DealerTrack Holdings, Inc.
Form S-1/A
October 24, 2005

Table of Contents

As filed with the Securities and Exchange Commission on October 24, 2005

Registration No. 333-126944

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 3
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	**52-2336218**	**7373**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*	*(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:

Kirk A. Davenport II, Esq.
Latham & Watkins LLP
885 Third Avenue
Suite 1000
New York, New York 10022
(212) 906-1200

Richard D. Truesdell, Jr., Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
(212) 450-4000

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. o

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. o

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. o

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. o

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

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.

Table of Contents

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 October 24, 2005.

PROSPECTUS

10,000,000 Shares
Common Stock

This is the initial public offering of common stock by DealerTrack Holdings, Inc. We are offering 6,666,667 shares and the selling stockholders identified in this prospectus are offering an additional 3,333,333 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 $14.00 and $16.00 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 17.1% 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.

	Per Share	Total
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 1,500,000 shares from us on the same terms and conditions as set forth above if the underwriters sell more than 10,000,000 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.

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about , 2005.

Lehman Brothers **JPMorgan**

Wachovia Securities

William Blair & Company **SG Cowen & Co.**

, 2005

Table of Contents

DealerTrack Automotive Industry Network Connects Dealers, Financing Sources and Other Service and Information Providers Automotive Dealers Financing Sources DealerTrack Network **Other Service and Information Providers DealerTrack**

TABLE OF CONTENTS

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.

Table of Contents

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 160 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.

Table of Contents

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 and fax processes. 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 160 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.

Table of Contents

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 160 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 160 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 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 plans to acquire WFS Financial, Inc., which is an affiliate of one of our stockholders and a significant customer of ours, and accounted for $1.9 million, or 2.8% of our total revenue for the year ended December 31, 2004 and $1.2 million, or 2.3% of our total revenue for the six months ended June 30, 2005. 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. All or 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 will hold voting power with respect to no greater than 4.99% of the outstanding shares of our common stock;

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.* The information contained on our website is not part of this prospectus.

Table of Contents

The Offering

Common stock offered by us	6,666,667 shares
Common stock offered by the selling stockholders	3,333,333 shares
Common stock to be outstanding after this offering	33,848,902 shares(1)
Use of proceeds	We will receive net proceeds from this offering of approximately $91.2 million. We will use $43.5 million of this amount to repay in full the $25.0 million outstanding under our term loan facility and the $18.5 million outstanding under our revolving credit facility. Therefore, the affiliates of the underwriters that are lenders under our credit facility will receive a portion of the net proceeds to us from this offering. The remaining estimated net proceeds of approximately $47.7 million will be used for general corporate purposes. We will have broad discretion as to the use of these remaining proceeds and may apply them to product development efforts, to acquisitions or to establish strategic alliances. We have no definitive agreements with respect to future acquisitions or strategic alliances and have no commitments with respect to these remaining net proceeds. We will not receive any of the net proceeds from the sale of shares of common stock by the selling stockholders. See Use of Proceeds.
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:

3,604,310 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $6.19 per share, of which 1,279,701 options were exercisable, and

2,119,044 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.

6

Table of Contents

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.

Table of Contents

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
				(unaudited)	
	(Dollars in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Net revenue[2]	$ 11,711	$ 38,679	$ 70,044	$ 32,209	$ 51,921
Operating costs and expenses:					
Cost of revenue[2][3]	17,556	25,362	29,665	13,494	20,180
Product development[3]	2,101	1,539	2,256	1,028	2,084
Selling, general and administrative[3]	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[4]	$ (23,334.99)	$ (1,000.30)	$ 0.45	$ 0.10	$ 0.11
Diluted net (loss) income per share applicable to common stockholders[4]	$ (23,334.99)	$ (1,000.30)	$ 0.02[1]	$ 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 [5](unaudited)			26,437,808		26,964,891

Pro forma weighted average shares outstanding assuming dilution[5](unaudited)			27,422,837		27,543,991
Other Data:					
EBITDA[6] (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[7] (unaudited)	12,752	15,999	19,150	17,902	20,742
Active financing sources in the network as of end of period[8] (unaudited)	21	59	109	73	140
Transactions processed[9] (unaudited)	6,912,272	22,995,715	33,964,195	16,870,626	28,415,099
Product subscriptions as of end of period[10] (unaudited)	317	3,030	7,705	5,451	11,351

8

	As of December 31,		As of June 30,	Pro Forma[11] as of June 30,
	2003	2004	2005	2005
			(unaudited)	
	(Dollars in thousands)			
Consolidated Balance Sheets Data:				
Cash and cash equivalents	$ 16,790	$ 21,753	$ 5,428	$ 5,428
Working capital[12]	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.

