirements. Chrome's products and services enable dealers, manufacturers, financing sources, Internet portals, consumers and insurance companies to configure, compare, and price automobiles on a standardized basis. This provides more accurate valuations for both consumer trade-ins and dealer used automobile inventory. We intend to integrate Chrome's products and services into our network to create an expanded subscription product offering for our dealer customers. The purchase price was \$20.4 million (including direct acquisition costs of approximately \$0.4 million) in cash. For the year ended December 31, 2004, Chrome had revenue of \$12.8 million.

On January 1, 2005, we purchased substantially all the assets of Go Big. This acquisition expanded our products and services offering to include an electronic menu selling tool to our automotive dealers. The purchase price was approximately \$1.2 million (including direct acquisition costs of approximately \$0.1 million) in cash. Under the terms of our purchase agreement, additional consideration of up to \$2.3 million may be paid contingent upon certain unit sale increases through December 2006. For the year ended December 31, 2004, Go Big had revenue of \$1.2 million.

On August 1, 2004, we purchased substantially all the assets and certain liabilities of LML. This acquisition provided us with a significant enhancement to the capability of our network by allowing us to begin to offer dealers a more comprehensive solution to compare various financing and leasing options and programs. The aggregate purchase price was \$12.9 million (including direct acquisition costs of \$0.5 million) in cash. \$8.0 million of the purchase price (exclusive of direct acquisition costs) was payable at closing and the remaining payment of \$4.3 million is payable as follows: \$0.9 million, \$0.9 million, \$1.4 million and \$1.1 million are payable on the first, second, third and fourth anniversaries of the effective date, respectively. Under the terms of our purchase agreement, we have certain additional future contingent payment obligations if certain increases in subscribers to these deskings products are met through July 2008. The additional purchase consideration, if any, will be recorded as additional goodwill on our consolidated balance sheet when the contingency is resolved.

On January 1, 2004, we acquired 100% of the outstanding common stock of dealerAccess Inc., whose wholly-owned Canadian subsidiary, dealerAccess Canada Inc., offers credit application processing and credit bureau products and services similar to ours. This acquisition expanded our dealer and financing source customer base to Canada. The aggregate purchase price was \$3.1 million (including direct acquisition costs of \$0.2 million) in cash.

On March 19, 2003, we acquired 100% of the outstanding common stock of Credit Online, Inc., which offered credit application processing and credit bureau products and services similar to ours. This acquisition expanded our dealer and financing source customer base in the United States and allowed us to secure agreements with other service providers, including agreements for dealer management system integration and credit bureau delivery to automotive dealers. We have determined, based on independent fair value appraisals, the aggregate purchase price was \$19.7 million (including direct acquisition costs of \$0.7 million). The consideration paid consisted of 4,449,856 shares of our series A-2 preferred stock valued at \$14.2 million, and 1,483,285 shares of our series C-3 preferred stock valued at \$4.8 million.

***Acquisition Related Amortization Expense***

All of the acquisitions described above have been recorded under the purchase method of accounting, pursuant to which the total purchase price, including direct acquisition costs, is allocated to the net assets acquired based upon estimates of the fair value of those assets. Any excess purchase price is allocated to goodwill. For the Chrome and ALG acquisitions we have preliminarily allocated purchase price to the acquired assets, liabilities and identifiable intangibles. Presently, we are completing a fair value assessment of the assets, liabilities and identifiable intangibles acquired in the Chrome, NAT and ALG transactions and, at the conclusion of those assessments, the purchase prices will be allocated based on our final determination of



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the fair value of the net assets acquired. Because we expect that a significant amount of the purchase price in these acquisitions will be allocated to identifiable intangibles (primarily customer lists, acquired technology and non-competition agreements), we expect to experience a significantly higher level of amortization expense in the first two to five years following these acquisitions as these identifiable intangibles are amortized. Amortization expense related to these intangible assets will be recorded as a cost of revenue.

**Critical Accounting Policies and Estimates**

Our management's discussion and analysis of our financial condition and results of our operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the amounts reported for assets, liabilities, revenue, expenses and the disclosure of contingent liabilities. A summary of our significant accounting policies is more fully described in note 2 to our consolidated financial statements included elsewhere in this prospectus.

Our critical accounting policies are those that we believe are both important to the portrayal of our financial condition and results of operations and that involve difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The estimates are based on historical experience and on various assumptions about the ultimate outcome of future events. Our actual results may differ from these estimates in the event unforeseen events occur or should the assumptions used in the estimation process differ from actual results.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

***Revenue Recognition***

We recognize revenue in accordance with SEC Staff Accounting Bulletin (SAB), No. 104, *Revenue Recognition in Financial Statements* and EITF, Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. In addition, for certain subscription products we also recognize revenue under SOP 97-2, *Software Revenue Recognition*.

**Transaction Services Revenue.** Transaction services revenue consists of revenue derived from the receipt of credit application data by financing sources, from financing contracts executed using our electronic contracting product and from providing automobile dealers the ability to access customer credit reports.

We offer our web-based service to financing sources for the electronic receipt of credit application data and contract data for automobile financing transactions in consideration for a transaction fee. This service is sold based upon contracts that include fixed and determinable prices and that do not include the right of return or other similar provisions or significant post service obligations. Credit application and electronic contracting processing revenue is recognized on a per transaction basis, after customer receipt and when collectibility is reasonably assured. Set-up fees charged to the financing sources for establishing connections, if any, are recognized ratably over the expected customer relationship period of three or four years, depending on the type of customer.

Our credit report service provides our dealer customers the ability to access credit reports from several major credit reporting agencies or resellers online. We sell this service based upon contracts with the customer or credit report provider, as applicable that include fixed and determinable prices and that do not include the right of return or other similar provisions or other significant post service obligations. We recognize credit report revenue on a per transaction basis, when services are rendered and when collectibility is reasonably assured. We offer these credit reports on both a reseller and an agency basis. We recognize revenue from all but one provider of credit reports on a net basis due to the fact that we are not considered the primary obligor, and recognize revenue gross with respect to one of the providers as we have the risk of loss and are considered the primary obligor in the transaction.

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*Subscription Services Revenue.* We derive revenue from subscription fees paid by customers who can access our on-demand and other products and services. These services are typically sold based upon contracts that include fixed and determinable prices and that do not include the right of return or other similar provisions or significant post service obligations. We recognize revenue from such contracts ratably over the contract period. We recognize set-up fees, if any, ratably over the expected customer relationship of three or four years, depending on the type of customer. For contracts that contain two or more products or services, we recognize revenue in accordance with the above policy using relative fair value.

Our revenue is presented net of a provision for sales credits, which are estimated based on historical results, and established in the period in which services are provided.

***Allowance for Doubtful Accounts***

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The amount of the allowance account is based on historical experience and our analysis of the accounts receivable balance outstanding. While credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, additional allowances may be required which would result in an additional expense in the period that this determination was made.

***Goodwill, Other Intangibles and Long-lived Assets***

We record as goodwill the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired. Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), requires goodwill to be tested for impairment annually as well as when an event or change in circumstance indicates an impairment may have occurred. Goodwill is tested for impairment using a two-step approach. The first step tests for impairment by comparing the fair value of our one reporting unit to our carrying amount to determine if there is potential goodwill impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the reporting unit is less than its carrying value.

For purposes of performing the impairment test for goodwill as required by SFAS No. 142, we operate under one operating segment and one reporting unit. We estimate the fair value of this reporting unit using a discounted cash flow analysis and/or applying various market multiples. From time to time an independent third-party valuation expert may be utilized to assist in the determination of fair value. Determining the fair value of a reporting unit is judgmental and often involves the use of significant estimates and assumptions, such as cash flow projections and discount rates. Our estimate of the fair value of the reporting unit was in excess of its carrying value during 2002, 2003 and 2004. We perform the annual goodwill impairment test as of October 1 of every year.

Long-lived assets, including fixed assets and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the long-lived asset to its estimated fair value. The determination of future cash flows as well as the estimated fair value of long-lived assets involves significant estimates on the part of management. In order to estimate the fair value of a long-lived asset, we may engage a third party to assist with the valuation. If there is a material change in economic conditions or other circumstances influencing the estimate of our future cash flows or fair value, we could be required to recognize impairment charges in the future.

We evaluate the remaining useful life of our intangible assets on a periodic basis to determine whether events and circumstances warrant a revision to the remaining estimated amortization period. If events and circumstances were to change significantly, such as a significant decline in the financial performance of our business, we could incur a significant non-cash charge to our income statement.



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***Income Taxes***

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

***Stock-Based Compensation***

We apply the intrinsic value recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25), and related interpretations and comply with the disclosure provisions of statement of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), as amended by SFAS No. 148, *Accounting for Stock Based Compensation Transition and Disclosure* (SFAS No. 148). Under APB 25, compensation expense is recognized over the vesting period to the extent that the fair market value of the underlying stock on the date of grant exceeds the exercise price of the employee stock option. The calculation of the intrinsic value of a stock award is based on management's estimate of the fair value of our common stock. Changes in this estimate could have a material impact on stock compensation expense in our consolidated financial statements.

The deemed fair value of our common stock for accounting purposes was approved by our board of directors, and was based in part, on contemporaneous valuations. The valuations considered a number of factors, including:

Business risks we faced and key company milestones;

Comparable company and industry analysis; and

Anticipated initial public offering price per share and the timing of the initial public offering.

