DealerTrack Holdings, Inc.

2008 Annual Report

DealerTrack®

Dear Fellow Stockholder:

During 2008, we faced economic challenges not seen by the automotive or financial services industries in decades. Decreased demand for automobiles combined with limited availability of credit in the second half of the year challenged DealerTrack's transaction business and prompted us to sharpen our focus on the most promising near-term and long-term opportunities for growth. Shortly after year-end, we announced a restructuring that cut expenses in low-growth areas and reallocated resources into areas more likely to allow us to expand our share of the automotive retail and software market.

We continue to go to dealers with a strong value proposition including a demonstrable return on their technology investment. We recently launched our OpenTrack and DealerTrack Assurance programs to continue to demonstrate to dealers that we are committed to delivering an integrated workflow solution that drives efficiency throughout a dealer's operations. OpenTrack assures dealers that our Dealer Management System is available to integrate with any technology providers a dealer chooses. The DealerTrack Assurance program eliminates a potential dealer concern about signing new contracts by letting dealers who sell or close their store, or lose their floor planning, out of future contractual commitments on new subscriptions. These two new programs further differentiate us in the marketplace and demonstrate our commitment to partner with our dealer customers.

Throughout 2009, we will continue to find ways to drive efficiencies while strengthening our market position. Although the current macroeconomic environment is obviously challenging, we believe our business model is sound and that we will emerge from this downturn a stronger company. As we work to grow the business, our focus is on protecting and creating shareholder value.

Thank you for your continued support. Please don't hesitate to contact me or our investor relations department if we can be of any assistance.

Sincerely,

Mark F. O'Neil
Chairman and Chief Executive Officer

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

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	**52-2336218**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

1111 Marcus Ave., Suite M04
Lake Success, NY 11042
(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 Par Value Per Share	**The NASDAQ Stock Market, LLC**
(Title of each class)	*(Name of exchange on which registered)*

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $535 million (based on the closing price for the registrant's common stock on the NASDAQ Global Market of $14.11 per share).

As of February 1, 2009, 39,833,200 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant intends to file a proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2008. Portions of such proxy statement are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Item 1. *Business*

Certain statements in this Annual Report on Form 10-K 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 this Annual Report on Form 10-K. 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.

References in this Annual Report on Form 10-K to "DealerTrack," the "Company," "our" or "we" are to DealerTrack Holdings, Inc., a Delaware corporation, and/or its subsidiaries.

Overview

DealerTrack Holdings, Inc. is a leading provider of on-demand software and data solutions for the automotive retail industry in the United States. Utilizing the Internet, we have built a network connecting automotive dealers with banks, finance companies, credit unions and other financing sources, and other service and information providers, such as aftermarket providers and the major credit reporting agencies. We have established a network of active relationships in the United States, which as of December 31, 2008, consisted of over 19,000 dealers, over 730 financing sources and many other service and information providers to the automotive retail industry. We consider a financing source to be active in our network as of a date if it has accepted credit application data electronically from dealers in the DealerTrack network in that month, including financing sources visible to dealers through drop down menus. 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. We believe our proven network offers a competitive advantage for distribution of our software and data solutions. Our dealership management system (DMS) and integrated subscription-based software solutions enable our dealer customers to manage their dealership data and operations, compare various financing and leasing options and programs, sell insurance and other aftermarket products, analyze inventory, document compliance with certain laws and execute financing contracts electronically. We have also created efficiencies for financing source customers by providing a comprehensive digital and electronic contracting solution. 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., DealerTrack AAX, Inc., DealerTrack Aftermarket Services, Inc., DealerTrack Canada, Inc., DealerTrack Digital Services, Inc., DealerTrack, Inc., and DealerTrack Systems, Inc.

We maintain a website at *www.dealertrack.com.* We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits thereto, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the reports are electronically filed with, or furnished to the Securities and Exchange Commission (the "SEC"). Our reports that are filed with, or furnished to, the SEC are also available at the SEC's website at *www.sec.gov.* You may also obtain copies of any of our reports filed with, or furnished to, the SEC, free of charge, at the SEC's public reference room at 100 F Street, N.E., Washington, DC 20549.

Our Business

Dealers traditionally relied upon fax and mail delivery methods for processing their financing and insurance offerings. This method produced lengthy processing times and increased the cost of assisting the consumer to obtain financing or insurance. For example, legacy paper systems required the consumer to fill out a paper credit application for each of the financing sources to which he or she applied. The dealer then faxed the credit application to each financing source and awaited a series of return faxes. When a financing source approved the consumer's credit application, the consumer manually signed a paper finance or lease contract with the dealer, who then delivered it with ancillary documents to the financing source via mail or overnight courier. The financing source then manually checked the contract for any errors or omissions and if the contract or ancillary documents were accurate and complete, the financing source paid the dealer for the assignment of the contract. The cumbersome nature of this process can limit the range of options available to consumers and delay the availability of financing. In addition, the sale of insurance and warranty products can be hindered by dealers consulting out-of-date paper program catalogues and not being aware of all of the insurance programs and other aftermarket sales opportunities available to offer the consumer.

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

In contrast to most dealer legacy systems, our web-based solutions are generally open and flexible. Our network improves efficiency and reduces processing time for dealers, financing sources, and other participants, and integrates the products and services of third-party service and information providers, such as credit reporting agencies and aftermarket providers. We primarily generate revenue on either a transaction or subscription basis, depending on the customer and the product or service provided.

Our Customers

We believe our suite of integrated on-demand software and data solutions addresses many of the inefficiencies in the automotive retail value chain and delivers benefits to dealers, financing sources, aftermarket providers, and other service and information providers.

Dealers

We offer franchised and independent dealers a suite of low-cost on-demand DMS, inventory management, sales and compliance solutions, that significantly shorten financing processing times, increase efficiencies across the dealership, and allow dealers to spend more time selling automobiles.

Our automated, web-based credit application-processing product allows automotive dealers to originate and route their consumers' credit application information. This product has eliminated the need to fax a paper application to each financing source to which a consumer applies for financing. Once a dealer enters a consumer's information into our system, the dealer can distribute the credit application data electronically to one or multiple financing sources and obtain credit decisions quickly and efficiently. This service is free to our dealer customers.

We offer a comprehensive DMS, allowing dealers to manage functions across their entire business, and a complete suite of subscription solutions that complements our credit application processing product allowing dealers to integrate and better manage their business processes. We offer a compliance solution that helps dealers

comply with red flags regulations and offers reporting functions. Additionally, we have inventory management solutions to help dealers manage their inventory and pricing and our sales solution streamlines the vehicle and aftermarket sales processes. Included in our sales solutions are products that allows dealers and consumers to complete finance contracts electronically, which a dealer can then transmit to participating financing sources for funding, further streamlining the financing process and reducing transaction costs for both dealers and financing sources. We give each dealership the ability to select the specific tools they need to reduce costs, increase profits and sell more vehicles.

Financing Sources

Our on-demand credit application processing and electronic contracting products eliminate expensive and time-consuming inefficiencies in legacy paper systems, and thereby decrease financing sources' costs of originating loans or leases. We also offer a contract-processing solution, which can provide financing sources with retail automotive contracts and related documents in a digital or electronic format. We believe our solutions significantly streamline the financing process and improve the efficiency and/or profitability of each financing transaction. We electronically transmit complete credit application and contract data, reducing costs and errors and improving efficiency for both prime and non-prime financing sources. We also believe that our credit application processing product enables our financing source customers to increase credit originations. Our network is configured to enable our financing source customers to connect easily with dealers with whom they can establish new business relations. We believe that financing sources that utilize our solutions experience a significant competitive advantage over financing sources that rely on the legacy paper and fax processes.

Aftermarket Providers

Our DealerTrack Aftermarket Network™ gives dealers access to real-time contract rating information and quote generation, and provides digital contracting for aftermarket products and services. The aftermarket sales and contracting process was previously executed through individual aftermarket providers' websites or through a cumbersome paper-based process prone to frequent delays and errors. Our on-demand connection between dealers and aftermarket providers creates a faster process, improves accuracy, and eliminates duplicate data entry for both dealers and aftermarket providers. We believe this more efficient process combined with the use of our on-demand electronic menu product makes it possible for dealers to more effectively sell aftermarket products and services. We expect that most, if not all, categories of aftermarket products and services will be available via our network, including vehicle recovery systems, extended service contracts, chemical coatings, and credit life and disability insurance. As of December 31, 2008, over 25 aftermarket providers are signed on to the DealerTrack Aftermarket Network.

Other Service and Information Providers

We believe that our software as a service model is a superior method of delivering products and services to our customers. Our web-based solutions enable third-party service and information providers to deliver their products and services more broadly and efficiently, which increases the value of our integrated solutions to our dealer customers. We believe we offer our third-party service and information providers a secure and efficient means of delivering their data to our dealer and financing source customers. For example, the credit reporting agencies can provide dealers with consumers' credit reports electronically and integrate the delivery of the prospective consumers' credit reports with our credit application processing and other products. Additionally, our inventory management solution integrates real time pricing data and wholesale auction data to give dealers access to available market information.

Our Web-based Network

Our web-based network is independent and does not give any one financing source preference over any other financing source. Each dealer sees its individualized list of available financing sources listed alphabetically, based on our proprietary matching process, and can transmit credit application information simultaneously to multiple financing sources that they select. Financing sources' responses to requests for financing through our network are presented back to the dealer in their order of response.

Our Growth Strategy

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

Expand Our Customer Base

We intend to increase our market penetration by expanding our automotive dealer and financing source customer base through the efforts of our direct sales force. While as of December 31, 2008 we had over 730 active financing source customers, we will focus on adding select regional banks, credit unions, financing companies, and the captive financing affiliates of automotive manufacturers to our network. We also intend to increase the number of other service and information providers in our network by adding, among others, insurance and other aftermarket service and accessory providers. Additionally, we are increasing our installation capacity for our DMS business to expand our customer base for that solution.

Sell Additional Products and Services to Our Existing Customers

In order to increase the number of products and services purchased by our existing customers, we have redesigned our sales plan to focus on four integrated solutions (DMS, Inventory Management, Compliance and Sales) rather than independent products. We believe that a significant market opportunity exists for us to sell additional products and services to the approximately 70% of our over 19,000 active dealer customers that utilize our credit application processing product, and have purchased one or more of our subscription-based products or services. Similarly, the over 730 financing sources that utilize our credit application product represent a market opportunity for us to sell our electronic and digital contracting solution.

Expand Our Offerings

We expect to expand our suite of products and services to address the evolving needs of our customers. Beginning in 2009, we will market our products as four integrated solutions, DMS, Inventory Management, Compliance and Sales. We have identified a number of opportunities to leverage our network of relationships and our core competencies to benefit dealers, financing sources and other service and information providers. For example, we expanded our DMS solution through the addition of CRM functionality. We are also committed to being an open technology partner with our dealers and further integrating our solutions with third-parties to meet their needs. We also are continuing to add reporting capability to our compliance solution and third-party integrations to our inventory management solution.

Pursue Acquisitions and Strategic Alliances

We have augmented the growth of our business by completing strategic acquisitions. In executing our acquisition strategy, we have focused on identifying businesses that we believe will increase our market share or that have products, services and technology that are complementary to our product and service offerings. We believe that our success in completing these acquisitions and integrating them into our business has allowed us to maintain our leadership position in the industry, enhance our network of relationships and accelerate our growth. We intend to continue to grow and advance our business through acquisitions and strategic alliances. We believe that acquisitions and strategic alliances will allow us to enhance our product and service offerings, sell new products using our network, strengthen technology offerings and/or increase our market share.

Our Solutions

Starting in January 2009, we redesigned our sales plan and rather than offering independent products we began offering four integrated solutions: DMS, Inventory Management, Compliance and Sales.

Solutions	Products and Services	Subscription/Transaction
Dealer Management System (DMS) Solution:	• DealerTrack Arkona DMS	• Subscription
Inventory Management Solutions:	• AAX®	• Subscription
	• InventoryPro	• Subscription
	• PriceDriver™	• Subscription
Compliance Solution:	• DealWatch™	• Subscription
	• DealerTrack eMenu™	• Subscription
Sales Solution:	• SalesMaker™	• Subscription
	• BookOut	• Subscription
	• DealerTrack eMenu™	• Subscription
	• DealerTrack Aftermarket Network™	• Transaction
	• DealerTrack eContracting™	• Subscription and Transaction
	• eDocs (for lenders)	• Transaction
	• DealerTrack's accessory solution	• Subscription and Transaction
	• ToolKit™ (On-line credit application processing platform)	• Transaction
	• DealTransfer®	• Subscription

Each of our four integrated solutions are supported by our Data Services, which include ALG Data Services, Chrome New Vehicle Data, Chrome VIN Match, Chrome Construct, Automotive Description Services, Chrome IQ, Chrome BookLink, Chrome Carbook Showroom ®, PC Carbook ®, Carbook Fleet Edition and Chrome Interactive Media. We generally charge our customers a subscription fee to use these products.

We generally charge dealers a monthly subscription fee for each of our solutions. A transaction fee is generally charged to our financing source customers for each credit application that dealers submit to them and for each financing contract executed via our electronic contracting and digital contract processing solution, as well as for any portfolio residual value analyses we perform for them. We charge a transaction fee to the dealer or credit report provider for each fee-bearing credit report accessed by dealers. We charge a transaction fee to the aftermarket provider for each aftermarket contract executed and delivered from our network.

DMS Solution:

DealerTrack Arkona DMS — The DealerTrack Arkona DMS is a dealer management system that gives dealers control of their business across every department. It is an open platform that allows dealers to integrate and manage all the primary functions of their store operations including: vehicle sales, portfolio management, showroom management, service department, general ledger, automated dispatching, parts inventory and invoicing, electronic repair order (ERO), vehicle inventory, contact management, payroll and personnel management. We charge our dealer customers subscription fees to use this solution.

Inventory Management Solutions:

A dealer can choose any one of our three inventory management solutions as listed below:

AAX® — AAX is a, full-featured inventory system. Dealers can identify high-profit, fast turning vehicles, quickly and easily adjust price to be more competitive. The robust enterprise reporting is designed for multi-store inventory optimization. Daily performance tracking is enabled by real time reporting and custom built inventory modeling. Consulting services optimize inventory management and enhance product performance.

InventoryPro — With InventoryPro, a dealership can evaluate sales and inventory performance for either new or used vehicles by make, model and trim, including information about unit sales, costs, days to turn, and front-end gross profit. The InventoryPro product reviews actual vehicles on the dealership lot and provides specific recommendations for vehicles that should be added or removed to improve a dealership's profitability and return on investment. It also enables dealers to connect with other member dealers to find target vehicles or identify dealers interested in buying overstock.

PriceDriver — PriceDriver provides dealerships will a market view and pricing updates to increase sales opportunities with right priced inventory. It also allows dealers to establish and enforce pricing policies within the dealership and compare pricing to others in the dealers market.

Compliance Solution:

DealWatch™ — DealWatch provides automotive dealers with a safe and reliable method to sign, store and protect customer and financing activity at the dealership. It also provides safeguards such as limited access to sensitive information based on a user's role and permission to help reduce compliance risk by handling every customer financing deal consistently.

DealerTrack eMenu™ — DealerTrack eMenu allows dealers to consistently present consumers with the full array of insurance and other aftermarket product options they offer in a menu format. The product also creates an auditable record of the disclosures to consumers during the aftermarket sales process, helping to reduce dealers' potential legal risks.

Sales Solution:

A dealer can choose any one or more of the subscription sales solutions as listed below:

SalesMaker™ — SalesMaker is a profit management system enabling dealers to search the hundreds of current financing source programs in our database, and, within seconds, find the financing or lease program that is best for a consumer and the most profitable for the dealership. SalesMaker also assists dealers in finding financing for consumers with low credit scores, while maximizing their own profit. In addition, dealers can quickly pre-qualify prospective consumers and then match the best financing source program against their available inventory. SalesMaker represents the integration and enhancement of our previous DeskLink and FinanceWizard products.

BookOut — With BookOut, a dealer can quickly and easily look up used automobile values by year/make/model or vehicle identification number for use in the credit application process. We currently offer separate BookOut subscriptions for data provided by Black Book, Kelley Blue Book and NADA. These products facilitate the financing process by providing dealers with reliable valuation information about the relevant automobile.

DealerTrack eMenu™ — DealerTrack eMenu allows dealers to consistently present consumers with the full array of insurance and other aftermarket product options they offer in a menu format. The product also creates an auditable record of the disclosures to consumers during the aftermarket sales process, helping to reduce dealers' potential legal risks.

DealerTrack Aftermarket Network™ — The DealerTrack Aftermarket Network provides real-time aftermarket contract rating and quote generation from participating providers of aftermarket products. Categories of aftermarket products represented on the network include extended service contracts, GAP, etch, credit life and disability insurance, and vehicle recovery systems. Since the DealerTrack Aftermarket Network is fully integrated into the DealerTrack network, we expect both dealers and aftermarket providers will benefit from improved accuracy and elimination of duplicate data entry. We charge aftermarket providers transaction fees for each aftermarket product purchased that is transmitted by a dealer to the aftermarket provider through our network.