Table of Contents

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
EBITDA	$ (5,760)	$ 7,746	$ 18,595	$ 8,029	$ 13,923

(7)

We consider a dealer to be active as of a date if the dealer 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.

Table of Contents

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 desking 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.

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 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

Table of Contents

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.

Table of Contents

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.

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.

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

18

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

Table of Contents

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

20

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.

Table of Contents

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.

Table of Contents

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), L.P., 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.

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 40.8% of our outstanding common stock (or approximately 39.1% 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.

Table of Contents

We intend to use a portion of the net proceeds of this offering to repay the term loan and the revolving 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 and the revolving 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

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 33,848,902 shares of common stock. The 10,000,000 shares of common stock being sold in this offering may be resold in the public market immediately, and an additional 13,690 shares of common stock will be eligible for resale as of the date of this prospectus pursuant to Rule 144(k) under the Securities Act. 108,000 shares of common stock, which were issued as restricted stock to certain of our officers and directors, may only be eligible for resale upon vesting of those shares. The remaining 23,727,212 shares, or 70.1% of our outstanding shares after this offering, are currently restricted either 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
219,103 shares, or 0.6%	Beginning 90 days after the date of this prospectus, depending on the applicable requirements of the federal securities laws.
23,508,109 shares, or 69.5%	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 23,064,256 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 5,723,354 shares of common stock that are authorized for issuance under our stock plans. As of August 31, 2005, 1,279,701 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 deficit 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 deficit per share of our common stock. Investors purchasing common stock in this offering will incur immediate and substantial dilution of $13.20 per share, based on an assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this prospectus). Further, investors purchasing common stock in this offering will contribute approximately 57% of the total amount invested by stockholders since our inception, but will own only approximately 20% 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 and directors 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.

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 and the revolving loan under our credit facilities and the remainder, or excess proceeds, as determined by management in its sole discretion, may be used for general corporate purposes including strategic alliances and acquisitions. 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 65.0% 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.

Table of Contents

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.

Table of Contents

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, as reported in the January 2005 issue of F&I Magazine. 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 160 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.

Table of Contents

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.

Table of Contents

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 $91.2 million, assuming an initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) 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 $20.9 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 term loan facility. As of August 31, 2005, we had $25.0 million of indebtedness outstanding under our term loan facility and $18.5 million outstanding under our revolving credit facility. We will use $43.5 million of the estimated net proceeds to repay all of the currently outstanding indebtedness under our credit facilities. The remaining $47.7 million of the estimated net proceeds will be used for general corporate purposes. We will have broad discretion as to the use of these remaining proceeds and may apply them to product development efforts, to acquisitions or to establish strategic alliances. We have no definitive agreements with respect to future acquisitions or strategic alliances and have no commitments with respect to these remaining net proceeds. 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 credit facilities in an amount proportional to each lender s respective outstanding loan amounts under the credit facilities. 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 $43.5 million of the net offering proceeds. 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 6,666,667 shares of common stock upon completion of this offering at an assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this prospectus); (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 our credit facilities.

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.

	As of June 30, 2005 (unaudited)	
	Actual	Pro Forma, as Adjusted
	(In thousands, except share and per share data)	
Cash and cash equivalents	$ 5,428	$ 53,119
Total debt:		
Credit facilities:		
Revolving credit facility(1)	18,500	
Term loan facility	25,000	
Capital lease obligations	667	667
Total debt	44,167	667
Redeemable convertible participating preferred stock(2)	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, 775,417 outstanding actual; 175,000,000 shares authorized and 33,848,902 shares outstanding, pro forma, as adjusted	8	338
Additional paid-in-capital	12,778	103,635
Deferred stock-based compensation	(5,853)	(5,853)
Accumulated other comprehensive income	79	79
Accumulated deficit	(22,170)	(22,170)

Total stockholders (deficit) equity		(15,158)		76,029
Total capitalization	$	101,235	$	76,696

(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.

