

DEALERTRACK HOLDINGS, INC.

FORM 10-Q (Quarterly Report)

Filed 5/12/2006 For Period Ending 3/31/2006

Address	1111 MARCUS AVENUE SUITE M04 LAKE SUCCESS, New York 11042
Telephone	(516) 734-3600
CIK	0001333513
Industry	Software & Programming
Sector	Technology
Fiscal Year	12/31

Powered By **EDGAR**Online

<http://www.edgar-online.com/>

© Copyright 2006. All Rights Reserved.

Distribution and use of this document restricted under EDGAR Onlines Terms of Use.

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

Form 10-Q

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

For the quarterly period ended March 31, 2006

OR

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

Commission File Number 000-51653

DEALERTRACK HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

52-2336218

(I.R.S. Employer Identification Number)

1111 Marcus Ave., Suite M04

Lake Success, NY

(Address of principal executive offices)

11042

(Zip Code)

Registrant's telephone number, including area code: **(516) 734-3600**

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2.)

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

As of April 30, 2006, 35,634,390 shares of the registrant's common stock were outstanding.

DEALERTRACK HOLDINGS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006

TABLE OF CONTENTS

	Page
PART 1. FINANCIAL INFORMATION	
Item 1. Financial Statements	1
Consolidated Balance Sheets (unaudited)	1
Consolidated Statements of Operations (unaudited)	2
Consolidated Statements of Cash Flows (unaudited)	3
Notes to Consolidated Financial Statements (unaudited)	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	22
Item 4. Controls and Procedures	22
PART 2. OTHER INFORMATION	
Item 1. Legal Proceedings	23
Item 1A. Risk Factors	23
Item 5. Other Information	23
Item 6. Exhibits	23
Signature	24
Exhibit Index	25
EX-10.1: FORM OF STOCK OPTION AGREEMENT	
EX-10.2: FORM OF RESTRICTED STOCK AGREEMENT	
EX-10.3: EMPLOYMENT AGREEMENT	
EX-10.4: UNFAIR COMPETITION AND NONSOLICITATION AGREEMENT	
EX-10.5: EMPLOYMENT AGREEMENT	
EX-31.1: CERTIFICATION	
EX-31.2: CERTIFICATION	
EX-32: CERTIFICATION	

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DEALERTRACK HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2006	December 31, 2005
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 40,541	\$ 103,264
Short-term investments	59,607	—
Accounts receivable — related party	5,767	5,386
Accounts receivable, net of allowances of \$2,905 and \$2,664 at March 31, 2006 and December 31, 2005, respectively	12,938	13,893
Prepaid expenses and other current assets	3,716	3,902
Deferred tax asset	910	910
Total current assets	<u>123,479</u>	<u>127,355</u>
Property and equipment, net	5,862	4,885
Software and website developments costs, net	10,704	8,769
Intangible assets, net	38,960	39,550
Goodwill	36,755	34,200
Restricted cash	540	590
Deferred taxes and other assets	6,587	5,266
Total assets	<u>\$ 222,887</u>	<u>\$ 220,615</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,629	\$ 2,367
Accounts payable — related party	988	2,021
Accrued compensation and benefits	3,691	7,589
Accrued other	8,780	8,674
Deferred revenue	4,128	3,267
Deferred taxes	42	42
Due to acquirees	1,450	1,447
Capital leases payable	275	387
Total current liabilities	<u>20,983</u>	<u>25,794</u>
Capital leases payable — long-term	—	7
Due to acquirees — long-term	4,998	4,957
Other long-term liabilities	4,502	3,186
Total liabilities	<u>30,483</u>	<u>33,944</u>
Commitment and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized and no shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	—	—
Common stock, \$0.01 par value; 175,000,000 shares authorized; 35,613,774 and 35,379,717 shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	356	354
Additional paid-in capital	215,810	214,471
Deferred stock-based compensation	(6,779)	(7,745)
Accumulated other comprehensive income (foreign currency)	147	157
Accumulated deficit	(17,130)	(20,566)
Total stockholders' equity	<u>192,404</u>	<u>186,671</u>
Total liabilities and stockholders' equity	<u>\$ 222,887</u>	<u>\$ 220,615</u>

The accompanying notes are an integral part of these consolidated financial statements.

DEALERTRACK HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31,	
	2006	2005
	(In thousands, except share and per share amounts)	
Revenue		
Net revenue ⁽¹⁾	\$ 37,935	\$ 23,271
Operating costs and expenses		
Cost of revenue ⁽¹⁾⁽²⁾	15,119	8,403
Product development ⁽²⁾	2,202	767
Selling, general and administrative ⁽²⁾	15,969	10,485
Total operating costs and expenses	33,290	19,655
Income from operations	4,645	3,616
Interest income	963	53
Interest expense	(72)	(40)
Income before provision for income taxes	5,536	3,629
Provision for income taxes, net	(2,100)	(1,560)
Net income	<u>\$ 3,436</u>	<u>\$ 2,069</u>
Basic net income per share applicable to common stockholders ⁽³⁾	\$ 0.10	\$ 0.08
Diluted net income per share applicable to common stockholders ⁽³⁾	\$ 0.09	\$ 0.04
Weighted average shares outstanding	35,268,289	513,771
Weighted average shares outstanding assuming dilution	36,718,023	1,139,458

	Three Months Ended	
	March 31,	
	2006	2005
	(In thousands)	
(1) Related party revenue	\$9,252	\$6,152
Related party cost of revenue	847	782

(2) Stock based compensation recorded for the three months ended March 31, 2006 and 2005 was classified as follows:

	Three Months Ended March 31,	
	2006	2005
	(In thousands)	
Cost of revenue	\$ 253	\$ 47
Product development	78	17
Selling, general and administrative	893	204
Total stock-based compensation	<u>\$ 1,224</u>	<u>\$ 268</u>

(3) See Note 2 of these financial statements for earnings per share calculations

The accompanying notes are an integral part of these consolidated financial statements.

DEALERTRACK HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,	
	2006	2005
	(In thousands)	
Cash flows from operating activities		
Net income	\$ 3,436	\$ 2,069
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,070	3,011
Deferred tax (benefit) provision	(1,341)	435
Amortization of stock-based compensation	1,224	268
Provision for doubtful accounts and sales credits	975	499
Gain on sale of property and equipment	—	(17)
Amortization of deferred interest	46	27
Deferred compensation	33	—
Stock-based compensation windfall tax benefit	(464)	—
Amortization of bank financing costs	33	—
Changes in operating assets and liabilities, net of effects of acquisitions		
Trade accounts receivable	(14)	(3,202)
Accounts receivable — related party	(381)	(1,686)
Prepaid expenses and other current assets	194	(903)
Accounts payable and accrued expenses	(5,586)	(1,906)
Accounts payable — related party	(1,033)	(234)
Deferred revenue and other current liabilities	860	506
Other long-term liabilities	275	(203)
Deferred rent	163	—
Other assets	(2)	(510)
Net cash provided by (used in) operating activities	<u>4,488</u>	<u>(1,846)</u>
Cash flows from investing activities		
Capital expenditures	(923)	(248)
Funds released from escrow and other restricted cash	50	179
Purchase of short term investments	(64,358)	—
Sale of short term investments	4,750	—
Capitalized software and web site development costs	(1,151)	(721)
Proceeds from sale of property and equipment	—	18
Payment for net assets acquired, net of acquired cash	<u>(6,180)</u>	<u>(1,290)</u>
Net cash used in investing activities	<u>(67,812)</u>	<u>(2,062)</u>
Cash flows from financing activities		
Principal payments on capital lease obligations	(119)	(132)
Proceeds from the exercise of employee stock options	321	972
Proceeds from employee stock purchase plan	143	—
Principal payments on notes payable	(211)	—
Stock-based compensation windfall tax benefit	464	—
Other	13	—
Net cash provided by financing activities	<u>611</u>	<u>840</u>
Net decrease in cash and cash equivalents	(62,713)	(3,068)
Effect of exchange rate changes on cash and cash equivalents	(10)	(5)
Cash beginning of period	<u>103,264</u>	<u>21,753</u>
Cash end of period	<u>\$ 40,541</u>	<u>\$ 18,680</u>
Supplemental disclosure		
Cash paid for:		
Income taxes	\$ 1,103	\$ 700
Interest	13	40

Non-cash investing and financing activities:

Acquisition of capitalized software through note payable	1,264	—
Accrued capitalized hardware and software	1,430	—

The accompanying notes are an integral part of these consolidated financial statements.

DEALERTRACK HOLDINGS, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)**

1. Business Description

We are 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. 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. Our integrated subscription-based software products and services enable our automotive dealer customers to receive valuable consumer leads, compare various financing and leasing options and programs, sell insurance and other aftermarket products, document compliance with certain laws and execute financing contracts electronically. In addition, we offer data and other products and services to various industry participants, including lease residual value and automobile configuration data.

We began our principal business operations in February 2001 with the introduction of our credit application processing product to address inefficiencies in the automotive financing process. Since then, we have substantially increased the number of participants in our network and have introduced new products and services through our internal product development efforts, as well as through acquisitions. As a result, we have increased our total addressable market by enhancing our offering of subscription products and our data and reporting capabilities, and expanding our network of relationships.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements as of March 31, 2006 and for the three months ended March 31, 2006 and 2005 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal and recurring adjustments, considered necessary for a fair presentation have been included in the accompanying unaudited financial statements. All intercompany transactions and balances have been eliminated in consolidation. Operating results for the three months ended March 31, 2006 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2006. The December 31, 2005 balance sheet information has been derived from the audited 2005 financial statements. For further information, please refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission on March 30, 2006.

Short-term Investments

We account for investment in marketable securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Short-term investments at March 31, 2006 consist of auction rate securities which are invested in tax-exempt and tax-advantaged securities. The Company classifies its investment securities as available for sale, and as a result, reports the investments at fair value. There were no unrealized gains (losses) as of March 31, 2006.

Auction rate securities have long-term underlying maturities, but have interest rates that are reset every one year or less. The securities can be purchased or sold at any time, which creates a highly liquid market for these securities. Our intent is not to hold these securities to maturity, but rather to use the interest rate reset feature to provide liquidity as necessary. Our investment in these securities generally provides higher yields than money market and other cash equivalent investments.

Net Income per Share

For the three months ended March 31, 2006, basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the quarter. Diluted earnings per share is

Table of Contents

calculated by dividing net income by the weighted average number of common shares outstanding (including restricted common stock), assuming dilution. The calculation assumes that all stock options which are in the money are exercised at the beginning of the period and the proceeds used by the Company to purchase shares at the average market price for the period.

For the three months ended March 31, 2005, we computed net income per share in accordance with SFAS No. 128, "Earnings per Share" and EITF No. 03-06, "Participating Securities and the Two — Class Method under FASB Statement No. 128." Under the provisions of SFAS No. 128, basic earnings per share is computed by dividing the net income applicable to common stockholders by the weighted average number of shares of our common stock outstanding for the period. Diluted earnings per share is calculated based on the weighted average number of shares of common stock plus the diluted effect of potential common shares.

The following table sets forth the computation of basic and diluted net income per share applicable to common stockholders:

	Three Months Ended March 31,	
	2006	2005
	(In thousands, except share and per share amounts)	
Numerator:		
Net income	\$ 3,436	\$ 2,069
Amount allocated to participating preferred stockholders under two-class method(1)	—	(2,027)
Net income applicable to common stockholders	<u>\$ 3,436</u>	<u>\$ 42</u>
Denominator:		
Weighted average common stock outstanding (basic)	35,268,289	513,771
Common equivalent shares from options to purchase common stock and restricted common stock	<u>1,449,734</u>	<u>625,687</u>
Weighted average common stock outstanding (diluted)	<u>36,718,023</u>	<u>1,139,458</u>
Basic net income per share applicable to common stockholders	<u>\$ 0.10</u>	<u>\$ 0.08</u>
Diluted net income per share applicable to common stockholders	<u>\$ 0.09</u>	<u>\$ 0.04</u>

(1) Not applicable for the three months ended March 31, 2006.

The following is a summary of the securities outstanding during the respective periods that have been excluded from the diluted net income per share calculation because the effect would have been antidilutive:

	Three Months Ended March 31,	
	2006	2005
Stock options	755,425	88,200
Restricted common stock	126,000	—
Preferred stock	—	<u>24,765,127</u>
Total	<u>881,425</u>	<u>24,853,327</u>

Stock-Based Compensation Expense

We maintain several share-based incentive plans. We grant stock options to purchase common stock and grant restricted common stock. Beginning in January 2006, we offered an employee stock purchase plan which allows employees to purchase our common stock at a discount each quarter through payroll deductions. See Note 9 for further disclosure on our share-based incentive plans.

Table of Contents

Prior to the effective date of SFAS No. 123(R), “Shared-Based Payment”, we applied APB No. 25 “Accounting for Stock Issued to Employees” and related interpretations for our stock option and restricted stock grants. APB No. 25 provides that the compensation expense is measured based on the intrinsic value of the stock award at the date of grant.

Effective January 1, 2006, we adopted SFAS 123(R), which requires the company to measure and recognize the cost of employee services received in exchange for an award of equity instruments. Under the provisions of SFAS 123(R), share-based compensation cost is measured at the grant date, based on the fair value of the award, and recognized as an expense over the requisite service period.

As permitted by SFAS 123(R), we elected the modified prospective transition method. Under this method, prior periods are not restated. We use the Black-Scholes Option Pricing Model, which requires extensive use of accounting judgment and financial estimates, including estimates of the expected term employees will retain their vested stock options before exercising them, the estimated volatility of our stock price over the expected term, and the number of options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could produce significantly different estimates of the fair value of stock-based compensation and consequently, the related amounts recognized in the Consolidated Statements of Operations. The provisions of SFAS No. 123(R) apply to new awards and awards outstanding, but not yet vested, on the effective date. In March 2005, the SEC issued SAB No. 107 relating to SFAS No. 123(R). We have applied the provisions of SAB No. 107 in our adoption.

On December 13, 2005, we commenced the IPO of our common stock. Pre-IPO, we measured awards using the minimum-value method for SFAS 123 pro forma disclosure purposes. SFAS 123(R) requires that a company that measured awards using the minimum value method for SFAS 123 prior to its IPO filing, but adopts SFAS 123(R) as a public company, should not record any compensation amounts measured using the minimum value method in its financial statements. Therefore, the company should continue to account for pre-IPO awards under APB No. 25 unless they are modified after the adoption of SFAS 123(R). For post-IPO awards, compensation cost recognized after the adoption of SFAS 123(R) for unvested awards outstanding at the adoption date is based on the grant-date fair value of the awards determined under SFAS 123 disclosure purposes.

On November 10, 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3, “Transition Election Related to Accounting for Tax Effects of Shared-Based Payment Awards.” We have not yet adopted a method for calculating tax effects of stock-based compensation pursuant to SFAS No. 123(R).

Stock-based compensation expense recognized under SFAS No. 123(R) for the three months ended March 31, 2006 was \$0.6 million, which consisted of stock-based compensation expense related to employee stock options, employee stock purchases and restricted common stock awards. For the three months ended March 31, 2005, we recorded stock-based compensation expense of \$0.3 million in accordance with APB No. 25, using the intrinsic value approach to measure compensation expense.

The following is the effect of adopting SFAS No. 123(R) as of January 1, 2006:

	Three Months Ended March 31, 2006 (In thousands, except per share amounts)
Stock options, restricted common stock and employee stock purchase plan compensation expense recognized:	
Cost of revenue	\$ 162
Product development	51
Selling, general and administrative	400
Total	613
Related deferred income tax benefit	(251)
Decrease in net income	\$ 362
Decrease in basic earnings per share	\$ 0.01
Decrease in diluted earnings per share	\$ 0.01

Table of Contents

Upon the adoption of SFAS No. 123(R), we did not have a cumulative effect of accounting change.

The fair market value of each option grant for all years presented has been estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions:

	Three Months Ended March 31,	
	2006	2005 (Pro forma)
Expected life (in years)(1)	6.25	5
Risk-free interest rate	4.27%	3.92%
Expected volatility(2)	47%	0%
Expected dividend yield	0%	0%

- (1) For the three months ended March 31, 2006, the expected lives of options were determined based on the “simplified” method under the provisions of SAB 107. Due to limited history, we believe the company does not have appropriate historical experience to estimate future exercise patterns. As more information becomes available, we may revise this estimate on a prospective basis.
- (2) We commenced the IPO on December 13, 2005, and have had a brief trading history to determine expected volatility based on historical performance of our traded common stock. As a private company (for awards issued prior to December 13, 2005), we used 0% volatility. Due to the short public trading of our common stock, we estimated the expected volatility based on the historical volatility of similar entities whose common shares are publicly traded.

Using the Black-Scholes Option Pricing Model, the estimated weighted average fair value of an option to purchase one share of common stock granted during the three months ended March 31, 2006 and 2005, was \$10.98 and \$1.60, respectively.

The following table illustrates the effect on net income and net income per share as if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based awards in the first quarter 2005:

	Three Months Ended March 31, 2005
	(In thousands, except per share amounts)
Net income	\$ 2,069
Add: Stock-based compensation expense included in reported net income, net of taxes	152
Deduct: Stock-based compensation expense under the fair value method, net of taxes	(239)
Deduct: Amounts allocated to participating preferred stockholders under two-class method	(1,942)
Pro forma net income applicable to common stockholders	\$ 40
Basic net income per share applicable to common stockholders as reported	\$ 0.08
Pro forma	\$ 0.08
Diluted net income per share applicable to common stockholder as reported	\$ 0.00
Pro forma	\$ 0.00

3. Business Combinations

Wired Logic, Inc. (DealerWire)

On February 2, 2006, we acquired substantially all of the assets and certain liabilities of WiredLogic, Inc., doing business as DealerWire, for a purchase price of \$6.0 million in cash (including estimated direct acquisition costs of \$0.1 million). Under the terms of the purchase agreement, we have future contingent payment obligations of up to \$0.5 million in cash if new subscribers to the DealerWire product increase to a certain amount by January 31, 2007. Any additional purchase price will be recorded to goodwill. DealerWire evaluates a dealership’s sales and inventory performance by vehicle make, model and trim, including information about unit sales, costs, days to turn, and front-end gross profit. For the year ended December 31, 2005, DealerWire had revenue of approximately \$1.4 million. The results of DealerWire were included in our Consolidated Statement of Operations from the date of the acquisition. This 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 (in thousands):

Current assets	\$ 18
Property and equipment	36
Other long-term assets	5
Intangible assets (preliminary allocation)	3,588
Goodwill (preliminary allocation)	<u>2,392</u>
Total assets acquired	6,039
Total liabilities assumed	<u>(22)</u>
Net assets acquired	<u>\$ 6,017</u>

We are currently completing a fair value assessment of the acquired assets, liabilities and identifiable intangibles and at the conclusion of the assessment the purchase price will be allocated accordingly. These adjustments to the valuation analysis could result in a material change in the allocation. No pro forma information is included as the acquisition of DealerWire would not have had a material impact on our consolidated results of operations.