DealerTrack eContracting and eDocs — Our DealerTrack eContracting product allows dealers to obtain electronic signatures and transmit contracts and contract information electronically to financing sources that participate in eContracting. eContracting increases the speed of the automotive financing process by replacing the cumbersome paper contracting process with an efficient electronic process. Our eDocs digital contract processing service receives paper-based contracts from dealers, digitizes the contracts and submits them electronically to the appropriate financing source. Together, eDocs and eContracting enable financing sources to create a 100% digital contract workflow. We charge our dealer customers subscription fees to use the eContracting product and our participating financing source customers pay transaction fees for each electronic or digital contract that we transmit electronically to them by eContracting or eDocs.

DealerTrack's accessories solution — The DealerTrack accessory solution provides dealerships with a tool to present and sell accessory products. Dealerships can also source products through the system and purchase those products for their customers. Dealers pay a subscription fee for this product. We charge accessory providers transaction fees as well.

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

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

Data Services:

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

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

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

Chrome VINMatch — Chrome VINMatch converts a nondescript VIN into a rich description of a vehicle. Chrome's vehicle descriptions allow dealers to get an accurate vehicle description and drill down to not only the year, make, and model, but unearthing engine type,fuel system, and even GVWR ranges. We charge our customers subscription fees to use this product.

Chrome Construct — Chrome Construct combines vehicle research, configuration and comparison tools into one web service. The data is provided and maintained by Chrome. We charge our customers a transactional or subscription fees to use this product.

Chrome Automotive Description Service (ADS) and ChromeIQ — Chrome ADS is a web service that turns a VIN into a rich description of a vehicle, including prices, options, colors and standard equipment. Chrome IQ converts batches of VINs into rich vehicle descriptions. We charge our customers a transactional or subscription fee to use these products.

Chrome BookLink— Chrome BookLink allows customers to quickly and easily map between Chrome's New Vehicle Data and a used book provider without having to implement, host, or update mapping tables. We charge our customers a subscription fee to use this product.

Chrome Carbook Showroom®, PC Carbook (R) and Carbook Fleet Edition — Carbook Showroom, PC Carbook and Carbook Fleet Edition provide automotive specification and pricing information. These products enable dealers, fleet managers, financial institutions and consumers to specify and price a new and used automobile online, which helps promote standardized information among these parties and facilitates the initial contact between buyer and seller. We charge our customers and other industry participants subscription fees to use these products.

Chrome Interactive Media — Chrome Interactive Media includes vehicle still photographs and full motion vehicle video for use on dealer and auto industry portal websites. The products are used to present an accurate, high-impact view of vehicles to facilitate sales. Our customers are charged either a transaction or subscription fee for these products.

International

Our subsidiary, DealerTrack Canada Inc., is a leading provider of on-demand credit application and contract processing services to the indirect automotive finance industry in Canada. Historically, we have provided our Canadian customers with only our credit application and contract processing products. In 2007, we began offering them select subscription products. For the year ended December 31, 2008, our Canadian operations generated approximately 11% of our net revenue.

Technology

Our technology platform is robust, flexible and extendable and is designed to be integrated with a variety of other technology platforms. We believe our open architecture is fully scalable and designed for high availability, reliability and security. Product development expense for the years ended December 31, 2008, 2007, and 2006 was $11.7 million, $9.8 million and $9.2 million, respectively. Our technology includes the following primary components:

Web-Based Interface

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

Partner Integration

We believe that our on-demand model is a uniquely suited method of delivering our products and services to our customers. Our customers can access our highly specialized applications on-demand, avoiding the expense and difficulty of installing and maintaining them independently. Our financing source integration and partner integration use XML encoded messages. We are a member of both Standards for Technology in Automotive Retail (STAR) and American Financial Services Association (AFSA) and are committed to supporting published standards as they evolve.

Infrastructure

Our technology infrastructure is hosted externally and consists of production sites and a disaster recovery site. The production site for the DealerTrack credit application network is fully hardware redundant. Our customers depend on the availability and reliability of our products and services and we employ system redundancy in order to minimize system downtime.

Security

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

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

Customer Development and Retention

Sales

Our sales resources are focused on four primary areas: dealers, financing sources, aftermarket providers, and other industry providers. Our sales resources strive to increase the number of products and services purchased or used by existing customers and also to sell products and services to new customers. Our dealer sales resources focus on selling our subscription-based products and services to dealers through field sales and telesales efforts, and also support the implementation of subscription-based and transaction-based products for dealers. Financing source

relationships are managed by a team that also focuses on adding more financing sources to our network and increasing the use of our eContracting and eDocs solution. Relationships with our aftermarket providers are managed by a team that also focuses on adding more aftermarket providers to the network. Relationships with other providers (including automotive manufacturers) are managed across various areas of our organization.

Training

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

Marketing

Our marketing strategy is to establish our brand as the leading provider of on-demand software and data solutions for dealers, financing sources, aftermarket providers and other information and service providers. Our marketing approach is to employ multiple off-line and on-line channels, targeted at key executives and other decision makers within the automotive retail industry, such as:

- advertising in automotive trade magazines and other periodicals;
- public relations through press releases and publication of news and thought leadership articles;
- direct marketing employing mail and e-mail delivered to buyers and influencers in dealer and lender markets;
- participation in industry events, and the hosting of a corporate proprietary event;
- employing our website to offer services, and provide product and company information;
- search marketing to increase visibility in search engine result pages; and
- promotions and sponsorships on national and regional levels.

Customer Service

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

Customers

Our primary customers are dealers and financing sources. Our network of financing sources includes national and regional prime, near prime and non-prime financing sources; regional and local banks and credit unions. As of December 31, 2008, we had over 19,000 dealers and over 730 financing sources active in our network. The subscription agreements with our dealers typically run for one to three years, with one-year automatic extensions, except for our DMS agreements, which have more flexible terms. Our initial agreements with our financing source customers typically run for two years, with one-year automatic extensions. No customer represented more than 10% of our revenue for the year ended December 31, 2008.

Competition

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

- web-based automotive finance credit application processors, including AppOne, CUDL, Finance Express, Open Dealer Exchange, and RouteOne;
- proprietary finance credit application processing systems, including those used and provided to dealers by American Honda Finance Corp. and Volkswagen Credit;
- dealer management system providers, including ADP, Inc. and The Reynolds and Reynolds Company;
- automotive retail sales desking providers, including ADP, Inc. and Market Scan Information Systems, Inc.;
- vehicle configuration providers, including Autodata Solutions Company, R.L. Polk & Co. and JATO Dynamics, Inc.;
- providers of services related to aftermarket products, including MenuVantage and the StoneEagle Group;
- providers of inventory analytic tools, including First Look, LLC and vAuto, Inc., and;
- providers of compliance solutions; including Compli and the three credit reporting agencies.

DealerTrack also competes with warranty and insurance providers, as well as software providers, among others, in the market for menu-selling products and services. Some of our competitors may be able to devote greater resources to the development, promotion and sale of their products and services than we can to ours, which could allow them to respond more quickly than we can to new technologies and changes in customer needs. In particular, RouteOne, a joint venture formed and controlled by Chrysler Financial Corporation, Ford Motor Credit Corporation, General Motors Acceptance Corporation and Toyota Financial Services, has relationships with these and other affiliated captive financing sources that are not part of our network. Additionally, on January 21, 2009 ADP, Inc. and Reynolds and Reynolds, announced a joint venture, Open Dealer Exchange, and may have the ability to build on its joint venture partner's relationships in providing DMS software to over 16,000 dealers. Our ability to remain competitive will depend to a great extent upon our ability to execute our growth strategy, as well as our ongoing performance in the areas of product development and customer support.

Government Regulation

The indirect automotive financing and automotive retail industries are subject to extensive and complex federal and state regulations. Our customers, such as banks, finance companies, savings associations, credit unions and other financing sources, and automotive dealers, operate in markets that are subject to rigorous regulatory oversight and supervision. Our customers must ensure that our products and services work within the extensive and evolving regulatory requirements applicable to them, including those under the Consumer Credit Protection Act, the Gramm-Leach-Bliley Act (the "GLB Act"), the Federal Reserve Board's Regulation P, the Interagency Guidelines Establishing Information Security Standards, the Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice, the Federal Trade Commission's ("FTC") Privacy Rule, Safeguards Rule, and Consumer Report Information Disposal Rule, Regulation AB, the regulations of the Federal Reserve Board, the Fair Credit Reporting Act ("FCRA") and other state and local laws and regulations. In addition, entities such as the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the National Credit Union Administration and the FTC have the authority to promulgate rules and regulations that may impact our customers, which could place additional demands on us.

The role of our products and services in assisting our customers' compliance with these requirements depends on a variety of factors, including the particular functionality, interactive design, and classification of the customer. We are not a party to the actual transactions that occur in our network. Our financing source, aftermarket provider and automotive dealer customers must assess and determine what applicable laws and regulations require of them and are responsible for ensuring that their use of our network conforms to their regulatory needs.

Consumer Privacy and Data Security Laws

Consumer privacy and data security laws on the federal and state levels govern the privacy and security of consumer information generally and may apply to our business in our capacity as a service provider for regulated financial institutions and automotive dealers that are subject to the GLB Act and applicable regulations, including the FTC's Privacy Rule, Safeguards Rule and Consumer Report Information Disposal Rule.

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

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

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

Fair Credit Reporting Act

The FCRA imposes limitations on the collection, distribution and use of consumer report information and imposes various requirements on providers and users of consumer reports and any information contained in such reports. Among other things, the FCRA limits the use and transfer of information that qualifies as a consumer report, and imposes certain requirements on providers of information to credit reporting agencies and resellers of consumer reports with respect to ensuring the accuracy and completeness of the information and assisting consumers who dispute information in their consumer reports or seek to obtain information involving theft of their identity. The use of consumer report information in violation of the FCRA could, among other things, result in a provider of information or reseller of consumer reports being deemed a consumer reporting agency, which would subject the provider or reseller to all of the compliance requirements applicable to consumer reporting agencies contained in the FCRA and applicable regulations. Willful violations of the FCRA can result in statutory and punitive damages.

State Laws and Regulations

The GLB Act and the FCRA contain provisions that preempt some state laws to the extent the state laws seek to regulate the distribution and use of consumer information. The GLB Act does not limit states' rights to enact privacy legislation that provides greater protections to consumers than those provided by the GLB Act. The FCRA generally prohibits states from imposing any requirements with respect only to certain specified matters and it is possible that some state legislatures or agencies may limit the ability of businesses to disclose consumer information beyond the limitations provided for in the GLB Act or the FCRA. For example, most states permit consumers to "freeze" their credit bureau files under certain circumstances and the three national credit bureaus (Equifax, Experian and TransUnion) now give this right to all customers. Our automotive dealer customers remain subject to the laws of their respective states in such matters as consumer protection and unfair and deceptive trade practices. Recently, certain states have passed laws requiring specific security protections for personal information of state residents.

Revised Uniform Commercial Code Section 9-105, E-SIGN and UETA

In the United States, the enforceability of electronic transactions is primarily governed by the Electronic Signatures in Global and National Commerce Act, a federal law enacted in 2000 that largely preempts inconsistent

state law, and the Uniform Electronic Transactions Act, a uniform state law that was finalized by the National Conference of Commissioners on Uniform State Laws in 1999 and has been adopted by all states. Case law has generally upheld the use of electronic signatures in commercial transactions and in consumer transactions where proper notice is provided and consumer consents to transact business electronically are obtained. The Revised Uniform Commercial Code Section 9-105 ("UCC 9-105") provides requirements to perfect security interests in electronic chattel paper. These laws impact the degree to which the financing sources in our network use our eContracting product. We believe that our eContracting product enables the perfection of a security interest in electronic chattel paper by meeting the transfer of "control" requirements of UCC 9-105. However, this issue has not been challenged in any legal proceeding. If a court were to find that our eContracting product is not sufficient to perfect a security interest in electronic chattel paper, or if existing laws were to change, our business, prospects, financial condition and results of operations could be materially adversely affected. Federal and state regulatory requirements imposed on our financing source customers, such as the SEC's Regulation AB relating to servicers of asset backed securities, may also result in our incurring additional expenses to facilitate financing source compliance.

Internet Regulation

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

Intellectual Property

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

We have been issued a number of utility patents in the United States and have patent applications pending in the United States, Canada and Europe, including patents that relate to a system and method for credit application processing and routing. We have both registered and unregistered copyrights on aspects of our technology. We have a U.S. federal registration for the mark "DealerTrack." We also have U.S. federal registrations and pending registrations for several additional marks we use and claim common law rights in other marks we use. We also have filed some of these marks in foreign jurisdictions. The duration of our various trademark registrations varies by mark and jurisdiction of registration. In addition, we rely, in some circumstances, on trade secrets law to protect our technology, in part by requiring confidentiality agreements from our vendors, corporate partners, employees, consultants, advisors and others.

Industry Trends

The United States and global economies are currently undergoing a period of economic uncertainty, and the financing environment, automobile industry and stock markets are experiencing high levels of volatility. The tightening of the credit markets has caused a significant decline in the number of lending relationships between the various financing sources and dealers available through our network. Purchases of new automobiles are typically discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy, including the cost of energy and gasoline, the availability and cost of credit, the declining residential and commercial real estate markets, reductions in business and consumer confidence, stock market volatility and

increased unemployment. 2008 was the worst year for selling vehicles since 1992 and, as a result, the number of automobile dealers declined in 2008 and is projected to further decline in 2009. Together, these factors have meaningfully impacted our transaction volume compared to historical levels. Our financial results are impacted by trends in the number of dealers serviced and the level of indirect financing and leasing by our participating financing source customers, special promotions by automobile manufacturers and the level of indirect financing and leasing by captive finance companies not available in our network. Additionally, the recent federal bailout of automobile manufacturers, and the possibility of a major automobile manufacturer filing for bankruptcy are expected to cause further volatility in the automotive industry. We expect to continue to experience challenges due to the ongoing adverse outlook for the credit markets and automobile sales. In addition, volatility in our stock price and declines in our market capitalization could impair the carrying value of our goodwill and other long-lived assets. As a result, we may be required to write-off some of our goodwill or long-lived assets if these conditions persist for an extended period of time.

Employees

As of December 31, 2008, we had approximately 1,100 employees. None of our employees is represented by a labor union. We have not experienced any work stoppages and believe that our relations with our employees are good.

Item 1A. ***Risk Factors***

You should carefully consider the following risk factors, as well as the more detailed descriptions of our business elsewhere in this Annual Report on Form 10-K . The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also materially adversely affect our business, prospects, financial condition or results of operations. Our business, prospects, financial condition or results of operations could be materially and adversely affected by the following:

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

Economic trends that negatively affect the automotive retail industry or the indirect automotive financing industry may adversely affect our business by further reducing the amount of indirect automobile financing transactions that we earn revenue on, the number of financing source or automotive dealer customers that subscribe to our products and services or money that our customers spend on our products and services. Purchases of new automobiles are typically discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy, including the cost of energy and gasoline, the availability and cost of credit, the declining residential and commercial real estate markets, reductions in business and consumer confidence, stock market volatility and increased unemployment. A reduction in the number of automobiles purchased by consumers could continue to adversely affect our financing source and dealer customers and lead to a reduction in transaction volumes and in spending by these customers on our subscription products and services. New car sales declined to a ten year low in 2008 and are projected to further decline during 2009. Additionally, a certain number of our financing source customers are dependent on continued access to the capital markets, which have contracted as of late, in order to fund their lending activities. These negative trends may result in our financing sources further reducing the number of automobile dealers that they service or the number of contracts that they make which could result in a reduction in the number of credit applications that are processed through our network. Additionally, due to the economic downturn, there has been continued automotive dealer consolidation and the number of franchised automotive dealers declined in 2008 and is projected to further decline in 2009. A bankruptcy filing by a major automobile manufacturer would further accelerate this consolidation trend. To the extent that these dealers have subscription products, the consolidation will result in cancellation of those products, Further, a reduction in the number of automotive dealers reduces the number of opportunities we have to sell our subscription products. Additionally, dealers who close their businesses may choose to not pay those amounts owed to us, resulting in an increase in our bad debt.

Any such reductions in transactions or subscriptions or an increase in our bad debt could have a material adverse effect on our business, prospects, financial condition and results of operations.