Table of Contents

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. As of June 30, 2005, we had a net tangible deficit of approximately $(30.4) million, or approximately $(39.25) per share of common stock, not taking into account the automatic conversion of all our outstanding shares of our redeemable convertible participating preferred stock. Net tangible book value per share is equal to our total tangible assets (total assets less intangible assets and goodwill) less total liabilities, divided by the number of shares of our common stock outstanding. After giving effect to the automatic conversion of all of our convertible redeemable participating preferred stock and the sale of 6,666,667 shares of common stock offered by this prospectus at the assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this prospectus), and after deducting the underwriting discounts and commissions and our estimated offering expenses, our pro forma as adjusted net tangible book value as of June 30, 2005 would have been approximately $60.8 million, or approximately $1.80 per pro forma share of common stock. This represents an immediate increase in pro forma net tangible book value of $41.05 per share to our existing stockholders and an immediate dilution of $13.20 per share to new investors in this offering. The following table illustrates this per share dilution:

Initial public offering price per share		$ 15.00
Historical net deficit value per share as of June 30, 2005	$ (39.25)	
Pro forma increase per share attributable to new investors	41.05	
Pro forma as adjusted net tangible book value per share after this offering		1.80
Dilution per share to new investors		$ 13.20

If the underwriters exercise their over-allotment option in full, the net tangible book value per share after the offering would be $2.31 per share, the increase in net tangible book value per share to existing stockholders would be $41.56 per share and the dilution in net tangible book value to new investors would be $12.69 per share.

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 consideration paid and the average price per share paid by our existing stockholders and by new investors in this offering. We have used the assumed initial public offering price of $15.00 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 Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
	(Dollars in thousands, except per share amounts)				
Existing stockholders	27,182,235	80%	$ 74,302	43%	$ 2.73
New investors	6,666,667	20	100,000	57	15.00
Total	33,848,902	100%	$ 174,302	100%	$ 5.15

Table of Contents

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

- 3,604,310 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 1,279,701 options were exercisable; and

- 2,119,044 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 67.5% 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 11,500,000 or approximately 32.5% 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.

Table of Contents

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

	DealerTrack Holdings, Inc.[1]	Pro Forma, as Adjusted: Offering Adjustments	Pro Forma, as Adjusted: Combined, as Adjusted
	(Dollars in thousands)		
Current assets	$ 33,791	$ 47,691(2)	$ 81,482
Property and equipment, net and software and website development costs, net	10,477		10,477
Intangibles, net	74,993		74,993
Goodwill	12,508		12,508
Other assets	2,228		2,228
Total assets	$ 133,997	$ 47,691	$ 181,688
LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY			
Current liabilities	$ 29,009	$	$ 29,009
Long-term liabilities	47,920	(43,500)[3]	4,420
Total redeemable convertible participating preferred stock	72,226	(72,226)[4]	
Total stockholders (deficit) equity	(15,158)	163,417 [5]	148,259
Total liabilities, redeemable convertible participating preferred stock and stockholders (deficit) equity	$ 133,997	$ 47,691	$ 181,688

See accompanying notes to the unaudited combined condensed pro forma balance sheet.

Table of Contents

NOTES TO UNAUDITED COMBINED CONDENSED PRO FORMA BALANCE SHEET

(1) Derived from the unaudited consolidated balance sheet of DealerTrack Holdings, Inc. as of June 30, 2005.

(2) Adjustment represents estimated net proceeds of $91.2 million offset by the repayment of indebtedness under our credit facilities of $43.5 million.

(3) Adjustment represents the payment of indebtedness under our credit facilities using net proceeds from this offering.

(4) Adjustment represents the automatic conversion of redeemable convertible participating preferred stock to common stock upon the completion of this offering.

(5) Adjustment represents estimated net proceeds of $91.2 million and the automatic conversion of redeemable convertible participating preferred stock to common stock of $72.2 million.

Table of Contents

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

	DealerTrack Holdings, Inc.[2]	LML[3]	Chrome[3]	NAT[3]	ALG[3]	Pro Forma Acquisition Adjustments[4]	Pro Forma Combined	Pro Forma, as Adjusted Offering Adjustments	Pro Forma, as Adjusted Combined, as Adjusted
	(Dollars in thousands, except per share data)								
Net revenue	$ 70,044	$ 18,509	$ 12,769	$ 3,897	$ 7,829	$ (12,496)[5]	$ 100,552	$	$ 100,552
Cost of revenue	29,665	3,047	2,214	2,442	3,127	20,899 [6]	61,394		61,394
Product development	2,256		2,129	656			5,041		5,041
Selling, general and administrative	30,401	11,619	6,940	3,347	2,388	(967)[7]	53,728		53,728
Interest and other income (expense), net	(61)	(3,109)	(8)	(86)	(76)	523 [8]	(2,817)	2,425 [15]	(392)
Income (loss) before provision for income taxes	7,661	734	1,478	(2,634)	2,238	(31,905)	(22,428)	2,425	(20,003)
Benefit (provision) for income taxes	3,592		(34)	(1)		(3,557)[13]			
Net income (loss)	$ 11,253	$ 734	$ 1,444	$ (2,635)	$ 2,238	$ (35,462)	$ (22,428)	$ 2,425	$ (20,003)
Basic net income (loss) per share applicable to common stockholders	$ 0.45						$ (557.65) [14]		$ (0.60) [16]
Weighted average shares outstanding	40,219						40,219 [14]		33,104,475 [16]
Diluted net income (loss) per share applicable to common stockholders	$ 0.02 [1]						$ (557.65) [14]		$ (0.60) [16]
Weighted average shares	1,025,248						40,219 [14]		33,104,475 [16]