**Table of Contents****Results of Operations**

The following table sets forth, for the periods indicated, the selected consolidated statements of operations data expressed as a percentage of revenue:

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
	(% of revenue)				
<b>Consolidated Statements of Operations Data:</b>					
Net revenue <sup>(1)</sup>	100.0 %	100.0 %	100.0%	100.0 %	100.0 %
Operating costs and expenses:					
Cost of revenue	150.0 %	65.6 %	42.4 %	41.9 %	38.9 %
Product development	17.9 %	4.0 %	3.2 %	3.2 %	4.0 %
Selling, general and administrative	76.9 %	38.9 %	43.4 %	45.8 %	46.9 %
Total operating costs and expenses	244.8 %	108.5 %	89.0 %	90.9 %	89.8 %
(Loss) income from operations	(144.8)%	(8.5)%	11.0 %	9.1 %	10.2 %
Interest income	1.5 %	0.2 %	0.1 %	0.0 %	0.2 %
Interest expense	0.0 %	(0.0)%	(0.2)%	(0.1)%	(0.7)%
(Loss) income before provision for income taxes	(143.3)%	(8.3)%	10.9 %	9.0 %	9.7 %
(Provision) benefit for income taxes	0.0 %	(0.2) %	5.1 %	(1.4)%	(4.2)%
Net (loss) income	(143.3)%	(8.5)%	16.0 %	7.6 %	5.5 %

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
	(% of revenue)				
(1) Related party revenue	69.9%	35.5%	27.2%	28.1%	25.8%
Related party cost of revenue	1.7%	10.3%	4.7%	5.5%	3.2%

**Six Months Ended June 30, 2004 and 2005****Revenue**

Total net revenue increased \$19.7 million, or 61%, from \$32.2 million for the six months ended June 30, 2004 to \$51.9 million for the six months ended June 30, 2005.

*Transaction Services Revenue.* Transaction services revenue increased \$11.2 million, or 41%, from \$27.4 million for the six months ended June 30, 2004 to \$38.6 million for the six months ended June 30, 2005. The increase in transaction services revenue was primarily the result of increased transactions processed through our network from approximately 16.9 million transactions for the six months ended June 30, 2004 to approximately 28.4 million transactions for the six months ended June 30, 2005. The increased volume of transactions processed was the result of the increase in financing source customers active in our network from 71 as of June 30, 2004 to 135 as of June 30, 2005, the increase in automobile dealers active in our network from 17,902 as of June 30, 2004 to 20,742 as of June 30, 2005 and an increase in volume from existing customers. We consider a financing source to be active in our network as of a date if it is accepting credit application data electronically from dealers in our network. We consider a dealer to be active as of a date if the dealer completed at least one revenue-generating transaction using our network during the most recently ended calendar month.

*Subscription Services Revenue.* Subscription services revenue increased \$7.2 million, or 159%, from \$4.5 million for the six months ended June 30, 2004 to \$11.7 million for the six months ended June 30, 2005.

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The increase in subscription services revenue was primarily the result of increased total subscriptions under contract from 5,451 as of June 30, 2004 to 11,351 as of June 30, 2005. The overall \$7.2 million increase in subscription services revenue was the result of an increase of \$0.8 million in sales of new subscription products and services, an increase of \$2.2 million in sales of existing subscription products and services to customers and \$4.2 million due to the acquisition of customer contracts.

***Cost of Revenue and Operating Expenses***

***Cost of Revenue.*** Cost of revenue increased \$6.7 million, or 50%, from \$13.5 million for the six months ended June 30, 2004 to \$20.2 million for the six months ended June 30, 2005. The \$6.7 million increase was primarily the result of increased amortization charges of \$3.7 million, increased compensation and benefits related costs of \$1.5 million and increased revenue share of \$1.1 million.

***Product Development Expenses.*** Product development expenses increased \$1.1 million, or 103%, from \$1.0 million for the six months ended June 30, 2004 to \$2.1 million for the six months ended June 30, 2005. The \$1.1 million increase was primarily the result of increased compensation and related benefit costs due to overall headcount additions for the six months ended June 30, 2005.

***Selling, General and Administrative Expenses.*** Selling, general and administrative expenses increased \$9.6 million, or 65%, from \$14.8 million for the six months ended June 30, 2004 to \$24.3 million for the six months ended June 30, 2005. The \$9.6 million increase in selling, general and administrative expenses was primarily the result of increased compensation and related benefit costs of approximately \$4.9 million due to overall headcount additions for the six months ended June 30, 2005, \$1.3 million related to travel and marketing expenses, \$0.8 million in professional service fees, \$0.6 million in recruiting and relocation expenses, \$0.5 million in occupancy costs, \$0.8 million in general administrative expenses and \$0.6 million in transition service fees paid for certain ongoing services performed under contract by the selling parties of the acquired entities following the completion of the respective acquisitions.

***Provision for Income Taxes***

The provision for income taxes for the six months ended June 30, 2004 of \$0.5 million consisted primarily of \$0.1 million of federal alternative minimum tax and \$0.4 million of state and local taxes on taxable income. The provision for income taxes for the six months ended June 30, 2005 of \$2.2 million consisted primarily of \$1.8 million of federal and \$0.4 million of state and local taxes on taxable income. The effective tax rate reflects the impact of the applicable statutory rate for federal and state income tax purposes for the period shown.

**Years Ended December 31, 2003 and 2004*****Revenue***

Total net revenue increased \$31.4 million, or 81%, from \$38.7 million for the year ended December 31, 2003 to \$70.0 million for the year ended December 31, 2004.

***Transaction Services Revenue.*** Transaction services revenue increased \$23.7 million, or 72%, from \$32.7 million for the year ended December 31, 2003 to \$56.4 million for the year ended December 31, 2004. The \$23.7 million increase in transaction services revenue was primarily the result of the acquisition of dealerAccess on January 1, 2004 and an increase in the volume of transactions processed through our network from approximately 23.0 million transactions in 2003 to approximately 34.0 million transactions in 2004. The increased volume of transactions was the result of the increase in financing source customers from 55 as of December 31, 2003 to 94 as of December 31, 2004, the increase in automobile dealers active in our network from 15,999 as of December 31, 2003 to 19,150 as of December 31, 2004 and an increase in the volume of transactions from existing customers.

***Subscription Services Revenue.*** Subscription services revenue increased \$8.3 million, or 202%, from \$4.1 million for the year ended December 31, 2003 to \$12.4 million for the year ended December 31, 2004. The increase in subscription services revenue was primarily the result of increased total subscriptions under

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contract from 3,030 as of December 31, 2003 to 7,705 as of December 31, 2004. The overall \$8.3 million increase in subscription services revenue was the result of the increase in sales of existing subscription products and services to customer of \$6.4 million and \$1.9 million due to acquisition of customer contracts.

***Cost of Revenue and Operating Expenses***

***Cost of Revenue.*** Cost of revenue increased \$4.3 million, or 17%, from \$25.4 million for the year ended December 31, 2003 to \$29.7 million for the year ended December 31, 2004. The \$4.3 million increase was primarily the result of increased compensation and related benefit costs of approximately \$2.0 million due to increased network personnel headcount, revenue share of approximately \$2.6 million, website and disaster recovery, hosting, customer call center, internet connectivity and network infrastructure of approximately \$0.6 million, offset by a decrease in depreciation and amortization of \$1.0 million and \$0.2 million decrease in fees paid to a credit reporting agency for reselling its credit reports.

***Product Development Expenses.*** Product development expenses increased \$0.7 million, or 47%, from \$1.5 million for the year ended December 31, 2003 to \$2.2 million for the year ended December 31, 2004. The \$0.7 million increase was primarily the result of increased compensation and related benefit costs due to overall headcount additions.

***Selling, General and Administrative Expenses.*** Selling, general and administrative expenses increased \$15.4 million, or 102%, from \$15.0 million for the year ended December 31, 2003 to \$30.4 million for the year ended December 31, 2004. The \$15.4 million increase in selling, general and administrative expenses was primarily the result of increased compensation and related benefit costs of approximately \$6.3 million due to overall headcount additions, the recognition of \$1.3 million stock-based compensation expense, \$1.8 million related to travel and marketing related expenses, \$2.3 million in professional service fees, \$0.8 million in depreciation expense, and \$1.3 million in transition service fees paid for certain ongoing services performed under contract by the selling parties of the acquired entities subsequent to the completion of the acquisition.

***Benefit (provision) for Income Taxes***

The benefit for income taxes recorded for the year ended December 31, 2004 of \$3.6 million consisted primarily of the reversal of a deferred tax valuation allowance in the amount of \$4.7 million during the three months ended December 31, 2004 offset by \$0.3 million of federal alternative minimum tax and approximately \$0.8 million of state and local taxes on taxable income. The reversal of the deferred tax valuation allowance was based on a number of factors, including our profits for the year ended December 31, 2004 and the level of projected future earnings based on current operations. Based on these factors, we believe that it is more likely than not that we will generate sufficient taxable income in the future to be able to utilize a portion of our deferred tax asset outstanding as of December 31, 2004. As a result, we have reversed \$5.9 million of the valuation allowance in the three months ended December 31, 2004, recognizing \$4.7 million as a benefit to our provision for income taxes, and \$1.2 million as an adjustment to goodwill. The goodwill adjustment was necessary since that portion of the reversal relates to net operating losses acquired but not recognized at the date of acquisition of Credit Online Inc. As of December 31, 2004, a valuation allowance of \$3.3 million has been maintained against the remaining acquired tax benefits. If the tax benefit is subsequently recognized, the valuation allowance reversal will be recorded against goodwill.