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

Competition in the automotive retail technology industry is intense. The indirect automotive retail finance industry is highly fragmented and is served by a variety of entities, including DMS providers, web-based automotive finance credit application processors, the proprietary credit application processing systems of the financing source affiliates of automobile manufacturers, automotive retail sales desking providers and vehicle configuration providers. DealerTrack also competes with warranty and insurance providers, as well as software providers, among others, in the market for DMS, menu-selling products and services, compliance products and inventory analytics. Some of our competitors have longer operating histories, greater name recognition and significantly greater financial, technical, marketing and other resources than we do. Many of these competitors also have longstanding relationships with dealers and may offer dealers other products and services that we do not provide. As a result, these companies may be able to respond more quickly to new or emerging technologies and changes in customer demands or to devote greater resources to the development, promotion and sale of their products and services than we can to ours. We expect the market to continue to attract new competitors and new technologies, possibly involving alternative technologies that are more sophisticated and cost-effective than our technology. There can be no assurance that we will be able to compete successfully against current or future competitors or that competitive pressures we face will not materially adversely affect our business, prospects, financial condition and results of operations.

We may face increased competition from AppOne, CUDL, Finance Express, Open Dealer Exchange and RouteOne.

ADP, Inc. and Reynolds and Reynolds, the two leading providers of DMS, on January 21, 2009 announced they have recently formed Open Dealer Exchange as a joint venture to compete with our online portal application business. Open Dealer Exchange plans to leverage its owners' penetration of the DMS space to better integrate the loan origination process into the dealer's transactional, point-of-sale system, thereby giving them a competitive advantage. Additionally, our network of financing sources does not include the captive financing sources affiliated with Chrysler LLC, Ford Motor Company, General Motors Corporation or Toyota Motor Corporation, which have formed RouteOne to operate as a direct competitor of ours to serve their respective franchised dealers. RouteOne has the ability to offer its dealers access to captive or other financing sources that are not in our network. RouteOne was launched in November 2003, and officially re-launched in July 2004. A significant number of independent financing sources, including many of the independent financing sources in our network, are participating on the RouteOne credit application processing and routing portal. If either Open Dealer Exchange or RouteOne increases the number of independent financing sources on its credit application processing and routing portal and/or offers products and services that better address the needs of our customers or offer our customers a lower-cost alternative, our business, prospects, financial condition and results of operations could be materially adversely affected. In addition, if a substantial amount of our current customers migrate from our network to Open Dealer Exchange or RouteOne, our ability to sell additional products and services to, or earn transaction services revenue from, these customers could diminish. We believe that both Open Dealer Exchange and RouteOne have repeatedly approached certain of our largest financing source customers seeking to have them join their credit application processing and routing portal. In addition, CU Direct Corporation, through its CUDL portal, has directly targeted credit unions, which comprise a large number of our financing source customers. Finance Express and AppOne have targeted the independent dealer channel.

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

Currently, some software vendors, including some of our competitors, have designed their software systems in order to make it difficult to integrate with third-party products and services such as ours and others have announced their intention to do so. Some software vendors also use financial or other incentives to encourage their customers to purchase such vendors' products and services. These obstacles could make it more difficult for us to compete with these vendors and could have a material adverse effect on our business, prospects, financial condition and results of operations. Further, we have agreements in place with various third-party software providers to facilitate integration

between their software and our network, and we cannot assure you that each of these agreements will remain in place or that during the terms of these agreements these third parties will not increase the cost or level of difficulty in maintaining integration with their software. Certain of these agreements are currently in a wind-down period and while we continue to negotiate with these providers, there is no guarantee that we will be able to enter into a new agreement once the wind-down period ends. Additionally, we integrate certain of our solutions and services with other third parties' software programs. These third parties may design or utilize their software in a manner that makes it more difficult for us to continue to integrate our solutions and services in the same manner, or at all. These developments could have a material adverse effect on our business, prospects, financial condition and results of operations.

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

Our systems may be subject to security breaches.

Our success depends on the confidence of dealers, financing sources, the major credit reporting agencies and our other network participants in our ability to transmit confidential information securely over the Internet and operate our computer systems and operations without significant disruption or failure. We transmit substantial amounts of confidential information, including non-public personal information, over the Internet. Moreover, even if our security measures are adequate, concerns over the security of transactions conducted on the Internet and commercial online services, which may be heightened by any well-publicized compromise of security, may deter customers from using our products and services. If our security measures are breached and unauthorized access is obtained to confidential information, our network may be perceived as not being secure and our customers may curtail or stop using our network or other systems. Any failure by, or lack of confidence in, our secure online products and services could have a material adverse effect on our business, prospects, financial condition and results of operations.

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

Although we generally limit warranties and liabilities relating to security in our customer contracts, third parties may seek to hold us liable for any losses suffered as a result of unauthorized access to their confidential information or non-public personal information. We may not have limited our warranties and liabilities sufficiently or have adequate insurance to cover these losses. We may be required to expend significant capital and other resources to protect against security breaches or to alleviate the problems caused. Our security measures may not be sufficient to prevent security breaches, and failure to prevent security breaches could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our network may be vulnerable to interruptions or failures.

From time to time, we have experienced, and may experience in the future, network slowdowns and interruptions. These network slowdowns and interruptions may interfere with our ability to do business. Although we regularly back up data and take other measures to protect against data loss and system failures, there is still risk that we may lose critical data or experience network failures. Such failures or disruptions may result in lost revenue opportunities for our customers, which could result in litigation against us or a loss of customers. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

Undetected errors in our software may harm our operations.

Our software may contain undetected errors, defects or bugs. Although we have not suffered significant harm from any errors, defects or bugs to date, we may discover significant errors, defects or bugs in the future that we may not be able to correct or correct in a timely manner. Our products and services are integrated with products and systems developed by third parties. Complex third-party software programs may contain undetected errors, defects

or bugs when they are first introduced or as new versions are released. It is possible that errors, defects or bugs will be found in our existing or future products and services or third-party products upon which our products and services are dependent, with the possible results of delays in, or loss of market acceptance of, our products and services, diversion of our resources, injury to our reputation, increased service and warranty expenses and payment of damages.

Our systems may be harmed by events beyond our control.

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

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

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

- selling additional products and services to our existing customers;
- expanding our customer base;
- expanding our offerings; and
- pursuing acquisitions and strategic alliances.

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

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

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

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

- the number of active lender to dealer relationships in the DealerTrack Network;
- the volume of new and used automobiles financed or leased by our participating financing source customers;
- the timing, size and nature of our subscriptions and any cancellations thereof;

- automobile manufacturers or their captive financing sources offering special incentive programs such as discount pricing or low cost financing;
- the timing of acquisitions or divestitures of businesses, products and services;
- unpredictable sales cycles;
- product and price competition regarding our products and services and those of our participating financing sources;
- changes in our operating expenses;
- the timing of introduction and market acceptance of new products, services or product enhancements by us or our competitors;
- foreign currency fluctuations;
- personnel changes; and
- fluctuations in economic and financial market conditions.

As a result of these fluctuations, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful. We cannot assure you that future revenue and results of operations will not vary substantially from quarter to quarter. It is also possible that in future quarters, our results of operations will be below the expectations of equity research analysts, investors or our announced guidance. In any of these cases, the price of our stock could be materially adversely affected.

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

Our success depends in part upon our ability to bring to market the products and services that we have in development and offer new products and services that meet changing customer needs. The time, expense and effort associated with developing and offering these new products and services may be greater than anticipated. The length of the development cycle varies depending on the nature and complexity of the product, the availability of development, product management and other internal resources, and the role, if any, of strategic partners. If we are unable to develop and bring additional products and services to market in a timely manner, we could lose market share to competitors who are able to offer these additional products and services, which could also materially adversely affect our business, prospects, financial condition and results of operations.

We are subject, directly and indirectly, to extensive and complex federal and state regulation and new regulations and/or changes to existing regulations may adversely affect our business.

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

We are directly and indirectly subject to various laws and regulations. Federal laws and regulations governing privacy and security of consumer information generally apply in the context of our business to our clients and to us as a service provider that certain regulations obligate our clients to monitor. These include the Gramm-Leach-Bliley Act ("GLB Act") and regulations implementing its information safeguarding requirements, the Interagency Guidelines Establishing Information Security Standards, the Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice, the Junk Fax Prevention Act of 2005, the CAN-SPAM Act of 2003, and the Federal Trade Commission's Privacy Rule, Safeguards Rule, Consumer Report Information Disposal Rule, and "Red Flags Rule," as well as the Fair Credit Reporting Act ("FCRA"). If we, or a financing source or dealer discloses or uses consumer information provided through our system in violation of these or other laws, or engage in other prohibited conduct, we may be subject to claims or enforcement actions by state or federal regulators. We cannot predict whether such claims or enforcement actions will arise or the extent to which, if at all, we may be held liable. Such claims or enforcement actions could have a material adverse effect on our business prospects, financial condition and results of operations.

A majority of states have passed, or are currently contemplating, consumer protection, privacy, and data security laws or regulations that may relate to our business. The FCRA contains certain provisions that explicitly preempt some state laws to the extent the state laws seek to regulate certain specified areas, including the responsibilities of persons furnishing information to consumer reporting agencies. Unlike the FCRA, however, the GLB Act does not limit the ability of the states to enact privacy legislation that provides greater protections to consumers than those provided by the GLB Act. Some state legislatures or regulatory agencies have imposed, and others may impose, greater restrictions on the disclosure of consumer information than are already contained in the GLB Act and its implementing regulations, the Interagency Guidelines or the FTC's rules. Any such legislation or regulation could adversely impact our ability to provide our customers with the products and services they require and that are necessary to make our products and services attractive to them.

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

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

In the United States, the enforceability of electronic transactions is primarily governed by the Electronic Signatures in Global and National Commerce Act, a federal law enacted in 2000 that largely preempts inconsistent state law, and the Uniform Electronic Transactions Act, a uniform state law that was finalized by the National Conference of Commissioners on Uniform State Laws in 1999 and has now been adopted by every state. Case law has generally upheld the use of electronic signatures in commercial transactions and in consumer transactions where proper notice is provided and consumer consent to conducting business electronically is obtained. UCC 9-105 provides requirements to perfect security interests in electronic chattel paper. These laws impact the degree to which the financing sources in our network use our electronic contracting product. We believe that our electronic contracting product enables the perfection of a security interest in electronic chattel paper by meeting the transfer of "control" requirements of UCC 9-105. Certain of our financial institution clients have received third-party legal opinions to that effect. However, this issue has not been challenged in any legal proceeding. If a court were to find that our electronic contracting product is not sufficient to perfect a security interest in electronic chattel paper, or if existing laws were to change, our business, prospects, financial condition and results of operations could be materially adversely affected. Federal and state regulatory requirements imposed on our financing source customers, such as the SEC's Regulation AB relating to servicers of asset backed securities, may also result in our incurring additional expenses to facilitate financing source compliance regarding the use of our electronic contracting product.

New legislation or changes in existing legislation may adversely affect our business.

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

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

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

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

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

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

A license agreement we have with a financing source customer restricts our ability to utilize the technology licensed under this agreement beyond the automotive finance industry.

An affiliate of JPMorgan claims certain proprietary rights with respect to certain technology developed as of February 1, 2001. We have an exclusive, perpetual, irrevocable, royalty-free license throughout the world to use this

technology in connection with the sale, leasing and financing of automobiles only, and the right to market, distribute and sub-license this technology solely to automotive dealerships, consumers and financing sources in connection with the sale, leasing and financing of automobiles only. The license agreement defines "automobile" as a passenger vehicle or light truck, snowmobiles, recreational vehicles, motorcycles, boats and other watercraft and commercial vehicles and excludes manufactured homes. We may be limited in our ability to utilize the licensed technology beyond the automotive finance industry.

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

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

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

We provide guarantees to subscribers of certain of our products and services that the data they receive through these products and services will be accurate. Additionally, general errors, defects or other performance problems in our products and services could result in financial or other damages to our customers or consumers. There can be no assurance that any limitations of liability set forth in our contracts would be enforceable or would otherwise protect us from liability for damages. We maintain general liability insurance coverage, including coverage for errors and omissions in excess of the applicable deductible amount. There can be no assurance that this coverage will continue to be available on acceptable terms or in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage for any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, litigation, regardless of its outcome, could result in substantial cost to us and divert management's attention from our operations. Any contract liability claim or litigation against us could, therefore, have a material adverse effect on our business, prospects, financial condition and results of operations. In addition, some of our products and services are business-critical for our dealer and financing source customers and a failure or inability to meet a customer's expectations could seriously damage our reputation and affect our ability to retain existing business or attract new business.

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

Since 2001, we have acquired numerous businesses, including, most recently, our acquisition of certain assets from JM Dealer Services, Inc., including AAX, in January 2009. As part of our ongoing business strategy to expand product offerings and acquire new technology, we frequently engage in discussions with third parties regarding, and enter into agreements relating to, possible acquisitions, strategic alliances and joint ventures. There may be significant competition for acquisition targets in our industry, or we may not be able to identify suitable acquisition candidates or negotiate attractive terms for acquisitions. If we are unable to identify future acquisition opportunities, reach agreement with such third parties or obtain the financing necessary to make such acquisitions, we could lose market share to competitors who are able to make such acquisitions, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Even if we are able to complete acquisitions or enter into alliances and joint ventures that we believe will be successful, such transactions are inherently risky. Significant risks to these transactions include the following:

- integration and restructuring costs, both one-time and ongoing;
- maintaining sufficient controls, policies and procedures;
- diversion of management's attention from ongoing business operations;
- establishing new informational, operational and financial systems to meet the needs of our business;
- losing key employees, customers and vendors;
- failing to achieve anticipated synergies, including with respect to complementary products or services; and
- unanticipated and unknown liabilities.

If we are not successful in completing acquisitions in the future, we may be required to reevaluate our acquisition strategy. We also may incur substantial expenses and devote significant management time and resources in seeking to complete acquisitions. In addition, we could use substantial portions of our available cash to pay all or a portion of the purchase prices of future acquisitions. If we do not achieve the anticipated benefits of our acquisitions as rapidly to the extent anticipated by our management and financial or industry analysts, and others may not perceive the same benefits of the acquisition as we do. If these risks materialize, our stock price could be materially adversely affected.

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

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

We may not successfully integrate recent or future acquisitions.

The integration of acquisitions involves a number of risks and presents financial, managerial and operational challenges. We may have difficulty, and may incur unanticipated expenses related to, integrating management and personnel from these acquired entities with our management and personnel. Failure to successfully integrate recent acquisitions or future acquisitions could have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

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

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

We have expanded our operations rapidly in recent years. For example, net revenue increased from $70.0 million for the year ended December 31, 2004 to $120.2 million, $173.3 million, $233.8 million and $242.7 million for the years ended December 31, 2005, 2006, 2007 and 2008, respectively. Our growth may place a strain on our management team, information systems and other resources. Our ability to successfully offer products and services and implement our business plan requires oversight from our senior management, as well as adequate information systems and other resources. We will need to continue to improve our financial and managerial controls, reporting systems and procedures as we continue to grow and expand our business. We may not be able to manage the current scope of our operations or future growth effectively and still exploit market opportunities for our products and services in a timely and cost-effective way. Our future operating results could also depend on our ability to manage:

- our expanding product lines;
- our marketing and sales organizations; and
- our client support organization as use of our products increases.

In addition, as we grow, we must also continue to hire, train, supervise and manage new employees. We may not be able to hire, train, supervise and manage sufficient personnel or develop management and operating systems to manage our expansion effectively. If we are unable to manage our growth, our business, prospects, financial condition and results of operations could be adversely affected.

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

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

- acquiring businesses, customer, technologies, products and services;
- taking advantage of growth opportunities, including more rapid expansion;
- making capital improvements to increase our capacity;
- developing new services or products; and
- responding to competitive pressures.

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

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

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

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

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

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

- our board of directors is classified into three classes, each of which serves for a staggered three-year term;
- only our board of directors may call special meetings of our stockholders;
- we have authorized undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- our stockholders have only limited rights to amend our by-laws; and
- we require advance notice for stockholder proposals.

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

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

If our intangible assets, such as trademarks and goodwill, become impaired we may be required to record a significant non-cash charge to earnings which would negatively impact our results of operations.

Under accounting principles generally accepted in the United States, we review our intangible assets, including our trademarks licenses and goodwill, for impairment annually in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate the carrying value of our intangible assets may not be fully recoverable. The carrying value of our intangible assets may not be recoverable due to factors such as a decline in our stock price and market capitalization, reduced estimates of future cash flows, including those associated with the specific brands to which intangibles relate, or slower growth rates in our industry. Estimates of future cash flows are based on a long-term financial outlook of our operations and the specific brands to which the intangible assets relate. However, actual performance in the near-term or long-term could be materially different from these forecasts, which could impact future estimates and the recorded value of the intangibles. For example, a significant, sustained decline in our stock price and market capitalization may result in impairment of certain of our intangible assets, including goodwill, and a significant charge to earnings in our financial statements during the period in which an impairment is determined to exist. For twelve days between October 24, 2008 and November 24, 2008 and on January 21, 2009 our market capitalization dropped below the carrying value of our consolidated net assets. Despite the fact that our market cap traded below our book value for twelve days we do not believe that there has been an impairment based on the duration and depth of the market decline as well as an implied control premium. A control premium is the amount that a buyer is willing to pay over the current market price of a company as indicated by the market capitalization, in order to acquire a controlling interest. The premium is justified by the expected synergies, such as the expected increase in cash flow resulting from the cost savings and revenue enhancements .However, due to the ongoing uncertainty in market conditions, which may continue to negatively impact our market capitalization, we will continue to monitor and evaluate the carrying value of our goodwill. In the event we had to reduce the carrying value of our goodwill, any such impairment charge could materially reduce our results of operations.