outstanding
assuming
dilution

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

Table of Contents

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

					Pro Forma		Pro Forma, as Adjusted	
	DealerTrack Holdings, Inc.[2]	Chrome[3]	NAT[3]	ALG[3]	Acquisition Adjustments[4]	Combined	Offering Adjustments	Combined, as Adjusted
	(Dollars in thousands, except per share data)							
Net revenue	$ 51,921	$ 4,302	1,370	$ 3,028	$ (330)[9]	$ 60,291	$	$ 60,291
Cost of revenue	20,180	885	868	955	8,690 [10]	31,578		31,578
Product development	2,084	934	365			3,383		3,383
Selling, general and administrative	24,347	3,101	2,221	1,058	(219)[11]	30,508		30,508
Interest and other income (expense), net	(286)	11	(17)	(33)	(1,074)[12]	(1,399)	1,212 [15]	(187)
Income (loss) before provision for income taxes	5,024	(607)	(2,101)	982	(9,875)	(6,577)	1,212	(5,365)
Provision for income taxes	(2,160)	(10)			2,170 [13]			
Net income (loss)	$ 2,864	$ (617)	(2,101)	$ 982	$ (7,705)	$ (6,577)	$ 1,212	(5,365)
Basic net income (loss) per share applicable to common stockholders	$ 0.11					$ (11.59) [14]		$ (0.16) [16]
Weighted average shares outstanding	567,302					567,302 [14]		33,631,558 [16]
Diluted net income (loss) per share applicable to common stockholders	$ 0.06					$ (11.59) [14]		$ (0.16) [16]
	1,146,402					567,302 [14]		33,631,558 [16]

Weighted
average shares
outstanding
assuming
dilution

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
Total assets acquired		18,316
Total liabilities assumed		(5,420)
Net assets acquired	$	12,896

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 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. We anticipate that these identifiable intangible assets will include customer contracts (our existing customer contracts have an average useful life of 2-3 years), technology assets (our existing technology assets have an average useful life of 2-5 years) and non-compete agreements (our existing non-compete assets have an average useful life of 5 years). 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 to an identifiable intangible, amortization expense will be reduced by approximately $0.3 million per annum. 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. In addition, for every one year that the average useful life of the identifiable intangibles is less than the three-year estimate that was utilized in this preliminary assessment, our amortization expense will increase by approximately $3.0 million per annum. Conversely, for every year that the average useful life of the identifiable intangibles exceeds that three-year estimate used for purposes of the preliminary assessment, our amortization expense will be reduced by approximately $1.5 million per annum.

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

Table of Contents

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

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 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. We anticipate that these identifiable intangible assets will include customer contracts (our existing customer contracts have an average useful life of 2-3 years), technology (our existing technology assets have an average useful life of 2-5 years) and non-compete agreements (our existing non-compete assets have an average useful life of 5 years). 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 example, for every 5% of the excess purchase price that our final assessment allocates to goodwill rather than to an identifiable intangible, amortization expense will be reduced by approximately $0.1 million per annum. 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. In addition, for every one year that the average useful life of the identifiable intangibles is less than the three year estimate that was utilized in this preliminary assessment, our amortization expense will increase by approximately $1.4 million per annum. Conversely, for every year that the average useful life of the identifiable intangibles exceeds that three-year estimate used for purposes of the preliminary assessment, our amortization expense will be reduced by approximately $0.7 million per annum.

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
Total assets acquired		39,820
Total liabilities assumed		(88)

Net assets acquired	$	39,732

Table of Contents

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

For the purposes of this pro forma presentation, the excess purchase price of $38.9 million has been preliminarily allocated to identifiable intangibles 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. We anticipate that these identifiable intangible assets will include customer contracts (our existing customer contracts have an average useful life of 2-3 years), technology (our existing technology assets have an average useful life of 2-5 years) and non-compete agreements (our existing non-compete assets have an average useful life of 5 years). 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 example, for every 5% of the excess purchase price that our final assessment allocates to goodwill rather than to an identifiable intangible, amortization expense will be reduced by approximately $0.6 million per annum. 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. In addition, for every one year that the average useful life of the identifiable intangibles is less than the three year estimate that was utilized in this preliminary assessment, our amortization expense will increase by approximately $6.5 million per annum. Conversely, for every year that the average useful life of the identifiable intangibles exceeds that three-year estimate used for purposes of the preliminary assessment, our amortization expense will be reduced by approximately $3.3 million per annum.