The overall effective tax rate for the year ended December 31, 2003 was impacted by the adjustment for non-deductible goodwill and increases in the valuation allowance. For the year ended December 31, 2004, the effective tax rate was significantly impacted by the release of the valuation allowance.

**Years Ended December 31, 2002 and 2003*****Revenue***

Total net revenue increased \$27.0 million, or 230%, from \$11.7 million for the year ended December 31, 2002 to \$38.7 million for the year ended December 31, 2003.



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*Transaction Services Revenue.* Transaction services revenue increased \$21.5 million, or 192%, from \$11.2 million for the year ended December 31, 2002 to \$32.7 million for the year ended December 31, 2003. The increase in transaction services revenue was primarily the result of an increase in the volume of transactions processed through our network from approximately 6.9 million transactions in 2002 to approximately 23.0 million transactions in 2003. The increased volume of transactions processed resulted from the acquisition of Credit Online in March 2003 and the increase in financing source customers from 21 as of December 31, 2002 to 55 as of December 31, 2003, the increase in automobile dealers active on the network from 12,752 as of December 31, 2002 to 15,999 as of December 31, 2003 and an increase in the volume of transactions from existing customers.

*Subscription Services Revenue.* Subscription services revenue increased \$3.7 million, or 909%, from \$0.4 million for the year ended December 31, 2002 to \$4.1 million for the year ended December 31, 2003. The increase of \$3.7 million was due to an increase of \$1.1 million in the sale of new products to customers and an increase of \$2.6 million in the sale of existing products to new customers.

***Cost of Revenue and Operating Expenses***

*Cost of Revenue.* Cost of revenue increased \$7.8 million, or 44%, from \$17.6 million for the year ended December 31, 2002 to \$25.4 million for the year ended December 31, 2003. The \$7.8 million increase was primarily the result of increased compensation and related benefit costs of approximately \$2.0 million due to increased network personnel headcount, revenue share of approximately \$2.5 million, website hosting, customer call center, internet connectivity and network infrastructure of approximately \$2.0 million, and approximately \$0.6 million relating to fees paid to a credit reporting agency for reselling its credit reports.

*Product Development Expenses.* Product development expenses decreased \$0.6 million, or 27%, from \$2.1 million for the year ended December 31, 2002 to \$1.5 million for the year ended December 31, 2003. The \$0.6 million decrease was primarily the result of a decrease in website amortization expense.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased \$6.0 million, or 67%, from \$9.0 million for the year ended December 31, 2002 to \$15.0 million for the year ended December 31, 2003. The \$6.0 million increase in selling, general and administrative expenses was primarily the result of increased compensation and related benefit costs of approximately \$3.5 million due to overall headcount additions, \$0.5 million increase in bad debt expense, and approximately \$1.1 million related to travel and marketing related expenses.

**Table of Contents****Quarterly Results of Operations**

The following table presents our unaudited quarterly consolidated results of operations for the ten quarters ended June 30, 2005. The unaudited quarterly consolidated information has been prepared substantially on the same basis as our audited consolidated financial statements. You should read the following tables presenting our quarterly consolidated results of operations in conjunction with our audited consolidated financial statements for our full years and the related notes included elsewhere in this prospectus. This table includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for the fair statement of our consolidated financial position and operating results for the quarters presented. The operating results for any quarters are not necessarily indicative of the operating results for any future period.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(unaudited)				
(In thousands, except for per share data)				
<b>2005</b>				
Net revenue	\$ 23,271	28,650		
Operating income	3,616	1,694		
Net income	2,069	795		
Basic net income per share applicable to common stockholders	0.08	0.03		
Diluted net income per share applicable to common stockholders	0.04(a)	0.02		
Basic weighted average common shares outstanding	513,771	633,975		
Diluted weighted average common shares outstanding	1,139,458	1,307,678		
<b>2004</b>				
Net revenue	\$ 15,376	\$ 16,833	\$ 18,734	\$ 19,101
Operating income	1,687	1,238	2,865	1,932
Net income	1,465	994	2,478	6,316
Basic net income per share applicable to common stockholders	0.07	0.04	0.10	0.25
Diluted net income per share applicable to common stockholders	0.06(a)	0.00	0.00	0.02(a)
Basic weighted average common shares outstanding	13,689	13,689	36,116	96,806
Diluted weighted average common shares outstanding	24,778,816	600,694	1,135,019	1,562,455
<b>2003</b>				
Net revenue	\$ 6,430	\$ 9,897	\$ 11,182	\$ 11,170
Operating (loss) income	(2,199)	(1,311)	(150)	390
Net (loss) income	(2,181)	(1,303)	(145)	340
Basic net (loss) income per share applicable to common	(2,161.55)	(1,291.38)	(143.71)	0.01

stockholders				
Diluted net (loss) income per share applicable to common stockholders	(2,161.55)	(1,291.38)	(143.71)	0.01(a)
Basic weighted average common shares outstanding	1,009	1,009	1,009	10,050
Diluted weighted average common shares outstanding	1,009	1,009	1,009	24,775,177

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- (a) Represents the revised calculation of dilutive net income per share applicable to common stockholders to reflect the adjustment as described in note 2 Summary of Significant Accounting Policies Net (Loss) Income per Share to our consolidated financial statements, which appears elsewhere in this prospectus. The effect of this revision was to increase amounts previously reported for dilutive net income per share applicable to common stockholders. The amounts previously reported were as follows: First Quarter 2005 \$0.00, Fourth Quarter 2004 \$0.00, First Quarter 2004 \$0.00, Fourth Quarter 2003 \$0.00.

**Liquidity and Capital Resources**

Historically, our primary source of liquidity has been cash flow from operations and cash and assets received from financing activities. We received equity investments and issued equity for acquisitions between February 2001 and March 2003 in an aggregate carrying amount of \$72.2 million, net of issuance costs. Our current stockholders and their affiliates have no obligation to make future investments in our business. Our principal liquidity requirements have been for working capital, acquisitions, capital expenditures and general corporate purposes.

Going forward, our liquidity requirements will continue to be for working capital, acquisitions, capital expenditures and general corporate purposes. Our budgeted capital expenditures for 2005 are \$7.2 million and we expect to make similar capital expenditures in 2006. We expect to finance our future liquidity needs through cash flow from operations and borrowings under the revolving credit facility under our credit facilities through June 30, 2006. As of August 31, 2005, we had \$6.5 million of availability under our revolving credit facility.

As of June 30, 2005, we had \$5.4 million of cash and cash equivalents and \$4.8 million in working capital, as compared to \$21.8 million of cash and cash equivalents and \$23.4 million in working capital as of December 31, 2004.

The following table sets forth the components for the following periods:

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
	(In thousands)				
Net cash (used in) provided by operating activities	\$ (7,006)	\$ 8,483	\$ 17,162	\$ 5,346	\$ 7,647
Net cash used in investing activities	(2,791)	(5,343)	(12,424)	(1,412)	(67,474)
Net cash provided by (used in) financing activities	7,230	(95)	125	(227)	43,508

**Operating Activities**

Cash used in operating activities for the six months ended June 30, 2004 was attributable to net income of \$2.5 million, an increase in operating assets of \$2.9 million primarily resulting from an increase in accounts receivable due to an overall increase in revenue offset by depreciation and amortization of \$5.1 million, stock compensation expense of \$1.1 million and a decrease in accounts payable and accrued expenses of \$0.6 million. Cash used in operating activities for the six months ended June 30, 2005 was primarily attributable to net income of \$2.9 million, an increase in operating assets of \$8.8 million offset by depreciation and amortization of \$8.6 million, stock compensation expense of \$0.6 million, an increase in deferred tax benefit of \$0.6 million, an increase in the allowance for doubtful accounts of \$0.7 million and a decrease in accounts payable, accrued expenses and deferred revenue of \$2.9 million.

Cash used in operating activities for the year ended December 31, 2002 was attributable to net loss of \$16.8 million, an increase in operating assets of \$2.1 million primarily resulting from an increase in accounts

receivable due to an overall increase in revenue offset by depreciation and amortization of \$11.2 million and an increase in accounts payable and accrued expenses of \$0.5 million. Cash provided by operating activities for

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the year ended December 31, 2003 was primarily attributable to a net loss of \$3.3 million, an increase in operating assets of \$3.2 million primarily resulting from an increase in accounts receivable due to an overall increase in revenue offset by depreciation and amortization of \$11.0 million, an increase in the allowance for doubtful accounts and sales returns of \$0.4 million, an increase in accounts payable and accrued expenses of \$1.6 million, deferred revenue and other current liabilities of \$1.0 million, and other long-term liabilities of \$1.0 million. Cash provided by operating activities for the year ended December 31, 2004 was primarily attributable to net income of \$11.3 million, which includes a reversal of a deferred tax asset valuation of \$4.7 million, an increase in operating assets of \$4.9 million primarily resulting from an increase in accounts receivable due to an overall increase in revenue offset by depreciation and amortization of \$10.9 million, and an increase in accounts payable, accrued expenses of \$2.4 million.

**Investing Activities**

Cash used in investing activities for the six months ended June 30, 2004 was attributable to capital expenditures of \$0.8 million, an increase in capitalized software and website development costs of \$0.8 million. Cash used in investing activities for the six months ended June 30, 2005 was attributable to capital expenditures of \$2.2 million, increase in capitalized software and website development costs of \$2.7 million, and payments for an acquisition of \$62.7 million.