Funds associated with certain of our auction rate securities may not be accessible for in excess of 12 months and our investment portfolio has been subject to impairment charges due to the recent financial crisis in the capital markets and may be adversely impacted by further deterioration of the capital markets.

As of December 31, 2008, we have $5.3 million (net of impairment charge) of auction rate securities (ARS), of which, $3.7 million (net of impairment charge) is invested in tax-advantaged preferred stock trusts in which the underlying equities are preferred stock of financial institutions and $1.6 million invested in tax-exempt state government obligations. Our investments securities are classified as available for sale and reported at fair value. ARS have long-term underlying maturities, but have interest rates that reset every six months or less. The $3.7 million invested in tax-advantaged preferred stock trust securities are associated with failed auctions, for which we have been, or expect to be notified that the trust will be dissolved and will distribute the underlying security. As we expect to receive the liquid underlying preferred stock instruments within ninety days of year end, we believe that the most representative measure of fair value of these trusts to be the Level 2 quoted market prices of the underlying preferred stock instruments. Based upon our assessment, we reduced the fair value of the investments in the preferred stock trusts from $9.6 million to $3.7 million and recorded an other-than-temporary charge of $6.0 million to earnings and an unrealized gain of $0.1 million to stockholders' equity during the year ended December 31, 2008. The $1.6 million invested in tax-exempt state government obligations was valued at par using Level 3 data. Our intent is not to hold the $1.6 million of ARS invested in tax-exempt state government obligations to maturity, but rather use the interest reset feature to provide liquidity as necessary.

We reviewed the ARS portfolio for impairment in accordance with FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* and Staff Accounting Bulletin Topic 5M *Other-Than-Temporary Impairment of Certain Investments in Debt and Equity Securities,* to determine the classification of the impairment as "temporary" or "other-than-temporary". A temporary impairment charge results in an unrealized loss being recorded in the other comprehensive income component of stockholders' equity. It occurs if a loss in an investment is determined to be temporary in nature and we have the ability and intent to hold the investment until a recovery in market value takes place. Such an unrealized loss does not reduce our net income

for the applicable accounting period because the loss is not viewed as other-than-temporary. An impairment charge is recorded against earnings to the extent we determine that there is a loss of fair value that is other-than-temporary. We have determined that the significant reduction in fair value related to our preferred stock trusts ARS was other-than-temporary and we recorded an impairment charge in our consolidated statements of operations based on a variety of factors, including the significant decline in fair value indicated for the individual investments and the adverse market conditions impacting ARS. Based on our available cash and other investments, we do not currently anticipate that the lack of liquidity caused by failed auctions will have a material adverse effect on our operating cash flows or will affect our ability to operate our business as usual. The valuation of our ARS portfolio is subject to uncertainties that are difficult to predict and we may be required to further reduce the carrying value of these securities, which would result in an additional loss being recognized in our statement of operations, which could be material.

We may be required to recognize additional impairment charges for other-than-temporary declines in fair market value of our investments. A total loss of an investment or a significant decline in the value of our investment portfolio could adversely affect our financial condition.

The price of our common stock may be volatile, particularly given the economic downturn and volatility in domestic and international stock markets.

The trading price of our common stock may fluctuate substantially. Factors that could cause fluctuations in the trading price of our common stock include, but are not limited to:

- price and volume fluctuations in the overall stock market from time to time;
- actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of equity research analysts;
- trends in the automotive and automotive finance industries;
- catastrophic events;
- loss of one or more significant customers or strategic alliances;
- significant acquisitions, strategic alliances, joint ventures or capital commitments by us or our competitors;
- legal or regulatory matters, including legal decisions affecting the indirect automotive finance industry or involving the enforceability or order of priority of security interests of electronic chattel paper affecting our electronic contracting product; and
- additions or departures of key employees.

The stock market in general, the NASDAQ Global Market, and the market for technology companies in particular, have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to operating performance. These forces reached unprecedented levels in the second half of 2008, resulting in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions and a material decline in economic conditions. In particular, the U.S. equity markets experienced significant price and volume fluctuations that have affected the market prices of equity securities of many technology companies. During 2008, our stock price has experienced volatility, with the closing price of our common stock on the NASDAQ Global Market having ranged from $34.07 on January 2, 2008 to $8.84 on November 6, 2008. These broad market and industry factors could materially and adversely affect the market price of our stock, regardless of our actual operating performance.

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

Item 1B. *Unresolved Staff Comments*

None.

Item 2. ***Properties***

Our corporate headquarters are located in Lake Success, New York, where we lease approximately 75,000 square feet of office space. Our principal offices are located in Santa Barbara, California; Portland, Oregon; Wilmington, Ohio; Mississauga, Ontario; and South Jordan, Utah.

In connection with the purchase of certain assets from JM Dealer Services, Inc, including AAX, on January 23, 2009, we expect to assume approximately 29,000 square feet of office space in Dallas, Texas.

We believe our existing facilities are adequate to meet our current requirements.

Item 3. ***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.

DealerTrack Inc. v. RouteOne LLC

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 sought injunctive relief as well as damages against RouteOne for infringement of two patents owned by us: U.S. Patent No. 6,587,841 (the "'841 Patent") and U.S. Patent No. 5,878,403 (the "'403 Patent"). These patents relate to computer implemented automated credit application analysis and decision routing inventions. The complaint also sought relief for RouteOne's acts of copyright infringement, circumvention of technological measures and common law fraud and unfair competition.

The court approved a joint stipulation of dismissal with respect to this action. Pursuant to the joint stipulation, the patent count was dismissed without prejudice to be pursued as part of the below consolidated actions and all other counts were dismissed with prejudice.

DealerTrack, Inc. v. Finance Express et al., CV-06-2335;

DealerTrack Inc. v. RouteOne and Finance Express et al., CV-06-6864; and

DealerTrack Inc. v. RouteOne and Finance Express et al., CV-07-215

On April 18, 2006, we filed a Complaint and Demand for Jury Trial against David Huber, Finance Express LLC ("Finance Express"), and three of their unnamed dealer customers in the United States District Court for the Central District of California, Civil Action No. CV-06-2335 AG (FMOx). The complaint sought declaratory and injunctive relief, as well as damages, against the defendants for infringement of the '403 Patent and the '841 Patent. Finance Express denied infringement and challenged the validity and enforceability of the patents-in-suit.

On October 27, 2006, we filed a Complaint and Demand for Jury Trial against RouteOne, David Huber and Finance Express in the United States District Court for the Central District of California, Civil Action No. CV-06-6864 (SJF). The complaint sought declaratory and injunctive relief as well as damages against the defendants for infringement of the '403 Patent and '841 Patent. On November 28, 2006 and December 4, 2006, respectively, defendants RouteOne, David Huber and Finance Express filed their answers. The defendants denied infringement and challenged the validity and enforceability of the patents-in-suit.

On February 20, 2007, we filed a Complaint and Demand for Jury Trial against RouteOne, David Huber and Finance Express in the United States District Court for the Central District of California, Civil Action No. CV-07-215 (CWx). The complaint sought declaratory and injunctive relief as well as damages against the defendants for infringement of U.S. Patent No. 7,181,427 (the "'427 Patent"). On April 13, 2007 and April 17, 2007, respectively, defendants RouteOne, David Huber and Finance Express filed their answers. The defendants denied infringement and challenged the validity and enforceability of the '427 Patent.

The DealerTrack, Inc. v. Finance Express et al., CV-06-2335 action, the DealerTrack Inc. v. RouteOne and Finance Express et al., CV-06-6864 action and the DealerTrack v. RouteOne and Finance Express et al., CV-07-215 action, described above, were consolidated by the court. A hearing on claims construction, referred to as a

"*Markman*" hearing, was held on September 25, 2007. Fact and expert discovery and motions for summary judgment have been completed.

On July 21, 2008 and September 30, 2008, the court issued summary judgment orders disposing of certain issues and preserving other issues for trial.

On January 29, 2009, the parties filed a proposed pretrial order that the court has not yet entered. Under the proposed pretrial order, we expect the following claims to be tried:

1. RouteOne infringes claims 1, 3 and 4 of the '427 Patent pursuant to 35 U.S.C. Section 271(a).

2. Finance Express infringes claims 7-9, 12, 14, 16 and 17 of the '841 Patent pursuant to 35 U.S.C. Sections 271(a) and (b).

3. Finance Express infringes claims 1, 3 and 4 of the '427 Patent pursuant to 35 U.S.C. Section 271(a).

RouteOne and Finance Express continue to assert that the patents are invalid and unenforceable, and continue to deny infringement.

Trial is currently scheduled to begin April 21, 2009.

We intend to pursue our claims vigorously.

We believe that the potential liability from all current litigations will not have a material effect on our financial position or results of operations when resolved in a future period.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of our security holders during the fourth quarter of the year covered by this Annual Report on Form 10-K.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

As of January 31, 2009, there were 36 holders of record of our common stock. Our common stock is listed and traded on the NASDAQ Global Market under the symbol "TRAK". The following table sets forth the range of high and low sales prices for the common stock in each quarter of 2008 and 2007, as reported by the NASDAQ Global Market.

	High	Low
Year Ended December 31, 2008		
Fourth Quarter	$16.79	$ 8.84
Third Quarter	$20.82	$13.66
Second Quarter	$22.72	$14.08
First Quarter	$34.07	$15.22
Year Ended December 31, 2007		
Fourth Quarter	$50.37	$31.10
Third Quarter	$42.75	$34.35
Second Quarter	$38.20	$30.04
First Quarter	$33.25	$26.00

Dividend Policy

We have not paid any cash dividends on our common stock and currently intend to retain any future earnings for use in our business.

Repurchases

From time to time, in connection with the vesting of restricted common stock under our incentive award plans, we may receive shares of our common stock from certain restricted common stockholders in consideration of the tax withholdings due upon the vesting of restricted common stock. Additionally, on March 18, 2008, the board of directors authorized a stock repurchase program under which we may spend up to $75.0 million to repurchase our common stock. Stock repurchases under this program may be made on the open market, through 10b5-1 programs, or in privately negotiated transaction in accordance with all applicable laws, rules and regulations. The transactions may be made from time to time without prior notice and in such amounts as management deems appropriate and will be funded from cash on hand. The number of shares to be repurchased and the timing of repurchases will be based on several factors, including the price of our common stock, legal or regulatory requirements, general business and market conditions, and other investment opportunities. The stock repurchase program will expire on March 31, 2009, but may be limited or terminated at any time by the board of directors without prior notice. From inception of the program through December 31, 2008, we repurchased 3.0 million shares of common stock for an aggregate price of approximately $49.8 million.

The following table sets forth the repurchases for the three months ended December 31, 2008:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares That May Yet be Purchased Under the Program
October 2008	361,041	$12.82	360,000	(1)
November 2008	45,150	$10.48	45,000	(1)
December 2008	—	$ —	n/a	n/a

(1) As of December 31, 2008, an additional $25.2 million of our common stock may still be purchased under the repurchase program.

Item 6. *Selected Consolidated Financial Data*

The selected consolidated financial data as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008 have been derived from our consolidated financial statements and related notes thereto included elsewhere herein, which have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. The selected historical consolidated financial data as of December 31, 2006, 2005 and December 31, 2004 and for each of the two years in the period ended December 31, 2005 have been derived from our audited consolidated financial statements and related notes thereto, which are not included in this filing, and which have also been audited by PricewaterhouseCoopers LLP.

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

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 in this Annual Report on Form 10-K and "Financial Statements and Supplementary Data" in Part II, Item 8 in this Annual Report on Form 10-K."

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(In thousands, except per share and share amounts)				
Consolidated Statements of Operations Data:					
Net revenue	$ 242,706	$ 233,845	$ 173,272	$ 120,219	$ 70,044
Income from operations	7,052	27,531	20,739	9,831	7,722
Income before (provision) benefit for income taxes	5,697	32,786	26,133	8,528	7,661
Net income	$ 1,736	$ 19,752	$ 19,336	$ 4,468	$ 11,253
Basic net income per share[1]	$ 0.04	$ 0.50	$ 0.54	$ 0.17	$ 0.45
Diluted net income per share[1][2]	$ 0.04	$ 0.48	$ 0.51	$ 0.12	$ 0.02
Weighted average shares outstanding	40,461,896	39,351,138	36,064,796	2,290,439	40,219
Weighted average shares outstanding assuming dilution	41,673,007	41,198,773	37,567,488	3,188,180	1,025,248

	As of December 31,				
	2008	2007	2006	2005	2004
	(In thousands)				
Consolidated Balance Sheets Data:					
Cash and cash equivalents, short-term and long-term investments	$203,198	$220,144	$171,195	$103,264	$ 21,753
Working capital[3]	197,797	222,810	168,817	101,561	24,421
Total assets	437,215	482,926	321,513	220,615	76,681
Capital lease obligations (short and long-term), due to acquirees (short and long-term) and other long-term liabilities	11,663	11,872	10,103	9,984	7,999
Total redeemable convertible participating preferred stock	—	—	—	—	72,226
Retained earnings (accumulated deficit)	20,258	18,522	(1,230)	(20,566)	(25,034)
Total stockholders' equity (deficit)	396,220	438,362	284,337	186,671	(20,001)

(1) For the years ended December 31, 2005 and 2004, the basic and diluted earnings per share calculations include adjustments to net income relating to preferred dividends earned, but not paid, and net income amounts allocated to the participating preferred stockholders in order to compute net income applicable to common stockholders in accordance with SFAS No. 128, *Earnings per Share* and EITF 03-6, *Participating Securities and the Two — Class Method under FASB No. 128.*

(2) In accordance with SFAS No. 128, for the years ended December 31, 2008, 2007 and 2006, we have excluded 393,333, 196,666 and 400,000 contingently issuable shares, respectively, from diluted weighted average common stock outstanding as their contingent conditions (a) have not been satisfied at the reporting date nor (b) would have been satisfied if the reporting date was the end of the contingency period (Please see Note 13 to the consolidated financial statements in this Annual Report on Form 10-K for further information).

(3) Working capital is defined as current assets less current liabilities.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes thereto. In addition, you should read the sections entitled "Cautionary Statements Relating to Forward-Looking Statements" and "Risk Factors" in Part 1, Item 1 and Item 1A, respectively, in this Annual Report on Form 10-K .

Overview

DealerTrack is a leading provider of on-demand software and data solutions for the automotive retail industry in the United States. Utilizing the Internet, we have built a network connecting automotive dealers with banks, finance companies, credit unions and other financing sources, and other service and information providers, such as aftermarket providers and the major credit reporting agencies. We have established a network of active relationships in the United States, which as of December 31, 2008, consisted of over 19,000 dealers, over 730 financing sources

and many other service and information providers to the automotive retail industry. We consider a financing source to be active in our network as of a date if it has accepted credit application data electronically from dealers in the DealerTrack network in that month, including financing sources visible to dealers through drop down menus. 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. We believe our proven network provides a competitive advantage for distribution of our software and data solutions. Our dealership management system (DMS) and integrated subscription-based software solutions enable our dealer customers to manage their dealership data and operations, compare various financing and leasing options and programs, sell insurance and other aftermarket products, analyze inventory, document compliance with certain laws and execute financing contracts electronically. We have also created efficiencies for financing source customers by providing a comprehensive digital and electronic contracting solution. 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.,DealerTrack Systems, Inc., Chrome Systems, Inc., DealerTrack AAX, Inc., DealerTrack Aftermarket Services, Inc., DealerTrack Canada, Inc., DealerTrack Digital Services, Inc., and DealerTrack, 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, financing sources, and active lender to dealership relationships in the DealerTrack network, the number of transactions processed, the number of product subscriptions, the average transaction and subscription prices and the average monthly subscription revenue per subscribing dealership. 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 management is continually monitoring (only amounts in thousands, are EBITDA, capital expenditure data and transactions processed):

	Year Ended December 31,		
	2008	2007	2006
EBITDA and Other Business Statistics:			
EBITDA[1][10]	$ 41,377	$ 66,014	$48,027
Capital expenditures, software and website development costs	$ 16,783	$ 15,068	$10,605
Active dealers in DealerTrack network as of end of the year[2]	19,652	22,043	22,147
Active financing sources in DealerTrack network as of end of year[3]	733	536	370
Active lender to dealer relationships[4]	156,437	226,314	n/a
Transactions processed[5]	79,655	90,869	71,515
Product subscriptions[6]	34,243	28,966	21,681
Average transaction price[7]	$ 1.66	$ 1.62	$ 1.58
Average subscription price[8]	$ 248	$ 245	$ 246
Average monthly subscription revenue per subscribing dealership[9]	$ 550	$ 474	$ 415

(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.