4. Related Party Transactions

Service Agreement with Related Parties — Financing Sources

We have entered into agreements with several automotive financing sources that are affiliates of our stockholders. Each has agreed to subscribe to and use our network to receive credit application data and transmit credit decisions electronically and several have subscribed to some of our other products and services. Under the agreements to receive credit application data and transmit credit decisions electronically, the automotive financing source affiliates of our stockholders have “most favored nation” status, granting each of them the right to no less favorable pricing terms for certain of our products and services than those granted by us to other financing sources, subject to limited exceptions. The agreements of the automotive financing source affiliates of our stockholders also restrict our ability to terminate such agreements.

The total accounts receivable from these related parties as of March 31, 2006 and December 31, 2005 was \$5.8 million and \$5.4 million, respectively. The total net revenue from these related parties for the three months ended March 31, 2006 and 2005 was \$9.3 million and \$6.2 million, respectively.

Service Agreements with Related Parties — Other Service and Information Providers

During 2003, we entered into an agreement with a stockholder who is a service provider for automotive dealers. Automotive dealer customers may subscribe to a product that, among other things, permits the electronic transfer of customer credit application data between our network and the related party’s dealer systems. We share a portion of the revenue earned from automobile dealer subscriptions for this product with this related party, subject to certain minimums. The total amount of expenses for the three months ended March 31, 2006 and 2005 was \$0.8 million and \$0.5 million, respectively.

Table of Contents

The total amount of accrued expenses to this related party as of March 31, 2006 and December 31, 2005 was \$0.8 million and \$0.9 million, respectively.

During 2003, we entered into several agreements with stockholders, or their affiliates, that are service providers for automotive dealers. Automotive dealers may utilize our network to access customer credit reports provided by or through these related parties. We earn revenue, subject to certain maximums, from these related parties for each credit report that is accessed using our web-based service and one of these related parties has subscribed to our data services products. The total amounts of net revenue from these related parties for the three months ended March 31, 2006 and 2005 was \$0.6 million and \$0.3 million, respectively. The total amount of accounts receivable for these related parties as of March 31, 2006 and December 31, 2005 was \$0.6 million and \$0.8 million, respectively.

5. Property and Equipment

Property and equipment are recorded at cost and consist of the following (in thousands):

	Estimated Useful Life (Years)	March 31, 2006	December 31, 2005
Computer equipment	3	\$ 10,919	\$ 9,584
Office equipment	5	1,712	1,607
Furniture and fixtures	5	1,615	1,427
Leasehold improvements	5-7	470	460
		<u>14,716</u>	<u>13,078</u>
Less: Accumulated depreciation and amortization		(8,854)	(8,193)
Total property and equipment, net		<u>\$ 5,862</u>	<u>\$ 4,885</u>

6. Intangible Assets

Intangible assets principally are comprised of customer contracts, database, trade names, licenses, patents, and non-compete agreements. The amortization expense relating to intangible assets is recorded as a cost of revenue. As of March 31, 2006 and December 31, 2005, the gross book value, accumulated amortization and amortization periods of the intangible assets were as follows (in thousands):

	March 31, 2006		December 31, 2005		Amortization Period (Years)
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization	
Customer contracts	\$10,878	\$ (5,456)	\$22,150	\$ (15,160)	1-3
Database	15,900	(4,571)	15,900	(3,873)	3-6
Trade names	10,500	(2,631)	10,500	(2,365)	5-10
Patents/technology	15,591	(6,475)	15,591	(5,202)	2-5
Non-compete agreement	2,644	(1,163)	2,749	(1,139)	5
DealerWire acquired intangibles (preliminary allocation)	3,588	(199)	—	—	3
Other	900	(546)	900	(501)	5
Total	<u>\$60,001</u>	<u>\$ (21,041)</u>	<u>\$67,790</u>	<u>\$ (28,240)</u>	

Amortization expense that will be charged to income for the subsequent five years and thereafter is estimated, based on the March 31, 2006 book value, to be \$10.1 million in 2007, \$6.6 million in 2008, \$3.1 million in 2009, \$2.6 million in 2010, \$1.4 million in 2011 and thereafter \$2.4 million.

Table of Contents

7. Goodwill

The change in carrying amount of goodwill for the three months ended March 31, 2006 is as follows (in thousands):

Balance as of January 1, 2006	\$ 34,200
Acquisition of DealerWire (preliminary allocation)	2,392
Go Big purchase price adjustment	163
Balance as of March 31, 2006	<u>\$ 36,755</u>

8. Other Accrued Liabilities

Following is a summary of the components of other accrued liabilities (in thousands):

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Professional fees	\$ 1,124	\$ 2,528
Software licenses	867	—
Equipment	680	—
Relocation and recruitment	—	197
Taxes	1,301	45
Customer deposits	2,772	2,820
Revenue share	443	815
Servicing costs	328	416
Marketing	—	131
Rent abandonment	285	258
Other	980	1,464
Total other accrued liabilities	<u>\$ 8,780</u>	<u>\$ 8,674</u>

9. Stock Option and Deferred Compensation Plans

2001 Stock Option Plan

Options granted under the 2001 Stock Option Plan were all non-qualified stock options. Effective May 26, 2005, no options are available for future grant under the 2001 Stock Option Plan.

2005 Incentive Award Plan

On May 26, 2005, our board of directors adopted, and our stockholders approved, our 2005 Incentive Award Plan. 3,100,000 shares of common stock are reserved for issuance under the 2005 Incentive Award Plan, as well as 79,800 shares of common stock that remain available for future option grants under our 2001 Stock Option Plan, and any shares underlying any existing grants under our 2001 Stock Option Plan that are forfeited. The maximum number of shares which may be subject to awards granted under the 2005 Incentive Award Plan to any individual in any fiscal year is 750,000. As of March 31, 2006, 1,193,340 shares were available for future issuance.

Options granted under both the 2001 Stock Option Plan and 2005 Incentive Award Plan generally vest over a period of four years from the vesting commencement date, expire ten years from the date of grant and terminate, to the extent unvested, on the date of termination of employment, and to the extent vested, generally at the end of the three-month period following termination of employment, except in the case of executive officers who generally have a twelve-month period following termination of employment to exercise.

Table of Contents

The following table summarizes the activity under our stock option plans:

	Number of Shares Outstanding	Weighted-Average Exercise Price
Balance as of January 1, 2006	3,551,569	\$ 6.2218
Options granted	729,100	21.1802
Options exercised	(73,792)	4.3468
Options cancelled	<u>(34,669)</u>	12.5246
Balance as of March 31, 2006	<u>4,172,208</u>	\$ 8.8166

The number of options exercisable as of March 31, 2006 and December 31, 2005 was 1,516,935 and 1,441,675, respectively.

The intrinsic value of the stock options exercised during the three months ended March 31, 2006 was approximately \$1.3 million based upon an average stock price of \$21.76.

The following table summarizes information concerning currently outstanding and exercisable options by seven ranges of exercise prices as of March 31, 2006:

Range of Exercise Price	Options Outstanding				Options Exercisable			
	Number of Shares Outstanding	Weighted- Average Remaining Contractual Life in Years	Weighted- Average Exercise Price	Aggregate Intrinsic Value ('000)	Number Exercisable	Weighted- Average Remaining Contractual Life in Years	Weighted- Average Exercise Price	Aggregate Intrinsic Value ('000)
\$2.15 - \$4.04	2,292,137	7.3804	\$ 2.8558	\$ 43,331	1,446,808	7.3804	\$ 2.8884	\$ 27,304
\$4.30 - \$6.46	2,812	5.1828	\$ 6.0000	44	2,812	5.1828	\$ 6.0000	44
\$6.47 - \$8.61	1,874	2.5257	\$ 8.0000	26	1,874	2.5257	\$ 8.0000	26
\$8.62 - \$10.77	122,785	8.7049	\$ 9.0000	1,567	32,108	8.7049	\$ 9.0000	410
\$12.92 - \$15.07	930,275	9.0571	\$12.9200	8,224	30,625	9.0571	\$ 12.9200	271
\$15.08 - \$17.22	72,625	9.3279	\$17.0800	340	2,708	9.3279	\$ 17.0800	12
\$19.38 - \$21.53	<u>749,700</u>	9.7880	\$21.1300	472	—	9.7880	—	—
	<u>4,172,208</u>	8.2561	\$ 8.8166	<u>\$ 54,004</u>	<u>1,516,935</u>	8.2561	\$ 3.2577	<u>\$ 28,067</u>

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value, based on our average stock price of \$21.76 for the three months ended March 31, 2006.

We grant restricted stock to certain employees and directors under the 2005 Incentive Award Plan. The awards are subject to an annual cliff vest of three and four years from the date of grant.

A summary of the status of the nonvested shares as of March 31, 2006 and changes during the three months ended March 31, 2006, is presented below:

	Stock Options		Restricted Stock	
	Number of Shares	Weighted Average Grant Dated Fair Value	Number of Shares	Weighted Average Grant Dated Fair Value
Nonvested at January 1, 2006	2,112,099	\$ 8.2361	125,925	\$17.51
Awards granted	729,100	\$ 21.802	145,700	\$20.80
Awards vested	(151,257)	\$ 3.7039	—	—
Awards canceled/expired/forfeited	<u>(34,669)</u>	\$12.5246	<u>(500)</u>	\$21.53
Nonvested at March 31, 2006	<u>2,655,273</u>	\$11.9924	<u>271,125</u>	\$19.27

Table of Contents

As of March 31, 2006, there was \$13.2 million and \$4.5 million of total stock based compensation expense related to stock option and restricted common stock awards. These amounts are expected to be recognized on a straight line basis over an estimated period of three to four years.

Employee Stock Purchase Plan

The board of directors adopted, and our stockholders approved, a Employee Stock Purchase Plan (ESPP). The ESPP became effective on December 14, 2005, upon the filing of a registration statement on Form S-8. The total number of shares of common stock reserved under the ESPP 1,500,000 and the total number of shares available for distribution under the ESPP is 1,492,086. For employees eligible to participate on the first date of an offering period, the purchase price of shares of common stock under the ESPP will be 85% of the fair market value of the shares on the date of purchase. As of March 31, 2006, 7,914 shares of common stock were issued under the ESPP.

Employees' Deferred Compensation Plan

The board of directors adopted our Employees' Deferred Compensation Plan. The Employees' Deferred Compensation Plan is a non-qualified retirement plan. The Employees' Deferred Compensation Plan allows a select group of our management or highly compensated employees to elect to defer certain bonuses that would otherwise be payable to the employee. Amounts deferred under the Employees' Deferred Compensation Plan are general liabilities of the company and are represented by bookkeeping accounts maintained on behalf of the participants. Such accounts are deemed to be invested in share units that track the value of our common stock. Distributions will generally be made to a participant following the participant's termination of employment or other separation from service, following a change of control if so elected, or over a fixed period of time elected by the participant prior to the deferral. Distributions will generally be made in the form of shares of our common stock. Our Employees' Deferred Compensation Plan is intended to comply with Section 409A of the Internal Revenue Code. As of March 31, 2006, no deferred stock units were issued under the Employees' Deferred Compensation Plan. The total number of shares of common stock reserved and available for distribution under the Employees' Deferred Compensation Plan is 150,000.

Directors' Deferred Compensation Plan

The board of directors adopted our Directors' Deferred Compensation Plan. The Directors' Deferred Compensation Plan is a non-qualified retirement plan. The Directors' Deferred Compensation Plan allows each board member to elect to defer certain fees that would otherwise be payable to the director. Amounts deferred under the Directors' Deferred Compensation Plan are general liabilities of the Company and are represented by bookkeeping accounts maintained on behalf of the participants. Such accounts are deemed to be invested in share units that track the value of our common stock. Distributions will generally be made to a participant following the participant's termination of service following a change of control if so elected, or over a fixed period of time elected by the participant prior to the deferral. Distributions will generally be made in the form of shares of our common stock. Our Directors' Deferred Compensation Plan is intended to comply with Section 409A of the Internal Revenue Code. As of March 31, 2006, 7,351 deferred stock units were recorded under a memo account. The total number of shares of common stock reserved and available for distribution under the Directors' Deferred Compensation Plan is 75,000.

10. Commitments and Contingencies

Retail Sales Tax

The Ontario Ministry of Finance (the Ministry) has conducted a retail sales tax field audit on the financial records of our Canadian subsidiary, dealerAccess Canada, Inc., for the period from March 1, 2001 through May 31, 2003. We received a formal assessment from the Ministry indicating unpaid Ontario retail sales tax totaling approximately \$0.2 million, plus interest. Although we are disputing the Ministry's findings, the assessment, including interest, has been paid in order to avoid potential future interest and penalties.

As part of the purchase agreement dated, December 31, 2003, between us and Bank of Montreal for the purchase of 100% of the issued and outstanding capital stock of dealerAccess, Bank of Montreal agreed to indemnify us specifically for this potential liability for all sales tax periods prior to January 1, 2004. As of December 31, 2005, amounts paid to the Ministry by us for this assessment have been reimbursed by the Bank of Montreal under this indemnity.

Table of Contents

We have undertaken a comprehensive review of the audit findings of the Ministry using external tax experts. Our position is that our financing source revenue transactions are not subject to Ontario retail sales tax. We filed a formal Notice of Objection with the Ministry on December 12, 2005. No further communication from the Ministry has been received other than an acknowledgment of receipt of the Notice of Objection.

Based upon our comprehensive review and the contractual obligations of our customers, we do not believe our services are subject to sales tax and have not accrued any sales tax liability for the period subsequent to December 31, 2003 for our Canadian subsidiary. In the event we are obligated to charge sales tax, our Canadian subsidiary's contractual arrangements with its financing source customers obligate these customers to pay all sales taxes which are levied or imposed by any taxing authority by reason of the transactions contemplated under the contractual arrangement.

Commitments

Pursuant to employment or severance agreements with certain employees, we have a commitment to pay severance of approximately \$7.1 million as of March 31, 2006, in the event of termination without cause, as defined in the agreements, as well as certain potential gross-up payments to the extent any such severance payment would constitute an excess parachute payment under the Internal Revenue Code.

We are a party to a variety of agreements pursuant to which we may be obligated to indemnify the other party with respect to breach of contract, infringement and other matters. Typically, these obligations arise in the context of agreements entered into by us, under which we customarily agree to hold the other party harmless against losses arising from breaches of representations, warranties and/or covenants. In these circumstances, payment by us is generally conditioned on the other party making a claim pursuant to the procedures specified in the particular agreement, which procedures typically allow us to challenge the other party's claims. Further, our obligations under these agreements may be limited to indemnification of third-party claims only and limited in terms of time and/or amount. In some instances, we may have recourse against third parties for certain payments made by us.

It is not possible to predict the maximum potential amount of future payments under these or similar agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. To date, we have not been required to make any such payment. We believe that if we were to incur a loss in any of these matters, it is not probable that such loss would have a material effect on our business or financial condition. It is possible, however, that such loss could have a material impact on our results of operations in an individual reporting period.

Legal Proceedings

From time to time, we are a party to litigation matters arising in connection with the normal course of our business, none of which is expected to have a material adverse effect on us. In addition to the litigation matters arising in connection with the normal course of our business, we are party to the litigation described below.

On January 28, 2004, we filed a Complaint and Demand for Jury Trial against RouteOne LLC (RouteOne) in the United States District Court for the Eastern District of New York, Civil Action No. CV 04-322 (SJF). The complaint seeks declaratory and injunctive relief as well as damages against RouteOne for infringement of two patents owned by us which relate to computer implemented automated credit application analysis and decision routing inventions. The complaint also seeks relief for RouteOne's acts of copyright infringement, circumvention of technological measures and common law fraud and unfair competition. Discovery has now been completed and dispositive motions have been briefed. The Court has not yet scheduled hearings for claim construction or on the dispositive motions. We intend to pursue our claims vigorously.

On April 17, 2006, we filed a Complaint and Demand for Jury Trial against David Huber, Finance Express and three of their unnamed dealer customers in the United States District Court for the Central District of California, Civil Action No. CV06-2335 (RGK). The complaint seeks declaratory and injunctive relief as well as damages against the defendants for infringement of two patents owned by us which relate to computer implemented automated credit application analysis and decision routing inventions. The complaint also seeks relief for Finance Express's acts of copyright infringement, violation of the Lanham Act and violation of the California Business and Professional Code. The complaint has been served on the defendants Huber and Finance Express. We intend to pursue our claims vigorously.

11. Segment Information

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131), segment information is being reported consistent with our method of internal reporting. In accordance with SFAS No. 131, operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. We have one reportable segment under SFAS No. 131. For enterprise-wide disclosure, we are organized primarily on the basis of service lines. Based on the nature and class of customer, as well as the similar economic characteristics, our product lines have been aggregated for disclosure purposes. We earn substantially all of our revenue in the United States. Revenue earned outside of the United States is less than 10% of our total net revenue.

Supplemental disclosure of revenue is as follows (in thousands):

	Three Months Ended March 31,	
	2006	2005
Transaction services revenue	\$ 24,540	\$ 17,677
Subscription services revenue	11,631	4,980
Other	1,764	614
Total net revenue	<u>\$ 37,935</u>	<u>\$ 23,271</u>

12. Credit Facilities

On April 15, 2005, we and one of our subsidiaries, DealerTrack, Inc., entered into a \$25.0 million revolving credit facility at an interest rate of LIBOR plus 150 basis points or prime plus 50 basis points. The revolving credit facility is available for general corporate purposes (including acquisitions), subject to certain conditions. As of March 31, 2006 and December 31, 2005, we had no amounts outstanding and \$25.0 million available for borrowings under this revolving credit facility, which matures on April 15, 2008.

13. Subsequent Event

On May 3, 2006, we acquired substantially all of the assets and certain liabilities of Global Fax, L.L.C. (Global Fax). Global Fax provides outsourced document scanning, storage, data entry, and retrieval services for automotive financing customers. The aggregate purchase price was \$24.1 million in cash (including direct estimated acquisition costs of approximately \$0.3 million) plus up to \$2.4 million of additional cash consideration to be paid based on revenue derived by us for the sale of certain Global Fax services through the end of 2006. The additional purchase consideration, if any, will be recorded as additional goodwill on our consolidated balance sheet when the contingency is resolved. The Global Fax acquisition will be 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.

Item 2. 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. Certain statements in this Quarterly Report on Form 10-Q are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These statements involve a number of risks, uncertainties and other factors that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors which could materially affect such forward-looking statements can be found in the section entitled "Risk Factors" in Part 1, Item 1A. in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 30, 2006. Investors are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date hereof and we will undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Overview

DealerTrack is a leading provider of on-demand software and data solutions for the automotive retail industry in the United States. DealerTrack utilizes 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, which, as of March 31, 2006, consisted of over 21,000 automotive dealers; over 200 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 network provides a competitive advantage for distribution of our on-demand software and data solutions, which 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 are a Delaware corporation formed in August 2001. We are organized as a holding company and conduct a substantial amount of our business through our subsidiaries, including Automotive Lease Guide (alg), Inc., Chrome Systems, Inc., dealerAccess Canada Inc., DealerTrack Aftermarket Services, Inc., DealerTrack, Inc., and webalg, inc.