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

Reversal of LML factored revenue[(a)]	$	(11,736)
Elimination of intercompany revenue (cost of revenue reversed as part of (6))		(760)
Total of adjustment (5)	$	(12,496)

(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.

Table of Contents

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

(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		(1,176) [(a)]
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) [(b)]
Total of adjustment (6)	$	20,899

(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.

(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.

(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.

(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.

Table of Contents

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

(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.

(15) Adjustment represents the reversal of interest expense related to the credit facilities. For pro forma purposes it is assumed that on January 1, 2004 the indebtedness was paid off with the net offering proceeds.

(16) Assuming the initial public offering occurred on January 1, 2004, the pro forma, as adjusted weighted average shares outstanding and weighted average shares outstanding assuming dilution are calculated as follows:

(a) For the twelve months ended December 31, 2004:

Conversion of redeemable convertible participating preferred stock	26,397,589
Estimated common stock offered in this offering	6,666,667
Basic weighted average shares outstanding as of December 31, 2004	40,219
Total as adjusted, weighted average outstanding and average shares outstanding assuming dilution	33,104,475

(b) For the six months ended June 30, 2005:

Conversion of redeemable convertible participating preferred stock	26,397,589
Estimated common stock offered in this offering	6,666,667
Basic weighted average shares outstanding as of June 30, 2005	567,302
Total as adjusted, weighted average outstanding and average shares outstanding assuming dilution	33,631,558

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[2]	2001	2002	2003	2004	2004	2005
	(unaudited)					(unaudited)	
	(In thousands, except per share amounts)						
Consolidated Statements of Operations Data:							
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[3]			$ (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[1]	$ 0.00	$ 0.06

stockholders[3]							
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)[4]			$	0.43		$	0.11
Pro forma diluted net income per share (unaudited)[4]			$	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

46

Table of Contents

	As of December 31,					As of June 30, 2005
	2000[1]	2001	2002	2003	2004	
	(unaudited)					(unaudited)
	(In thousands)					
Consolidated Balance Sheets Data:						
Cash and cash equivalents	$ 1,791	$ 16,311	$ 13,745	$ 16,790	$ 21,753	$ 5,428
Working capital[5]	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.

Table of Contents

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 160 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.

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 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 desking 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

Table of Contents

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.

Table of Contents

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.

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.

Since June 30, 2004, we granted to certain of our employees, officers and directors options to purchase common stock at exercise prices that the board of directors believed, at the time of grant, were equal to the values of the underlying common stock at the time of each grant. We also granted shares of restricted stock to certain of our officers and directors on several occasions in 2005. The board of directors based its original determinations of fair market value based on all of the information available to it at the time of the grants. We did not obtain contemporaneous valuations for our common stock at each date because we were focusing on building our business. In March 2003, we received a contemporaneous valuation (the March 2003 valuation) of our common stock in connection with our stock-for-stock acquisition of Credit Online. In January 2005, we received a second contemporaneous valuation (the January 2005 valuation) of our common stock in connection with our grant of stock options to certain employees. These valuations were part of the information used by our board of directors in its original determinations of the fair market value in connection with substantially all restricted stock and stock option grants.

In connection with the preparation of our consolidated financial statements included in this prospectus, we noted that the fair value of the common stock subject to the option awards granted since June 30, 2004, as determined by the board of directors at the time of grant, was less than the valuations that prospective underwriters in this offering estimated could be obtained in an initial public offering in the later half of 2005, based on market and other conditions at the time. As a result, we determined in July 2005, subsequent to the date of these stock and option grants and prior to filing the registration statement of which this prospectus is a part, that certain of the awards granted during this time period had a compensatory element. We made this determination by reassessing the fair value of our common stock for all stock and option awards granted subsequent to June 30, 2004 based, in part, on additional retrospective valuations prepared as of May 2004 (the retrospective May 2004 valuation) and August 2004 (the retrospective August 2004 valuation). Our July 2005 reassessment resulted in the compensation charges reflected in our consolidated financial statements included in this prospectus.