Cash used in investing activities for the year ended December 31, 2002 was attributable to capital expenditures of \$0.4 million, increase in capitalized software and website development costs of \$3.2 million offset by funds released from restriction and proceeds from the sale of property and equipment of \$0.8 million. Cash used in investing activities for the year ended December 31, 2003 was attributable to capital expenditures of \$0.5 million, increase in capitalized software and website development costs of \$1.9 million and advance payment for an acquisition of \$2.9 million. Cash used in investing activities for the year ended December 31, 2004 was attributable to capital expenditures of \$1.8 million, an increase in capitalized software and website development costs of \$2.3 million, payments for acquired assets of \$7.4 million and funds released from escrow to third parties and other restricted cash of \$1.0 million.

**Financing Activities**

Cash provided by financing activities for the six months ended June 30, 2005 was attributable to the receipt of cash proceeds from the exercise of employee stock options of \$1.4 million.

Cash provided by financing activities for the year ended December 31, 2002 was attributable to the issuance of 2,119,851 shares of Series C-1 preferred stock and 139,924 shares of Series C-2 preferred stock for net cash proceeds of \$6.7 million and \$0.5 million, respectively. Cash used in financing activities for the year ended December 31, 2003 was attributable to principal payments on capital lease obligations of \$0.1 million. Cash provided by financing activities for the year ended December 31, 2004 was attributed to the receipt of proceeds from the exercise of employee stock options of \$0.6 million offset by principal payments on capital lease obligations of \$0.5 million.

**Contractual Obligations**

The following table summarizes our contractual obligations as of December 31, 2004:

	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-3 Years</b>	<b>4-5 Years</b>	<b>After 5 Years</b>
<b>(In thousands)</b>					
Capital lease obligations	\$ 886	\$ 494	\$ 392	\$	\$
Operating lease obligations	12,101	1,059	3,203	2,161	5,678
Payments due to acquirees	4,800	1,000	2,540	1,260	
<b>Total contractual cash obligation</b>	<b>\$ 17,787</b>	<b>\$ 2,553</b>	<b>\$ 6,135</b>	<b>\$ 3,421</b>	<b>\$ 5,678</b>

Payments due to acquirees are non-interest bearing and fixed in nature.

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**Credit Facilities**

On April 15, 2005, we and one of our subsidiaries, DealerTrack, Inc., entered into credit facilities comprised of a \$25.0 million revolving credit facility and a \$25.0 million term loan facility at interest rates of LIBOR plus 150 basis points or prime plus 50 basis points. Proceeds from borrowings under the term loan facility were used to fund a portion of the Chrome, NAT and ALG acquisitions. The revolving credit facility is available for general corporate purposes (including acquisitions), subject to certain conditions. As of August 31, 2005, we had \$6.5 million available for additional borrowings under this revolving credit facility. The revolving credit facility matures on April 15, 2008 and the term loan facility matures on April 15, 2010. We are required to use up to 25% of the proceeds of any equity issuance and 100% of the proceeds of a debt issuance or disposition to repay the term loan under our credit facilities.

Our credit facilities contain restrictive covenants that limit our ability and our existing or future subsidiaries abilities, among other things, to:

access our, or our existing or future subsidiaries', cash flow and value and, therefore, to pay interest and/or principal on our other indebtedness or to pay dividends on our common stock;

incur additional indebtedness;

issue preferred stock;

pay dividends or make distributions in respect of our, or our existing or future subsidiaries', capital stock or to make certain other restricted payments or investments;

sell assets, including our capital stock;

enter into sale and leaseback transactions;

agree to payment restrictions;

consolidate, merge, sell or otherwise dispose of all or substantially all of our or the applicable subsidiary's assets;

enter into transactions with our or the applicable subsidiary's affiliates;

incur liens; and

designate any of our, or the applicable subsidiary's, future subsidiaries as unrestricted subsidiaries.

In addition, our credit facilities prohibit our subsidiaries from prepaying our other indebtedness while indebtedness under our credit facilities is outstanding. The agreements governing our credit facilities also require us and our subsidiaries to achieve specified financial and operating results and maintain compliance with the following financial ratios on a consolidated basis: (1) the aggregate amount of capital expenditures shall not exceed (i) \$15,000,000 in the year ending December 31, 2005 or (ii) 12.5% of consolidated gross revenue for the preceding fiscal year, for each fiscal year ending thereafter; (2) the leverage ratio shall not exceed 2.75:1 through December 30, 2005 nor shall it exceed 2.50:1 on or after December 31, 2005; and (3) the fixed charge coverage ratio shall not any time be less than 1.50:1. As of August 31, 2005, we are in compliance with all terms and conditions of our credit facilities. Our and our subsidiaries' ability to comply with these ratios may be affected by events beyond our control.

Our credit facilities contain the following affirmative covenants, among others: delivery of financial statements, reports, accountants' letters, budgets, officers' certificates and other information requested by the lenders; payment of other obligations; continuation of business and maintenance of existence and material rights and privileges; compliance with laws and material contractual obligations; maintenance of property and insurance; maintenance of books and records; right of the lenders to inspect property and books and records; notices of defaults, bankruptcies and



other material events; and compliance with laws. See Description of Our Credit Facilities.

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### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which are typically established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### **Seasonal and Other Trends**

The volume of new and used automobiles financed or leased by our participating financing source customers, special promotions by automobile manufacturers and the level of indirect financing by captive finance companies not available in our network impact our business. We expect that our operating results in the foreseeable future may be significantly affected by these and other seasonal and promotional trends in the indirect automotive finance market. Also, we anticipate higher subscription sales rates in the first quarter in connection with the NADA's annual industry trade show. In addition, the volume of transactions in our network generally is greater on Saturdays and Mondays and, in particular, most holiday weekends.

We have grown, and believe we will continue to grow, our revenue significantly faster than our costs and expenses have grown, which generates operating leverage. For example, our revenue increased \$31.3 million, or 81%, to \$70.0 million for the year ended December 31, 2004 from \$38.7 million for the year ended December 31, 2003. Costs and expenses for the same period increased \$20.4 million, or 49%, to \$62.3 million from \$41.9 million.

### **Effects of Inflation**

Our monetary assets, consisting primarily of cash, cash equivalents and receivables, and our non-monetary assets, consisting primarily of intangible assets and goodwill, are not affected significantly by inflation. We believe that replacement costs of equipment, furniture and leasehold improvements will not materially affect our operations. However, the rate of inflation affects our expenses, which may not be readily recoverable in the prices of products and services we offer.

### **Quantitative and Qualitative Disclosures about Market Risk**

#### ***Foreign Currency Exposure***

Our earnings are affected by fluctuations in the value of the U.S. dollar as compared with the Canadian dollar. We only have operations located in and provide services to customers in the U.S. and Canada. Foreign currency fluctuations have not had a material effect on our operating results or financial condition. Our exposure is mitigated, in part, by the fact that we incur certain operating costs in the same foreign currencies in which revenue is denominated. The foreign currency exposure that does exist is limited by the fact that the majority of transactions are paid according to our standard payment terms, which are generally short-term in nature.

#### ***Interest Rate Exposure***

As of August 31, 2005, we had \$43.5 million of borrowings outstanding under our credit facilities. Our borrowings under our credit facilities bear interest at a variable rate equal to LIBOR plus a margin of 1.5%. Accordingly, our earnings and cash flow are affected by changes in interest rates. Assuming the borrowings outstanding remain consistent, expense for a full quarter would have been \$0.5 million and assuming a 0.125 percentage point increase in the average interest rate under these borrowings, we estimate that our interest expense for a quarter would increase by approximately \$13,600.

### **Recent Accounting Pronouncements**

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123R, *Share-Based Payment* (SFAS No. 123R). This standard amends SFAS No. 123 and concludes that services received from employees in exchange for stock-based compensation results in a cost to the employer that must be recognized in the consolidated financial statements. The cost of such awards should be measured at fair value

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at the date of grant. SFAS No. 123R provides public companies with a choice of transition methods to implement the standard. We anticipate applying the modified prospective method whereby we would recognize compensation cost for the unamortized portion of unvested awards outstanding at the effective date of SFAS No. 123R (January 1, 2006 for us). Such cost will be recognized in our consolidated financial statements over the remaining vesting period. The adoption of this standard is currently expected to reduce our 2006 earnings by approximately \$0.8 million, based upon outstanding options as of June 30, 2005.

**Table of Contents****BUSINESS****Overview**

We are a leading provider of on-demand software and data solutions for the automotive retail industry in the United States. We utilize the Internet to link automotive dealers with banks, finance companies, credit unions and other financing sources, and other service and information providers, such as the major credit reporting agencies. We have established a network of active relationships with over 20,000 automotive dealers, including over 80% of all franchised dealers; over 140 financing sources, including the 20 largest independent financing sources in the United States and eight captive financing sources; and a number of other service and information providers to the automotive retail industry. Our credit application processing product enables dealers to automate and accelerate the indirect automotive financing process by increasing the speed of communications between these dealers and their financing sources. We have leveraged our leading market position in credit application processing to address other inefficiencies in the automotive retail industry value chain. Our proven network of over 20,000 dealers provides a competitive advantage for distribution of our on-demand software and data solutions. Our integrated subscription-based software products and services enable our automotive dealer customers to receive valuable consumer leads, compare various financing and leasing options and programs, sell insurance and other aftermarket products, document compliance with certain laws and execute financing contracts electronically. In addition, we offer data and other products and services to various industry participants, including lease residual value and automobile configuration data.