We monitor our performance as a business using a number of measures that are not found in our consolidated financial statements. These measures include the number of active dealers and financing sources in our domestic network. 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, as well as 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 and other business statistics as a measure of operating performance in addition to net income and the other measures included in our consolidated financial statements. The following is a table consisting of EBITDA and certain other business statistics that our management is monitoring:

Table of Contents

	Three Months Ended March 31,	
	2006	2005
(In thousands, except for non-financial data)		
EBITDA and Other Business Statistics:		
EBITDA ⁽¹⁾	\$10,715	\$ 6,627
Capital expenditures, software and website development costs ⁽²⁾	\$ 4,768	\$ 969
Active dealers in our network as of end of the period ⁽³⁾	21,794	20,109
Active financing sources in our network as of end of period ⁽⁴⁾	214	110

- (1) EBITDA represents net income before interest (income) expense, taxes, depreciation and amortization. We present EBITDA because we believe that EBITDA provides useful information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. 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. In addition, our credit agreement uses EBITDA (with additional adjustments), in part, to measure our compliance with covenants such as interest coverage.

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 interest expense, or the cash requirements necessary to service interest or principal payments, on outstanding 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 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, our most directly comparable financial measure in accordance with GAAP.

	Three Months Ended March 31,	
	2006	2005
(In thousands)		
Net income	\$ 3,436	\$ 2,069
Interest income	(963)	(53)
Interest expense	72	40
Provision for income taxes, net	2,100	1,560
Depreciation of property and equipment and amortization of capitalized software and website costs	1,892	891
Amortization of acquired identifiable intangibles	4,178	2,120
EBITDA	<u>\$10,715</u>	<u>\$ 6,627</u>

- (2) Amount includes an acquisition of capitalized software through a note payable of \$1.3 million and \$1.4 million of accrued capitalized hardware and software.
- (3) We consider a dealer to be active as of a date if the dealer completed at least one revenue generating transaction using our domestic credit application processing network during the most recently ended calendar month.
- (4) 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 domestic network.

Revenue

Transaction Services Revenue. Transaction services revenue primarily consists of revenue earned from our financing source customers for each credit application or electronic contract submitted to them. Additionally, we earn transaction services revenue from dealers or other service and information providers, such as credit report providers, for each fee-bearing product accessed by dealers. We earn transaction service fees from financing source customers for which we perform portfolio residual value analysis.

Table of Contents

Subscription Services Revenue. Subscription services revenue consists of recurring fees paid to us by customers (typically on a monthly basis) for use of our subscription or licensed-based products and services, some of which enable 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.

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), direct costs (printing, binding, and delivery) associated with our ALG Residual Value Guides, 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, as well as enhance and maintain existing products.

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 have increased and will continue to increase, including significant legal, accounting and other expenses that we did not incur as a private company. For example, we will need to 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

On February 2, 2006, we acquired substantially all of the assets and certain liabilities of Wired Logic, Inc., doing business as DealerWire (DealerWire), for a purchase price of \$6.0 million in cash (including estimated direct acquisition costs of \$0.1 million). Under the terms of the purchase agreement, we have future contingent payment obligations of up to \$0.5 million in cash if new subscribers to the DealerWire product increase to a certain amount by January 31, 2007. DealerWire evaluates a dealership's sales and inventory performance by vehicle make, model and trim, including information about unit sales, costs, days to turn, and front-end gross profit. For the year ended December 31, 2005, DealerWire had revenue of approximately \$1.4 million.

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.

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. Other than what has been disclosed herein, management believes there have been no other material changes during the three months ended March 31, 2006 to the critical accounting policies discussed in the Management Discussion and Analysis of our annual report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 30, 2006.

Table of Contents

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

Stock-Based Compensation

We maintain several share-based incentive plans. We grant stock options to purchase common stock and grant restricted common stock. In January 2006, we began offering an employee stock purchase plan that allows employees to purchase our common stock at a 15% discount each quarter through payroll deductions.

Prior to the effective date of SFAS No. 123(R), we applied APB No. 25 and related interpretations for our stock option and restricted stock grants. APB No. 25 provides that the compensation expense is measured based on the intrinsic value of the stock award at the date of grant.

Effective January 1, 2006, we adopted SFAS 123(R), which requires the company to measure and recognize the cost of employee services received in exchange for an award of equity instruments. Under the provisions of SFAS 123(R), share-based compensation cost is measured at the grant date, based on the fair value of the award, and recognized as an expense over the requisite service period.

As permitted by SFAS 123(R), we elected the modified prospective transition method. Under this method, prior periods are not restated. We use the Black-Scholes Option Pricing Model which requires extensive use of accounting judgment and financial estimates, including estimates of the expected term employees will retain their vested stock options before exercising them, the estimated volatility of our stock price over the expected term, and the number of expected options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could produce significantly different estimates of the fair value of stock-based compensation and consequently, the related amounts recognized in the Consolidated Statements of Operations. The provisions of SFAS No. 123(R) apply to new stock awards and stock awards outstanding, but not yet vested, on the effective date. In March 2005, the SEC issued SAB No. 107 relating to SFAS No. 123(R). We have applied the provisions of SAB No. 107 in our adoption.

On December 13, 2006, we commenced the IPO of our common stock. Pre-IPO, we measured awards using the minimum-value method for SFAS 123 pro forma disclosure purposes. SFAS 123(R) requires that a company that measured awards using the minimum value method for SFAS 123 prior to its IPO filing, but adopts SFAS 123(R) as a public company, should not record any compensation amounts measured using the minimum value method in its financial statements. Therefore, the company should continue to account for pre-IPO awards under APB No. 25 unless they are modified after the adoption of SFAS 123(R). For post-IPO awards, compensation cost recognized after the adoption of SFAS 123(R) for unvested awards outstanding at the adoption date is based on the grant-date fair value of the awards determined under SFAS 123 disclosure purposes.

On November 10, 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3. We have not yet adopted a method for calculating tax effects of stock-based compensation pursuant to SFAS No. 123(R).

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:

	Three Months Ended March 31,	
	2006	2005
	(% of net revenue)	
Consolidated Statements of Operations Data:		
Net revenue ⁽¹⁾	100.0%	100.0%
Operating costs and expenses:		
Cost of revenue ⁽¹⁾	39.9%	36.1%
Product development	5.8%	3.3%
Selling, general and administrative	42.1%	45.1%
Total operating costs and expenses	87.8%	84.5%
Income from operations	12.2%	15.5%
Interest income	2.5%	0.2%
Interest expense	(0.2)%	(0.2)%
Income before provision for income taxes	14.5%	15.5%
Provision for income taxes, net	(5.5)%	(6.7)%
Net income	9.0%	8.8%

	Three Months Ended March 31,	
	2006	2005
	(% of net revenue)	
(1) Related party revenue	24.4%	26.4%
Related party cost of revenue	2.2%	3.4%

Three Months Ended March 31, 2006 and 2005

Revenue

Total net revenue increased \$14.7 million, or 63%, to \$37.9 million for the three months ended March 31, 2006 from \$23.3 million for the three months ended March 31, 2005.

Transaction Services Revenue. Transaction services revenue increased \$6.9 million, or 39%, to \$24.5 million for the three months ended March 31, 2006 from \$17.7 million for the three months ended March 31, 2005. The increase in transaction services revenue was primarily the result of increased transactions processed through our network for the three months ended March 31, 2006 as compared to the three months ended March 31, 2005. The increased volume of transactions processed was the result of the increase in financing source customers active in our network to 214 as of March 31, 2006 from 110 as of March 31, 2005, the increase in automobile dealers active in our network to 21,794 as of March 31, 2006 from 9,825 as of March 31, 2005 and an increase in volume from existing customers.

Subscription Services Revenue. Subscription services revenue increased \$6.7 million, or 134%, to \$11.6 million for the three months ended March 31, 2006 from \$5.0 million for the three months ended March 31, 2005. The increase in subscription services revenue was primarily the result of increased total subscriptions under contract as of March 31, 2006 compared to March 31, 2005. The overall \$6.7 million increase in subscription services revenue was the result of an increase of \$3.0 million in sales of existing subscription products and services to customers and \$3.7 million from acquisitions.

Cost of Revenue and Operating Expenses

Cost of Revenue. Cost of revenue increased \$6.7 million, or 80%, to \$15.1 million for the three months ended March 31, 2006 from \$8.4 million for the three months ended March 31, 2005. The \$6.7 million increase was primarily the result of increased amortization and depreciation charges of \$2.9 million primarily relating to the acquired identifiable intangibles of ALG, NAT, Chrome, Go Big and DealerWire, increased compensation and related benefit costs of \$2.0 million due to headcount additions, increased revenue share of \$0.8 million and cost of sales from newly acquired companies of \$0.3 million.

Table of Contents

Product Development Expenses. Product development expenses increased \$1.4 million, or 187%, to \$2.2 million for the three months ended March 31, 2006 from \$0.8 million for the three months ended March 31, 2005. The \$1.4 million increase was primarily the result of increased compensation and related benefit costs of \$1.3 million, due to overall headcount additions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$5.5 million, or 52%, to \$15.9 million for the three months ended March 31, 2006 from \$10.5 million for the three months ended March 31, 2005. The \$5.5 million increase in selling, general and administrative expenses was primarily the result of increased compensation and related benefit costs of approximately \$4.1 million (\$0.9 million relates stock-based compensation) due to headcount additions, salary increases and the adoption of SFAS 123(R), \$0.6 million related to travel and marketing expenses, \$0.7 million in additional expenses associated with being a public company, and \$0.7 million in general administrative expenses and occupancy costs. These increases are offset by a \$0.6 million decrease in transition fees paid for certain ongoing services performed under contract by selling parties of the acquired entities subsequent to the completion of the acquisition.

Interest Income

Interest income increased \$0.9 million to \$1.0 million for the three months ended March 31, 2006 from \$0.1 million for the three months ended March 31, 2005. The \$0.9 million increase in interest income is primarily related to the interest income earned on the IPO proceeds raised in December 2005.

Provision for Income Taxes

The provision for income taxes for the three months ended March 31, 2006 of \$2.1 million consisted primarily of \$1.8 million of federal tax and \$0.3 million of state and local income taxes on taxable income. The provision for income taxes for the three months ended March 31, 2005 of \$1.6 million consisted primarily of \$1.3 million of federal and \$0.3 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.

Liquidity and Capital Resources

Our liquidity requirements will continue to be for working capital, acquisitions, capital expenditures and general corporate purposes. Our capital expenditures, software and website development costs for the three months ended March 31, 2006 were \$4.8 million. We expect to finance our future liquidity needs through working capital and cash flows from operations, however acquisitions or other strategic initiatives may require us to incur debt or seek additional equity financing. As of March 31, 2006, we had no amounts outstanding under our available \$25.0 million revolving credit facility.

As of March 31, 2006, we had \$100.1 million of cash, cash equivalents and short-term investments and \$102.5 million in working capital, as compared to \$103.3 million of cash and cash equivalents and \$101.6 million in working capital as of December 31, 2005.

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

	Three Months Ended March 31,	
	2006	2005
	(In thousands)	
Net cash provided by (used in) operating activities	\$ 4,488	\$(1,846)
Net cash used in investing activities	(67,812)	(2,062)
Net cash provided by financing activities	611	840

Subsequent to March 31, 2006, we acquired substantially all the assets and certain liabilities of Global Fax. The aggregate purchase price was \$24.1 million in cash (including direct estimated acquisition costs of approximately \$0.3 million) plus up to \$2.4 million of additional cash consideration to be paid out upon the achievement of certain revenue targets for 2006.

Table of Contents

Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2006 was attributable to net income of \$3.4 million, which includes depreciation and amortization of \$6.1 million, amortization of stock-based compensation of \$1.2 million (includes SFAS 123(R) stock-based compensation of \$0.6 million), an increase to the provision for doubtful accounts of \$1.0 million, an increase to deferred revenue and other current liabilities of \$0.9 million and an increase to other long-term liabilities of \$0.3 million, offset by decrease in accounts payable and accrued expenses of \$(6.6) million. Net cash used in operating activities for the three months ended March 31, 2005 was attributable to net income of \$2.1 million, which includes depreciation and amortization of \$3.0 million, an increase to the provision for doubtful accounts of \$0.5 million, offset by an increase in operating assets of \$(5.8) million and a decrease to accounts payable and accrued expenses of \$(2.1) million.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2006 was attributable to capital expenditures of \$(0.9) million, an increase in capitalized software and website development costs of \$(1.2) million, payments for acquisitions of \$(6.2) million, and the net purchase of short-term investments of \$(59.6) million. Net cash used in investing activities for the three months ended March 31, 2005 was attributable to capital expenditures of \$(0.2) million, an increase in capitalized software and website development costs of \$(0.7) million, and payments for acquired assets of \$(1.3) million.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2006 was attributable to the receipt of cash proceeds from the exercise of employee stock options of \$0.3 million, net proceeds from employee stock purchases under the ESPP of \$0.1 million and stock-based compensation windfall tax benefit of \$0.5 million, offset by principal payments on note payable and capital lease obligations of \$(0.2) million. Net cash provided by financing activities for the three months ended March 31, 2005 was attributable to the receipt of proceeds from the exercise of employee stock options of \$1.0 million.

Contractual Obligations

As of March 31, 2006, there are no material changes in the company's contractual obligations as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2005, with the exception of contractual obligations relating to customers, vendors and real estate, all in the ordinary course of business, assumed by us in connection with its acquisition of DealerWire.

Off-Balance Sheet Arrangements

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

Industry Trends

The volume of new and used automobiles financed or leased by our participating financing source customers, special promotions by automobile manufacturers and the level of indirect financing by captive finance companies not available in our network impact our business. We expect that our operating results in the foreseeable future may be significantly affected by these and other seasonal and promotional trends in the indirect automotive finance market. In addition, the volume of transactions in our network generally is greater on Saturdays and Mondays and, in particular, most holiday weekends.

Effects of Inflation

Our monetary assets, consisting primarily of cash, cash equivalents, short-term investments and receivables, and our non-monetary assets, consisting primarily of intangible assets and goodwill, are not affected significantly by inflation. We believe that replacement costs of equipment, furniture and leasehold improvements

Table of Contents

will not materially affect our operations. However, the rate of inflation affects our expenses, which may not be readily recoverable in the prices of products and services we offer.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Foreign Currency Exposure

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

Interest Rate Exposure

As of March 31, 2006, we had cash and cash equivalents of \$40.5 million invested in highly liquid money market instruments. In addition, we had short-term investments of \$59.6 million invested in tax-exempt and tax-advantaged securities. Such investments are subject to interest rate and credit risk. Our policy of investing in securities with original maturities of three months or less minimizes such risks and a change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operations. As of March 31, 2006, we had no borrowings outstanding under our revolving credit facility. Any borrowings under our revolving credit facility would bear interest at a variable rate equal to LIBOR plus a margin of 1.5% or Prime plus 0.5%.

Item 4. *Controls and Procedures*

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. In designing and evaluating our disclosure controls and procedures, we and our management recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that they believe that as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were reasonably effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in Internal Control Over Financial Reporting

There have been no changes in the company's internal control over financial reporting during the quarter ended March 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 17, 2006, we filed a Complaint and Demand for Jury Trial against David Huber, Finance Express and three of their unnamed dealer customers in the United States District Court for the Central District of California, Civil Action No. CV06-2335 (RGK). The complaint seeks declaratory and injunctive relief as well as damages against the defendants for infringement of two patents owned by us which relate to computer implemented automated credit application analysis and decision routing inventions. The complaint also seeks relief for Finance Express’s acts of copyright infringement, violation of the Lanham Act and violation of the California Business and Professional Code. The complaint has been served on the defendants Huber and Finance Express. We intend to pursue our claims vigorously.

Item 1A. Risk Factors

There have been no material changes in the risk factors described in Item IA (Risk Factors) of the company’s Annual Report on Form 10-K for the year ended December 31, 2005.

Item 5. Other Information

On January 9, 2006, our Compensation Committee approved the following grants of stock options and restricted common stock to our named executive officers for 2005:

Name	Options	Restricted Common Stock
Mark F. O’Neil	90,000	35,000
John A. Blair	18,000	9,000
Eric D. Jacobs	20,000	10,000
Vincent Passione	33,300	15,000
David P. Trinder	18,000	9,000

The stock options vest as follows: 25% of the shares subject to the option will vest on the first anniversary date, and 1/36th of the remaining shares subject to the option will vest each month thereafter, such that 100% of the shares subject to the option will be fully vested on four years after the date of grant. The restrictions on the restricted common stock lapse on 25% of the restricted common stock each year on the anniversary of the grant such that all of the restrictions shall lapse at the end of four years. The stock options and restricted common stock granted to our named executive officers are subject to accelerated vesting provisions under each officer’s respective employment agreement. A form of Stock Option Agreement and a form of Restricted Stock Agreement are filed as exhibits to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

Exhibit Number	Description of Document
10.1	Form of Stock Option Agreement
10.2	Form of Restricted Stock Agreement
10.3	Employment Agreement, dated as of May 25, 2005, by and between John A. Blair and Automotive Lease Guide (alg), Inc.
10.4	Unfair Competition and Nonsolicitation Agreement, dated as of May 25, 2005, by and between John A. Blair and Automotive Lease Guide (alg), Inc.
10.5	Employment Agreement, dated as of May 26, 2005, by and between David P. Trinder and DealerTrack Aftermarket Services, Inc.
31.1	Certification of chief executive officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of chief financial officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification under Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DealerTrack Holdings, Inc.
(Registrant)

Date May 12, 2006

/s/ Robert J. Cox III
Robert J. Cox III
Senior Vice President,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description of Document
10.1	Form of Stock Option Agreement
10.2	Form of Restricted Stock Agreement
10.3	Employment Agreement, dated as of May 25, 2005, by and between John A. Blair and Automotive Lease Guide (alg), Inc.
10.4	Unfair Competition and Nonsolicitation Agreement, dated as of May 25, 2005, by and between John A. Blair and Automotive Lease Guide (alg), Inc.
10.5	Employment Agreement, dated as of May 26, 2005, by and between David P. Trinder and DealerTrack Aftermarket Services, Inc.
31.1	Certification of chief executive officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of chief financial officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification under Section 906 of the Sarbanes-Oxley Act of 2002.

DEALERTRACK HOLDINGS, INC.