Significant Factors, Assumptions and Methodologies Used in Determining Fair Value

July 2004

In the retrospective May 2004 valuation, a combination of the Discounted Cash Flow (DCF) method and the Guideline Company method was used. The DCF method directly forecasts free cash flows expected to be generated by a business as a going concern. We provided projections of income statements for the 2004-2009 period to assist in the valuation. The assumptions underlying the projections were consistent with our business plan. However, there was inherent uncertainty in these projections. The determination of future debt-free cash flows was based upon these projections, which incorporated a weighted average cost of capital of 19% and, for purposes of calculating the terminal value, assumed a long-term growth rate of 4%. If a different weighted average cost of capital or long-term growth rate had been used, the valuations would have been different.

The Guideline Company method identifies business entities with publicly traded securities whose business and financial risks are the same as, or similar to, the company being valued. The Guideline Company method was based upon revenue, EBITDA and earnings per share of DealerTrack and multiplying these figures by the appropriate multiples. The market multiples were obtained through the market comparison method, where companies whose stock is traded in the public market were selected for comparison purposes and used as a basis for choosing reasonable market multiples for DealerTrack. For the Guideline Company method, we utilized the most recent available trailing twelve-month revenue, EBITDA and earnings per share for stock and stock option grants from April 2004 through June 2005. The revenue, EBITDA and earnings per share multiples were derived from publicly traded companies that consisted of data processing and preparation, business services or computer programming services companies, with the following financial profiles:

- U.S. companies with sales between $40.0 million to $3.0 billion;
- Revenue growth in 2002-2004 ranging from 10%-20%;
- EBITDA margin ranging from 8%-20%;
- Annual earnings ranging from $2.5 million to $300.0 million; and
- Revenue multiples ranging from 0.9 to 4.2, EBITDA multiples ranging from 5 to 53 and earnings per share multiples ranging from 15.5 to 26.4.

The valuations considered that although we were a smaller company than some of those comparable companies, our higher historical growth rates and above-average returns made the use of the comparable companies reasonable.

A weighted average of the DCF and Guideline Company methods, weighting the DCF method 40% and the Guideline Company method 60%, was divided by the number of fully diluted shares of our common stock outstanding, assuming automatic conversion of all outstanding preferred stock. Discounts were then applied for the illiquidity and the junior status of the common shares.

We reassessed the fair value of the stock option awards issued in July 2004 based, in part, upon the retrospective May 2004 valuation. The retrospective May 2004 valuation was performed in April 2005 as part of our July 2005 reassessment of the value of our common stock for purposes of preparing our consolidated financial statements included in this prospectus. We chose May 2004 as an appropriate time to perform a second valuation as it was several months prior to the LML acquisition that was completed in August 2004, and a significant amount of stock options were granted in May 2004. We believe that it is appropriate to group the May 2004 and July 2004 awards together for valuation purposes as no material events transpired between May and July of 2004 that triggered a material change in the value of our common stock. The assessed fair value of the July 2004 awards is primarily based upon the retrospective May 2004 valuation. However, we reduced the illiquidity discount used in the retrospective May 2004 valuation (we utilized a 15% discount rate versus the 20-25% rate used in the retrospective May 2004 valuation) and eliminated the 35% discount applied in the retrospective May 2004 valuation to account for the junior status of our common shares primarily based upon the board of directors knowledge of an impending initial public offering. Our board placed no value on the liquidation preference of the preferred stock (and, therefore, applied no discount to the common stock to reflect its junior status) since the preferred stock s liquidation preference only provided a benefit to holders of preferred stock at enterprise values significantly lower than the valuations being applied to our company at the time. In addition, our board took into account the likelihood that we would be completing an initial public offering of our common stock in late 2005 and determined that the illiquidity discounts being applied were excessive. After these adjustments, we arrived at a value of $5.86 per share, which was the value we used for computing the compensation expense associated with the July 2004 option grants.

August 2004

We reassessed the fair value of the stock option awards issued in August 2004 based, in part, upon the retrospective August 2004 valuation. The retrospective August 2004 valuation used the same method of calculating per share value as was used in the retrospective May 2004 valuation. The retrospective August 2004 valuation was performed in April 2005 as part of our July 2005 reassessment of the value of our common stock for purposes of preparing our consolidated financial statements included in this prospectus. We chose August 2004 as an appropriate time to perform the third valuation as it was subsequent to the LML acquisition that was completed in August 2004, and a significant amount of stock options were granted in August 2004. The assessed fair value of the August 2004 awards is primarily based upon the retrospective August 2004 valuation. However, we reduced the illiquidity discount used in the retrospective August 2004 valuation (we utilized a 15% discount rate versus the 20%-25% rate used in the retrospective August 2004 valuation) and eliminated the 25% discount applied in the retrospective August 2004 valuation to account for the junior status of our common shares primarily based upon the board of directors knowledge of an impending initial public offering. After these adjustments, we arrived at a value of $6.73 per share, which was the value we used for computing the compensation expense associated with the August 2004 option grants.