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 Generally Accepted Accounting Principles (GAAP). Some of these limitations are:

- EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies 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 (in thousands):

	Year Ended December 31,		
	2008	2007	2006
GAAP net income	$ 1,736	$19,752	$19,336
Interest income	(4,720)	(5,606)	(4,289)
Interest expense	324	355	268
Provision for income taxes	3,961	13,034	6,797
Depreciation of property and equipment and amortization of capitalized software and website costs	13,295	10,262	8,629
Amortization of acquired identifiable intangibles	26,781	28,217	17,286
EBITDA (Non-GAAP)[10]	$41,377	$66,014	$48,027

(2) We consider a dealer to be active as of a date if the dealer completed at least one revenue-generating credit application processing transaction using the DealerTrack network during the most recently ended calendar month.

(3) 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 the DealerTrack or DealerTrack Canada network, including financing sources visible to dealers through drop down menus. This counting methodology reflects revisions we made in July 2008 to more accurately reflect the number of financing sourced available on the network.

(4) Lender to dealer relationships are made up of two components, the number of financing sources on the DealerTrack network and the number of active dealers submitting applications. Lender to dealer relationships

are counted by pair. For example, one lender's relationship with 50 dealerships is counted as fifty relationships; the next lender's relationship with the same 50 dealership would bring our relationship count to 100.

(5) Represents revenue-generating transactions processed in the DealerTrack, DealerTrack Digital Services and DealerTrack Canada networks at the end of a given period. A new agreement executed during the fourth quarter of 2006 resulted in a different method of measurement regarding transaction volumes and fees from a particular credit bureau provider. This agreement resulted in an additional 2.5 million revenue-generating transactions processed through the network for the year ended December 31, 2006.

(6) Represents revenue-generating subscriptions in the DealerTrack and DealerTrack Canada networks at the end of a given period.

(7) Represents the average revenue earned per transaction processed in the DealerTrack, DealerTrack Digital Services and DealerTrack Canada networks during a given period.

(8) Represents the average revenue earned per subscription in the DealerTrack and DealerTrack Canada networks during a given period.

(9) Represents net subscription revenue divided by subscribing dealers in the DealerTrack and DealerTrack Canada networks.

(10) For the year ended December 31, 2008, EBITDA includes an impairment charge of $6.0 million, related to the significant decline in certain auction rate securities, as described in Note 3 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K, and a charge of $1.9 million included in amortization of acquired identifiable intangibles, related to the impairment of an application processing contract, as described in Note 7 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K. For the year ended December 31, 2006, EBITDA includes $1.4 million in other income resulting from the DealerAccess purchase price adjustment, as described in Note 4 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K.

Revenue

Transaction Services Revenue. Transaction services revenue consists of revenue earned from our financing source customers for each credit application or contract that dealers submit to them. We also earn transaction services revenue from financing source customers for each financing contract executed via our electronic contracting and digital contract processing solutions, as well as for any portfolio residual value analyses we perform for them. We also earn transaction services revenue from dealers or other service and information providers, such as aftermarket providers, accessory providers, and credit report providers, for each fee-bearing product accessed by dealers.

Subscription Services Revenue. Subscription services revenue consists of revenue earned from our customers (typically on a monthly basis) for use of our subscription or license-based products and services. Some of these subscription services enable dealer customers to manage their dealership data and operations, compare various financing and leasing options and programs, sell insurance and other aftermarket products, analyze inventory, and execute financing contracts electronically.

Other Revenue. Other revenue consists of revenue primarily earned through training and installations of our DMS suite, shipping commissions earned from our digital contract business and consulting and analytical revenue earned from ALG.

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), amortization expense on acquired intangible assets, compensation and related benefits for network and technology development 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 residual value guides, installation and hardware costs associated with our DMS product offering, allocated overhead and amortization associated with capitalization of software.

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, customer service and administrative functions.

We allocate certain overhead such as occupancy, telecommunications charges, and 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 other operating expense category.

Acquisitions and Related Amortization Expense

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

On January 23, 2009, we acquired AAX® suite of inventory management solutions and other assets from JM Dealer Services, Inc., a subsidiary of JM Family Enterprises, Inc., for a purchase price of $32.6 million in cash. The AAX inventory management suite will be marketed in conjunction with our current inventory management solution. In accordance with SFAS 141R *Business Combinations* we expensed approximately $0.4 million of professional fees associated with the acquisition during the first quarter of 2009. We are in the process of finalizing the fair value assessment for the acquired assets, which is expected to be completed December 31, 2009, and accordingly the related purchase accounting is not final.

On August 1, 2007, we completed the purchase of all of the outstanding shares of AutoStyleMart, Inc. (ASM), for a purchase price of $4.0 million in cash (including direct acquisition costs of $0.2 million). ASM is a provider of accessories-related solutions to automotive dealerships. Under the terms of the merger agreement, we have a future contingent payment obligation of up to $11.0 million in cash, based upon the achievement of certain operational targets from February 2008 through February 2011. As the terms of the merger agreement required certain of the former stockholders to remain employees or consultants of DealerTrack for a certain period, a portion of the contingent purchase price if earned, will be classified as compensation. As of December 31, 2008, we are uncertain if the operational targets for the earnout will be achieved, and as such no compensation expense or purchase price has been recorded in connection with this contingent payment obligation. Quarterly, we will re-assess the probability of the achievement of the operational targets.

On June 6, 2007, we completed the purchase of all of the outstanding shares of Arkona, for a cash purchase price of approximately $60.0 million (including direct acquisition costs of approximately $1.0 million). Arkona is a provider of on-demand dealer management systems for automotive dealerships.

On February 1, 2007, we completed the purchase of all of the outstanding shares of Curomax pursuant to a shares purchase agreement, dated as of January 16, 2007, for an adjusted cash purchase price of approximately $40.7 million (including direct acquisition and restructuring costs of approximately $1.6 million). Curomax is a provider of an Internet-based credit application and contract processing network in Canada. Under the terms of the shares purchase agreement, we have future contingent payment obligations of approximately $1.8 million in cash to be paid out based upon the achievement of certain operational objectives over the subsequent twenty-four months. As of December 31, 2008, we have determined that certain operational conditions have been met and as such we have recorded a liability of approximately $1.4 million which was paid out on February 9, 2009. The operational conditions related to the remaining amount of $0.4 million were determined as of September 30, 2008 not to be achieved, however a subsequent reassessment determined that the operational conditions had been met and the additional $0.4 million of contingent purchase price was recorded as a liability at December 31, 2008 and will be paid in 2009. The $1.8 million of additional purchase consideration was recorded as goodwill.

Our acquisitions have been recorded under the purchase method of accounting, pursuant to which the total purchase price, including direct acquisition costs for all acquisitions completed prior to December 31, 2008, is allocated to the net assets acquired based upon estimates of the fair value of those assets. Any excess purchase price is allocated to goodwill. Amortization expense relating to intangible assets is recorded as a cost of revenue.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of our operations is 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 if unforeseen events occur or should the assumptions used in the estimation process differ from actual results.

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

Revenue Recognition

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

Transaction Services Revenue. Transaction services revenue consists of revenue earned from our financing source customers for each credit application or contract that dealers submit to them. We also earn transaction services revenue from financing source customers for each financing contract executed via our electronic contracting and digital contract processing solutions, as well as for any portfolio residual value analyses we perform for them. We also earn transaction services revenue from dealers or other service and information providers, such as aftermarket providers, accessory providers, and credit report providers, for each fee-bearing product accessed by dealers.

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

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

Subscription Services Revenue. Subscription services revenue consists of revenue earned from our customers (typically on a monthly basis) for use of our subscription or license-based products and services. Some of these subscription services enable dealer customers to manage their dealership data and operations, compare various financing and leasing options and programs, sell insurance and other aftermarket products, analyze inventory, and execute financing contracts electronically. These subscription services are typically sold based upon contracts that include fixed or determinable prices and that do not include the right of return or other similar provisions or significant post service obligations. We recognize revenue from such contracts ratably over the contract period. We recognize set-up fees, if any, ratably over the expected customer relationship of three years. For contracts that

contain two or more products or services, we recognize revenue in accordance with the above policy using relative fair value.

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

Allowance for Doubtful Accounts

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

Goodwill, Other Intangibles and Long-lived Assets

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

SFAS No. 142 requires that goodwill be assessed at the operating segment or lower level. After considering the factors included in SFAS No. 131 and EITF Topic No. D-101, we determined that the components of our one operating segment have similar economic characteristics, nature of products, distribution, shared resources and type of customer such that the components should be aggregated into a single reporting unit for purposes of performing the impairment test for goodwill. We estimate the fair value of our reporting unit using a market capitalization approach. From time to time an independent third-party valuation expert may be utilized to assist in the determination of fair value. Determining the fair value of a reporting unit is judgmental and often involves the use of significant estimates and assumptions, such as cash flow projections and discount rates. We perform our annual goodwill impairment test as of October 1 of every year or when there is a triggering event. Our estimate of the fair value of our reporting unit was in excess of its carrying value as of October 1, 2008 and 2007.

Historically, our market capitalization has been above the carrying value of our consolidated net assets and there has been no indication of potential impairment. The results of our most recent annual assessment performed on October 1, 2008 did not indicate any potential impairment of our goodwill.

Subsequent to our October 1, 2008 goodwill impairment test, our market capitalization was impacted by the volatility in the U.S equity markets. For twelve days between October 24, 2008 and November 24, 2008 and on January 21, 2009 our market capitalization was approximately 5% or less below the carrying value of our consolidated net assets of approximately $400 million, as of October 1, 2008. The period of October 24, 2008 and November 24, 2008, coincided with two specific events, the stock markets 52 week lows and the Detroit's Big Three automakers first meeting in Washington to plead their case for financial aid from the federal government.

Despite the fact that our market cap traded below our book value for twelve days we do not believe that there has been an impairment based on the duration and depth of the market decline as well as an implied control premium. A control premium is the amount that a buyer is willing to pay over the current market price of a company as indicated by the market capitalization, in order to acquire a controlling interest. The premium is justified by the expected synergies, such as the expected increase in cash flow resulting from the cost savings and revenue enhancements. Long-lived assets, including property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the long-lived asset to its estimated fair value. The determination of future cash flows, as well as the estimated fair value of long-lived assets involves significant estimates on the part of management. In order to estimate the fair value of a long-lived asset, we may engage a third party to assist with the valuation. If there is a material change in economic conditions or other circumstances influencing the estimate of our future cash flows or fair value, we could be required to recognize impairment charges in the future. We evaluate the remaining useful life of our intangible assets on a periodic basis to determine whether events and circumstances warrant a revision to the remaining estimated amortization period. If events and circumstances were to change significantly, such as a significant decline in the financial performance of our business, we could incur a significant non-cash charge to our income statement.

As discussed in Note 7 of our consolidated financial statements included in this Annual Report on Form 10-K, during the fourth quarter of 2008, as a result of a specific event, we recorded an impairment of an intangible asset of approximately $1.9 million to cost of revenue.

Our financial results are impacted by trends in the number of dealers serviced, the level of indirect financing and leasing by our participating financing source customers, the number of new and used vehicles sold, special promotions by automobile manufacturers and the level of indirect financing and leasing by captive finance companies not available in our network. We expect to continue to experience challenges due to the ongoing adverse outlook for the credit markets and automobile sales. In addition, volatility in our stock price and declines in our market capitalization could lead to an impairment of the carrying value of our goodwill and other long-lived assets. As a result, we may be required to write-off some of our goodwill or long-lived assets if these conditions persist for an extended period of time.

Income Taxes

We account for income taxes in accordance with the provisions of SFAS No. 109, *"Accounting for Income Taxes,"* (SFAS No. 109) which requires deferred tax assets and liabilities to be recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109 of FIN 48,* on January 1, 2007. FIN 48 specifies the way public companies are to account for uncertainty in income tax reporting, and prescribes the methodology for recognizing, reversing, and measuring the tax benefits of a tax position taken, or expected to be taken, in a tax return. Our adoption of FIN 48 did not result in any change to the level of our liability for uncertain tax positions, and there was no adjustment to our retained earnings for the cumulative effect of an accounting change. At December 31, 2007, the total liability for uncertain tax positions recorded in our balance sheet in accrued other liabilities was $0.1 million. At December 31, 2008, the total liability for uncertain tax positions recorded in our balance sheet in accrued other liabilities was $0.5 million.

Retail Sales Tax

The Ontario Ministry of Revenue (the Ministry) has conducted a retail sales tax field audit on the financial records of our Canadian subsidiary, DealerTrack Canada, Inc. (formerly known as 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, Inc., Bank of Montreal agreed to indemnify us specifically for this potential liability for all sales tax periods prior to January 1, 2004. The potential sales tax liability for the period covered by this indemnification is now closed due to the statutory expiration of the periods open for audit by the Ministry. To date, all amounts paid to the Ministry by us for this assessment have been reimbursed by the Bank of Montreal under this indemnity.

We undertook a comprehensive review of the audit findings of the Ministry using external tax experts. Our position has been 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. We received a letter dated November 2, 2007 from an appeals officer of the Ministry stating that the assessment was, in his opinion, properly raised and his intention was to recommend his confirmation to senior management of the Ministry. The officer agreed, however, to defer his recommendation for a period of thirty business days to enable us to submit any additional information not yet provided. We submitted additional information to the Ministry to support our position that the services are not subject to sales tax.

We received a letter dated December 21, 2007 from the Ministry stating that no change should be made to the appeals officer's opinion. The letter further stated that we had ninety days from the date of the letter to file a Notice of Appeal with the Superior Court of Justice. A Notice of Appeal was filed on our behalf on March 18, 2008 to challenge the assessment because we did not believe these services are subject to sales tax. On December 15, 2008, the Ministry filed its response to our Notice of Appeal. The response reiterates the Ministry's position that the transactions are subject to Ontario retail sales tax. The parties are now engaged in the discovery process and we expect this matter will be heard by the Superior Court in late 2009. We have not accrued any related sales tax liability for the period subsequent to May 31, 2003, for these financing source revenue transactions. This appeal is supported by the financial institutions whose source revenue transactions were subject to the assessment. These financial institutions have agreed to participate in the cost of the litigation.

In the event we are obligated to charge sales tax for this type of transaction, we believe this Canadian subsidiary's contractual arrangements with its financing source customers obligate these customers to pay all sales taxes that are levied or imposed by any taxing authority by reason of the transactions contemplated under the particular contractual arrangement. In the event of any failure to pay such amounts, we would be required to pay the obligation, which could range from $4.4 million (CAD) to $4.9 million (CAD), including penalties and interest.

Stock-Based Compensation

We have three types of stock-based compensation programs: stock options, restricted common stock, and an employee stock purchase plan (ESPP) that allows employees to purchase our common stock at a 15% discount each quarter through payroll deductions.

SFAS 123(R) requires us to measure and recognize the cost of employee services received in exchange for an award of equity instruments. Under the fair value recognition 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 net of an estimated forfeiture rate. As permitted by SFAS 123(R), we elected the prospective transition method because we previously applied the minimum value method, as a private company, under FAS 123. Under this method, prior periods are not revised. Upon the adoption of SFAS No. 123(R), we did not have a cumulative effect of accounting change.

Determining the appropriate fair value model and calculating the fair value of the share-based payment awards require the input of highly subjective assumptions, including the expected life of the share-based payment awards, the number of expected options or restricted common stock that will be forfeited prior to the completion of the vesting requirements, and the stock price volatility. We use the Black-Scholes and binomial lattice-based valuation pricing models to value our stock-based awards. Due to our limited public company history, we believe we do not have appropriate historical experience to estimate future exercise patterns or our expected volatility; as such we based our expected life and expected volatility on the historical expected life and historical expected volatility of similar entities whose common shares are publicly traded. Application of alternative assumptions could produce significantly different estimates of the fair value of stock-based compensation and consequently, the related

amounts recognized in our consolidated statements of operations. The provisions of SFAS No. 123(R) apply to new or modified stock awards on the effective date.

On December 13, 2005, we commenced an initial public offering of our common stock. Prior to our initial public offering, we applied APB No. 25 and related interpretations for our stock option and restricted common stock grants and we measured awards using the minimum-value method for SFAS 123 pro forma disclosure purposes. ABP No. 25 provides that the compensation expense is measured based on the intrinsic value of the stock award at the date of grant. SFAS 123(R) requires that a company that measured awards using the minimum-value method for SFAS 123 prior to the filing of its initial public offering, 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. As a result, we will continue to account for pre-initial public offering awards under APB No. 25 unless they are modified after the adoption of SFAS 123(R).