2005 INCENTIVE AWARD PLAN

FORM OF STOCK OPTION GRANT NOTICE AND STOCK OPTION AGREEMENT

DealerTrack Holdings, Inc., a Delaware corporation (the "Company"), pursuant to its 2005 Incentive Award Plan (the "Plan"), hereby grants to the holder listed below ("Participant"), an option to purchase the number of shares of the Company's common stock, par value \$0.01 ("Stock"), set forth below (the "Option"). This Option is subject to all of the terms and conditions set forth herein and in the Stock Option Agreement attached hereto as Exhibit A (the "Stock Option Agreement") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

Participant: <NAME>

Grant Date: <GRANT DATE>

Exercise Price per Share: <Ex Price>

Total Number of Shares Subject to the Option: <# Options> _____ shares

Expiration Date: <Exp Date — 1 day prior 10th anniv of grant date>

Type of Option: Incentive Stock Option Non-Qualified Stock Option

Vesting Schedule: Subject to Article III of the Stock Option Agreement, the Plan and any other written agreement between the Company or any of its Subsidiaries, on the one hand, and Participant, on the other hand, the Option shall become vested and exercisable with respect to 25% of the shares subject to the Option (rounded down to the next whole number of shares) on <Date — 1 year after vesting begins>, and 1/48th of the shares subject to the Option (rounded down to the next whole number of shares) shall become vested and exercisable on the first day of each full month thereafter, so that all of the shares subject to the Option shall be fully vested and exercisable on the first day of the forty-eighth (48th) month after <Grant Date>.

By his or her signature, the Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. The Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or relating to the Option. If Participant is married, his or her spouse has signed the Consent of Spouse attached to this Grant Notice as Exhibit B.

DEALERTRACK HOLDINGS, INC.

PARTICIPANT

By: _____
Print Name: Mark F. O'Neil
Title: Chairman, President and CEO
Address: 1111 Marcus Ave., Suite M04
Lake Success, NY 11042

By: _____
Print Name: _____

EXHIBIT A

TO STOCK OPTION GRANT NOTICE

STOCK OPTION AGREEMENT

Pursuant to the Stock Option Grant Notice (the “*Grant Notice*”) to which this Stock Option Agreement (this “*Agreement*”) is attached, DealerTrack Holdings, Inc., a Delaware corporation (the “*Company*”), has granted to the Participant an option under the Company’s 2005 Incentive Award Plan (the “*Plan*”) to purchase the number of shares of Stock indicated in the Grant Notice.

ARTICLE I.

GENERAL

1.1 Defined Terms. Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

(a) “*Administrator*” shall mean the Board or the Committee responsible for conducting the general administration of the Plan in accordance with Article 12 of the Plan; provided that if the Participant is an Independent Director, “Administrator” shall mean the Board.

(b) “*Termination of Consultancy*” shall mean the time when the engagement of the Participant as a Consultant to the Company or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death or retirement, but excluding: (a) terminations where there is a simultaneous employment or continuing employment of the Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous re-establishment of a consulting relationship or continuing consulting relationship between the Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company or any Subsidiary has an absolute and unrestricted right to terminate a Consultant’s service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

(c) “*Termination of Directorship*” shall mean the time when the Participant, if he or she is or becomes an Independent Director, ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.

(d) “*Termination of Employment*” shall mean the time when the employee-employer relationship between the Participant and the Company or any Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding: (a) terminations where there is a simultaneous reemployment or continuing employment of the Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous establishment of a consulting relationship or continuing consulting relationship between the Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of

absence constitutes a Termination of Employment; provided, however, that, if this Option is an Incentive Stock Option, unless otherwise determined by the Administrator in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

(e) “ **Termination of Services** ” shall mean the Participant’s Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

GRANT OF OPTION

2.1 Grant of Option. In consideration of the Participant’s past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the “ **Grant Date** ”), the Company irrevocably grants to the Participant the Option to purchase any part or all of an aggregate of the number of shares of Stock set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement. Unless designated as a Non-Qualified Stock Option in the Grant Notice, the Option shall be an Incentive Stock Option to the maximum extent permitted by law.

2.2 Exercise Price. The exercise price of the shares of Stock subject to the Option shall be as set forth in the Grant Notice, without commission or other charge; *provided, however*, that the price per share of the shares of Stock subject to the Option shall not be less than 100% of the Fair Market Value of a share of Stock on the Grant Date. Notwithstanding the foregoing, if this Option is designated as an Incentive Stock Option and the Participant owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any “subsidiary corporation” of the Company or any “parent corporation” of the Company (each within the meaning of Section 424 of the Code), the price per share of the shares of Stock subject to the Option shall not be less than 110% of the Fair Market Value of a share of Stock on the Grant Date.

2.3 Consideration to the Company. In consideration of the grant of the Option by the Company, the Participant agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Plan or this Agreement shall confer upon the Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of the Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and the Participant.

ARTICLE III.

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability .

(a) Subject to Sections 3.2, 3.3, 5.8 and 5.10, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of the Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and the Participant.

(c) Notwithstanding Sections 3.1(a) and 3.1(b), pursuant to Section 11.3 of the Plan, the Option shall become fully vested and exercisable in the event of a Change in Control, in connection with which the successor corporation does not assume the Option or substitute an equivalent right for the Option. Should the successor corporation assume the Option or substitute an equivalent right, then no such acceleration shall apply (unless otherwise determined by the Committee pursuant to the terms of the Plan).

3.2 Duration of Exercisability . The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3.

3.3 Expiration of Option . The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The expiration of ten years from the Grant Date;

(b) If this Option is designated as an Incentive Stock Option and the Participant owned (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the expiration of five years from the Grant Date;

(c) The expiration of ninety (90) days (or such other period specified in any written agreement between the Company or any of its Subsidiaries, on the one hand, and the Participant, on the other hand) from the date of the Participant's Termination of Services, unless such termination occurs by reason of the Participant's death or Disability; or

(d) The expiration of one year from the date of the Participant's Termination of Services by reason of the Participant's death or Disability.

3.4 Special Tax Consequences . The Participant acknowledges that, to the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options, including the Option, are exercisable for the first time by the Participant in any calendar year exceeds \$100,000, the Option and such other options shall be Non-Qualified Stock Options to the extent necessary to comply with the limitations imposed by Section 422(d) of the Code. The Participant further acknowledges that the rule set forth in the preceding sentence shall

be applied by taking the Option and other “incentive stock options” into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder.

ARTICLE IV.

EXERCISE OF OPTION

4.1 Person Eligible to Exercise. Except as provided in Sections 5.2(b), during the lifetime of the Participant, only the Participant may exercise the Option or any portion thereof. After the death of the Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by the Participant’s personal representative or by any person empowered to do so under the deceased the Participant’s will or under the then applicable laws of descent and distribution.

4.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3.

4.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Company) of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3:

(a) An Exercise Notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the shares of Stock with respect to which the Option or portion thereof is exercised, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4;

(c) Any other written representations as may be required in the Administrator’s reasonable discretion to evidence compliance with the Securities Act or any other applicable law rule, or regulation; and

(d) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 by any person or persons other than the Participant, appropriate proof of the right of such person or persons to exercise the Option.

Notwithstanding any of the foregoing, the Company shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

4.4 Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of the Participant:

(a) Cash;

(b) Check;

(c) With the consent of the Administrator, delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate exercise price; *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale;

(d) With the consent of the Administrator, surrender of other shares of Stock which (A) in the case of shares of Stock acquired from the Company, have been owned by the Participant for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the shares of Stock with respect to which the Option or portion thereof is being exercised;

(e) With the consent of the Administrator, surrendered shares of Stock issuable upon the exercise of the Option having a Fair Market Value on the date of exercise equal to the aggregate exercise price of the shares of Stock with respect to which the Option or portion thereof is being exercised; or

(f) With the consent of the Administrator, property of any kind which constitutes good and valuable consideration.

4.5 **Conditions to Issuance of Stock Certificates**. The shares of Stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares of Stock or issued shares of Stock which have then been reacquired by the Company. Such shares of Stock shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any shares of Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares of Stock to listing on all stock exchanges on which such Stock is then listed;

(b) The completion of any registration or other qualification of such shares of Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for such shares of Stock, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4; and

(e) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience.

4.6 **Rights as Stockholder**. The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares of Stock purchasable upon the exercise of any part of the Option unless and until such shares of Stock shall have been issued by the Company to such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for

which the record date is prior to the date the shares of Stock are issued, except as provided in Section 11.1 of the Plan.

ARTICLE V.

OTHER PROVISIONS

5.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option.

5.2 Option Not Transferable.

(a) The Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the Option have been issued, and all restrictions applicable to such shares of Stock have lapsed. Neither the Option nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

(b) During the lifetime of Participant, only Participant may exercise the Option or any portion thereof. Subject to such conditions and procedures as the Administrator may require, a Permitted Transferee may exercise the Option or any portion thereof during Participant's lifetime. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

5.3 Adjustments. The Participant acknowledges that the Option is subject to modification and termination in certain events as provided in this Agreement and Article 11 of the Plan.

5.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the address given beneath the signature of the Company's authorized officer on the Grant Notice, and any notice to be given to Participant shall be addressed to Participant at the address given beneath Participant's signature on the Grant Notice. By a notice given pursuant to this Section 5.4, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her Option pursuant to Section 4.1 by written notice under this Section 5.4. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.6 Governing Law; Severability. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

5.7 Conformity to Securities Laws. The Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.8 Amendments, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board, *provided*, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely effect the Option in any material way without the prior written consent of the Participant.

5.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 5.2, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

5.10 Notification of Disposition. If this Option is designated as an Incentive Stock Option, Participant shall give prompt notice to the Company of any disposition or other transfer of any shares of Stock acquired under this Agreement if such disposition or transfer is made (a) within two years from the Grant Date with respect to such shares of Stock or (b) within one year after the transfer of such shares of Stock to him. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

5.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule

5.12 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries.

5.13 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all Exhibits thereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

5.14 Section 409A. Notwithstanding any other provision of the Plan, this Agreement or the Grant Notice, the Plan, this Agreement and the Grant Notice shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the U.S. Internal Revenue Code of 1986, as amended (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “ **Section 409A** ”). The Committee may, in its discretion, adopt such amendments to the Plan, this Agreement or the Grant Notice or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Committee determines are necessary or appropriate to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes under Section 409A.

EXHIBIT B

TO STOCK OPTION GRANT NOTICE

CONSENT OF SPOUSE

I, _____, spouse of _____, have read and approve the foregoing Agreement. In consideration of issuing to my spouse the option to purchase shares of the common stock of DealerTrack Holdings, Inc. set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any option issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: _____, ____

Signature of Spouse

DEALERTRACK HOLDINGS, INC.
2005 INCENTIVE AWARD PLAN

FORM OF RESTRICTED STOCK AWARD GRANT NOTICE AND
RESTRICTED STOCK AWARD AGREEMENT

DealerTrack Holdings, Inc., a Delaware corporation, (the “*Company*”), pursuant to its 2005 Incentive Award Plan (the “*Plan*”), hereby grants to the individual listed below (“*Participant*”), the number of shares of the Company’s Common Stock set forth below (the “*Shares*”). This Restricted Stock Award is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Award Agreement attached hereto as Exhibit A (the “*Restricted Stock Agreement*”) (including without limitation the Restrictions on the Shares set forth in the Restricted Stock Agreement) and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Restricted Stock Agreement.

Participant: _____

Grant Date: _____

Total Number of Shares of Restricted Stock: _____ shares

Vesting Commencement Date: _____

Vesting Schedule: Subject to Sections 2.2(a) and 2.2(c) of the Restricted Stock Agreement, the Award shall vest and Restrictions shall lapse with respect to 25% of the shares of Restricted Stock subject to the Award (rounded down to the next whole number of shares) on each of the first four anniversaries of the Vesting Commencement Date, provided in each case that the Participant remains continuously employed in active service by the Company or any of its Subsidiaries from the Grant Date through such date.

By his or her signature and the Company’s signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Agreement and this Grant Notice. Participant has reviewed the Restricted Stock Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Restricted Stock Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Agreement. If Participant is married, his or her spouse has signed the Consent of Spouse attached to this Grant Notice as Exhibit B.

By execution of this Agreement, the Participant agrees to comply with the terms and conditions of the Company’s Stock Ownership and Retention Program, as in effect from time to time, and acknowledges that failure to comply with the Stock Ownership and Retention Program may result in penalties to the Participant.

DEALERTRACK HOLDINGS, INC.:

By: _____
Print Name: Mark F. O’Neil
Title: Chairman, President and CEO
Address: 1111 Marcus Avenue, Suite M04
Lake Success, NY 11042

PARTICIPANT:

By: _____
Print Name: _____



**EXHIBIT A
TO RESTRICTED STOCK AWARD GRANT NOTICE**

DEALERTRACK HOLDINGS, INC. RESTRICTED STOCK AWARD AGREEMENT

Pursuant to the Restricted Stock Award Grant Notice (the “*Grant Notice*”) to which this Restricted Stock Award Agreement (the “*Agreement*”) is attached, DealerTrack Holdings, Inc., a Delaware corporation (the “*Company*”) has granted to Participant the right to purchase the number of shares of Restricted Stock under the 2005 Incentive Award Plan, as amended from time to time (the “*Plan*”), as set forth in the Grant Notice.

ARTICLE I.

GENERAL

1.1 Definitions. All capitalized terms used in this Agreement without definition shall have the meanings ascribed in the Plan and the Grant Notice.

1.2 Incorporation of Terms of Plan. The Award is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

**ARTICLE II.
AWARD OF RESTRICTED STOCK**

2.1 Award of Restricted Stock.

(a) Award. In consideration of the Participant’s agreement to remain in the service or employ of the Company or one of its Subsidiaries, and for other good and valuable consideration which the Committee has determined exceeds the aggregate par value of the Stock subject to the Award (as defined below), as of the Grant Date, the Company issues to the Participant the Award described in this Agreement (the “*Award*”). The number of shares of Restricted Stock (the “*Shares*”) subject to the Award is set forth in the Grant Notice. The Participant is an Employee, Director or other Service Provider.

(b) Book Entry Form. The Shares will be issued in uncertificated form. At the sole discretion of the Committee, the Shares will be issued in either (i) uncertificated form, with the Shares recorded in the name of the Participant in the books and records of the Company’s transfer agent with appropriate notations regarding the restrictions on transfer imposed pursuant to this Agreement, and upon vesting and the satisfaction of all conditions set forth in Section 2.2(d), the Company shall cause certificates representing the Shares to be issued to the Participant; or (ii) certificate form pursuant to the terms of Sections 2.1(c) and (d).

(c) Legend. Certificates representing Shares issued pursuant to this Agreement shall, until all restrictions on transfer imposed pursuant to this Agreement lapse or shall have been removed and new certificates are issued, bear the following legend (or such other legend as shall be determined by the Committee):

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING REQUIREMENTS AND MAY BE SUBJECT TO FORFEITURE

UNDER THE TERMS OF THAT CERTAIN RESTRICTED STOCK AWARD AGREEMENT BY AND BETWEEN DEALERTRACK HOLDINGS, INC. AND THE REGISTERED OWNER OF SUCH SHARES, AND SUCH SHARES MAY NOT BE, DIRECTLY OR INDIRECTLY, OFFERED, TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNDER ANY CIRCUMSTANCES, EXCEPT PURSUANT TO THE PROVISIONS OF SUCH AGREEMENT.”

(d) Escrow. The Secretary of the Company or such other escrow holder as the Committee may appoint may retain physical custody of the certificates representing the Shares until all of the restrictions on transfer imposed pursuant to this Agreement lapse or shall have been removed; in such event the Participant shall not retain physical custody of any certificates representing unvested Shares issued to him.

2.2 Restrictions.

(a) Forfeiture. Any Award which is not vested as of the date the Participant ceases to be an employee of the Company or one of its Subsidiaries or other Service Provider shall thereupon be forfeited immediately and without any further action by the Company. For purposes of this Agreement, “**Restrictions**” shall mean the restrictions on sale or other transfer set forth in Section 3.2 and the exposure to forfeiture set forth in this Section 2.2(a).

(b) Vesting and Lapse of Restrictions. Subject to Sections 2.2(a) and 2.2(c), the Award shall vest and Restrictions shall lapse in accordance with the vesting schedule set forth on the Grant Notice or any other written agreement between the Company or any of its Subsidiaries, on the one hand, and Participant, on the other hand.

(c) Acceleration of Vesting. Notwithstanding Sections 2.2(a) and 2.2(b), pursuant to Section 11.3 of the Plan, the Award shall become fully vested and all Restrictions applicable to such Award shall lapse in the event of a Change in Control, in connection with which the successor corporation does not assume the Award or substitute an equivalent right for the Award. Should the successor corporation assume the Award or substitute an equivalent right, then no such acceleration shall apply (unless otherwise determined by the Committee pursuant to the terms of the Plan).

(d) Tax Withholding; Conditions to Issuance of Certificates. Notwithstanding any other provision of this Agreement (including without limitation Section 2.1(b)):

(i) No new certificate shall be delivered to the Participant or his legal representative unless and until the Participant or his legal representative shall have paid to the Company the full amount of all federal and state withholding or other taxes applicable to the taxable income of Participant resulting from the grant of Shares or the lapse or removal of the Restrictions.

(ii) The Company shall not be required to issue or deliver any certificate or certificates for any Shares prior to the fulfillment of all of the following conditions: (A) the admission of the Shares to listing on all stock exchanges on which such Common Stock is then listed, (B) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Committee shall, in its sole and absolute discretion, deem necessary and advisable, (C) the obtaining of any approval or other clearance from any state or federal governmental agency that the Committee shall, in its absolute discretion, determine to be necessary or advisable and (D) the lapse of

any such reasonable period of time following the date the Restrictions lapse as the Committee may from time to time establish for reasons of administrative convenience.

ARTICLE III.

OTHER PROVISIONS

3.1 Section 83(b) Election . Participant understands that Section 83(a) of the Code taxes as ordinary income the difference between the amount, if any, paid for the shares of Common Stock and the Fair Market Value of such shares at the time the Restrictions on such shares lapse. Participant understands that, notwithstanding the preceding sentence, Participant may elect to be taxed at the time of the Grant Date, rather than at the time the Restrictions lapse, by filing an election under Section 83(b) of the Code (an “ **83(b) Election** ”) with the Internal Revenue Service within 30 days of the Grant Date. In the event Participant files an 83(b) Election, Participant will recognize ordinary income in an amount equal to the difference between the amount, if any, paid for the shares of Common Stock and the Fair Market Value of such shares as of the Grant Date. Participant further understands that an additional copy of such 83(b) Election form should be filed with his or her federal income tax return for the calendar year in which the date of this Agreement falls. Participant acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to the award of Restricted Stock hereunder, and does not purport to be complete. PARTICIPANT FURTHER ACKNOWLEDGES THAT THE COMPANY IS NOT RESPONSIBLE FOR FILING THE PARTICIPANT’S 83(b) ELECTION, AND THE COMPANY HAS DIRECTED PARTICIPANT TO SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE INTERNAL REVENUE CODE, THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH PARTICIPANT MAY RESIDE, AND THE TAX CONSEQUENCES OF PARTICIPANT’S DEATH.