January, March and April 2005

We assessed the fair value of the stock option awards issued in January through April of 2005 based, in part, upon the contemporaneous January 2005 valuation. The January 2005 valuation used the same method of calculating per share value as the retrospective August 2004 and retrospective May 2004 valuations. We chose January 2005 as an appropriate time to perform an additional valuation as we had achieved annual profitability for the first time in 2004, we completed the acquisition of Go Big in January 2005 and we believe we had successfully integrated the LML acquisition by January 2005. No other material events occurred between January and April 2005 that triggered a material change in the value of our equity. The assessed fair value of these option awards is primarily based upon the contemporaneous January 2005 valuation. However, we reduced the illiquidity discount used in the January 2005 valuation (we utilized a 5% discount versus the 20-25% used by the January 2005 valuation) and eliminated the 20% discount applied in the January 2005 valuation to account for the junior status of our common shares primarily based upon the board of directors knowledge of an impending initial public offering. After these adjustments, we arrived at a value of $9.00 per share, which was the value we used for computing the compensation expense associated with the January, March and April 2005 option grants.

May and June 2005

We reassessed the fair value of the stock option and restricted stock awards issued in May and June 2005 based, in part, upon information provided to us in January 2005 by the three investment banking firms who were discussing with us the possibility of completing an initial public offering in the later half of 2005. One of these investment banks is the affiliate of a related party to us and of a selling stockholder in this offering. Each investment bank made clear that the prospective values being discussed in January 2005 related to estimates of where an initial public offering would price in late 2005, based on market and other conditions at the time, and were not intended to reflect our equity value at any earlier date. Their estimates were based on the market approach, in large part on forecasted results for 2006 and continuingly improving operating results during 2005. The board of directors derived an average of what the three investment banks estimated our equity value would be in the context of an initial public offering in late 2005 and applied an additional 5% illiquidity discount to arrive at the new fair value. Based on this methodology, we arrived at a value of $14.30 per share, which was the value we used for computing the compensation expense associated with the May and June 2005 option grants and restricted stock awards.

Table of Contents

Significant Factors Contributing to the Difference between Fair Value as of the Date of Each Grant and Estimated IPO Price

From July 1, 2004 to June 30, 2005, the difference between the fair market value per share of $5.86 to $14.30 (as illustrated in the chart below) and the assumed offering price of $15.00 per share in this offering (the midpoint of the price range set forth on the cover page of this prospectus) was attributable to our continued growth during this period, and the achievement of a number of important corporate milestones, including:

In the third quarter of 2004, we completed our acquisition of LML, which expanded our customer base and product offerings.

In the third quarter of 2004, we experienced continued profitability and a continued increase in our dealer and lender customer base.

In the fourth quarter of 2004, we believe we had successfully integrated the business we acquired from LML.

In the first quarter of 2005, we completed the acquisition of Go Big, which expanded our customer base and product offerings.

In the first quarter of 2005, several prospective underwriters made presentations to our board of directors regarding a potential initial public offering in the second half of 2005.

In the second quarter of 2005, we completed our acquisitions of ALG, NAT and Chrome, which expanded our customer base and product offerings.

In the third quarter of 2005, we filed our initial registration statement with the Securities and Exchange Commission.

Throughout the entire period from July 1, 2004 through June 30, 2005, our dealer and financing source customer base has increased, as have the number of transactions processed and the number of product subscriptions.

Based on an assumed offering price of $15.00, the intrinsic value of all stock options outstanding at June 30, 2005 was $32.0 million, of which $12.0 million related to vested options and $20.0 million related to unvested options.

The following table shows the stock option and restricted stock activity during the period from July 1, 2004 through June 30, 2005, including exercise price per share, intrinsic value and the fair market value of our common stock for financial reporting purposes:

	Grant Date	Number of Options/Shares	Exercise Price Per Share	Fair Market Value Per Share	Intrinsic Value Per Share*
Options:	July 2004	25,000	$ 2.80	$ 5.86	$ 3.06
	August 2004	699,650	2.80	6.73	3.93
	January 2005	51,500	9.00	8.60	n/a
	March 2005	37,600	9.00	8.60	n/a
	April 2005	65,000	9.00	8.60	n/a
	May 2005	960,850	12.92	14.30	1.38
	June 2005	30,000	12.92	14.30	1.38

	Total Options	1,869,800			
Restricted Shares:	May 2005	101,000	n/a	14.30	n/a
	June 2005	3,500	n/a	14.30	n/a
	Total Restricted Shares	104,500			

* Stock-based compensation expense was calculated by multiplying the intrinsic value per share by the number of shares, in the case of option awards and by multiplying the fair market value per share by the number of shares, in the case of restricted stock awards.