We began our principal business operations in February 2001 with the introduction of our credit application processing product to address inefficiencies in the automotive financing process. Since then, we have substantially increased the number of participants in our network and have introduced new products and services through our internal product development efforts as well as through acquisitions. As a result, we have increased our total addressable market by enhancing our offering of subscription products and our data and reporting capabilities, and expanding our network of relationships. We have grown, and believe we will continue to grow, our revenue significantly faster than our costs and expenses, which generates operating leverage. For example, our revenue increased \$31.3 million, or 81%, to \$70.0 million for the year ended December 31, 2004 from \$38.7 million for the year ended December 31, 2003. Costs and expenses for the same period increased \$20.4 million, or 49%, to \$62.3 million from \$41.9 million.

**Market Opportunity*****Automotive Retail Industry***

The automotive retail industry is the largest consumer retail market in the United States with total sales of approximately \$714 billion in 2004, according to NADA. The U.S. automotive retail industry consists primarily of approximately 21,640 franchised dealers and approximately 50,000 independent dealers, according to NADA and CNW Marketing Research, Inc. ( CNW ), respectively. Franchised dealers sell a particular manufacturer's new automobiles as well as used automobiles from multiple manufacturers, while independent dealers primarily purchase and sell used automobiles. In 2004, approximately 47.6 million new and used automobiles were sold retail in the United States, of which approximately 70% were sold by franchised dealers, according to CNW.

The automotive retail industry is mature yet highly fragmented. In 2004, the 50 largest dealer groups generated less than 15% of total industry sales, according to Automotive News, with much of the remainder attributable to smaller regional and local dealerships. Increased competition and easier access to invoice prices for consumers on the Internet have negatively impacted dealer profit margins on sales of new automobiles in recent years. In 2004, dealers generated average profit margins of just 1.3% and 2.9% from new and used automobile sales, respectively, according to CNW. In response to the reduced margins available from vehicle sales, dealers have focused on the wide range of other products and services they offer, including financing and insurance ( F&I ) products. F&I is generally the largest profit center within a dealership. In addition, dealers continually seek to improve profitability by making their operations more efficient and improving consumer loyalty in order to capture a higher share of their aftermarket parts and services needs.

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***Automotive Retail Industry Value Chain***

The following diagram illustrates the four primary stages of the automotive retail industry value chain:

**Automotive Retail Industry Value Chain**

<b>Stage</b>	<b>Description</b>
Pre-Sales Marketing and Prospecting:	Dealers generate and consolidate new leads of potential automotive purchasers through various sources, including advertising in newspapers, radio, television, direct mail and the Internet. In 2004, franchised dealers spent approximately \$8.3 billion on advertising, of which the Internet accounted for 6.7%, up from 5.3% in 2003, according to NADA.
Sales:	Dealer sales personnel assist the consumer's purchasing decision by presenting available models and purchasing options. Dealers frequently utilize technology products and services to assist in the sales process and improve the percentage of prospective consumers that purchase automobiles.
Finance and Insurance: <i>Financing</i>	Dealers assist a majority of automotive consumers in obtaining financing through various financing and leasing sources. Dealers execute the contract and ancillary agreements with the consumer for any finance or lease transactions.
<i>Insurance and Other Aftermarket Sales</i>	Dealers sell optional insurance and other aftermarket products, such as extended vehicle service contracts, credit protection insurance and prepaid service contracts.
Parts and Service:	Dealers provide service and repair work and replacement parts to maintain customers' automobiles.

*Pre-Sales Marketing and Prospecting.* Traditionally, dealers had limited ability to predict which consumers were most likely to purchase an automobile. They have advertised in broad media channels, including newspapers, radio, television, direct mail and over the Internet, to attract consumers to the dealership. In 2004, franchised dealers spent \$8.3 billion on advertising, according to NADA. In order to target and qualify consumers more directly and efficiently, dealers increasingly utilize lead management processes and technology products and services.

*Sales.* The sales stage generally begins when a dealer identifies a prospective consumer at the dealership, over the phone or on the Internet, and ends with the sale. After a prospective consumer enters the dealership, the salesperson typically reviews the various models currently available and discusses the options available for each model. While the salesperson negotiates the basic parameters of the purchase, a sales manager typically orders a credit report on the prospective consumer. The dealer needs a permissible purpose in order to order a credit report. Consumers with stronger credit scores have an easier time purchasing the automobiles they are interested in and qualifying for various finance and lease options. Consumers with weaker credit scores may only be able to purchase automobiles for which they qualify for financing. For these consumers, the sales process may begin with an analysis of the amount of financing available to them.

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*Financing and Insurance.* Automotive financing has become an important source of revenue for dealers. Approximately 70% of retail automotive consumers obtain financing to purchase an automobile, either indirectly through the dealership or directly themselves, according to CNW. We estimate that approximately 70-75% of these automobile financings utilize the indirect channel and the remainder utilize the direct channel (i.e., the consumer applies directly to the financing source and the financing source delivers the funds directly to the consumer). In indirect financings, the dealer submits the consumer's credit application information to one or multiple financing sources to obtain approval for the financing. Once an acceptable approval is obtained, the dealer will typically extend the financing to the consumer itself and then resell the financing contract to the financing source on terms profitable for the dealer.

In 2003, we believe approximately 44% of indirect automotive financings were extended by banks, credit unions and other specialty automotive finance companies not owned or controlled by automobile manufacturers, which we refer to as independent or non-captive financing sources. Some of the largest non-captive automotive financing companies, as measured by finance and lease originations, include JP Morgan Chase Bank, N.A., Citizens Financial Group, Inc., Banc of America Auto Finance Corp., WFS Financial, Inc., Wells Fargo & Company and Capital One Auto Finance, Inc. and their respective affiliates. The remaining indirect automotive financings were extended by financing sources owned or controlled by automobile manufacturers, which we refer to as captive financing sources. The largest captive financing sources include Chrysler Financial Corporation, Ford Motor Credit Corporation, General Motors Acceptance Corporation, Nissan Motor Acceptance Corporation and Toyota Financial Services and their affiliates.

Insurance, such as credit protection insurance and other aftermarket products, such as extended vehicle service contracts, has become an important source of revenue for automotive dealers. During the automotive sales and financing process, dealers typically offer a variety of optional insurance and other aftermarket products to consumers prior to completing the sale. While most expenses associated with the purchase and ownership of an automobile, such as finance or lease payments, are predictable and recurring, a long-term disability event or an unforeseen automobile maintenance expense can increase the consumer's risk of defaulting under the finance contract. In order to reduce the risk of this potential default, many consumers purchase extended vehicle service contracts and/or credit protection insurance. In 2004, 34.1% of new automobile sales included an extended warranty or service contract, according to NADA.

*Parts and Service.* Parts and service revenue are accounting for a growing percentage of a dealer's profit. Automotive retailers generate parts and service revenue primarily from repair orders for parts and related labor paid directly by consumers, reimbursement from manufacturers and others under extended vehicle service contracts and pre-paid maintenance contracts. The dealer's performance of ongoing service and maintenance is one of the strongest lead sources of future automotive sales and repeat dealership business. Many automotive dealers are focused on increasing consumer loyalty in order to capture a higher share of the profitable aftermarket revenue and to increase the likelihood of repeat business.

***Inefficient Legacy Processes***

Traditionally, the workflow processes in each stage of the automotive retail value chain have been paper intensive and/or performed on stand-alone legacy systems, resulting in inefficiencies. The inefficiencies inherent in traditional workflow processes are particularly noteworthy in the F&I process. Dealers traditionally relied upon the fax and mail delivery method for processing their financing and insurance offerings. This method produced lengthy processing times and increased the cost of assisting the consumer to obtain financing or insurance. For example, legacy paper systems required the consumer to fill out a paper credit application for the financing sources to which he or she applied. The dealer then faxed the credit application to each financing source and awaited a series of return faxes. When a financing source approved the consumer's credit application, the consumer manually signed a paper finance or lease contract with the dealer, who then delivered it with ancillary documents to the financing source via overnight courier. The financing source then manually checked the contract for any errors or omissions and if the contract and ancillary documents were accurate and complete, the financing source paid the dealer for the assignment of the contract. The cumbersome nature of this process could limit the range of options available to consumers and delay the

availability of financing. In addition, dealers consulting out-of-date paper program catalogues may not have

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been aware of all of the insurance programs and other aftermarket sales opportunities available for them to offer the consumer.

In an effort to address the inefficiencies in the traditional workflow processes, dealers have employed technology to manage their businesses. For example, dealers have made significant investments in dealership management system ( DMS ) software to streamline their back office functions, such as accounting, inventory, communications with manufacturers, parts and service, and employing customer relationship management ( CRM ) software to track consumer behavior and maintain active post-sale relationships with consumers to increase aftermarket sales and future automobile sales. However, these DMS and CRM software systems typically reside within the physical dealership and have not historically been fully integrated with each other, resulting in new inefficiencies. For example, many DMS and CRM systems require additional manual entry of consumer information and manual tracking of consumer behavior at multiple points along the retail value chain. These inefficiencies slow the sales and customer management process, as different and sometimes contradictory information is recorded on separate systems. In addition, key information about the consumer may not be provided to the salesperson on the sales floor although it may exist on one of the dealer's systems.

### **Our Solution**

Our suite of integrated web-based software products and services addresses many of the existing inefficiencies in the automotive retail industry value chain. We believe our solutions deliver benefits to our dealer customers, financing source customers and other service and information providers.