On August 2, 2006, November 2, 2006 and July 21, 2007, the compensation committee of the board of directors granted long-term performance equity awards (under the 2005 Incentive Award Plan) consisting of 565,000, 35,000 and 10,000 shares of restricted common stock, respectively, to certain executive officers and other employees. Each individual's award is allocated 50% to achieving earnings before interest, taxes, depreciation and amortization, as adjusted to reflect any future acquisitions (EBITDA Performance Award) and 50% to the market value of our common stock (Market Value Award). The awards are earned upon our achievement of EBITDA and market-based targets for the fiscal years 2007, 2008 and 2009, but will not vest unless the grantee remains continuously employed in active service until January 31, 2010. If an EBITDA Performance Award or Market Value Award is not earned in an earlier year, it can be earned upon achievement of that target in a subsequent year. The awards will accelerate in full upon a change in control, if any. In accordance with SFAS 123(R), we valued the EBITDA Performance Award and the Market Value Award using the Black-Scholes and binomial lattice-based valuation pricing models, respectively. The total fair value of the entire EBITDA Performance Award is $6.0 million (prior to estimated forfeitures), of which, in January 2007, we began expensing on a straight-line basis the amount associated with the 2007 award as it was deemed probable that the threshold for the year ending December 31, 2007 would be met. We have met the EBITDA target for 2007 and have recorded expense related to the 2007 target for the years ended December 31, 2008 and 2007, of $0.7 million and $0.6 million, respectively. As of December 31, 2008, we have not begun to expense the EBITDA Performance Awards for 2008 and 2009 as it has not been deemed probable that the targets will be achieved. We will continue to evaluate the probability of achieving the targets on a quarterly basis. The total value of the entire Market Value Award is $2.5 million (including estimated forfeitures), which is expensed on a straight-line basis from the date of grant over the applicable service period. As long as the service condition is satisfied, the expense is not reversed, even if the market conditions are not satisfied. The expense recorded related to the market value award for the years ended December 31, 2008, 2007 and 2006, was $0.7 million, $0.7 million and $0.3 million, respectively.

Impairment of auction rate securities

As of December 31, 2008, we have $5.3 million (net of impairment charge) of auction rate securities (ARS), of which, $3.7 million (net of impairment charge) is invested in tax-advantaged preferred stock trusts in which the underlying equities are preferred stock of financial institutions and $1.6 million invested in tax-exempt state government obligations. Our investments securities are classified as available for sale and reported at fair value. ARS have long-term underlying maturities, but have interest rates that reset every six months or less. The $3.7 million invested in tax-advantaged preferred stock trust securities are associated with failed auctions, for which we have been, or expect to be notified that the trust will be dissolved and will distribute the underlying security. As we expect to receive the liquid underlying preferred stock instruments within ninety days of year end, we believe that the most representative measure of fair value of these trusts to be the Level 2 quoted market prices of the underlying preferred stock instruments. Based upon our assessment, we reduced the fair value of the investments in the preferred stock trusts from $9.6 million to $3.7 million and recorded an other-than-temporary charge of $6.0 million to earnings and an unrealized gain of $0.1 million to stockholders' equity during the year ended December 31, 2008. The $1.6 million invested in tax-exempt state government obligations was valued at par using Level 3 data. Our intent is not to hold the $1.6 million of ARS invested in tax-exempt state government obligations to maturity, but rather use the interest reset feature to provide liquidity as necessary.

We reviewed the ARS portfolio for impairment in accordance with FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* and Staff Accounting Bulletin Topic 5M *Other-Than-Temporary Impairment of Certain Investments in Debt and Equity Securities,* to determine the classification of the impairment as "temporary" or "other-than-temporary". A temporary impairment charge results in an unrealized loss being recorded in the other comprehensive income component of stockholders' equity. It occurs if a loss in an investment is determined to be temporary in nature and we have the ability and intent to hold the investment until a recovery in market value takes place. Such an unrealized loss does not reduce our net income for the applicable accounting period because the loss is not viewed as other-than-temporary. An impairment charge is recorded against earnings to the extent we determine that there is a loss of fair value that is other-than-temporary. We have determined that the significant reduction in fair value related to our preferred stock trusts ARS was other-than-temporary and we recorded an impairment charge in our consolidated statements of operations based on a variety of factors, including the significant decline in fair value indicated for the individual investments and the adverse market conditions impacting ARS. Based on our available cash and other investments, we do not currently anticipate that the lack of liquidity caused by failed auctions will have a material adverse effect on our operating cash flows or will affect our ability to operate our business as usual. The valuation of our ARS portfolio is subject to uncertainties that are difficult to predict and we may be required to further reduce the carrying value of these securities, which would result in an additional loss being recognized in our statement of operations, which could be material.

Results of Operations

The following table sets forth, for the periods indicated, the selected consolidated statements of operations:

	Year Ended December 31,					
	2008		2007		2006	
	$ Amount	% of Net Revenue	$ Amount	% of Net Revenue	$ Amount	% of Net Revenue
	(In thousands, except percentages)					
Consolidated Statements of Operations Data:						
Net revenue[1]	$242,706	100.0%	$233,845	100.0%	$173,272	100.0%
Operating costs and expenses:						
Cost of revenue[1]	113,731	46.9	99,631	42.6	70,843	40.9
Product development	11,658	4.8	9,808	4.2	9,153	5.2
Selling, general and administrative	110,265	45.4	96,875	41.4	72,537	41.9
Total operating costs and expenses	235,654	97.1	206,314	88.2	152,533	88.0
Income from operations	7,052	2.9	27,531	11.8	20,739	12.0
Interest income	4,720	1.9	5,606	2.4	4,289	2.5
Interest expense	(324)	(0.1)	(355)	(0.2)	(268)	(0.2)
Other income, net	205	0.1	4	—	1,373	0.8
Impairment of auction rate securities	(5,956)	(2.4)	—	—	—	—
Income before provision for income taxes	5,697	2.4	32,786	14.0	26,133	15.1
Provision for income taxes, net	(3,961)	(1.7)	(13,034)	(5.6)	(6,797)	(3.9)
Net income	$ 1,736	0.7%	$ 19,752	8.4%	$ 19,336	11.2%

	Year Ended December 31,					
	2008		2007		2006	
	$ Amount	% of Net Revenue	$ Amount	% of Net Revenue	$ Amount	% of Net Revenue
	(In thousands, except percentages)					
(1) Related party revenue	$2,419	1.0%	$2,425	1.0%	$33,380	19.3%
Related party cost of revenue	9	0.0%	38	0.0%	1,840	1.1%

Years Ended December 31, 2008 and 2007

Revenue

	Year Ended December 31,	
	2008	2007
	(In thousands)	
Transaction services revenue	$132,419	$147,312
Subscription services revenue	94,690	75,061
Other	15,597	11,472
Total net revenue	$242,706	$233,845

Total net revenue increased $8.9 million, or 4%, to $242.7 million for the year ended December 31, 2008 from $233.8 million for the year ended December 31, 2007.

Transaction Services Revenue. Transaction services revenue decreased $14.9 million, or 10%, to $132.4 million for the year ended December 31, 2008 from $147.3 million for the year ended December 31, 2007. The decrease was primarily due to the decline in the volume of transactions processed through the DealerTrack network to 79.7 million for the year ended December 31, 2008 from 90.9 million for the year ended December 31, 2007, which was impacted by the 31% decrease in our number of lender to dealer relationships to 156,437 at December 31, 2008 from 226,314 at December 31, 2007. The 12% decrease in transaction volume resulted in an $18.6 million reduction in revenue for the year ended December 31, 2008. The ongoing tightening of the credit market caused a significant decline in the number of lending relationships between the various financing sources and automobile dealers available through our network; this together with the continual decline in vehicle sales, has meaningfully impacted our transaction volume compared to historical levels. The revenue decline of $18.6 million related to the decrease in transaction volume was offset by a $3.6 million increase in the average transaction price to $1.66 as of December 31, 2008 from $1.62 for the year ended December 31, 2007. The contributing factor to the increase in average transaction price was the 37% increase in financing source customers active in our network to 733 as of December 31, 2008 from 536 as of December 31, 2007. The additional 197 financing source customers added are generally lower transaction volume customers with higher price per application tiers.

Subscription Services Revenue. Subscription services revenue increased $19.6 million, or 26%, to $94.7 million for the year ended December 31, 2008 from $75.1 million for the year ended December 31, 2007. Subscription services revenue growth was favorably impacted by the increase in the total number of subscriptions to 34,243 as of December 31, 2008 from 28,966 as of December 31, 2007, together with a 1% increase in the average subscription price to $248 as of December 31, 2008 from $245 for the year ended December 31, 2007, resulting from a change in the subscription product mix. These factors contributed $16.7 million to the increase in revenue, which includes $5.1 million related to acquisitions. In addition to the $16.7 million increase in subscription service revenue is an increase of $4.3 million related to Chrome subscription revenue offset by a decrease of $1.4 million in ALG and other subscription revenue.

Other Revenue. Other revenue increased $4.1 million, or 36%, to $15.6 million for the year ended December 31, 2008 from $11.5 million for the year ended December 31, 2007. The $4.1 million increase was primarily resulting from approximately $5.4 million increase in installation revenue from our DMS business acquired in June 2007, offset by a decrease in other revenue from SCS of $1.3 million.

Operating Costs and Expenses

	Year Ended December 31,	
	2008	2007
	(In thousands)	
Cost of revenue	$113,731	$ 99,631
Product development	11,658	9,808
Selling, general and administrative	110,265	96,875
Total cost of revenue and operating expenses	$235,654	$206,314

Cost of Revenue. Cost of revenue increased $14.1 million, or 14%, to $113.7 million for the year ended December 31, 2008 from $99.6 million for the year ended December 31, 2007. The $14.1 million increase was primarily the result of increased software amortization and depreciation charges of $2.1 million, coupled with increased compensation and related benefit costs of $6.2 million and increased occupancy and telecommunications costs of $0.6 million due to headcount additions and salary increases, $2.4 million in technology expense, $2.1 million in cost of revenue from our DMS business, $0.5 million in increased stock-based compensation expense due to additional stock options and restricted common stock awards granted since December 31, 2007, an increase in amortization of intangible assets of approximately $1.9 million related to an impaired application processing contract with DHL where the remaining amortization was accelerated and recorded to cost of revenue (refer to Note 7 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K for further information regarding the impairment charge), offset by a decrease in amortization of intangible assets of approximately $3.3 million resulting from fully amortized acquired intangibles.

Product Development Expenses. Product development expenses increased $1.9 million, or 19%, to $11.7 million for the year ended December 31, 2008 from $9.8 million for the year ended December 31, 2007. The $1.9 million increase was primarily a result of increased compensation and related benefit costs of $1.4 million and occupancy and telecommunications costs of $0.2 million, both due to overall headcount additions and salary increases, and increased depreciation expense of $0.2 million.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $13.4 million, or 14%, to $110.3 million for the year ended December 31, 2008 from $96.9 million for year ended December 31, 2007. The $13.4 million increase in selling, general and administrative expenses was primarily the result of increased compensation and related benefit costs of approximately $6.6 million due to headcount additions and salary increases, $4.9 million in increased professional fees related primarily to pending litigation, $2.5 million in increased stock-based compensation expense due to additional stock options and restricted common stock awards granted since December 31, 2007 and $0.8 million in increased depreciation expense, offset by a decrease in marketing expenses of $1.0 million.

Interest Income

	Year Ended December 31,	
	2008	2007
	(In thousands)	
Interest Income	$4,720	$5,606

Interest income decreased $0.9 million to $4.7 million for the year ended December 31, 2008 from $5.6 million for the year ended December 31, 2007. The $0.9 million decrease is primarily related to the decrease in our cash balance attributable to the repurchase of 3.0 million shares of common stock for an aggregate price of approximately $49.8 million, and the decrease in our weighted average interest rate to approximately 2.38% for the year ended December 31, 2008 from approximately 3.99% for the year ended December 31, 2007.

Impairment of auction rate securities

	Year Ended December 31,	
	2008	2007
	(In thousands)	
Impairment of auction rate securities	$(5,956)	$—

Due to the continued decline in the auction rate securities market we measured the fair value of our auction rate securities at each of the quarters in 2008, and determined in the third and fourth quarters of 2008 that the valuation of certain of our auction rate securities had significantly declined from the previously reported amounts. As a result we recognized a $5.7 million impairment charge during the three months ended September 30, 2008, and an additional impairment charge of $0.3 million for the three months ended December 31, 2008. Refer to Note 3 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K for further information regarding this impairment charge.

Provision for Income Taxes

	Year Ended December 31,	
	2008	2007
	(In thousands)	
Provision for income taxes, net	$(3,961)	$(13,034)

The provision for income taxes for the year ended December 31, 2008 of $4.0 million consisted primarily of $0.7 million of federal tax expense, $0.6 of state income tax benefit, and $3.9 million of tax expense for our Canadian subsidiary. The provision for income taxes for the year ended December 31, 2007 of $13.0 million consisted primarily of $8.3 million of federal tax expense, $2.1 million of state and local income taxes, $0.5 million of adjustments due primarily to the changes in the New York State tax rate, and $2.1 million of tax expense for our Canadian subsidiaries. Included in tax expense for our Canadian subsidiary for the year ended December 31, 2008 and 2007 is $1.2 million and $1.1 million, respectively, for a permanent item relating to intangible amortization. These amounts have a 20.2% and 3.4% impact on the effective tax rate for the year ended December 31, 2008 and 2007, respectively. Our effective tax rate for the year ended December 31, 2008 is 69.5% compared with 39.8% for the year ended December 31, 2007. The primary reason for the variation in tax rates is the impairment loss on auction rate securities recorded during the year ended December 31, 2008. No tax benefit is recorded with respect to the impairment loss recorded on the auction rate securities. If such securities were sold and the losses were realized for tax purposes, the losses on such sales would be capital losses. Capital losses generally may only be used to offset income from capital gains. Since we do not anticipate any capital gains in the foreseeable future, no tax benefit is recorded with respect to the impairment losses as it is not more likely than not that tax benefits would ultimately be realized from such losses. A full valuation allowance has been booked for the losses. Had it not been for the significant tax rate variation resulting from the impact of the impairment losses, our effective tax rate for the year ended December 31, 2008 would have been 34.0% compared with 39.8% for the year ended December 31, 2007. The primary reason for the reduction in tax rate are the impact of rate changes on deferred taxes, tax return true-ups, and an increase in tax exempt or tax preferred income as a percentage of overall pre-tax income. The rate reduction attributable to tax return true-ups is primarily the result of state and local tax reductions due to planning initiatives.

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

Years Ended December 31, 2007 and 2006

Revenue

	Year Ended December 31,	
	2007	2006
	(In thousands)	
Transaction services revenue	$147,312	$112,752
Subscription services revenue	75,061	53,352
Other	11,472	7,168
Total net revenue	$233,845	$173,272

Total net revenue increased $60.5 million, or 35%, to $233.8 million for the year ended December 31, 2007 from $173.3 million for the year ended December 31, 2006.

Transaction Services Revenue. Transaction services revenue increased $34.6 million, or 31%, to $147.3 million for the year ended December 31, 2007 from $112.7 million for the year ended December 31, 2006. The increase was primarily the result of a 27% increase in the volume of transactions processed through our network to 90.9 million for the year ended December 31, 2007 from 71.5 million for the year ended December 31, 2006, coupled with an increase in the average transaction price to $1.62 for the year ended December 31, 2007 from $1.58 for the year ended December 31, 2006. The 27% increase in transaction volume resulted in a $31.3 million increase in revenue for the year ended December 31, 2007. The increase in the average transaction price resulted in a $2.9 million increase in revenue for the year ended December 31, 2007. The contributing factor to the increase in the average transaction price was the 45% increase in financing source customers active in our network to 536 as of December 31, 2007 from 370 as of December 31, 2006. The additional 166 financing source customers added are generally lower transaction volume customers with higher price per application tiers. Included in the $34.6 million increase is $13.1 million related to acquisitions.

Subscription Services Revenue. Subscription services revenue increased $21.7 million, or 41%, to $75.1 million for the year ended December 31, 2007 from $53.4 million for the year ended December 31, 2006. Revenue growth was favorably impacted by the increase in the total number of subscriptions to 28,966 as of December 31, 2007 from 21,681 as of December 31, 2006, offset by a decrease in the average subscription price to $245 for the year ended December 31, 2007 from $246 for the year ended December 31, 2006 resulting from a change in the subscription product mix. These factors contributed $21.2 million to the increase in revenue which includes $6.6 million related to acquisitions.