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)				
Consolidated Statements of Operations Data:					
Net revenue(1)	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 73 as of June 30, 2004 to 140 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. 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 59 as of December 31, 2003 to 109 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

Table of Contents

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 conclusion that it is more likely than not that the net deferred tax asset of $5.9 million at December 31, 2004 would be realized was based on evaluating the nature and weight of all of the available positive and negative evidence in accordance with FAS 109. In reaching that conclusion, we balanced the weight of the evidence of cumulative losses as of December 31, 2004 against positive evidence including the recent positive earnings history beginning in the fourth quarter of 2003 through the end of 2004; the expected level of earnings in 2005 and 2006; the length of the carry forward periods applicable to the deferred tax assets; and the change in business activity in recent years as compared to the initial years of operation.

We incurred losses of approximately ($14.9 million) in 2001, ($16.8 million) in 2002, ($3.2 million) in 2003 and income of $7.7 million in 2004. These losses were principally due to our focus on developing the tools, software, solutions and processes needed to build our proprietary technology and to grow our dealer network. This approach required significant spending on technology, staff, marketing and research and

Table of Contents

development. In the second half of 2003, as our products and services became accepted in the marketplace and our financing source and dealer network reached a critical mass, our focus shifted to growing our customer and revenue base which exceeded our overall development spending. By the end of 2003, this change in focus had resulted in a significant increase in our revenue and profitability.

For the three months ended December 31, 2003, we generated a profit of $0.3 million. Although we incurred a loss of ($3.2 million) in 2003, this was a significant improvement to the 2001 and 2002 losses of ($14.9 million) and ($16.8 million) respectively. We also increased revenue from $1.3 million in 2001, and $11.7 million in 2002 to $38.7 million in 2003. We believe these facts indicate that the losses and lower revenue incurred during 2001, 2002 and the first three quarters of 2003 do not accurately reflect our current business which shows strong revenue and income growth. In 2004, we generated revenues of $70.0 million and income of before tax benefit of $7.7 million, and by the end of the first quarter of 2005 we earned $3.7 million on revenue of $23.3 million.

In evaluating whether it is more likely than not that we would earn enough income to utilize the deferred tax assets we considered various factors and made certain assumptions. We looked at the favorable revenue and earnings trends for the business, but, given the limited and recent history of positive earnings, for our analysis we assumed that the business would not increase revenue and profitability beyond the levels generated in 2004. We also considered the sustainability of the revenue and income levels realized in 2004 in future years. Based on the development of our financing source and dealer network and the market acceptance of our products and services, we believe that our assumption that the 2004 revenue and income levels would be at least constant in future years is conservative. We also took into account the estimated carry-forward period of the deferred tax assets. With the exception of the 20 year carry-forward period that applies to the net operating losses, we have estimated that the longest carry-forward period for any of the remaining deferred tax assets will be no more than ten years on average. Using an overall 43% federal and state effective income tax rate, we would need to generate income of $13.7 million ($5.9 million / 43%) to utilize the net deferred tax asset at December 31, 2004. Assuming no revenue growth in 2005 and 2006 relative to 2004, we would generate income of $15.4 million ($7.7 million x 2). We would therefore earn enough income to be able to fully utilize the net deferred tax assets recognized at December 31, 2004. We calculated the reversal of the valuation allowance of $5.9 million by including all of the deferred tax assets not subject to a Section 382 limitation, $4.7 million, and $1.2 million to reflect the expected utilization of net operating losses subject to a Section 382 limitation in 2005 and 2006. This portion of the valuation allowance reversal was recorded as an adjustment to goodwill.

We have maintained a valuation allowance of approximately $3.3 million, which is the portion of the remaining net operating loss that will be subject to the Section 382 limitation, after reduction for the net operating losses we expect to be able to use in 2005 and 2006. Given our limited history of positive earnings, we did not believe that there is sufficient positive evidence at this time to indicate it was more likely than not that we would use all of the remaining net operating losses subject to Section 382. We will continue to monitor our valuation allowance at each reporting period.

In the event that the future income streams that we currently project do not materialize, we may be required to increase our valuation allowance. Any increase in the valuation allowance would result in a charge that would adversely impact our operating performance.

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.

Table of Contents

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 59 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)			
2005				
Net revenue	$ 23,271	28,650		