### ***Dealers***

We offer franchised and non-franchised, independent automotive dealers an integrated suite of web-based sales and finance solutions that significantly shorten financing processing times, allowing them to spend more time selling automobiles and aftermarket products. Our automated, web-based credit application processing product allows automotive dealers to originate and route their consumers' credit application information. This product has eliminated the need to fax a paper application to each financing source to which a consumer applies. Once a consumer's information is entered into our system, dealers can distribute the credit application data electronically to one or multiple financing sources and obtain credit decisions quickly and efficiently. Our credit application processing product integrates easily with other widely used dealer software systems, further streamlining the F&I process.

We also offer dealers a suite of subscription products and services that complements our credit application processing product and allows them to integrate and better manage their business processes across the automotive retail industry value chain. We offer a product that provides a valuable pre-sales marketing and prospecting tool by providing a secure credit application on a dealer's website for a consumer to enter his or her own credit information. We offer other products and services that allow the dealer to compare deal configurations from multiple financing and leasing sources on a real-time basis. We also offer a product that allows dealers and consumers to complete finance contracts electronically, which a dealer can transmit to participating financing sources for funding, further streamlining the financing process and reducing transactional costs for both dealers and financing sources. Additionally, we offer a product that allows dealers to consistently present consumers the full array of insurance and other aftermarket product options they offer. Our products and services, when used together, form a seamless sales and finance solution that easily integrates with other widely used software systems. As of June 30, 2005, an aggregate of 11,351 of our existing product subscriptions have been purchased by approximately 6,800 dealers active on our network.

### ***Financing Sources***

Our on-demand credit application processing and electronic contracting products eliminate expensive and time-consuming inefficiencies in legacy paper systems, and thereby decrease financing sources' costs of originating loans or leases. We believe our solutions significantly streamline the financing process and improve the efficiency and/or profitability of each financing transaction. We electronically transmit complete credit



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application and contract data, reducing costs and errors and improving efficiency for both prime and non-prime financing sources.

We also believe that our credit application processing product enables our financing source customers to increase credit originations. Our network is configured to enable our financing source customers to connect easily with dealers with whom they can establish new business relations. We believe that financing sources that utilize our solution experience a significant competitive advantage over financing sources that rely on the legacy paper fax process.

***Other Service and Information Providers***

Our web-based solutions enable third-party service and information providers to deliver their products and services more broadly and efficiently, which increases the value of our integrated solutions to our dealer customers. We offer our third-party service and information providers a secure and efficient means of delivering their data to our dealer and financing source customers. For example, the credit reporting agencies can provide dealers with consumers credit reports electronically and integrate the delivery of the prospective consumers credit reports with our credit application processing and other products. Used car value guide providers, such as NADA and Kelley Blue Book Co., Inc. ( Kelley Blue Book ), have been integrated with our web-based solutions, allowing them to develop incremental subscription revenue streams without increased publishing costs.

***Our Competitive Strengths***

We believe that the following strengths provide us with competitive advantages in the marketplace:

*Leading Market Position.* We currently have active relationships with over 20,000 automotive dealers, including over 80% of all franchised dealers; over 140 financing sources, including the 20 largest independent financing sources in the United States and eight captive financing sources; and a number of other service and information providers. Currently, a substantial majority of our financing source customers collective indirect credit application volume is processed through our network. We believe we are also the market leader in deskings, electronic contracting and residual value data for the automotive finance industry. Our network of relationships combined with our market leading positions provide us with significant competitive advantages, including our ability to maximize cross-selling opportunities for our products and services to all of our customers and to expand the wide range of new participants in our network. For example, our new subsidiaries, Chrome Systems, Inc. and Automotive Lease Guide (ALG), Inc., will be better able to market and distribute their products and services through our network. We believe that customers who regularly use one of our solutions are more inclined to use one or more of our other solutions.

*Flexible Web-Based Delivery Model.* We believe that our software as a service model is a superior method of delivering products and services to our customers. Our customers are able to access our highly specialized applications on-demand rather than incurring the expense and difficulty of installing and maintaining them independently. In addition, our open architecture facilitates integration with certain existing systems of our automotive dealer customers, financing sources and other service and information providers. We believe our flexible web-based delivery model enhances our customers operating efficiency and reduces their total operating costs.

*Broad and Integrated Suite of Solutions.* Our broad range of integrated on-demand software products and services improves our customers operating efficiency in the pre-sales marketing and prospecting, sales and finance and insurance stages of the automotive retail industry value chain. We believe that none of our competitors currently offer a comparable suite of integrated solutions and that the breadth of our existing solutions provides us with a competitive advantage.

*Independent Network.* Our web-based network is independent and does not give any one financing source preference over any other financing source. Each dealer sees its individualized list of available financing sources listed alphabetically, based on our proprietary matching process, and can transmit credit application information simultaneously to multiple financing sources selected by them. Financing sources responses to

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requests for financing through our network are presented back to the dealer in their order of response. We believe that this neutral approach makes our network more appealing to both automotive dealers and financing sources than captive alternatives that favor financing sources owned or controlled by one or more automobile manufacturers.

*Proven Acquisition Strategy.* We have augmented the growth of our business by successfully completing strategic acquisitions. In executing our acquisition strategy, we have focused on identifying businesses that we believe will increase our market share or that have products, services and technology that are complementary to our product and service offerings. We believe that our success in completing these acquisitions and integrating them into our business has allowed us to maintain our leadership position in the industry, enhance our network of relationships and accelerate our growth.

### **Our Growth Strategy**

Our growth strategy is to leverage our position as a leading provider of on-demand software solutions to the U.S. automotive retail industry. Key elements of our growth strategy are:

*Sell Additional Products and Services to Our Existing Customers.* We believe that we are well-positioned to increase the number of products and services purchased by our existing customers. Many of our subscription-based products and services were recently introduced to our customers, and we believe there are opportunities to increase the sales of these products and services to dealers and financing sources. We believe that a significant market opportunity exists for us to sell additional products and services to the approximately 70% of our over 20,000 active dealer customers that utilize our credit application processing product, but have not yet purchased one or more of our subscription-based products or services. Similarly, the over 140 financing sources that utilize our credit application product represent a market opportunity for us to sell our electronic contracting solution, which approximately 10% of our financing source customers have implemented to date.

*Expand Our Customer Base.* We intend to increase our market penetration by expanding our automotive dealer and financing source customer base through the efforts of our direct sales force. Although we currently enjoy active relationships with over 80% of all franchised dealers, currently less than 5% of the approximately 50,000 independent dealerships in the United States are active in our network. We believe that we are well positioned to increase the number of these active dealer relationships. While we currently have over 140 active financing source customers, we will focus on adding the captive financing affiliates of foreign automotive manufacturers, as well as select regional banks, financing companies and other financing sources to our network. We also intend to increase the number of other service and information providers in our network by adding, among others, insurance and other aftermarket service providers.

*Expand Our Product and Service Offerings.* We expect to expand our suite of products and services to address the evolving needs of our customers. We have identified a number of opportunities to leverage our network of relationships and our core competencies to benefit dealers, financing sources and other service and information providers. For example, we believe there are opportunities to generate additional revenue from insurance and other aftermarket providers by allowing their products and services to be accessed and offered in our network. We also see opportunities to generate additional revenue by aggregating automotive industry information we have collected and offering reporting of the aggregated information to dealers, financing sources and other industry participants.

*Pursue Acquisitions and Strategic Alliances.* We intend to continue to grow and advance our business through acquisitions and strategic alliances. We believe that acquisitions and strategic alliances will allow us to enhance our product and service offerings, sell new products using our network, improve our technology and/or increase our market share.

### **Products and Services**

We offer a broad suite of integrated solutions for the U.S. automotive retail industry. We typically charge for our products and services on either a transaction and/or subscription basis as indicated below.

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<b>Segment</b>	<b>Products and Services</b>	<b>Subscription/Transaction</b>
Pre-Sales Marketing and Prospecting:	ALG Residual Value Guides*	Subscription
	Chrome Carbook®*	Subscription
	PC Carbook®*	Subscription
	WebsitePlus®	Subscription
Sales:	Chrome Inventory Search®*	Subscription
	Credit Reports	Transaction
	DeskLink®	Subscription
	FinanceWizard®	Subscription
Finance and Insurance:		
<i>Financing</i>	BookOut	Subscription
	ToolKit® (includes our credit application processing product)	Transaction
<i>Aftermarket Sales:</i>	DealerTrack eMent®	Subscription
<i>Contracting:</i>	DealTransfer®	Subscription
	eContracting	Subscription and Transaction
Data and Reporting:	ActivityReports®	Subscription
	ALG Data Services*	Subscription
	Chrome New Vehicle Data*	Subscription
	Chrome VIN Search Data*	Subscription

\* Products and services acquired during the three months ended June 30, 2005.

We charge dealers a subscription fee for each of our products and services, other than our credit application processing product and Credit Reports. We charge a transaction fee to our financing source customers for each credit application submitted to them and for each financing contract executed via our eContracting product. We charge a transaction fee to the dealer or credit report provider for each fee-bearing Credit Report accessed by dealers.

***Pre-Sales Marketing and Prospecting***

***ALG Residual Value Guides*** ALG Residual Value Guides are the industry standard for the residual value forecasting of vehicles. New car residual values are available in a national percentage guide, as well as regional dollar guides. Financing sources and dealers use ALG Residual Guidebooks as the basis to create leasing programs for new and used automotive leases. We charge our financing source customers, dealer customers and other industry participants subscription fees to use this product.