3.2 Restricted Stock Not Transferable . No Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Participant or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; *provided, however*, that this Section 3.2 notwithstanding, with the consent of the Committee, the Shares may be transferred to certain persons or entities related to Participant, including but not limited to members of Participant’s family, charitable institutions or trusts or other entities whose beneficiaries or beneficial owners are members of Participant’s family or to such other persons or entities as may be expressly approved by the Committee, pursuant to any such conditions and procedures the Committee may require.

3.3 Rights as Stockholder . Except as otherwise provided herein, upon the Grant Date the Participant shall have all the rights of a stockholder with respect to the Shares, subject to the Restrictions herein, including the right to vote the Shares and the right to receive any cash or stock dividends paid to or made with respect to the Shares; *provided, however*, that at the discretion of the Company, and prior to the delivery of Shares, the Participant may be required to execute a stockholders agreement in such form as shall be determined by the Company.

3.4 Not a Contract of Employment . Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries.

3.5 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.6 Conformity to Securities Laws. The Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act of 1933, as amended, and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, including without limitation Rule 16b-3 under the Exchange Act. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Awards are granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

3.7 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board, *provided*, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely effect the Award in any material way without the prior written consent of the Participant.

3.8 Notices. Notices required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed to the Participant to his address shown in the Company records, and to the Company at its principal executive office.

3.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

EXHIBIT B
TO RESTRICTED STOCK AWARD GRANT NOTICE

CONSENT OF SPOUSE

I, _____, spouse of _____, have read and approve the foregoing Agreement. In consideration of issuing to my spouse the shares of the common stock of DealerTrack Holdings, Inc. set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares of the common stock of DealerTrack Holdings, Inc. issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: _____, ____

Signature of Spouse

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of the 25th day of May, 2005 (the "Effective Date") by and between JOHN A. BLAIR, an individual residing in California ("Executive") and SANTA ACQUISITION CORPORATION ("Employer") with principal offices at 111 S. La Cumbre Lane, Santa Barbara, California 93105.

Section 1. Term. Employer hereby employs Executive and Executive hereby accepts such employment, upon the terms and conditions hereinafter set forth. The term of employment hereunder shall continue for five (5) years from the Effective Date, subject to earlier termination in accordance with Section 4 below (the "Term", which Term shall include any renewal period described below). This Agreement shall not renew except upon mutual agreement of the parties.

Section 2. Executive's Duties.

(a) Executive shall be Chief Executive Officer of Employer ("CEO") and shall report directly to the Board of Directors of the Employer (the "Board") and the Chief Executive Officer and/or President or a designee of the Chief Executive Officer of DealerTrack Holdings, Inc. ("Parent"). Executive shall faithfully and diligently perform his duties at the direction of the Board, Parent's Chief Executive Officer, President or the Chief Executive Officer's designee, to the best of Executive's ability. Executive shall (i) devote his best efforts, skill, and ability and full business time and attention to the performance of the services customarily incident to such office, subject to vacations and sick leave as provided herein and in accordance with Employer policy, (ii) carry out his duties in a competent and professional manner; and (iii) generally promote the interests of Employer. It is acknowledged and agreed that Executive may continue to be an officer and employee of Automotive Lease Guide (alg), LLC ("ALG") incidental to the winding up of ALG's business and on the condition that Executive's activities for ALG do not interfere with the performance of his duties hereunder. Subject to applicable law, Executive shall not knowingly participate in any activity that is detrimental to the interests of the Employer or any of its affiliates, including, without limitation, any criticism or disparagement of any type by Executive, through the media or otherwise, of Employer or any affiliate of Employer, except in connection with the exercise of Executive's rights against the Employer or any affiliate of Employer.

(b) Executive agrees to abide by all policies applicable to senior officers of Employer promulgated from time to time by Parent or Employer which policies are enforced uniformly and applicable to all similarly-situated executives of Parent or Employer, as applicable and, as applied to Executive, are consistent with such policies as applied to similarly-situated executives of other operating companies that are affiliates of Parent ("Operating Companies").

(c) Except for such business travel as may be incident to his duties hereunder, Executive shall perform his duties at Employer's offices at the address set forth in the preamble to this Agreement or at such other location as may be approved by Employer.

Section 3. Compensation for Executive's Services. In consideration of the duties and services to be performed by Executive pursuant to Sections 1 and 2 hereof, Executive shall receive:

(a) Salary. Executive shall earn salary (the "Salary") at the annual rate of Two Hundred Fifty Thousand Dollars (\$250,000), less all applicable federal, state, and local tax withholdings. Such Salary shall be earned and shall be payable in periodic installments in accordance with Employer's payroll practices. During the term of Executive's employment with Employer, the Board of Directors of Parent (the "Parent Board") or Compensation Committee of the Parent Board (the "Compensation Committee") will review the Salary annually and may in its discretion increase the Salary, but may not reduce it during the Term unless Parent institutes salary reductions across the board; provided that in any event, the Salary shall not be reduced below Two Hundred Fifty Thousand Dollars (\$250,000) per year without the Executive's written consent.

(b) Annual Bonus. In addition to the Salary, Executive is eligible to receive a cash performance bonus ("Bonus"), less all applicable federal, state, and local tax withholdings, in each calendar year of the Term, including a Bonus pro rated for the portion of calendar year 2005 during which Executive is employed under this Agreement. This bonus shall be payable, if at all, on a schedule consistent with Employer's bonus payments to its other Executives. For each calendar year, Executive can earn a target Bonus equal to 50% of Salary based on Employee's attainment of budget goals and other criteria established by the Board in its sole and absolute discretion. Executive may earn a Bonus of up to 100% of Salary based on exceeding such budget goals and other criteria in increments established by the Board in its sole and absolute discretion. Executive understands and agrees that the Bonus is established in part as an inducement for Executive to remain employed by Employer and, therefore, that no Bonus will be deemed earned for a given year unless Executive remains employed through December 31 of that year. Except as provided in Section 5(c), in the event that Executive's employment terminates prior to December 31 of any year during the Term, then Executive shall not receive payment of any Bonus, for that year.

(c) Additional Compensation. Without limiting the amounts otherwise set forth in this Agreement, Executive shall receive a payment each month (the "Additional Compensation") in arrears from the Effective Date of this Agreement until the Note described in Section 3(d) below is issued, based on the following formula:

$$[\$1,200,000 \text{ (the "Face Amount")}] \times [\text{the prime interest rate, as published in the Wall Street Journal as of the Effective Date, plus 1\%, up to an aggregate maximum rate of 7\% (the "Interest Rate")}] / 12.$$

(d) Additional Bonus. As an additional inducement for Executive to remain employed by Employer, Executive shall be eligible to receive an additional bonus (the "Additional Bonus"), less all applicable federal, state and local tax withholdings, as follows:

- (1) If in any calendar year ending on or before December 31, 2009 (y) the revenue from sales of ALG products and Chrome Systems Corporation (“Chrome”) products (“ALG/Chrome Revenues”) for such year equals or exceeds \$50.0 million (the “ALG/Chrome Revenue Milestone”) and (z) the EBITDA Ratio for the ALG/Chrome business for such year equals or exceeds the EBITDA Ratio of the Parent business as a whole (exclusive of the ALG/Chrome business), then Parent shall promptly issue to Executive a note in the principal amount of \$1,200,000 on the terms described in (d)(3) below (the “Note”). “EBITDA Ratio” shall mean the ratio of the earnings before interest, taxes, depreciation, and amortization for the respective business in question divided by the revenue from such business.
 - (2) If ALG/Chrome Revenues for the year ending December 31, 2009 equal 70% of the ALG/Chrome Revenue Milestone, and (d)(1)(z) above occurs for that year, Parent shall issue to Executive a Note in the principal amount of \$600,000. If ALG/Chrome Revenues for the year ending December 31, 2009 are greater than 70% of the ALG/Chrome Revenue Milestone, but less than 100% of such milestone and (d)(1)(z) above occurs, then Parent shall issue to Executive a Note in the principal amount of (x) \$600,000 plus (y) \$20,000 for each additional \$500,000 of ALG/Chrome Revenues for the year ending December 31, 2009 in excess of 70% of the ALG/Chrome Revenue Milestone and less than 100% of the ALG/Chrome Revenue Milestone. For the avoidance of doubt, there will be no additional \$20,000 (or portion thereof) added to the principal of the Note for each incremental additional ALG/Chrome Revenues for the year ending December 31, 2009 of less than \$500,000. For example, if ALG/Chrome Revenues for the year ending December 31, 2009 are \$36,200,000, then an additional amount of \$40,000 (i.e., \$20,000 x2) shall be added to the principal amount of the Note for a total principal amount of \$640,000.
 - (3) The Note will provide that (w) it shall bear interest at the Interest Rate, (x) interest accrued on the Note will be paid to the Executive monthly, (y) it will be payable in full on June 30, 2010, and (z) it may be prepaid without penalty at any time in Parent’s sole discretion.
 - (i) Within 90 days following each of the years ending December 31, 2005, 2006, 2007, 2008 and 2009, Parent shall deliver to Executive Parent’s calculation, with reasonable supporting detail (the “Parent’s Calculation”) of ALG/Chrome Revenues or ALG Revenues, as the case may
-

be, and the applicable EBITDA Ratios (collectively, the “ Financial Milestones ”) for the preceding calendar year.

- (ii) If Executive disagrees with the Parent’s Calculation, the Executive may, within 30 days after delivery of the Parent’s Calculation, deliver a notice to Parent disagreeing with any portion of the Parent’s Calculation for such year (the “ Objection Notice ”). The Objection Notice shall specify in reasonable detail those items or amounts as to which Executive disagrees. If Executive does not deliver an Objection Notice during such time period or Executive indicates agreement with the Parent’s Calculation, then the Parent’s Calculation shall be the agreed upon amounts for the Financial Milestones for such applicable period.
- (iii) If Executive shall have delivered the Objection Notice within the 30 day period referred to in clause (ii) above, then Parent and Executive shall, during the 30 days following such delivery, use their good faith efforts to reach agreement on the disputed items or amounts in order to determine the Financial Milestones. If Parent and Executive are unable to reach agreement during such period, they shall promptly thereafter cause a mutually acceptable independent public accounting firm (the “ Accounting Referee ”) to review the disputed items or amounts for the purpose of calculating the Financial Milestone(s) in dispute. The Accounting Referee may request additional supporting detail from the Parent pertaining to the portion of the Parent’s Calculation identified by Executive in the Objection Notice. Within ten (10) days after delivery of such additional detail, the Executive may supplement the Objection Notice to add any disputes newly discovered by the Executive from the additional detail, but only if such item in dispute could not reasonably have been ascertained from the supporting detail provided by Parent with the Parent Calculation. The Objection Notice may be supplemented only once. In making such calculation, the Accounting Referee shall consider only those items or amounts in the Parent’s Calculation as to which the Executive has disagreed and which are specifically identified in reasonable notice in the Objection Notice, as supplemented, if applicable. The Accounting Referee shall deliver to Parent and Executive, as promptly as practicable, a written report setting forth its calculation of the items or amounts in dispute. Such report shall be final and binding upon Parent and Executive, absent manifest error or willful misconduct. The cost of

such review and report shall be borne (x) by Executive, if Parent's calculation of the Financial Milestone(s) in dispute is closer to the Accounting Referee's determination than Executive's calculation thereof, (y) by Parent, if the reverse is true and (z) except as provided in (x) or (y) above, equally by Executive and Parent.

- (4) If Parent sells or disposes of some or all of the assets of Employer or Chrome or does not collect fair market value for the products/services of the Company or Chrome because said products/services are sold as part of a bundle of products/services, the terms of this Section 3(d) will be adjusted equitably in the manner described under similar circumstances in that certain Asset Purchase Agreement, dated May 25, 2005, by and among Employer, ALG, Executive and other parties (the "Purchase Agreement").

(e) Equity. In connection with Executive's employment, within forty-five (45) days of the Effective Date, Executive will be granted stock options ("Stock Options") to purchase 40,000 shares of Parent common stock pursuant to the terms of either (i) the DealerTrack Holdings, Inc. Stock Option Plan, dated as of February 1, 2001, as amended, or (ii) any new incentive stock option plan adopted by Parent on or before the date of grant (in either case, hereinafter, "Stock Option Plan") and the stock option agreement (the "Option Agreement") Executive will be required to enter into pursuant to the Stock Option Plan. Except as otherwise provided herein, the terms of the Stock Options shall be governed by this Section 3(e) and, to the extent not inconsistent herewith, the Stock Option Plan and the Option Agreement. The Stock Options will vest so long as the Executive remains employed in accordance with the following schedule: Stock Options to acquire twenty-five percent (25%) of said shares will vest on the first anniversary of the Effective Date and the remaining Stock Options will vest ratably on a monthly basis thereafter for the following thirty-six (36) months. Executive shall be credited with twelve (12) months accelerated vesting of his Stock Options upon termination of Executive's employment by: (1) Employer without Cause (as defined below); or (2) Executive for Good Reason (as defined below). Executive shall be credited with twenty four (24) months accelerated vesting of his Stock Options upon a Change of Control (as defined in the Stock Option Plan). Executive shall be credited with full acceleration and vesting of his Stock Options upon the earlier of: (1) the termination of Executive's employment without Cause within twelve (12) months after a Change of Control; or (2) termination of the Executive's employment for Good Reason within twelve (12) months after a Change of Control. Anything in the Stock Option Plan to the contrary notwithstanding, if Executive's employment is terminated by Executive with Good Reason or by the Employer without Cause, or under circumstances described above which would result in certain accelerated vesting of any unvested Stock Options held by Executive, the unexercised portion of any Stock Options held by Executive will not terminate until the twelve (12) month anniversary of the date of termination of Executive's employment. Any Stock Options that remain unvested in accordance with the terms of this Agreement, the Stock Option Plan and Option Agreement upon termination of the Executive's employment shall expire. In the event Employer determines to provide equity in satisfaction of

this provision, in whole or in part, by issuing restricted stock, the derestriction terms of such grant shall be equivalent to the foregoing vesting terms.

(f) Benefits. Employer shall provide Executive with the right to participate in and receive benefits from all life, accident, disability, medical and pension or profit-sharing plans, and all similar benefits as are from time to time in effect and that are generally comparable to benefits made available to similarly-situated senior officers of the Operating Companies. The amount and extent of benefits to which Executive is entitled shall be governed by the specific benefit plan, as it may be amended from time to time.

(g) Expenses. Employer shall promptly reimburse Executive for reasonable expenses for cellular telephone usage, entertainment, travel, meals, lodging and similar items incurred in the conduct of Employer's business. Such expenses shall be reimbursed in accordance with Employer's expense reimbursement policies and guidelines.

(h) Vacation; Sick Leave. During the Term, Executive shall be entitled to four weeks (4) weeks vacation per year, paid holidays, sick leave, and similar benefits, to be earned and used in accordance with Employer's policy and procedure for other similarly situated senior executive officers.

(i) Modification. Employer reserves the right to modify, suspend or discontinue any and all of the above plans, practices, policies and programs referenced in Sections 3(f) and (g) at any time in its discretion without recourse by Executive so long as such action is taken generally with respect to other similarly situated senior executive officers.

(j) Guarantee of First Year Compensation. If Employer terminates Executive's employment without Cause or if Employee terminates his employment for Good Reason during the first year of the Term, all remaining unpaid compensation for such first year shall, in the case of payments pursuant to Sections 3(a) and 3(d) be paid on regular payment dates and, in the case of Section 3(b) be paid when ascertainable, without reducing any severance obligations of Employer as provided in Section 5. Executive's rights and obligations will be subject to the terms and conditions of applicable benefit plans.

Section 4. Termination of Employment.

(a) Resignation. Executive may voluntarily terminate his employment with Employer at any time with or without Good Reason, upon written notice to Employer.

(b) Termination. Employer may terminate Executive's employment at any time, with or without Cause, upon written notice to Executive.

(c) Death or Disability. Executive's employment shall terminate immediately upon Executive's death. In the event Employer, in good faith, determines that Executive is unable to perform the functions of his position due to a Disability (as defined below), it may notify Executive in writing of its intention to terminate Executive's employment and Executive's employment with Employer shall terminate effective on the thirtieth (30th) day after receipt of such notice by Executive. For the purposes of this Agreement, "Disability" shall mean a physical or mental impairment that substantially limits a major life activity of Executive

and renders Executive unable to perform the essential functions of his position even with reasonable accommodation (that does not impose an undue hardship on Employer), and which has lasted at least (i) sixty (60) consecutive days or (ii) the balance of Executive's entitlement to leave, if any, under the Family and Medical Leave Act or similar state law, or (iii) the balance of any elimination period under the Employer's long term disability insurance program (without regard to whether Executive is awarded benefits under such program), whichever is longer.

(d) Cause. Employer may immediately terminate Executive's employment for "Cause" by giving written notice to Executive. For purposes of this Agreement, "Cause" shall mean:

- (1) Executive's commission of an act of fraud or embezzlement upon Employer or any of its affiliates; or
- (2) Executive's commission of any willful act intended to injure the reputation, business, or any business relationship of Employer or any of its affiliates; or
- (3) Executive is found by a court of competent jurisdiction to have committed a felony; or
- (4) the refusal or failure of Executive to perform Executive's duties with Employer in a competent and professional manner that is not cured by Executive within ten (10) business days after a written demand therefor is delivered to Executive by the Board which specifically identifies the manner in which the Board believes that Executive has not substantially performed Executive's duties; provided, further, however, that if the Board, in good faith, determines that the refusal or failure by Executive is egregious in nature or is not susceptible of cure, then no cure period shall be required hereunder; or
- (5) the refusal or failure of Executive to comply with any of his material obligations under this Agreement (including any Exhibit hereto) that is not cured by Executive within ten (10) business days after a written demand therefore is delivered to Executive by the Board which specifically identifies the manner in which the Board believes Executive has materially breached this Agreement; provided, further, however, that if the Board, in good faith, determines that the refusal or failure by Executive is egregious in nature or is not susceptible of cure, then no cure period shall be required hereunder.

(e) Good Reason. Executive may terminate his employment for "Good Reason," by delivering written notice of such termination ("Employer Default Notice") to the Chief Executive Officer of Parent within sixty (60) days after the occurrence of any of the following events, each of which shall constitute Good Reason: (i) Employer's material breach of any provision of this Agreement, the Stock Options or the Stock Option Plan which has not been cured within the allotted time; (ii) a material reduction of Executive's title, status, authority,

responsibility or duties as CEO or the assignment to Executive of any duties materially inconsistent with the position of CEO; (iii) any material reduction in Executive's Salary or benefits; (iv) the failure of any successor entity to assume the terms of this Agreement upon any Change of Control; (v) moving Employer's principal executive office more than 50 miles from Employer's address set forth in the preamble to this Agreement; or (vi) a determination, that is final and unappealable (" Final Order "), that Employer has defaulted under Section 2.06 of the Purchase Agreement but only if and when Employer fails to make the payment with respect to which it is found to be in default within the later of (i) the time specified in the Final Order or (ii) 30 days following the entry of the Final Order. The Employer Default Notice shall specify the reason for Executive's belief that an event constituting Good Reason has occurred. Notwithstanding the foregoing, any material breach of this Agreement by Employer, or other event constituting Good Reason, shall not constitute Good Reason if any such breach or other event is cured or corrected by Employer within ten (10) business days following delivery to Employer of the Employer Default Notice.