Operating Costs and Expenses

	Year Ended December 31,	
	2007	2006
	(In thousands)	
Cost of revenue	$ 99,631	$ 70,843
Product development	9,808	9,153
Selling, general and administrative	96,875	72,537
Total cost of revenue and operating expenses	$206,314	$152,533

Cost of Revenue. Cost of revenue increased $28.8 million, or 41%, to $99.6 million for the year ended December 31, 2007 from $70.8 million for the year ended December 31, 2006. The $28.8 million increase was primarily the result of increased amortization and depreciation charges of $11.9 million primarily relating to the acquired identifiable intangibles from our 2007 acquisitions of Arkona, AutoStyleMart, Curomax, and the asset acquisition from Manheim Auction (See Note 6 for further information), coupled with twelve months amortization relating to our 2006 acquisitions of Global Fax and DealerWare, increased compensation and related benefit costs of $10.9 million and increased occupancy and telecommunications costs of $1.0 million due to overall headcount additions including those from acquired companies, $1.7 million in cost of revenue from the Arkona business and $2.5 million in cost of revenue from our digital contract business , offset by $1.1 million of expense recorded in 2006 related to the impairment and write off of a prepaid contract due to non performance.

Product Development Expenses. Product development expenses increased $0.6 million, or 7%, to $9.8 million for the year ended December 31, 2007 from $9.2 million for the year ended December 31, 2006. The $0.6 million increase was primarily a result of increased compensation and related benefit costs due to overall headcount additions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $24.3 million, or 34%, to $96.8 million for the year ended December 31, 2007 from $72.5 million for year ended December 31, 2006. The $24.3 million increase in selling, general and administrative expenses was primarily the result of increased compensation and related benefit costs of approximately $13.8 million due to headcount additions and salary increases, $2.6 in increased professional fees, $3.0 million related to increased marketing and travel expenses, $2.0 million related to increased bad debt expense and $1.0 million in occupancy and telecommunications expenses. These amounts are partially offset by a decrease in non-cash stock-based compensation expense of $1.0 million (included in the year ended December 31, 2006 non-cash stock-based compensation is a one-time $5.0 million in non-cash stock-based compensation related to the departure of an executive officer).

Interest Income

	Year Ended December 31,	
	2007	2006
	(In thousands)	
Interest Income	$5,606	$4,289

Interest income increased $1.3 million to $5.6 million for the year ended December 31, 2007 from $4.3 million for the year ended December 31, 2006. The $1.3 million increase is primarily related to the interest income earned on net cash proceeds from our public offerings in October 2007 and October 2006.

Other Income

	Year Ended December 31,	
	2007	2006
	(In thousands)	
Other Income, net	$4	$1,373

As described in Note 4 to our consolidated financial statements included in this Annual Report on Form 10-K, other income of $1.4 million for the year ended December 31, 2006 represents a reimbursement of purchase price from the seller of our DealerAccess acquisition.

Provision for Income Taxes

	Year Ended December 31,	
	2007	2006
	(In thousands)	
Provision for income taxes, net	$(13,034)	$(6,797)

The provision for income taxes for the year ended December 31, 2007 of $13.0 million consisted primarily of $8.3 million of federal tax expense, $2.1 million of state and local income taxes, $0.5 million of adjustments due primarily to the change in the New York State tax rate, and $2.1 million of tax expense for our Canadian subsidiaries. The provision for income taxes for the year ended December 31, 2006 of $6.8 million consisted primarily of $7.1 million of federal tax expense, $1.8 million of state and local income taxes, and $0.6 million of adjustments due to the changes in tax rate. These amounts were offset by a Canadian tax benefit of $2.7 million. The $2.7 million net tax benefit relating to our Canadian subsidiary consists primarily of the reversal of a deferred tax valuation allowance in the amount of $3.7 million. The reversal of this Canadian subsidiary's deferred tax valuation allowance during the third quarter of 2006 was based on a number of factors, including a history of pre-tax income over a significant period and the level of projected future pre-tax income based on current operations. Our Canadian Subsidiary generated sufficient taxable income in subsequent years and utilized all the deferred tax asset associated with net operating losses existing as of December 31, 2006.

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

Quarterly Results of Operations

The following table presents our unaudited quarterly consolidated results of operations for each of the eight quarters ended December 31, 2008. The unaudited quarterly consolidated information has been prepared substantially on the same basis as our audited consolidated financial statements. You should read the following tables presenting our quarterly consolidated results of operations in conjunction with our audited consolidated financial statements for our full years and the related notes. This table includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for the fair statement of our consolidated financial position and operating results for the quarters presented. The operating results for any quarters are not necessarily indicative of the operating results for any future period.

	First Quarter	Second Quarter	Third Quarter[2]	Fourth Quarter[3]
	(Unaudited) (In thousands, except for share and per share data)			
2008				
Net revenue	$ 64,308	$ 63,181	$ 60,525	$ 54,692
Gross profit	35,696	35,302	32,585	25,392
Operating income (loss)	2,822	4,208	3,056	(3,034)
Net income (loss)	2,338	3,066	(2,603)	(1,065)
Basic net income (loss) per share[1]	$ 0.06	$ 0.07	$ (0.07)	$ (0.03)
Diluted net income (loss) per share[1]	$ 0.05	$ 0.07	$ (0.07)	$ (0.03)
Weighted average shares outstanding	41,636,035	41,505,503	39,769,990	38,963,048
Weighted average shares outstanding assuming dilution	42,882,662	42,764,086	39,769,990	38,963,048

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Unaudited) (In thousands, except for share and per share data)			
2007				
Net revenue	$ 51,725	$ 58,507	$ 62,871	$ 60,742
Gross profit	30,425	34,349	35,193	34,247
Operating income	6,797	9,755	6,834	4,145
Net income	4,825	6,284	4,512	4,131
Basic net income per share[1]	$ 0.12	$ 0.16	$ 0.12	$ 0.10
Diluted net income per share[1]	$ 0.12	$ 0.15	$ 0.11	$ 0.10
Weighted average shares outstanding	38,625,215	38,748,405	39,058,863	40,956,826
Weighted average shares outstanding assuming dilution	40,231,194	40,569,993	40,840,688	42,845,842

(1) The addition of earnings per share by quarter may not equal total earnings per share for the year.

(2) Included in the third quarter of 2008 net loss is an impairment charge of $5.7 million, related to the significant decline in certain auction rate securities, as described in Note 3 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K.

(3) Included in the fourth quarter of 2008 net loss is an impairment charge of $0.3 million, related to the significant decline in certain auction rate securities, as described in Note 3 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K, and a charge of $1.9 million, related to the

impairment of an application processing contract with DHL, as described in Note 7 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K.

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 year ended December 31, 2008 were $16.8 million, of which $15.1 million was in cash. We expect to finance our future liquidity needs through working capital and cash flows from operations, however future acquisitions or other strategic initiatives may require us to incur or seek additional financing. On April 15, 2008, our $25.0 million revolving credit facility expired and was not renewed. As of December 31, 2008, we do not have a credit facility in place.

As of December 31, 2008, we had $155.5 million of cash and cash equivalents, $43.3 million in short-term investments, $4.4 million in non-current investments and $197.8 million in working capital, as compared to $50.5 million of cash and cash equivalents, $169.6 million in short-term investments and $222.8 million in working capital as of December 31, 2007.

Reductions in interest rates and changes in investments could materially impact our interest income and may negatively impact future reported operating results and earnings per share.

Based on our available cash and other investments, we do not currently anticipate a lack of liquidity caused by failed auctions will have a material adverse effect on our operating cash flows. Refer to Note 3 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K for further information regarding our auction rate securities.

As of December 31, 2008, there was $25.2 million remaining in our stock repurchase program to purchase our common stock through March 31, 2009. The stock repurchase program may be limited or terminated at any time by our board of directors without prior notice.

On January 23, 2009, we acquired the AAX® suite of inventory management solutions and other assets from JM Dealer Services, Inc., a subsidiary of JM Family Enterprises, Inc., for a purchase price of $32.6 million in cash. The AAX inventory management suite will be marketed in conjunction with our current inventory management solution. In accordance with SFAS 141R *Business Combinations* we expensed approximately $0.4 million of professional fees associated with the acquisition during the first quarter of 2009. We are in the process of finalizing the fair value assessment for the acquired assets, which is expected to be completed December 31, 2009, and accordingly the related purchase accounting is not final.

Under the terms of the merger agreement with ASM and Curomax, we have future contingent payment obligations of up to $11.0 million and $1.8 million in cash, respectively, based upon the achievement of certain operational targets. As of December 31, 2008, we are uncertain if the operational targets for the earnouts for ASM will be achieved, and as such no compensation expense or purchase price has been recorded in connection with the contingent payment obligation. For Curomax, as of December 31, 2008, we have determined that certain operational conditions have been met and as such, we have recorded a liability of approximately $1.4 million which was paid out on February 9, 2009. The operational conditions related to the remaining amount of $0.4 million were determined as of September 30, 2008 not to be achieved, however a subsequent reassessment determined that the operational conditions had been met and the additional $0.4 million of contingent purchase price was recorded as a liability at December 31, 2008 and will be paid in 2009. The $1.8 million of additional purchase consideration was recorded as goodwill.

In connection with the purchase of Automotive Lease Guide (ALG) on May 25, 2005, we had a contractual agreement with the seller to pay an additional $0.8 million per year for 2006 through 2010. There is additional contingent consideration of $11.3 million that may be paid contingent upon future increases in revenue of ALG and another one of our subsidiaries through December 2009. For the years ended December 31, 2008, 2007 and 2006, we paid $1.1 million, $0.5 million and $0.2 million of additional consideration. The remaining potential contingent consideration as of December 31, 2008 is $9.4 million. The additional purchase price consideration was recorded as goodwill on our consolidated balance sheet.

The following table sets forth the cash flow components for the following periods (in thousands):

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Net cash provided by operating activities	$ 61,494	$ 56,926	$ 45,489
Net cash provided by (used in) investing activities	94,874	(168,725)	(168,390)
Net cash (used in) provided by financing activities	(47,816)	114,216	66,740

Operating Activities

Net cash provided by operating activities of $61.5 million for the year ended December 31, 2008 was primarily attributable to net income of $1.7 million, which includes depreciation and amortization of $40.1 million, stock-based compensation expense of $14.0 million, an increase to the provision for doubtful accounts and sales credits of $9.6 million, an impairment recognized on auction rate securities of $6.0 million (refer to Note 3 in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K for further information regarding this impairment charge), an increase to deferred revenue and other current liabilities of $1.7 million, and an increase in other long-term liabilities of $1.5 million, partially offset by decreases in accounts payable and accrued expenses of $6.7 million, a deferred tax benefit of $2.1 million, a stock-based compensation windfall tax benefit of $0.4 million, an increase in prepaid expenses and other current assets of $2.9 million, and an increase in accounts receivable of $1.6 million. Net cash provided by operating activities of $56.9 million for the year ended December 31, 2007 was primarily attributable to net income of $19.8 million, which includes depreciation and amortization of $38.5 million, stock-based compensation expense of $10.9 million, an increase to the provision for doubtful accounts and sales credits of $6.8 million, an increase in accounts payable and accrued expenses of $3.9 million and an increase to deferred revenue and other current liabilities of $0.6 million, partially offset by a deferred tax benefit of $4.6 million, a stock-based compensation windfall tax benefit of $7.0 million, an increase in accounts receivable (including related party) of $11.0 million due to an overall increase in revenue. Net cash provided by operating activities of $45.5 million for the year ended December 31, 2006 was attributable to net income of $19.3 million, which includes depreciation and amortization of $25.9 million, stock-based compensation expense of $10.7 million, an increase to the provision for doubtful accounts and sales credits of $4.8 million, and an increase in accounts payable and accrued expenses (including related party) of $2.9 million, offset by a deferred tax benefit of $11.6 million, stock-based compensation windfall tax benefit of $2.3 million and an increase in accounts receivable (including related party) of $4.3 million due to an overall increase in revenue.

Investing Activities

Net cash provided by investing activities of $94.9 million for the year ended December 31, 2008 was primarily attributable to the net sale of investments of $115.8 million offset by capital expenditures of $6.5 million, capitalized software and web site development costs of $8.6 million, and the payment for net assets acquired of $6.0 million. Net cash used in investing activities of $168.7 million for the year ended December 31, 2007 was primarily attributable to capital expenditures of $7.2 million, capitalized software and web site development costs of $6.5 million, payment for net assets acquired of $109.6 million, and the net purchase of short-term investments of $45.5 million. Net cash used in investing activities of $168.4 million for the year ended December 31, 2006 was attributable to capital expenditures of $3.2 million, capitalized software and web site development costs of $3.6 million, payment for net assets acquired of $37.5 million and the net purchase of short-term investments of $124.1 million.

Financing Activities

Net cash used in financing activities of $47.8 million for the year ended December 31, 2008 was primarily attributable to the repurchase of 3.0 million shares of common stock for an aggregate price of approximately $49.8 million, offset by net proceeds received from employee stock purchases under our employee stock purchase plan of $1.7 million and the exercise of employee stock options of $1.0 million. Net cash provided by financing activities of $114.2 million for the year ended December 31, 2007 was primarily attributable to the receipt of cash proceeds from our public offering of $102.2 million, the exercise of employee stock options of $4.0 million, net

proceeds received from employee stock purchases under our employee stock purchase plan of $1.8 million, and stock-based compensation windfall tax benefit of $7.0 million, offset by principal payments on note payable and capital lease obligations of $0.7 million. Net cash provided by financing activities of $66.7 million for the year ended December 31, 2006 was attributable to the receipt of cash proceeds from our public offering of $61.6 million, the exercise of employee stock options of $2.7 million, net proceeds from employee stock purchases under our employee stock purchase plan of $0.8 million and stock-based compensation windfall tax benefit of $2.3 million, offset by principal payments on notes payable and capital lease obligations of $0.7 million.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2008:

	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
			(In thousands)		
Operating lease obligations	$29,468	$4,720	$6,942	$5,923	$11,883
Capital lease obligations	881	417	464	—	—
Payments due to acquirees	2,642	1,892	750	—	—
Total contractual cash obligation	$32,991	$7,029	$8,156	$5,923	$11,883

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

Pursuant to employment or severance agreements with certain employees, as of December 31, 2008 we have a commitment to pay severance of approximately $5.4 million 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 also have a commitment to pay additional severance of $2.9 million as of December 31, 2008 if there is a change in control. Due to the realignment of our workforce and business on January 5, 2009, the severance commitment was reduced by approximately $1.9 million. Refer to Note 15 of the consolidated financial statements included in this Annual Report on Form 10-K for further information.

Pursuant to a merger agreement related to the ASM acquisition, we have a future contingent payment obligation of up to $11.0 million in cash, based upon the achievement of certain operational targets from February 2008 through February 2011. As the terms of the merger agreement require certain of the former stockholders to remain employees or consultants of DealerTrack for a certain period, a portion of the contingent purchase price if earned, will be classified as compensation. As of December 31, 2008, we are uncertain if the operational targets for the earnout will be achieved, and as such no compensation expense or purchase price has been recorded in connection with this contingent payment obligation.

Pursuant to a share purchase agreement related to the Curomax acquisition, we had future contingent payment obligations of approximately $1.8 million in cash to be paid out based upon the achievement of certain operational objectives over the subsequent twenty-four months. As of December 31, 2008, we have determined that certain operational conditions have been met and as such, we have recorded a liability of approximately $1.4 million which was paid out on February 9, 2009. The operational conditions related to the remaining amount of $0.4 million were determined as of September 30, 2008 not to be achieved, however subsequent to our third quarter assessment additional facts made it clear that the operational conditions have been met and the additional $0.4 million of contingent purchase price will be paid. The $1.8 million of additional purchase consideration was recorded as goodwill.

On January 5, 2009, we announced a realignment of our workforce and business aimed at sharpening our focus on high growth opportunities and to reflect current market conditions. To do this we reduced our workforce by approximately 90 people, or 8% of our total employees, including several executive and senior-level positions. As a result of the realignment, we anticipate a restructuring charge in the first quarter of 2009 of approximately $7.1 million on a pre-tax basis, including approximately $4.0 million of non-cash compensation expense.

Credit Facility

Our $25.0 million revolving credit facility expired on April 15, 2008, pursuant to its terms. As of December 31, 2008, we do not have a credit facility in place.

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.

Effects of Inflation

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

Recent Accounting Pronouncements

In April 2008, the FASB issued FSP SFAS No. 142-3 *Determination of the Useful Life of Intangible Assets* (FSP SFAS No. 142-3). FSP SFAS No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of FSP SFAS No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under other accounting principles generally accepted in the United States of America. FSP SFAS No. 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The guidance for determining the useful life of a recognized intangible asset is to be applied prospectively, therefore, the impact of the implementation of this pronouncement cannot be determined until the transactions occur. We are currently determining the impact this will have on our AAX acquisition. Certain disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date.

In February 2008, the FASB issued FSP SFAS No. 157-2, *Effective Date of FASB Statement 157*, delaying the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We are currently evaluating the impact that this statement will have on our consolidated financial statements.