***Chrome Carbook® and PC Carbook®*** Chrome Carbook and PC Carbook provide automotive specification and pricing information. These products enable dealers, financial institutions and consumers to specify

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and price both new and used automobiles online, which helps promote standardized information among these parties and facilitates the initial contact between buyer and seller. We charge our dealer customers and other industry participants subscription fees to use this product.

*WebsitePlus*<sup>tm</sup> WebsitePlus enables visitors to a dealer's website to submit credit application data online that the dealer can then access by logging onto our network. This product provides dealers with valuable consumer leads. It also expedites the sales and finance process because the dealer does not need to re-enter the consumer's credit information when the consumer enters the dealership. We charge our dealer customers subscription fees to use this product.

***Sales***

*Chrome Inventory Search*<sup>tm</sup> Chrome Inventory Search is a web-based automobile locator solution that enables automobile buyers and sellers to search inventory belonging to a single dealer or dealer group, using detailed specifications or selection criteria. Dealers can use this product to order specific automobiles quickly from manufacturers and search their inventory for automobiles to meet a specific consumer's need. We charge our dealer customers subscription fees to use this product.

*Credit Reports* With Credit Reports, dealers can electronically access a consumer's credit report prepared by each of Equifax Inc., Experian Information Solutions, Inc., TransUnion LLC and/or First American CREDCO. The dealer can use the consumer's credit report to determine an appropriate automobile and financing package for that particular consumer. We charge our dealer customers or credit report providers transaction fees each time a fee-bearing credit report is accessed by dealers.

*DeskLink*<sup>tm</sup> With DeskLink, dealers can search the hundreds of current financing source programs in our database within seconds to find the current financing or lease that is best for a consumer and the most profitable for themselves. We charge our dealer customers subscription fees to use this product.

*FinanceWizard*<sup>tm</sup> FinanceWizard assists dealers in finding financing for consumers with low credit scores, while maximizing their own profit. In addition, dealers can quickly pre-qualify prospective consumers and then match the best financing source program against their available inventory. We charge our dealer customers subscription fees to use this product.

***Finance and Insurance***

*BookOut* With BookOut, a dealer can quickly and easily look up used automobile values by year/make/model or vehicle identification number for use in the credit application process. We currently offer separate BookOut subscriptions for data provided by Black Book National Auto Research, Kelley Blue Book and NADA. This product facilitates the financing process by providing dealers with reliable valuation information about the relevant automobile. We charge our dealer customers subscription fees to use this product.

*DealerTrack eMenu*<sup>tm</sup> DealerTrack eMenu allows dealers to consistently present consumers the full array of insurance and other aftermarket product options they offer in a menu format. The product also creates an auditable record of the disclosures to consumers during the aftermarket sales process, helping to reduce dealers' potential legal risks. We charge our dealer customers subscription fees to use this product.

*DealTransfer*<sup>tm</sup> DealTransfer permits dealers to transfer transaction information directly between select dealer management systems and our ToolKit product with just a few mouse clicks. This allows dealers to avoid reentering transaction information once the information is on any of the dealer's systems. We charge our dealer customers subscription fees to use this product.

*eContracting* Our eContracting product allows dealers to obtain electronic signatures and transmit contracts and contract information electronically to financing sources that subscribe to eContracting. eContracting increases the speed of the automotive financing process by replacing the cumbersome paper contracting process with an efficient electronic process. We charge our dealer customers subscription fees to

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use this product and our participating financing source customers transaction fees for each contract that we transmit electronically to them via this product.

*ToolKit<sup>tm</sup>* ToolKit facilitates the online credit application process by enabling dealers to transmit a consumer's credit application information to one or multiple financing sources and obtain credit decisions quickly and efficiently. Generally, our dealer customers maintain active relationships with numerous financing sources. We offer each financing source customer the option to provide other value added services to dealers that facilitate the financing process, including dealer reserve statements, payoff quotes, prospect reports for consumers nearing the end of their current loan or lease and reports of current financing rates and programs. We charge our financing source customers transaction fees for each credit application dealers transmit to them through this product.

### ***Data and Reporting***

*ActivityReports<sup>tm</sup>* ActivityReports provides dealers with reports about their F&I operations such as summaries of applications by type, term, amount and income, summaries of application statuses and approval ratios by financing source, credit score range or user, summaries of applications, statuses and the contract booking ratios by financing source, summaries of credit report activity by provider and score range and summaries of credit applications and credit reports by user. We charge our dealer customers subscription fees to use this product.

*Chrome New Vehicle Data* Chrome New Vehicle Data identifies base automobile prices, as well as the standard and optional equipment available on particular automobiles. Dealers provide Chrome's data on their websites and financing sources use the data in making financing decisions. We charge our dealer and financing source customers subscription fees to use this product.

*Chrome VIN Search Data* Chrome VIN Search Data assists a dealer in identifying an individual or group of automobiles by using vehicle identification numbers (VINs). VIN Search Data facilitates sales of a dealer's used automobile inventory by ensuring accurate valuations for both consumer trade-ins, as well as the dealer's used automobile inventory. We charge our dealer customers subscription fees to use this product.

*ALG Data Services* ALG is the primary provider of vehicle residual value data to automotive industry participants, including manufacturers, banks and other financing sources, deskings software companies and automotive websites. We charge industry participants subscription fees for these data services.

### **International**

Through our subsidiary, dealerAccess Canada Inc., we are a leading provider of on-demand credit application processing services to the indirect automotive finance industry in Canada. We currently provide our Canadian customers with only our credit application processing product. We believe we have the potential in the future to provide our Canadian customers with an integrated suite of products and services similar to that which we offer our domestic customers. In 2004, our Canadian operations generated less than 10% of our revenue.

### **Sales and Marketing**

#### ***Direct Sales***

Our sales force is divided into two separate groups: one focused on financing sources and one focused on dealers. Both groups focus on increasing subscriptions for our subscription-based products and services and the implementation and usage of our transaction-based products and services. The financing source group also focuses on adding more financing sources to our network. Our sales teams strive to increase products and services purchased by existing customers and to expand the range of services we provide our customers. Our sales force covers all 50 states in the United States and consisted of 76 full-time employees as of August 31, 2005.

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***Marketing***

Our marketing strategy is to establish our brand as the leading on-demand automotive sales and finance network. Our marketing programs include a variety of advertising, events and public relations activities targeted at key executives and other decision makers within the automotive retail industry, such as:

participation in, and sponsorship of, user conferences, trade shows and industry events;

using our website to offer our service and to provide product and company information;

cooperative marketing efforts with financing sources and other partners, including joint press announcements, joint trade show activities, channel marketing campaigns and joint seminars;

hosting events to publicize our products and services to existing customers and prospects;

facsimile, direct mail and email campaigns; and

advertising in automotive trade magazines and other periodicals.

**Customer Service and Training**

***Customer Service***

We believe superior customer support is important to retaining and expanding our customer base. We have a comprehensive technical support program to assist our customers in maximizing the value they get from our products and services and solving any problems or issues with our service. We provide telephone support, e-mail support and online information about our products and services. Our outsourced customer service group handles general customer inquiries, such as questions about resetting passwords, how to subscribe to products and services, the status of product subscriptions and how to use our products and services, and is available to customers by telephone, e-mail or over the web. Telephone support is provided by technical support specialists on our team, who are extensively trained in the use of our solutions. Our customer service team consisted of 25 full-time employees as of August 31, 2005.

***Training***

We believe that dealership employees often require specialized training to take full advantage of our solutions. We have developed an extensive training program for our dealers. We believe that this training is important to enhancing the DealerTrack brand and reputation and increasing utilization of our products and services. Training is conducted via telephone, the Internet and in person at the dealership. In training our dealers, we emphasize utilizing our network to help them increase profitability and efficiencies.

**Customers**

Currently, our primary customers are dealers and financing sources. Our network of financing sources includes the largest national prime, near prime and non-prime financing sources; regional and local banks and credit unions. As of August 31, 2005, we had over 140 electronically connected financing sources. The top 20 independent financing sources in the United States and eight automotive captive finance companies are among our customers. Our captive financing source customers are Hyundai Motor Finance Company, Infiniti Financial Services, Kia Motors Finance, Nissan Motor Acceptance Corporation, Mitsubishi Motors Credit of America, Inc., Subaru of America, Inc, Southeast Toyota Finance and Suzuki Financial Services. As of August 31, 2005, we had over 20,000 automotive dealers actively using our network, including over 80% of the franchised dealers in the United States. Our top dealer group customers in fiscal year 2004 included AutoNation Inc., United Auto Group Inc., Sonic Automotive Inc., Van Tuyl Inc. and Group 1 Automotive Inc. The subscription agreements with our dealers typically run for one to three years, with one year automatic extensions. Our initial product subscription agreements with our financing source customers typically run for two to three years with one year automatic extensions. Our top financing source customers in fiscal year 2004 included AmeriCredit Financial Services, Inc., Capital One Auto Finance, Inc., Centrix Financial, LLC, Chase Auto Finance, CitiFinancial Auto, Citizens Financial Group, Inc., HSBC Auto Finance, Triad

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Financial Corporation, Wells Fargo & Company, Wells Fargo Financial, Inc. and WFS Financial, Inc. No customer represented more than 10% of our revenue in fiscal year 2004.