(f) Continuing Obligations . Executive acknowledges and agrees that any termination under this Section 4 is not intended, and shall not be deemed or construed, to affect in any way any of Executive's covenants and obligations contained in Sections 6 and 7 hereof, which shall continue in full force and effect beyond such termination for any reason.

Section 5. Termination Obligations .

(a) Resignation . If Executive's employment is terminated voluntarily by Executive without Good Reason, Executive's employment shall terminate without further obligations to Executive other than for payment of the sum of any unpaid Salary determined by the Board and reimbursable expenses and vacation accrued and owing to Executive prior to the termination. The sum of such amounts shall hereinafter be referred to as the "Accrued Obligations," which shall be paid to Executive or Executive's estate or beneficiary within thirty (30) days of the date of termination. If Executive voluntarily terminates his employment without Good Reason and within thirty (30) days of such termination, DealerTrack determines that it would have had Cause to terminate Executive pursuant to Section 4(d), Executive shall be deemed to have been terminated for Cause and the terms of Section 5(b) shall apply.

(b) Cause . If Executive's employment is terminated by Employer for Cause, the Employer and Parent shall not have any further obligations to Executive other than for the timely payment of Accrued Obligations. If it is subsequently determined by an arbitrator, pursuant to Section 18 hereof, that Employer did not have Cause for termination, then Employer's decision to terminate shall be deemed to have been made without Cause and the terms of Section 5(c) shall apply.

(c) By Employer Other than for Cause or Death or Disability; By Executive for Good Reason .

(1) If (A) Employer terminates Executive's employment for a reason other than Cause, or due to Executive's death or Disability, or (B) Executive terminates his employment for Good Reason, Employer shall have no further obligations to Executive other than for (i) the payment of Accrued Obligations; (ii) severance pay in an amount equal to twenty-

four (24) months of Salary to be paid in equal monthly installments; (iii) a pro rata Bonus calculated based on multiplying the percentage of the year Executive worked for Employer during the year of his termination by the Bonus received by Executive during the preceding year or which would have been received for the current year, whichever is greater; (iv) the Additional Bonus, payable as set forth in Section 3(d) above; (v) the Additional Compensation, payable as set forth in Section 3(c) above; and (vi) if Executive elects continuation of his medical and/or dental insurance coverage in accordance with the law known as "COBRA," payment of the Employer's share of premiums for such coverage(s) for up to twelve (12) months or until the executive no longer is eligible for COBRA continuation coverage, whichever is earlier.

(2) If Executive terminates his employment for Good Reason and it is subsequently determined by an arbitrator, pursuant to Section 18 hereof, that Executive did not have Good Reason for termination, then Executive's decision to terminate for Good Reason shall be deemed to have been a voluntary resignation, the terms of Section 5(a) shall apply, and all monies paid to Executive pursuant to this Section 5(c)(1), except for those monies paid pursuant to Section 5(c)(1)(i), shall be immediately returned to Employer.

(3) The amounts payable pursuant to Section 5(c)(1) shall be the only amounts Executive shall receive for termination in accordance with this Section 5(c).

(d) Mitigation . In the event Executive's employment with Employer is terminated during the Term pursuant to this Section 5 on or after the first anniversary of the effective Date, Executive shall be required to notify Employer, in writing, within seven (7) days of obtaining subsequent employment, which shall include, without limitation, self-employment, consulting or other arrangement but shall not include managing Executive's or his extended family's passive investments. In the event Executive obtains other employment during any severance payout period described in Section 5(c)(1)(B)(ii), the severance payments due to Executive thereunder shall be reduced by fifty (50%) percent of the amount paid to Executive in his new capacity (including the amount of any up-front or deferred payments), commencing on the date Executive commences providing services in his new capacity; provided, however, that such reduction will not be more than fifty (50%) percent of the remaining severance payments due to Executive. Nothing herein shall be construed to require Executive to seek employment. In the event that Executive inadvertently fails to notify Employer of any subsequent employment within seven (7) days as described above and such noncompliance is not intentional, then Employer's sole remedy with respect to recovering damages for such failure shall be to recoup the amounts so owed Employer under this Section 5(d) with interest thereon at the US prime rate plus 2% and any reasonable fees and expense, including reasonable attorney fees, that Employer may incur in collecting such amounts.

(e) Release . Notwithstanding anything to the contrary contained herein, no severance payments required hereunder shall be made by Employer until such time as Executive shall execute a general release for the benefit of Employer in a form satisfactory to Employer. Such general release shall not apply to (i) Executive's rights under the Purchase Agreement, (ii) Executive's rights under his Stock Option Agreement, (iii) Executive's rights, as applicable, to indemnification under Employer's or Parent's charter documents, any indemnification agreement or applicable law, (iv) Executive's rights under laws governing worker's compensation, or (v) Executive's post-termination rights under this Agreement.

(f) Stock Options. Except as expressly provided herein, the terms of the Stock Option Plan and any related Stock Option Agreement and/or Notice of Grant shall govern the termination, vesting, and/or exercise of Executive's Stock Options upon the termination of Executive's employment for any reason.

(g) Exclusive Remedy. Executive agrees that the payments set forth in this Agreement shall constitute the exclusive and sole remedy for any termination of Executive's employment and Executive covenants not to assert or pursue any other remedies, at law or in equity, with respect to this Agreement.

(h) Termination of Executive's Office. Following the termination of Executive's employment for any reason, Executive shall hold no further office or position with Employer.

Section 6. Restrictions Respecting Confidential Information. Executive hereby covenants and agrees that, during his employment and thereafter, Executive will not, under any circumstance, disclose in any way any Confidential Information (as defined below) to any other person other than (i) at the direction of and for the benefit of Employer or (ii) to his attorneys or other advisors in connection with the enforcement of Executive's or ALG's rights under the Purchase Agreement or any Ancillary Agreement (as defined in the Purchase Agreement), provided such individuals agree to be bound by the confidentiality obligations herein and, if such Confidential Information is relevant to such enforcement action, to the court or arbitrator, as applicable, subject to a protective order. For the purposes of the foregoing, "Confidential Information" means any information pertaining to the assets, business, creditors, vendors, manufacturers, customers, data, employees, financial condition or affairs, formulae, licenses, methods, operations, procedures, reports, suppliers, systems and technologies of Employer and its affiliates, including (without limitation) the contracts, patents, trade secrets and customer lists developed or otherwise acquired by Employer and its affiliates; provided, however, that Confidential Information shall exclude any information that was, is, or becomes publicly available other than through disclosure by Executive or any other person known to Executive to be subject to confidentiality obligations to Employer. All Confidential Information is and will remain the sole and exclusive property of Employer and its affiliates. Following the termination of his employment, Executive shall return all documents and other tangible items containing Confidential Information to Employer, without retaining any copies, notes or excerpts thereof.

Section 7. Proprietary Matters. Executive expressly understands and agrees that any and all improvements, inventions, discoveries, processes, or know-how that are generated or conceived by Executive, whether alone or with others, during the Term (collectively, the "Inventions") will be the sole and exclusive property of Employer, and Executive will, whenever requested to do so by Employer (either during the Term or thereafter), execute and assign any and all applications, assignments and/or other instruments and do all things which Employer may deem necessary or appropriate in order to apply for, obtain, maintain, enforce and defend patents, copyrights, trade names or trademarks of the United States or of foreign countries for said Inventions, or in order to assign and convey or otherwise make available to Employer the sole and exclusive right, title, and interest in and to said Inventions, applications, patents, copyrights, trade names or trademarks; provided, however, that **pursuant to California Labor Code Section 2872 and any successor thereto, the provisions of this Section 7 shall not apply to an**

invention that qualifies fully under the provisions of California Labor Code Section 2870 (and any successor thereto) which provides:

“Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer’s equipment, supplies, facilities, or trade secret information except for those inventions that either:
(1) Relate at the time of conception or reduction to practice of the invention to the employer’s business, or actual or demonstrably anticipated research or development of the employer; or (2) Result from any work performed by the employee for the employer.”

Executive shall promptly communicate and disclose to Employer all Inventions conceived, developed or made by him during his employment by Employer, whether solely or jointly with others, and whether or not patentable or copyrightable, (a) which relate to any matters or business of the type carried on or being developed by Employer, or (b) which result from or are suggested by any work done by him in the course of his employment by Employer. Executive shall also promptly communicate and disclose to Employer all material other data obtained by him concerning the business or affairs of Employer in the course of his employment by Employer.

Section 8. Equitable Relief . Executive acknowledges and agrees that Employer will suffer irreparable damage which cannot be adequately compensated by money damages in the event of a breach, or threatened breach, of any of the terms and provisions of Section 6 or 7 of this Agreement, and that, in the event of any such breach, or threatened breach, Employer will not have an adequate remedy at law. It is therefore agreed that Employer, in addition to all other such rights, powers, privileges and remedies that it may have, shall be entitled to injunctive relief, specific performance or such other equitable relief as Employer may request to enforce any of those terms and provisions and to enjoin or otherwise restrain any act prohibited thereby, and Executive will not raise and hereby waives any objection or defense that there is an adequate remedy available at law. Notwithstanding the provisions of Section 18 of this Agreement, Executive agrees that Employer shall be entitled to seek such injunctive relief, without bond, in a court of competent jurisdiction. The Executive agrees that any claim he may have against the Employer or Parent shall not constitute a defense against the issuance of such equitable relief. The foregoing shall not constitute a waiver of any of Employer’s rights, powers, privileges and remedies against or in respect of a breaching party or any other person or thing under this Agreement, or applicable law.

Section 9. Notice . Any notice, request, demand or other communication hereunder shall be in writing, shall be delivered by hand or sent by registered or certified mail or by reputable overnight delivery service, postage prepaid, to the addressee at the address set forth below (or at such other address as shall be designated hereunder by written notice to the other party hereto) and shall be deemed conclusively to have been given when actually received by the addressee.

All notices and other communications hereunder shall be addressed as follows:

If to Executive:

John A. Blair
701 Via Hierba
Santa Barbara, California 93110

With a copy to:

Joseph D. Abkin, Esq.
Fell, Marking, Abkin, Montgomery,
Granet & Raney, LLP
222 E. Carrillo St., Suite 400
Santa Barbara, CA 93101

If to the Employer:

Mark F. O'Neil
[DealerTrack Sub]
1111 Marcus Avenue
Lake Success, NY 11042

With copies to:

General Counsel
DealerTrack Holdings, Inc.
1111 Marcus Avenue
Lake Success, NY 11042

and to:

Ruskin Moscou Faltischek, P.C.
East Tower, 15th Floor
190 EAB Plaza
Uniondale, NY 11556
Attention: Irvin Brum, Esq.

or to such other address as either party shall have furnished to the other in writing in accordance herewith.

Section 10. Legal Counsel. In entering into this Agreement, the parties represent that they have relied upon the advice of their attorneys, who are attorneys of their own choice, and that the terms of this Agreement have been completely read and explained to them by their attorneys, and that those terms are fully understood and voluntarily accepted by them.

Section 11. Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 12. Governing Law. This Agreement has been executed and delivered, and shall be governed by and construed in accordance with the applicable laws pertaining, in the State of California, without regard to conflicts of laws principles. Without prejudice to the obligations of either party under Section 18, each party irrevocably and unconditionally submits to the jurisdiction of the California state court in Los Angeles County or any federal court of the United States sitting in Los Angeles, California and any appellate court presiding thereover.

Section 13. Severability. In the event that any term or provision of this Agreement shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability, to the maximum extent permissible by law, (a) by or before that authority of the remaining terms and provisions of this Agreement, which shall be enforced as if the unenforceable term or provision were deleted, or (b) by or before any other authority of any of the terms and provisions of this Agreement.

Section 14. Counterparts. This Agreement may be executed in two counterpart copies of the entire document or of signature pages to the document, each of which may be executed by one of the parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon both of the parties hereto.

Section 15. Benefit. This Agreement shall be binding upon and inure to the benefit of the respective parties hereto and their legal representatives, successors and assigns. Insofar as Executive is concerned, this Agreement, being personal, cannot be assigned; provided, however, that should Executive become entitled to payment pursuant to Section 5 hereof, he may assign his rights to such payment to his legal representatives, successors, and assigns. Without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of Executive in this Agreement shall inure to the benefit of the successors and assigns of Employer.

Section 16. Modification. This Agreement may not be amended or modified other than by a written agreement executed by all parties hereto.

Section 17. Entire Agreement. Except as provided in Section 5(e) hereof, this Agreement contains the entire agreement of the parties and supersedes all other representations, warranties, agreements and understandings, oral or otherwise, among the parties with respect to the matters contained herein.

Section 18. Arbitration.

(a) Executive agrees that any dispute or controversy arising out of, relating to, or in connection with this Agreement or the termination thereof, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by expedited, binding arbitration to be held in Los Angeles, California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration

Association (the “Rules”). The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator’s decision in any court having jurisdiction. The arbitrator may award the prevailing party its reasonable attorneys’ fees and costs.

(b) EXECUTIVE HAS READ AND UNDERSTANDS THIS SECTION, WHICH DISCUSSES ARBITRATION. EXECUTIVE UNDERSTANDS THAT BY SIGNING THIS AGREEMENT, EXECUTIVE IS AGREEING TO SUBMIT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OF TERMINATION THEREOF, TO BINDING ARBITRATION, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF EXECUTIVE’S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP INCLUDING, BUT NOT LIMITED TO, STATUTORY DISCRIMINATION CLAIMS.

Section 19. Representations and Warranties of Executive. In order to induce Employer to enter into this Agreement, Executive represents and warrants to Employer, to the best of his knowledge after the review of his personnel files, that: (a) the execution and delivery of this Agreement by Executive and the performance of his obligations hereunder will not violate or be in conflict with any fiduciary or other duty, instrument, agreement, document, arrangement or other understanding to which Executive is a party or by which he is or may be bound or subject; and (b) Executive is not a party to any instrument, agreement, document, arrangement or other understanding with any person (other than Employer) requiring or restricting the use or disclosure of any confidential information or the provision of any employment, consulting or other services.

Section 20. Waiver of Breach. Except as may specifically provided herein, the failure of a party to insist on strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any term of this Agreement. Any waiver hereto must be in writing.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

EXECUTIVE:

/s/ John A. Blair

John A. Blair

Date:

SANTA ACQUISITION CORPORATION:

By: /s/ Mark O'Neil

Name:

Title:

Date:

UNFAIR COMPETITION AND NONSOLICITATION AGREEMENT

UNFAIR COMPETITION AND NONSOLICITATION AGREEMENT (hereafter, the "Agreement") entered into as of this 25th day of May, 2005 (the "Effective Date"), by and between Santa Acquisition Corporation, Inc. (the "Company") and John Blair, a resident of California.

WITNESSETH

WHEREAS, Mr. Blair owns a membership interest in Automotive Lease Guide (alg), LLC, a California limited liability corporation with its principle place of business in Santa Barbara, California ("ALG, LLC"), and is a shareholder in Automotive Lease Guide (alg) Canada, Inc. ("ALG, Inc.") (ALG, LLC and ALG, Inc. hereinafter collectively referred to as "ALG"). ALG is the leading provider of residual values, analytical data products and consultation with respect to residual values to the automotive industry throughout the United States (including each county in the State of California) and Canada (the "Territory") through, *inter alia*, the provision of residual guides, portfolio risk analysis, portfolio securitization valuations, consulting and special studies regarding residual values, development and provision of automotive data analysis and reporting products, and providing data analysis for residual value insurance (the "Business");

WHEREAS, on even date herewith, the Company and ALG executed an Asset Purchase Agreement ("Purchase Agreement") pursuant to which the Company will purchase substantially all of the assets of ALG;

WHEREAS, the Company intends to carry on the Business of ALG and to employ Mr. Blair as its Chief Executive Officer after consummation of the transactions contemplated by the Purchase Agreement;

WHEREAS, it is a condition precedent to the obligation of the Company to consummate the transactions contemplated by the Purchase Agreement that Mr. Blair enter into and on the Effective Date be bound by this Agreement;

WHEREAS, the Company recognizes the importance of Mr. Blair to the Business and to the ability of the Company to retain its client, employee and vendor relationships in respect of the Business;

WHEREAS, the parties agree that Mr. Blair will be subject to certain restrictive covenants necessary to protect the value of the assets and good will of ALG purchased by the Company, including, without limitation, confidential, proprietary and trade secret information, and goodwill among customers, employees and vendors;

NOW THEREFORE, in consideration of good valuable consideration, including, without limitation, the Company's agreement to consummate the transactions contemplated by the

Purchase Agreement and the consideration provided by the Company therewith, the receipt and adequacy whereof are hereby acknowledged, Mr. Blair covenants and agrees as follows:

Section 1. Nonsolicitation/Non-Compete.

(a) In view of the fact that any activity of Mr. Blair in violation of the terms hereof would deprive the Company of the benefits of their bargain under the Purchase Agreement and under the other agreements relating to that transaction, and to preserve the goodwill associated with the Business, Mr. Blair hereby agrees during the Restricted Period he will not, without the express written consent of DealerTrack Holdings, Inc. (the "Parent"), directly or indirectly, anywhere in the Territory, (i) engage in any activity which is competitive with any portion of the Business or is like or similar to the Business, (ii) participate or invest in, or provide or facilitate the provision of financing to, or assist (whether as owner, part-owner, shareholder, partner, director, officer, trustee, employee, agent or consultant, or in any other capacity), any business, organization or person other than the Company (or any affiliate of or Successor to the Company) whose business, activities, products or services are competitive with any portion of the Business or are like or similar to the Business (a "Competitor"), (iii) solicit for or on behalf of himself or any Competitor any client of the Business or any of its direct or indirect subsidiaries or affiliates or divert to any person any client or business opportunity of the Company or any of its direct or indirect subsidiaries or affiliates in respect of the Business, (iv) solicit or attempt to hire or engage for or on behalf of himself or any Competitor any officer or employee of the Company or any of its direct and/or indirect subsidiaries or affiliates, or (v) encourage for or on behalf of himself or any Competitor, any such officer or employee to terminate his or her relationship or employment with the Company or any of its direct or indirect subsidiaries or affiliates.

Ownership, for personal investment purposes only, of not to exceed (i) individually, two (2%) percent of the outstanding capital stock of any privately held entity, or (ii) two (2%) percent of the outstanding voting stock of any publicly held corporation shall not constitute a violation hereof.

(b) "Restricted Period" means ten (10) years from the Effective Date, provided that the Restricted Period will terminate earlier (i) with respect to all or a portion of the Territory, on the date when the Company or any person deriving any right, title or interest from the Company to the Business acquired from ALG (any such person, a "Successor") ceases to carry on a business like or similar to that of the Business therein, or (ii) with respect to Subsections 1(a)(i)-(iii) only, following a determination by a court or arbitrator, that is final and unappealable ("Final Order"), that the Company has defaulted under Section 2.06 of the Purchase Agreement, but only if and when the Company or Parent fails to make the payment with respect to which it is found to be in default within the later of (A) the time specified in the Final Order or, (B) 30 days following the entry of a Final Order. By way of further clarification, Mr. Blair hereby acknowledges and agrees that in the event Company, or any of its affiliates or any Successor ceases to carry on the Business or a like or similar business in a portion of the Territory, Section 1(a) shall be deemed to expire only with respect to that portion of the Territory and shall continue in full force and effect with respect to the remainder of the Territory.

(c) Mr. Blair acknowledges that the time, scope, geographic area and other provisions of this Section 1 have been specifically negotiated by sophisticated commercial

parties and agrees that (i) all such provisions are reasonable under the circumstances of the transactions contemplated hereby, (ii) are given as an integral and essential part of the transactions contemplated in the Purchase Agreement and (iii) but for Mr. Blair's agreement to Section 1 contained herein, Parent and the Company would not have entered into or consummated the transactions contemplated hereby. Mr. Blair has independently consulted with his counsel and has been advised in all respects concerning the reasonableness and propriety of the covenants contained herein, with specific regard to the Business to be conducted by Company and its subsidiaries and affiliates, and represents that this Section 1 is intended to be and shall be fully enforceable and effective in accordance with its terms.

Section 2. Equitable Relief. Mr. Blair acknowledges and agrees that the Company will suffer irreparable damage which cannot be adequately compensated by money damages in the event of a breach, or threatened breach, of any of the terms and provisions of Section 1 of this Agreement, and that, in the event of any such breach, or threatened breach, the Company will not have an adequate remedy at law. It is therefore agreed that the Company, in addition to all other such rights, powers, privileges and remedies that it may have, shall be entitled to injunctive relief, specific performance or such other equitable relief as the Company may request to enforce any of those terms and provisions and to enjoin or otherwise restrain any act prohibited thereby, and Mr. Blair will not raise and hereby waives any objection or defense that there is an adequate remedy available at law. Mr. Blair agrees that the Company shall be entitled to seek such injunctive relief, without bond, in a court of competent jurisdiction and Mr. Blair hereby consents to the jurisdiction of the state and federal courts of California for purposes of such an action. The foregoing shall not constitute a waiver of any of the Company's rights, powers, privileges and remedies against or in respect of a breaching party or any other person or thing under this Agreement, or applicable law. The Company shall have the right to enforce this Agreement in a court of competent jurisdiction and shall not be required to arbitrate any claims hereunder pursuant to Section 18 of the Employment Agreement of even date herewith by and between the Company and Mr. Blair.

Section 3. Disclosure of Agreement. Mr. Blair will disclose the existence and terms of this Agreement to any prospective employer, partner, co-venturer, investor or lender prior to entering into an employment, partnership or other business relationship with such person or entity.

Section 4. Miscellaneous.

(a) The parties agree that if any portion or provision of this Agreement is to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the court may amend such portion or provision so as to comply with the law in a manner consistent with the intention of this Agreement, the remainder of this Agreement, or the application of such illegal or unenforceable portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, will not be affected thereby, and each portion and provision of the Agreement will be valid and enforceable to the fullest extent permitted by law. In the event that any provision of this Agreement is determined by any court of competent jurisdiction to be unenforceable by reason of excessive scope as to geographic, temporal or functional coverage, such provision will be deemed to extend only over the maximum geographic, temporal and functional scope as to which it may be enforceable.

(b) Mr. Blair agrees that no claim that he may have against the Parent or Company shall serve as a defense to enforcement of his obligations hereunder.

(c) This Agreement constitutes the entire agreement between the Parent, the Company and Mr. Blair with respect to the subject matter hereof, and supersedes all prior representations and agreements with respect to such subject matter. This Agreement may not be amended, modified or waived except by a written instrument duly executed by the person against whom enforcement of such amendment, modification or waiver is sought. The failure of any party to require the performance of any portion or provision of this Agreement, or the waiver by any party of any breach of this Agreement, in any particular case will not prevent any subsequent enforcement of such portion or provision or to be deemed a waiver of any separate or subsequent breach.

(d) This Agreement shall be governed by California law. The parties consent to exclusive personal jurisdiction of the state and federal courts situated in Los Angeles, California in respect to enforcement of this Agreement and waive any defenses based on personal jurisdiction or venue in such courts. Should any action or proceeding be brought to construe or enforce the terms and conditions of this Agreement or the rights of the parties hereunder, the losing party shall pay to the prevailing party all court costs and reasonable attorneys' fees and costs (at the prevailing party's attorney's then-current rates) incurred in such action or proceeding.

I UNDERSTAND THAT THIS AGREEMENT AFFECTS IMPORTANT RIGHTS THAT I HAVE. I HAVE READ IT CAREFULLY AND AM SATISFIED THAT I UNDERSTAND IT COMPLETELY AND AGREE TO IT.

Date: _____

/s/ John Blair
John Blair

Address

SANTA ACQUISITION CORPORATION

Date: _____

/s/ Mark O'Neil
By:
Its:

EXHIBIT 10.5

SENIOR EXECUTIVE EMPLOYMENT AGREEMENT

This Senior Executive Employment Agreement (the "Agreement") is entered into as of this 26th day of May, 2005 (the "Effective Date") by and between David Trinder ("Executive") and DealerTrack Aftermarket Services, Inc. a Delaware corporation ("Employer") with principal offices at 1111 Marcus Avenue, Suite M04, Lake Success, NY 11042.

Section 1. Term

Employer shall continue to employ Executive and Executive agrees to continue such employment, upon the terms and conditions hereinafter set forth, from the Effective Date through and including June 30, 2007 (the "Initial Term"). This Agreement shall renew automatically for successive one year periods (each, a "Renewal Term") unless one party gives notice to the other party, in writing, at least sixty (60) days prior to the expiration of this Agreement (or any renewal) of its desire to terminate the Agreement. The term of this Agreement, including the Initial Term and any Renewal Term, shall be referred to herein as the "Term".

Section 2. Executive's Duties

(a) Executive shall be President and shall report directly to Employer's Chief Executive Officer or his designee. Executive shall faithfully and diligently perform his duties at the direction of Employer's Chief Executive Officer, or his designee, to the best of Executive's ability. Executive shall

(i) devote his best efforts, skill, and ability and full business time and attention to the performance of the services customarily incident to such office, subject to vacations and sick leave as provided herein and in accordance with Employer policy, (ii) carry out his duties in a competent and professional manner; and (iii) generally promote the interests of Employer. Subject to applicable law, Executive shall not knowingly participate in any activity that is detrimental to the interests of Employer, DealerTrack Holdings, Inc. (the "Parent") or any of their affiliates, including, without limitation, any public criticism or disparagement of any type by Executive, through the media or otherwise, of Employer or any of its affiliates or employees, except in connection with the exercise of Executive's rights against Employer or any of its affiliates.

(b) Executive agrees to abide by all policies applicable to senior executive officers of Employer promulgated from time to time by Employer, which policies are enforced uniformly and applicable to all similar executives of Employer.

(c) Except for such business travel as may be incident to his duties hereunder, Executive shall perform his duties at Employer's offices at the address set forth in the preamble to this Agreement or at such other location as may be approved by Employer.

Section 3. Compensation for Executive's Services

In consideration of the duties and services to be performed by Executive pursuant to Sections 1 and 2 hereof, Executive shall receive:

(a) Salary. Executive shall earn salary (the "Salary") at the annual rate of Two Hundred Fifty Thousand Dollars (\$250,000.00) (the "Minimum Salary"), less all applicable federal, state, and local tax withholdings. Such Salary shall be earned and shall be payable in periodic installments in accordance with Employer's payroll practices. During the Term, the Board of Directors of Parent (the "Parent Board") or the Compensation Committee of the Parent Board (the "Compensation Committee") will review the Salary annually and may in its discretion increase the Salary, but may not reduce it during the Term unless Parent institutes salary reductions across the board; provided, however, that in no event shall the Salary be reduced below the Minimum Salary without Executive's written consent.

(b) Bonus. For each fiscal year of Parent (each, a "Fiscal Year"), Executive shall be entitled to receive a cash performance bonus (a "Bonus") which shall be based on the achievement of certain performance benchmarks by Parent and/or Employer during such Fiscal Year which shall be determined by the Parent Board. The Parent Board shall review the target Bonus on an annual basis and, in its sole discretion, may increase such target Bonus for any Fiscal Year. The target Bonus shall not be decreased except in connection with company-wide bonus reductions. The target Bonus for any Fiscal Year shall be at least Forty (40%) percent of the Salary for such Fiscal Year. The Bonus for each Fiscal Year shall be paid, if at all, to Executive on a schedule consistent with Employer's bonus payments to its other similarly situated senior executive officers by no later than two and one half (2 1/2) months following the end of such Fiscal Year. Executive understands and agrees that the Bonus is established in part as an inducement for Executive to remain employed by Employer and except as provided in Section 5(c) of this Agreement, or in the Employer's sole discretion, in the event that Executive's employment is terminated prior to the end of any Fiscal Year during the Term, then Executive shall not receive payment of any Bonus for such year.

(c) Equity. In connection with Executive's employment, Executive has been and may continue to be granted stock options ("Stock Options") to purchase equity securities of Parent pursuant to the terms of DealerTrack Holdings, Inc. 2001 Stock Option Plan, effective as of August 10, 2001, as amended ("Stock Option Plan") or may be granted Stock Options or other equity based awards pursuant to the terms of the DealerTrack Holdings, Inc. 2005 Incentive Award Plan, effective as of May 26, 2005, as amended (the "2005 Incentive Award Plan"), or any other successor equity incentive plans (collectively, the "Stock Incentive Plans"). Except as otherwise provided herein, the terms of the Stock Options shall be governed by the Stock Incentive Plans. Executive shall be credited with twenty-four (24) months accelerated vesting of his Stock Options upon termination of Executive's employment by: (1) Employer without Cause (as defined below); or (2) Executive for Good Reason (as defined below). Executive shall be credited with thirty-six (36) months accelerated vesting of his Stock Options upon a Change of Control (defined below). Executive shall be credited with full acceleration and vesting of his Stock Options upon the earlier of: (1) the elimination of Executive's position or a termination of Executive's employment, in either event, within twelve (12) months after a Change of Control; (2) a material negative change in Executive's compensation or responsibilities within twelve (12) months after a Change of Control; or (3) the requirement that Executive be based at a location which is more than fifty (50) miles from Employer's offices at the address set forth in the preamble to this Agreement within twelve (12) months after a Change of Control. Anything in the Stock Incentive Plans to the contrary notwithstanding, if Executive's employment is terminated by Executive with Good Reason or by Employer without Cause, or under

circumstances described above which would result in certain accelerated vesting of any unvested Stock Options held by Executive, the unexercised portion of any Stock Options held by Executive will not terminate until the twelve (12) month anniversary of the date of termination of Executive's employment. In the event Employer elects to grant equity based awards other than Options, such grants shall, where appropriate, be subject to equivalent acceleration provisions as set forth in this Section 3(c). For purposes hereof, a "Change of Control" shall mean and includes each of the following:

(i) A transaction or series of transactions (other than an offering of shares of Parent to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) (other than the Parent, any of its subsidiaries, an employee benefit plan maintained by the Parent or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Parent) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of securities of the Employer or Parent possessing more than 50% of the total combined voting power of the Employer's or Parent's securities outstanding immediately after such acquisition; or

(ii) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Parent Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 3(c)(i) or Section 3(c)(iii)) whose election by the Parent Board or nomination for election by the Parent's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) The consummation by the Employer or Parent (whether directly involving the Employer or Parent or indirectly involving the Employer or Parent through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Employer's or Parent's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(A) Which results in the Employer's or Parent's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Employer or Parent or the person that, as a result of the transaction, controls, directly or indirectly, the Employer or Parent or owns, directly or indirectly, all or substantially all of the Employer's or Parent's assets or otherwise succeeds to the business of the Employer or Parent (the Employer or Parent or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 3(c)(iii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Employer or Parent prior to the consummation of the transaction; or

(iv) The Employer's or Parent's stockholders approve a liquidation or dissolution of the Employer or Parent.

The Parent Board or its designee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change of Control of the Employer or Parent has occurred, and the date of the occurrence of such Change of Control and any incidental matters relating thereto.

(d) Benefits. Employer shall provide Executive with the right to participate in and receive benefits from all life, accident, disability, medical and pension plans, and all similar benefits as are from time to time in effect and are generally made available to similar situated senior executive officers of Employer. The amount and extent of benefits to which Executive is entitled shall be governed by the specific benefit plan, as it may be amended from time to time.

(e) Expenses. Employer shall promptly reimburse Executive for reasonable expenses for cellular telephone usage, entertainment, travel, meals, lodging and similar items incurred in the conduct of Employer's business. Such expenses shall be reimbursed in accordance with Employer's expense reimbursement policies and guidelines.

(f) Vacation; Sick Leave. During the Term, Executive shall be entitled to four weeks (4) weeks vacation per year, paid holidays, sick leave, and similar benefits, to be earned and used in accordance with Employer's policy and procedure for other similarly situated senior executive officers.

(g) Modification. Employer reserves the right to modify, suspend or discontinue any and all of the above plans, practices, policies and programs referenced in Sections 3(d) and (e) at any time in its discretion without recourse by Executive so long as such action is taken generally with respect to other similarly situated senior executive officers. Any such modification, suspension or discontinuance of the plans, practices and policies referenced in Section 3(e) will not apply to otherwise reimbursable expenses incurred by Executive prior to any such modification, suspension or discontinuance.

Section 4. Termination of Employment

(a) Resignation. Executive may voluntarily terminate his employment with Employer, at any time, with or without Good Reason, upon written notice to Employer.

(b) Termination. Employer may terminate Executive's employment at any time, with or without Cause, upon written notice to Executive.

(c) Death or Disability. Executive's employment shall terminate immediately upon Executive's death. In the event Employer, in good faith, determines that Executive is unable to perform the functions of his position due to a Disability (as defined below), it may notify Executive in writing of its intention to terminate Executive's employment and Executive's employment with Employer shall terminate effective on the thirtieth (30th) day after receipt of such notice by Executive. For the purposes of this Agreement, "Disability" shall mean a physical or mental impairment that substantially limits a major life activity of Executive and renders Executive unable to perform the essential functions of his position even with reasonable accommodation (that does not impose an undue hardship on Employer), and which has lasted at least (i) sixty (60) consecutive days, (ii) the balance of Executive's entitlement to leave, if any, under the Family and Medical Leave Act, or other similar statute or (iii) the balance of any election period under the Employer's long term disability program (without regard to whether Executive is awarded benefits under such program), whichever is longer.

(d) Cause. Employer may immediately terminate Executive's employment for "Cause" by giving written notice to Executive. For purposes of this Agreement, "Cause" shall mean:

(1) Executive's commission of an act of fraud or embezzlement upon Employer or any of its affiliates; or

(2) Executive's commission of any willful act intended to injure the reputation, business, or any business relationship of Employer or any of its affiliates; or

(3) Executive is found by a court of competent jurisdiction to have committed a felony; or

(4) the refusal or failure of Executive to perform Executive's duties with Employer in a competent and professional manner that is not cured by Executive within ten (10) business days after a written demand therefor is delivered to Executive by the Board of Directors of Employer ("Board") which specifically identifies the manner in which the Board believes that Executive has not substantially performed Executive's duties; provided, further, however, that if the Board, in good faith, determines that the refusal or failure by Executive is egregious in nature or is not susceptible of cure, then no cure period shall be required hereunder; or

(5) the refusal or failure of Executive to comply with any of his material obligations under this Agreement (including any exhibit hereto) that is not cured by Executive within ten (10) business days after a written demand therefor is delivered to Executive by the Board which specifically identifies the manner in which the Board believes Executive has materially breached this Agreement; provided, further, however, that if the Board, in good faith,

determines that the refusal or failure by Executive is egregious in nature or is not susceptible of cure, then no cure period shall be required hereunder.

(e) Good Reason. Executive may terminate his employment for "Good Reason," by delivering written notice of such termination ("Employer Default Notice") to Employer within sixty (60) days of the occurrence of any of the following events, each of which shall constitute Good Reason: (i) Employer's material breach of any provision of this Agreement, the Stock Incentive Plans or any agreements thereunder, which has not been cured within the allotted time;

(ii) a material reduction of Executive's then current title, status, authority, responsibility or duties or the assignment to Executive of any duties materially inconsistent with Executive's then current position; (iii) any material reduction in Executive's salary or benefits; (iv) the failure of any successor entity to assume the terms of this Agreement upon any Change of Control; (v) the relocation of Executive to a facility or location more than fifty (50) miles from Employer's principal offices at the address set forth in the preamble to this Agreement; or (vi) the failure of Employer to renew this Agreement upon the expiration of the Initial Term or any Renewal Term. The Employer Default Notice shall specify the reason for Executive's belief that an event constituting Good Reason has occurred. Notwithstanding the foregoing, any material breach of this Agreement by Employer, or other event constituting Good Reason, shall not constitute Good Reason if any such breach or other event is cured or corrected by Employer within thirty (30) days following delivery to Employer of the Employer Default Notice.

(f) Continuing Obligations. Executive acknowledges and agrees that any termination under this Section 4 is not intended, and shall not be deemed or construed, to affect in any way any of Executive's covenants and obligations contained in Sections 6, 7, and 8 hereof, which shall continue in full force and effect beyond such termination for any reason.

Section 5. Termination Obligations

(a) Resignation. If Executive's employment is terminated voluntarily by Executive without Good Reason, Executive's employment shall terminate without further obligations to Executive other than for payment of the sum of any unpaid Salary determined by the Parent Board and reimbursable expenses and vacation accrued and owing to Executive prior to the termination. The sum of such amounts shall hereinafter be referred to as the "Accrued Obligations," which shall be paid to Executive or Executive's estate or beneficiary within thirty (30) days of the date of termination. If Executive voluntarily terminates his employment without Good Reason and within (30) days of such termination, Employer determines that it would have had Cause to terminate Executive pursuant to Section 4(d), Executive shall be deemed to have been terminated for Cause and the terms of Section 5(b) shall apply.

(b) Cause. If Executive's employment is terminated by Employer for Cause, this Agreement shall terminate without further obligations to Executive other than for the timely payment of Accrued Obligations. If it is subsequently determined by an arbitrator, pursuant to Section 19 hereof, that Employer did not have Cause for termination, then Employer's decision to terminate shall be deemed to have been made without Cause and the terms of Section 5(c) shall apply.

(c) By Employer Other than for Cause or Death or Disability; By Executive for Good Reason.