### **Competition**

The market for sales and finance solutions in the U.S. automotive retail industry is highly competitive, fragmented and subject to changing technology, shifting customer needs and frequent introductions of new products and services. Our current principal competitors include:

web-based automotive finance credit application processors, including CUDL and RouteOne;

proprietary finance credit application processing systems, including those used and provided to dealers by American Honda Finance Corp. and Volkswagen Credit;

dealer management system providers, including ADP, Inc. and The Reynolds and Reynolds Company;

automotive retail sales desking providers, including ADP, Inc. and Market Scan Information Systems, Inc.; and

vehicle configuration providers, including Autodata Solutions Company, Automotive Information Center and JATO Dynamics, Inc.

We also compete with warranty and insurance providers, as well as software providers, among others, in the market for menu-selling products and services. We believe that we compete favorably with our competitors on the basis of our extensive network of relationships, our on-demand delivery platform, our distribution capability and our broad and integrated suite of products and services. We also believe that our neutral approach makes our network more appealing to both automotive dealers and financing sources than captive alternatives that favor financing sources owned or controlled by one or more automobile manufacturers. However, some of our competitors may be able to devote greater resources to the development, promotion and sale of their products and services than we can to ours, which could allow them to respond more quickly than we can to new technologies and changes in customer needs. In particular, RouteOne, a joint venture formed and controlled by Chrysler Financial Corporation, Ford Motor Credit Corporation, General Motors Acceptance Corporation and Toyota Financial Services, enjoys relationships with these and other affiliated captive financing sources, which are not part of our network. Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development and customer support.

### **Technology**

Our technology platform is robust, flexible and extendable and is designed to be integrated with a variety of other technology platforms. We believe our open architecture is fully scaleable and designed for high availability, reliability and security. Product development expense for the years ended December 31, 2002, 2003 and 2004 was \$2.1 million, \$1.5 million and \$2.3 million, respectively. Product development expense for the six months ended June 30, 2005 was \$2.1 million. Our technology includes the following primary components:

#### ***Web-Based Interface***

Dealer and financing source customers access our on-demand application products and services through an easy-to-use web-based interface. Our web-based delivery method gives us control over our applications and permits us to make modifications at a single central location. We can easily add new functionality and deliver new products to our customers by centrally updating our software on a regular basis.

#### ***Partner Integration***

We believe that our on-demand model is a uniquely suited method of delivering our products and services to our customers. Our customers can access our highly specialized applications on-demand, avoiding the expense and difficulty of installing and maintaining them independently. Our financing source integration and partner integration use XML encoded messages. We are a member of both STAR (Standards for Technology

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in Automotive Retail) and AFSA (American Financial Services Association) and are committed to supporting published standards as they evolve.

***Infrastructure***

Our technology infrastructure is hosted externally and consists of a production site and a disaster recovery site. We believe that the production site is fully redundant with no single point of major failure. Our customers depend on the availability and reliability of our products and services and we employ system redundancy in order to minimize system downtime.

***Security***

We maintain high security standards with a layered firewall environment. Our communications are secured using secure socket layer 128-bit encryption. We employ an intrusion detection system operating both externally to our website (outside the firewall), as well as internally. Our firewalls and intrusion detection system are both managed and monitored continuously by an independent security management company. We also utilize a commercial software solution to securely manage user access to all of our applications. All incoming traffic must be authenticated before it is authorized to be passed on to the application. Once a user has been authorized, access control to specific functions within the site is performed by the application. Our access control system is highly granular and includes the granting and revocation of user permissions to functions on the site.

We maintain a certification from TruSecure Corporation, a leading industry security certification body. This certification program entails a comprehensive evaluation of our security program, including extensive testing of our website's perimeter defenses. As a result of this process, recommendations are made and implemented. The certification program requires continual monitoring and adherence to critical security policies and practices.

**Government Regulation**

The indirect automotive financing and automotive retail industries are subject to extensive and complex federal and state regulation. Our customers, such as banks, finance companies, savings associations, credit unions and other financing sources, and automotive dealers, operate in markets that are subject to rigorous regulatory oversight and supervision. Our customers must ensure that our products and services work within the extensive and evolving regulatory requirements applicable to them, including those under the Truth in Lending Act, the GLB Act and Regulation P and the Federal Trade Commission's (FTC) Safeguards Rule, the Equal Credit Opportunity Act, the regulations of the Federal Reserve Board, the FCRA, and other state and local laws and regulations. In addition, entities such as the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the National Credit Union Administration and the FTC have the authority to promulgate rules and regulations that may impact our customers, which could place additional demands on us.

The role of our products and services in assisting our customers' compliance with these requirements depends on a variety of factors, including the particular functionality, the interactive design, and the classification of the customer. We are not a party to the actual financing and lease transactions that occur in our network. Our financing source and automotive dealer customers must assess and determine what is required of them under applicable laws and regulations and are responsible for ensuring that our network conforms to their regulatory needs. We generally do not make representations to customers regarding their applicable regulatory requirements, and rely on each of our customers to identify its regulatory issues and respond appropriately.

***Consumer Privacy and Data Security Laws.*** Consumer privacy and data security laws on the federal and state levels govern the privacy of consumer information generally and may apply to our business in our capacity as a service provider for regulated financial institutions and automotive dealers that are subject to the FTC's Privacy of Consumer Financial Information Regulations and Safeguards Rule.



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These laws and regulations restrict our customers' ability to share nonpublic personal consumer information with non-affiliated companies, as well as with affiliates under certain circumstances. They also require certain standards for information security plans and operations, including standards for consumer information protection and disposal. If a financing source or dealer discloses consumer information provided through our network in violation of these laws, regulations or applicable privacy policies, we may be subject to claims from such consumers or enforcement actions by state or federal regulatory authorities.

Legislation is pending on the federal level and in most states that could impose additional duties on us relating to the collection, use or disclosure of consumer information, as well as obligations to secure that information or provide notices in the event of an actual or suspected unauthorized access to or use of information contained within our system. The FTC and federal banking regulators have also issued regulations requiring regulated financial institutions to obtain certain assurances and contractual protections relating to the security and disposal of information maintained by service providers such as us.

While we believe our current business model is consistent with existing laws and regulations, emerging case law and regulatory enforcement initiatives, as well as the passage of new laws and regulations, may limit our ability to use information to develop additional revenue streams in the future.

*Fair Credit Reporting Act.* The FCRA imposes limitations on the collection, distribution and use of consumer report information and imposes various requirements on providers and users of consumer reports and any information contained in such reports. Among other things, the FCRA limits the use and transfer of information that would otherwise be deemed a consumer report under the FCRA, and imposes certain requirements on providers of information to credit reporting agencies and resellers of consumer reports with respect to ensuring the accuracy and completeness of the information and assisting consumers who dispute information on their consumer reports or seek to obtain information involving theft of their identity. The use of such information in violation of the FCRA could, among other things, result in a provider of information or reseller of consumer reports being deemed a consumer reporting agency, which would subject the provider or reseller to all of the compliance requirements applicable to consumer reporting agencies contained in the FCRA. While we believe we have structured our business so that we will not be considered to be a consumer reporting agency, we may in the future determine that it is necessary for us to become a consumer reporting agency due to changing legal standards, customer needs, or for competitive reasons. If we are deemed to be, or elect to treat ourselves as, a consumer reporting agency, our operating costs would increase, which could adversely affect our business, prospects, financial condition and results of operations.

*State Laws and Regulations.* The GLB Act and the FCRA contain provisions that preempt some state laws to the extent the state laws seek to regulate the distribution and use of consumer information. The GLB Act does not limit states' rights to enact privacy legislation that provides greater protections to consumers than those provided by the GLB Act. The FCRA generally prohibits states from imposing any requirements with respect only to certain specified matters and it is possible that some state legislatures or agencies may limit the ability of businesses to disclose consumer information beyond the limitations provided for in the GLB Act or the FCRA.

*Revised Uniform Commercial Code Section 9-105, E-SIGN and UETA.* In the U.S., the enforceability of electronic transactions is primarily governed by E-SIGN, a federal law enacted in 2000 that largely preempts inconsistent state law, and the UETA, a uniform state law that was finalized by the NCCUSL in 1999 and has been adopted by most states. Case law has generally upheld the use of electronic signatures in commercial transactions and in consumer transactions where proper notice is provided and consumer consent to electronic contracting is obtained. The Revised Uniform Commercial Code Section 9-105 seeks to implement a regime to perfect security interests in electronic chattel paper. These laws impact the degree to which the financing sources in our network use our eContracting product. We believe that our eContracting product enables the perfection of a security interest in electronic chattel paper by meeting the transfer of control requirements of UCC 9-105. However, this issue has not been challenged in any legal proceeding. If a court were to find that our electronic contracting product is not sufficient to perfect a security interest in electronic chattel paper, or if existing laws were to change, our business, prospects, financial condition and results of operations could be materially adversely affected.



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*Internet Regulation.* We are subject to federal, state and local laws applicable to companies conducting business on the Internet. Today, there are relatively few laws specifically directed towards online services. However, due to the increasing popularity and use of the Internet and online services, laws and regulations may be adopted with respect to the Internet or online services covering issues such as online contracts, user privacy, freedom of expression, pricing, fraud liability, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Proposals currently under consideration with respect to Internet regulation by federal, state, local and foreign governmental organizations include, but are not limited to, the following matters: on-line content, user privacy, restrictions on email communications, data security requirements, taxation, access charges, liability for third-party activities such as unauthorized database access, and jurisdiction. Moreover, we do not know how existing laws relating to these issues will be applied to the Internet and whether federal preemption of state laws will apply.

**Intellectual Property**

Our success depends, in large part, on our intellectual property and other proprietary rights. We rely on a combination of patent, copyright, trademark and trade secret laws, employee and third-party non-disclosure agreements and other methods to protect our intellectual pro