(1) If (A) Employer terminates Executive's employment for a reason other than Cause, or due to Executive's death or Disability, or (B) Executive terminates his employment for Good Reason, Employer shall have no further obligations to Executive other than for (i) the payment of Accrued Obligations, (ii) severance pay in an amount equal to twenty-four (24) months of Salary to be paid in equal installments in accordance with Employer's payroll practices during the period beginning on the Severance Commencement Date (as defined below) and ending on the 24-month anniversary of the date of the Executive's termination of employment (the "Date of Termination"); provided, however, that, notwithstanding the foregoing, if the Severance Commencement Date is the six-month anniversary of the Date of Termination, then Employer shall, as of the six-month anniversary of the Date of Termination, pay to the Executive a lump-sum amount equal to 25% of the Severance Amount (with the other 75% of the Severance Amount payable to the Executive in equal monthly installments during the period beginning on the six-month anniversary of the Date of Termination and ending on the 24-month anniversary thereof), and (iii) a pro rata bonus calculated based on multiplying the percentage of the year Executive worked for Employer during the year of his termination by the Bonus received by Executive during the preceding year and (iv) the reimbursement of premiums otherwise payable by Executive pursuant to COBRA for a period of up to 12 months, or until Executive no longer is eligible for COBRA continuation coverage, whichever is earlier. For purposes of this Section 5, "Severance Commencement Date" shall mean (x) if any stock of Parent or its affiliates is publicly traded on an established securities market or otherwise and the Parent Board (or its delegate) determines in its discretion that as of the Date of Termination the Executive is a "key employee" (within the meaning of Section 416(i) of the Internal Revenue Code of 1986, as amended (the "Code")), as interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder) and that Section 409A of the Code applies with respect to a payment to the Executive pursuant to Section 5(c)(1)(ii), the six-month anniversary of the Date of Termination; or (y) if the Parent Board (or its delegate) determines in its discretion that the Executive is not such a "key employee" as of the Date of Termination (or that Section 409A of the Internal Revenue Code does not apply with respect to a payment to the Executive pursuant to Section 5(c)(1)(ii)), the Date of Termination. The payments described in this Section 5(c)(1), except for those set forth in Section 5(c)(1)(ii) and (iv), shall be made within thirty (30) days of the Date of Termination.

(2) If Executive terminates his employment for Good Reason and it is subsequently determined by an arbitrator, pursuant to Section 20 hereof, that Executive did not have Good Reason for termination, then Executive's decision to terminate for Good Reason shall be deemed to have been a voluntary resignation, the terms of Section 5(a) shall apply, and all monies paid to Executive pursuant to this Section 5(c)(1), except for those monies paid pursuant to Section 5(c)(1)(i), shall be immediately returned to Employer.

(3) The amounts payable pursuant to Section 5(c)(1) shall be the only amounts Executive shall receive for termination in accordance with this Section 5(c); provided, however, that no amounts shall be payable pursuant to this section 5(c) on or following the date Executive breaches any of Sections 7, 8 or 9 of this Agreement.

(d) Mitigation. In the event Executive's employment with Employer is terminated pursuant to this Section 5, Executive shall be obligated to mitigate any severance payments due to Executive in accordance with Section 5(c)(1)(ii). Executive shall be required to notify Employer, in writing, within seven (7) days of obtaining subsequent employment by an unrelated party, which shall include, without limitation, self-employment, consulting or other arrangement, but not passive investment activities. In the event Executive obtains other employment during any severance payout period described in Section 5(c)(1)(ii), the severance payments due to Executive thereunder shall be reduced to an amount equal to the lesser of (i) fifty (50%) percent of Executive's Salary immediately prior to the Date of Termination or (ii) fifty (50%) percent of Executive's base compensation received for subsequent employment, self-employment, consulting or other arrangement, commencing on the date Executive commences providing services in his new capacity. Nothing herein shall require Executive to seek employment, self-employment, consulting or other arrangement.

(e) Release. Notwithstanding anything to the contrary contained herein, no severance payments required hereunder shall be made by Employer until such time as Executive shall execute a general release for the benefit of Employer and its affiliates in a form satisfactory to Employer. Such general release shall not apply to (i) Executive's rights under any Stock Incentive Plan award agreements or (ii) Executive's rights, as applicable, to indemnification under Employer's or Parent's charter or bylaws, any indemnification agreement or applicable law.

(f) Equity Compensation Awards. Except as expressly provided herein, except for the provisions of Section 3(c) of this Agreement, the terms of the Stock Incentive Plans and any related award agreements and/or notice of grant shall govern the termination, vesting, and/or exercise of Executive's stock options or other equity awards upon the termination of Executive's employment for any reason.

(g) Exclusive Remedy. Executive agrees that the payments set forth in this Agreement shall constitute the exclusive and sole remedy for any termination of Executive's employment and Executive covenants not to assert or pursue any other remedies, at law or in equity, with respect to this Agreement.

(h) Termination of Executive's Office. Following the termination of Executive's employment for any reason, Executive shall hold no further office or position with Employer or any of its affiliates.

Section 6. Parachute Payments.

(a) If it is determined by a nationally recognized United States public accounting firm selected by the Employer and approved in writing by the Executive (which approval shall not be unreasonably withheld) (the "Auditors") that any payment or benefit made or provided to the Executive in connection with this Agreement or otherwise (including without limitation any Stock Option or other equity based award vesting) (collectively, a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (the "Parachute Tax"), then the Employer shall pay to the Executive, prior to the time the Parachute Tax is payable with respect to such Payment, an additional payment (a "Gross-Up Payment") in an amount such that,

after payment by the Executive of all taxes (including any Parachute Tax) imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Parachute Tax imposed upon the Payment. The amount of any Gross-Up Payment shall be determined by the Auditors, subject to adjustment, as necessary, as a result of any Internal Revenue Service position. For purposes of making the calculations required by this Agreement, the Auditors may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code, provided that the Auditors' determinations must be made with substantial authority (within the meaning of Section 6662 of the Code).

(b) The federal tax returns filed by the Executive (and any filing made by a consolidated tax group which includes the Employer) shall be prepared and filed on a basis consistent with the determination of the Auditors with respect to the Parachute Tax payable by the Executive. The Executive shall make proper payment of the amount of any Parachute Tax, and at the request of the Employer, provide to the Employer true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service, and such other documents reasonably requested by the Employer, evidencing such payment. If, after the Employer's payment to the Executive of the Gross-Up Payment, the Auditors determine in good faith that the amount of the Gross-Up Payment should be reduced or increased, or such determination is made by the Internal Revenue Service, then within ten (10) business days of such determination, the Executive shall pay to the Employer the amount of any such reduction, or the Employer shall pay to the Executive the amount of any such increase; provided, however, that in no event shall the Executive have any such refund obligation if it is determined by the Employer that to do so would be a violation of the Sarbanes-Oxley Act of 2002, as it may be amended from time to time; and provided, further, that if the Executive has prior thereto paid such amounts to the Internal Revenue Service, such refund shall be due only to the extent that a refund of such amount is received by the Executive; and provided, further, that (i) the fees and expenses of the Auditors (and any other legal and accounting fees) incurred for services rendered in connection with the Auditor's determination of the Parachute Tax or any challenge by the Internal Revenue Service or other taxing authority relating to such determination shall be paid by the Employer and (ii) the Employer shall indemnify and hold the Executive harmless on an after-tax basis for any interest and penalties imposed upon the Executive to the extent that such interest and penalties are related to the Auditor's determination of the Parachute Tax or the Gross-Up Payment. Notwithstanding anything to the contrary herein, the Executive's rights under this Section 6 shall survive the termination of his employment for any reason and the termination or expiration of this Agreement for any reason.

Section 7. Restrictions Respecting Confidential Information

Executive hereby covenants and agrees that, during his employment and thereafter, Executive will not, under any circumstance, disclose in any way any Confidential Information (as defined below) to any other person other than (i) at the direction of and for the benefit of Employer, (ii) to his attorney or other advisers in connection with Executive's enforcement of his rights hereunder, provided such individuals or entities agree to be bound by the confidentiality restrictions herein contained, and if such Confidential Information is relevant to such enforcement action, to the court or arbitrator, as applicable, subject to a protective order. For the purposes of the foregoing, "Confidential Information" means any information pertaining

to the assets, business, creditors, vendors, manufacturers, customers, data, employees, financial condition or affairs, formulae, licenses, methods, operations, procedures, reports, suppliers, systems and technologies of Employer and its affiliates, including (without limitation) the contracts, patents, trade secrets and customer lists developed or otherwise acquired by Employer and its affiliates; provided, however, that Confidential Information shall exclude any information that was, is, or becomes publicly available other than through disclosure by Executive or any other person known to Executive to be subject to confidentiality obligations to Employer. All Confidential Information is and will remain the sole and exclusive property of Employer and its affiliates. Following the termination of his employment, Executive shall return all documents and other tangible items containing Confidential Information to Employer, without retaining any copies, notes or excerpts thereof.

Section 8. Proprietary Matters

Executive expressly understands and agrees that any and all improvements, inventions, discoveries, processes, or know-how that are generated or conceived by Executive during the Term (collectively, the "Inventions") will be the sole and exclusive property of Employer, and Executive will, whenever requested to do so by Employer (either during the Term or thereafter), execute and assign any and all applications, assignments and/or other instruments and do all things which Employer may deem necessary or appropriate in order to apply for, obtain, maintain, enforce and defend patents, copyrights, trade names or trademarks of the United States or of foreign countries for said Inventions, or in order to assign and convey or otherwise make available to Employer the sole and exclusive right, title, and interest in and to said Inventions, applications, patents, copyrights, trade names or trademarks; provided, however, that the provisions of this Section 8 shall not apply to an Invention that Executive developed entirely on his own time without using Employer's Confidential Information except for those Inventions that either (i) directly and materially relate, at the time of conception or reduction to practice of the invention, to Employer's business, or actual or demonstrably anticipated research or development of Employer, or (ii) directly and materially result from any work performed by Executive for Employer. Executive shall promptly communicate and disclose to Employer all Inventions conceived, developed or made by him during his employment by Employer, whether solely or jointly with others, and whether or not patentable or copyrightable, (a) which relate to any matters or business of the type carried on or being developed by Employer, or (b) which result from or are suggested by any work done by him in the course of his employment by Employer. Executive shall also promptly communicate and disclose to Employer all material other data obtained by him concerning the business or affairs of Employer in the course of his employment by Employer.

Section 9. Nonsolicitation/Non-Compete

(a) Executive agrees that throughout his employment and for a period of two (2) years following the termination of his employment for any reason, he will not directly or indirectly, own, manage, operate, control, or participate in the ownership, management, operation, or control of, or be connected with, or have any financial interest in, any Competitor. Ownership, for personal investment purposes only, of not to exceed (i) individually, two (2%) percent of the outstanding capital stock of any privately held entity, or (ii) voting stock of any publicly held corporation shall not constitute a violation hereof. For purposes of this Agreement,

the term "Competitor" shall mean any individual or entity, present or future, then providing any of the following products or services: (1) a multi-finance source automotive finance portal, (2) electronic contracting for automotive finance or lease transactions, other than at a financing source entity that purchases electronic contracts or leases from automotive dealers, (3) automotive lease, retail and/or balloon payment comparison or desking tools or (4) any other sales or finance and insurance-related products or services for automotive dealerships similar to any products or services offered by Employer or any of its affiliates.

(b) Executive agrees that during his employment with Employer and for a period of two (2) years following the termination of his employment for any reason, he will not actively solicit for employment, consulting or any other arrangement any employee of Employer or any of its present or future affiliates (while an affiliate).

(c) Executive agrees that during his employment with Employer and for a period of two (2) years following the termination of his employment for any reason, he will not influence or attempt to influence customers of Employer or any of its present or future affiliates, either directly or indirectly, to divert their business to any Competitor.

(d) The restrictions contained in this Section 9 are necessary for the protection of the business and goodwill of Employer and are considered by Executive to be reasonable for such purpose. Further, Executive represents that these restrictions will not prevent him from earning a livelihood during the restricted period.

(e) This Section 9 shall survive the termination or expiration of this Agreement.

Section 10. Equitable Relief

Executive acknowledges and agrees that Employer will suffer irreparable damage which cannot be adequately compensated by money damages in the event of a breach, or threatened breach, of any of the terms and provisions of Sections 7, 8 and 9 of this Agreement, and that, in the event of any such breach, or threatened breach, Employer will not have an adequate remedy at law. It is therefore agreed that Employer, in addition to all other such rights, powers, privileges and remedies that it may have, shall be entitled to injunctive relief, specific performance or such other equitable relief as Employer may request to enforce any of those terms and provisions and to enjoin or otherwise restrain any act prohibited thereby, and Executive will not raise and hereby waives any objection or defense that there is an adequate remedy available at law.

Notwithstanding the provisions of Section 20 of this Agreement, Executive agrees that Employer shall be entitled to seek such injunctive relief, without bond, in a court of competent jurisdiction and Executive hereby consents to the jurisdiction of the state and federal courts of New York for purposes of such an action. Executive agrees that any claim he may have against Employer or any of its affiliates shall not constitute a defense against the issuance of any such equitable relief. The foregoing shall not constitute a waiver of any of Employer's rights, powers, privileges and remedies against or in respect of a breaching party or any other person or thing under this Agreement, or applicable law.

Section 11. Notice

Any notice, request, demand or other communication hereunder shall be in writing, shall be delivered by hand or sent by registered or certified mail or by reputable overnight delivery service, postage prepaid, to the addressee at the address set forth below (or at such other address as shall be designated hereunder by written notice to the other party hereto) and shall be deemed conclusively to have been given when actually received by the addressee.

All notices and other communications hereunder shall be addressed as follows:

If to Executive at the address set forth in the Employer's payroll records.

If to Employer:

DealerTrack Holdings, Inc.
1111 Marcus Avenue, Suite M04
Lake Success, NY 11042

With a copy to:

General Counsel
DealerTrack Holdings, Inc.
1111 Marcus Avenue, Suite M04
Lake Success, NY 11042

and to:

Latham & Watkins LLP
885 Third Avenue
New York, NY 10022
Attention: Bradd L. Williamson, Esq.

or to such other address as either party shall have furnished to the other in writing in accordance herewith.

Section 12. Legal Counsel

In entering into this Agreement, the parties represent that they have relied upon the advice of their attorneys, who are attorneys of their own choice, and that the terms of this Agreement have been completely read and explained to them by their attorneys, and that those terms are fully understood and voluntarily accepted by them.

Section 13. Section and Other Headings

The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 14. Governing Law

This Agreement has been executed and delivered, and shall be governed by and construed in accordance with the applicable laws pertaining, in the State of New York, without regard to conflicts of laws principles.

Section 15. Severability

In the event that any term or provision of this Agreement shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability, to the maximum extent permissible by law, (a) by or before that authority of the remaining terms and provisions of this Agreement, which shall be enforced as if the unenforceable term or provision were deleted, or (b) by or before any other authority of any of the terms and provisions of this Agreement.

Section 16. Counterparts

This Agreement may be executed in two counterpart copies of the entire document or of signature pages to the document, each of which may be executed by one of the parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon both of the parties hereto.

Section 17. Benefit

This Agreement shall be binding upon and inure to the benefit of the respective parties hereto and their legal representatives, successors and assigns. Insofar as Executive is concerned, this Agreement, being personal, cannot be assigned; provided, however, that should Executive become entitled to payment pursuant to Section 5 hereof, he may assign his rights to such payment to his legal representatives, successors, and assigns. Without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of Executive in this Agreement shall inure to the benefit of the successors and assigns of Employer.

Section 18. Modification

This Agreement may not be amended or modified other than by a written agreement executed by all parties hereto.

Section 19. Entire Agreement

Except as provided in Section 5(f) hereof, this Agreement contains the entire agreement of the parties and supersedes all other representations, warranties, agreements and understandings, oral or otherwise, among the parties with respect to the matters contained herein, including any prior employment agreements between Executive and Employer or any affiliate of Employer.

Section 20. Arbitration

(a) Executive agrees that any dispute or controversy arising out of, relating to, or in connection with this Agreement or the termination thereof, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by expedited, binding arbitration to be held in New York, New York in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules"). The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction. The arbitrator may award the prevailing party its reasonable attorney's fees.

(b) The arbitrator shall apply New York law to the merits of any dispute or claim, without reference to rules of conflicts of law. The arbitration proceedings shall be governed by federal arbitration law and by the Rules, without reference to state arbitration law.

(c) EXECUTIVE HAS READ AND UNDERSTANDS THIS SECTION, WHICH DISCUSSES ARBITRATION. EXECUTIVE UNDERSTANDS THAT BY SIGNING THIS AGREEMENT, EXECUTIVE IS AGREEING TO SUBMIT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OF TERMINATION THEREOF, TO BINDING ARBITRATION, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF EXECUTIVE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP INCLUDING, BUT NOT LIMITED TO, STATUTORY DISCRIMINATION CLAIMS.

Section 21. Representations and Warranties of Executive

In order to induce Employer to enter into this Agreement, Executive represents and warrants to Employer, to the best of his knowledge after the review of his personnel files, that: (a) the execution and delivery of this Agreement by Executive and the performance of his obligations hereunder will not violate or be in conflict with any fiduciary or other duty, instrument, agreement, document, arrangement or other understanding to which Executive is a party or by which he is or may be bound or subject; and (b) Executive is not a party to any instrument, agreement, document, arrangement or other understanding with any person (other than Employer) requiring or restricting the use or disclosure of any confidential information or the provision of any employment, consulting or other services.

Section 22. Waiver of Breach

Except as may specifically provided herein, the failure of a party to insist on strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any term of this Agreement. Any waiver hereto must be in writing.

Section 23. Section 409A.

The parties acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury

regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of this Agreement to the contrary, in the event that Employer determines that any amounts payable hereunder will be immediately taxable to the Executive under Section 409A of the Code and related Department of Treasury guidance, Employer may (a) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that Employer determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement and/or (b) take such other actions as Employer determines necessary or appropriate to comply with the requirements of Section 409A of the Code and related Department of Treasury guidance, including such Department of Treasury guidance and other interpretive materials as may be issued after the Effective Date.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

EXECUTIVE:

David Trinder

EMPLOYER:

DealerTrack Aftermarket Services, Inc.

By:

Name: Mark F. O'Neil

Title: Chairman and Chief Executive Officer

CERTIFICATION

I, Mark F. O'Neil, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of DealerTrack Holdings, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mark F. O'Neil

Mark F. O'Neil

Chairman, President and Chief Executive Officer

May 12, 2006

CERTIFICATION

I, Robert J. Cox, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of DealerTrack Holdings, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert J. Cox III

Robert J. Cox III

Senior Vice President, Chief Financial Officer and Treasurer

May 12, 2006

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of DealerTrack Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Mark F. O'Neil, Chief Executive Officer of the Company and Robert J. Cox, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark F. O'Neil

Name: Mark F. O'Neil
Title: Chairman, President and Chief Executive Officer
Date: May 12, 2006

/s/ Robert J. Cox III

Name: Robert J. Cox III
Title: Senior Vice President, Chief Financial Officer and Treasurer
Date: May 12, 2006

A signed original of this written statement required by Section 906 has been provided to DealerTrack Holdings, Inc. and will be retained by DealerTrack Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.