In June 2007, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, which clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends, or dividend equivalents, before vesting should be considered participating securities. As participating securities, these instruments should be included in the calculation of basic EPS. FSP No. EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Once effective, all prior-periods EPS data presented must be adjusted retroactively to conform with the provision of the FSP. We are currently evaluating the impact that this statement will have on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159

is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We have elected not to apply SFAS No. 159 to any of our existing assets or liabilities.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations (SFAS No. 141R), which replaced SFAS No. 141. SFAS No. 141R retains the fundamental requirements of SFAS No. 141, but revises certain principles, including the definition of a business combination, the recognition and measurement of assets acquired and liabilities assumed in a business combination, the accounting for goodwill, and financial statement disclosure. SFAS No. 141R will impact us in the first quarter of 2009 related to our recent acquisition of AAX. We are currently evaluating the impact that this statement will have on our consolidated financial statements.

Item 7A. *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. 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 December 31, 2008, we had cash, cash equivalents, short-term investments and long-term investments of $203.2 million invested in money market instruments, corporate bonds, municipal notes, tax-exempt state government obligations and tax advantaged preferred 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 our interest and credit risk.

We reduced the fair value of our investments in preferred stock trusts from $9.6 million to $3.7 million and recorded an other-than-temporary impairment charge of $6.0 million to earnings and an unrealized gain of $0.1 million to shareholders' equity for the year ended December 31, 2008. Refer to Note 3 in the accompanying notes to the consolidated financial statements in this Annual Report on form 10-K for further information regarding this impairment charge.

Item 8. ***Financial Statements and Supplementary Data***

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of DealerTrack Holdings, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of DealerTrack Holdings, Inc. and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Part II, Item 9A in this Annual Report on Form 10-K. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for fair value measurements of its investments in 2008.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York
February 24, 2008

DEALERTRACK HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$155,456	$ 50,564
Short-term investments	43,350	169,580
Accounts receivable, net of allowances of $1,848 and $2,615 at December 31, 2008 and 2007, respectively	18,462	26,957
Prepaid expenses and other current assets	9,624	7,305
Deferred tax assets	2,195	3,827
Restricted cash	142	—
Total current assets	229,229	258,233
Long-term investments	4,392	—
Property and equipment, net	13,448	12,792
Software and web site developments costs, net	12,705	10,771
Intangible assets, net	44,405	69,528
Goodwill	114,886	117,702
Restricted cash	250	540
Deferred taxes and other long-term assets	17,900	13,360
Total assets	$437,215	$482,926
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 4,488	$ 4,762
Accrued compensation and employee benefits	7,850	12,527
Accrued other	11,385	11,387
Deferred revenues	5,609	4,016
Due to acquirees	1,740	2,251
Capital leases payable	360	480
Total current liabilities	31,432	35,423
Capital leases payable — long-term	454	1,076
Due to acquirees — long-term	682	1,280
Deferred tax liabilities — long-term	2,477	2,800
Deferred revenue and other long-term liabilities	5,950	3,985
Total liabilities	40,995	44,564
Commitments and contingencies (Note 15)		
Stockholders' equity		
Preferred stock, $0.01 par value; 10,000,000 shares authorized and no shares issued and outstanding at December 31, 2008 and 2007, respectively	—	—
Common stock, $0.01 par value; 175,000,000 shares authorized; 42,841,737 shares issued and 39,833,616 shares outstanding at December 31, 2008; and 42,556,925 shares issued and 42,552,723 shares outstanding at December 31, 2007	428	426
Treasury stock, at cost, 3,008,121 and 4,202 shares at December 31, 2008 and 2007, respectively	(50,061)	(139)
Additional paid-in capital	428,771	413,428
Deferred stock-based compensation (APB 25)	(446)	(2,056)
Accumulated other comprehensive income	(2,730)	8,181
Retained earnings	20,258	18,522
Total stockholders' equity	396,220	438,362
Total liabilities and stockholders' equity	$437,215	$482,926

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

DEALERTRACK HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2008	2007	2006
	(In thousands, except per share and share amounts)		
Revenue			
Net revenue[1]	$ 242,706	$ 233,845	$ 173,272
Operating costs and expenses			
Cost of revenue[1][2]	113,731	99,631	70,843
Product development[2]	11,658	9,808	9,153
Selling, general and administrative[2]	110,265	96,875	72,537
Total operating costs and expenses	235,654	206,314	152,533
Income from operations	7,052	27,531	20,739
Interest income	4,720	5,606	4,289
Interest expense	(324)	(355)	(268)
Other income, net	205	4	1,373
Impairment of auction rate securities (Note 3)	(5,956)	—	—
Income before provision for income taxes	5,697	32,786	26,133
Provision for income taxes, net	(3,961)	(13,034)	(6,797)
Net income	$ 1,736	$ 19,752	$ 19,336
Basic net income per share	$ 0.04	$ 0.50	$ 0.54
Diluted net income per share	$ 0.04	$ 0.48	$ 0.51
Weighted average shares outstanding	40,461,896	39,351,138	36,064,796
Weighted average shares outstanding assuming dilution	41,673,007	41,198,773	37,567,488

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
(1) Related party revenue	$2,419	$2,425	$33,380
Related party cost of revenue	9	38	1,840

(2) Stock-based compensation expense recorded for the years ended December 31, 2008, 2007 and 2006 was classified as follows:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Cost of revenue	$ 2,497	$2,022	$1,115
Product development	712	589	361
Selling, general and administrative	10,782	8,295	9,200

The accompanying notes are an integral part of these financial statements

DEALERTRACK HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Cash flows from operating activities			
Net income	$ 1,736	$ 19,752	$ 19,336
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	40,076	38,479	25,915
Deferred tax benefit	(2,051)	(4,631)	(11,600)
Stock-based compensation expense	13,991	10,906	10,676
Provision for doubtful accounts and sales credits	9,639	6,767	4,838
Loss (gain) on sale of property and equipment	—	17	(53)
Amortization of bond premium	132	—	—
Amortization of deferred interest	178	187	175
Non cash deferred compensation	264	294	214
Amortization of bank financing costs	30	122	124
Stock-based compensation windfall tax benefit	(418)	(6,995)	(2,317)
Impairment of auction rate securities	5,956	—	—
Changes in operating assets and liabilities, net of effects of acquisitions			
Trade accounts receivable	(1,556)	(11,139)	(9,290)
Accounts receivable — related party	(78)	166	4,988
Prepaid expenses and other current assets	(2,928)	(1,286)	(501)
Accounts payable and accrued expenses	(6,678)	3,905	4,878
Accounts payable — related party	—	—	(2,021)
Deferred revenue and other current liabilities	1,650	567	(193)
Other long-term liabilities	1,501	19	180
Deferred rent	473	86	357
Other long-term assets	(423)	(290)	(217)
Net cash provided by operating activities	61,494	56,926	45,489
Cash flows from investing activities			
Capital expenditures	(6,502)	(7,189)	(3,228)
Funds released from escrow and other restricted cash	149	—	50
Purchase of investments	(549,159)	(554,445)	(214,950)
Sale of investments	664,932	508,980	90,835
Capitalized software and web site development costs	(8,560)	(6,474)	(3,636)
Proceeds from sale of property and equipment	3	8	58
Payment for acquisition of business and intangible assets, net of acquired cash	(5,989)	(109,605)	(37,519)
Net cash provided by (used in) investing activities	94,874	(168,725)	(168,390)
Cash flows from financing activities			
Principal payments on capital lease obligations	(742)	(229)	(394)
Proceeds from the exercise of employee stock options	951	4,009	2,685
Proceeds from employee stock purchase plan	1,691	1,779	849
Purchase of treasury stock	(49,922)	(108)	(31)
Proceeds from public offerings, net of expenses	—	102,192	61,617
Principal payments on notes payable	(212)	(422)	(315)
Stock-based compensation expense windfall tax benefit	418	6,995	2,317
Other	—	—	12
Net cash (used in) provided by financing activities	(47,816)	114,216	66,740
Net increase (decrease) in cash and cash equivalents	108,552	2,417	(56,161)
Effect of exchange rate changes on cash and cash equivalents	(3,660)	1,067	(23)
Beginning of year	50,564	47,080	103,264
End of year	$ 155,456	$ 50,564	$ 47,080
Supplemental disclosure			
Non cash investing and financing activities:			
Assets acquired under capital leases	$ —	$ 219	$ —
Acquisition of capitalized software through note payable	867	—	2,608
Accrued capitalized hardware, software and fixed assets	795	1,186	1,133
Goodwill adjustment	2,699	620	494
Payable for acquired intangible assets	500	—	—
Deferred compensation expense reversal to equity	264	360	325
Cash paid for:			
Income taxes	$ 6,995	$ 15,308	$ 13,707
Interest	128	153	82

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

DEALERTRACK HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Preferred Stock		Common Stock		Common Stock, In Treasury		Additional Paid-In Capital	Deferred Stock-Based Compensation	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity	Comprehensive Income
	Shares	Amount	Shares	Amount	Shares	Amount						
	(In thousands, except share amounts)											
Balance as of January 1, 2006	—	$—	35,379,717	$354	—	$ —	$214,471	$(7,745)	$ 157	$(20,566)	$186,671	
Exercise of stock options	—	—	387,748	4	—	—	2,681	—	—	—	2,685	
Directors deferred compensation stock units	—	—	14,917	—	—	—	324	—	—	—	324	
Issuance of common stock under employee stock purchase plan	—	—	42,137	—	—	—	849	—	—	—	849	
Compensation expense related to the employee stock purchase plan	—	—	—	—	—	—	150	—	—	—	150	
Compensation expense related to the departure of an executive	—	—	—	—	—	—	4,892	112	—	—	5,004	
Tax benefit from the exercise of stock options and restricted common stock	—	—	—	—	—	—	2,317	—	—	—	2,317	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(120)	—	(120)	(120)
Treasury stock	—	—	—	—	1,219	(31)	—	—	—	—	(31)	
Issuance of restricted common stock grants	—	—	784,250	8	—	—	(7)	—	—	—	1	
Restricted common stock grant reversal	—	—	—	—	—	—	(355)	355	—	—	—	
Stock-based compensation expense (APB 25)	—	—	—	—	—	—	—	1,877	—	—	1,877	
Stock-based compensation expense (FAS 123(R))	—	—	—	—	—	—	2,011	—	—	—	2,011	
Restricted common stock-based compensation expense (APB 25)	—	—	—	—	—	—	—	472	—	—	472	
Restricted common stock-based compensation expense (FAS 123(R))	—	—	—	—	—	—	1,162	—	—	—	1,162	
Options and restricted share cancellations	—	—	—	—	—	—	(625)	625	—	—	—	
Issuance of common stock — public offering	—	—	2,750,000	27	—	—	61,590	—	—	—	61,617	
Other	—	—	—	—	—	—	30	(18)	—	—	12	

	Preferred Stock		Common Stock		Common Stock, In Treasury		Additional Paid-In Capital	Deferred Stock-Based Compensation	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity	Comprehensive Income
	Shares	Amount	Shares	Amount	Shares	Amount						
	(In thousands, except share amounts)											
Net income	—	—	—	—	—	—	—	—	—	19,336	19,336	19,336
Comprehensive income												$ 19,216
Balance as of December 31, 2006	—	$—	39,358,769	$393	1,219	$ (31)	$289,490	$(4,322)	$ 37	$ (1,230)	$284,337	
Exercise of stock options	—	—	633,320	6	—	—	4,003	—	—	—	4,009	
Directors deferred compensation stock units	—	—	8,133	—	—	—	294	—	—	—	294	
Officers deferred compensation stock units	—	—	2,177	—	—	—	66	—	—	—	66	
Issuances of common stock under employee stock purchase plan	—	—	59,202	2	—	—	1,777	—	—	—	1,779	
Compensation expense related to the employee stock purchase plan	—	—	—	—	—	—	314	—	—	—	314	
Tax benefit from the exercise of stock options and restricted common stock	—	—	—	—	—	—	6,995	—	—	—	6,995	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	8,144	—	8,144	8,144
Treasury stock	—	—	—	—	2,983	(108)		—	—	—	(108)	
Issuance of restricted common stock grants	—	—	235,725	2	—	—	(2)	—	—	—	—	
Stock-based compensation expense (APB 25)	—	—	—	—	—	—	—	1,729	—	—	1,729	
Stock-based compensation expense (FAS 123(R))	—	—	—	—	—	—	4,604	—	—	—	4,604	
Restricted common stock-based compensation expense (APB 25)	—	—	—	—	—	—	—	397	—	—	397	
Restricted common stock-based compensation expense (FAS 123(R))	—	—	—	—	—	—	3,862	—	—	—	3,862	
Options and restricted share cancellations	—	—	(40,401)	—	—	—	(140)	140	—	—	—	
Issuance of common stock — public offering	—	—	2,300,000	23	—	—	102,169	—	—	—	102,192	
Other	—	—	—	—	—	—	(4)	—	—	—	(4)	
Net income	—	—	—	—	—	—	—	—	—	19,752	19,752	19,752
Comprehensive income												$ 27,896
Balance as of December 31, 2007	—	$—	42,556,925	$426	4,202	$ (139)	$413,428	$(2,056)	$ 8,181	$ 18,522	$438,362	

	Preferred Stock		Common Stock		Common Stock, In Treasury		Additional Paid-In Capital	Deferred Stock-Based Compensation	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity	Comprehensive Income
	Shares	Amount	Shares	Amount	Shares	Amount						
	(In thousands, except share amounts)											
Exercise of stock options	—	—	102,182	1	—	—	950	—	—	—	951	
Directors deferred compensation stock units	—	—	17,638	—	—	—	264	—	—	—	264	
Issuances of common stock under employee stock purchase plan	—	—	123,587	1	—	—	1,690	—	—	—	1,691	
Compensation expense related to the employee stock purchase plan	—	—	—	—	—	—	299	—	—	—	299	
Tax benefit from the exercise of stock options and restricted common stock	—	—	—	—	—	—	(1)	—	—	—	(1)	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(10,926)	—	(10,926)	(10,926)
Treasury stock	—	—	—	—	3,003,919	(49,922)		—	—	—	(49,922)	
Unrealized gain on auction rate securities	—	—	—	—	—	—	—	—	15	—	15	15
Issuance of restricted common stock grants	—	—	49,357		—	—	—	—	—	—	—	
Stock-based compensation expense (APB 25)	—	—	—	—	—	—	—	1,196	—	—	1,196	
Stock-based compensation expense (FAS 123(R))	—	—	—	—	—	—	7,191	—	—	—	7,191	
Restricted common stock-based compensation expense (APB 25)	—	—	—	—	—	—	—	342	—	—	342	
Restricted common stock-based compensation expense (FAS 123(R))	—	—	—	—	—	—	5,022	—	—	—	5,022	
Options and restricted share cancellations	—	—	(7,952)	—	—	—	(72)	72	—	—	—	
Net income	—	—	—	—	—	—	—	—	—	1,736	1,736	1,736
Comprehensive income												$ 18,721
Balance as of December 31, 2008	—	$—	42,841,737	$428	3,008,121	$(50,061)	$428,771	$ (446)	$ (2,730)	$ 20,258	$396,220	

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

1. Business Description

DealerTrack Holdings, Inc. is a leading provider of on-demand software and data solutions for the automotive retail industry in the United States. Utilizing the Internet, we have built a network connecting automotive dealers with banks, finance companies, credit unions and other financing sources, and other service and information providers, such as aftermarket providers and the major credit reporting agencies. We have established a network of active relationships in the United States, which as of December 31, 2008, consisted of over 19,000 dealers, over 730 financing sources and many other service and information providers to the automotive retail industry. We consider a financing source to be active in our network as of a date if it has accepted credit application data electronically from dealers in the DealerTrack network in that month, including financing sources visible to dealers through drop down menus. 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. We believe our proven network provides a competitive advantage for distribution of our software and data solutions. Our dealership management system (DMS) and integrated subscription-based software solutions enable our dealer customers to manage their dealership and operations, compare various financing and leasing options and programs, sell insurance and other aftermarket products, analyze inventory, document compliance with certain laws and execute financing contracts electronically. We have also created efficiencies for financing source customers by providing a comprehensive digital and electronic contracting solution. In addition, we offer data and other products and services to various industry participants, including lease residual value and automobile configuration data.

2. Summary of Significant Accounting Policies

The consolidated financial statements of DealerTrack Holdings, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of DealerTrack Holdings, Inc. and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and such differences may be material to the consolidated financials statements.

On an on-going basis, we evaluate our estimates, including those related to the accounts receivable allowance, the fair value of financial assets, acquired intangible assets, goodwill, and other assets and liabilities; the useful lives of intangible assets, property and equipment, capitalized software and web site development costs; FAS 123(R) assumptions including volatility, expected term and forfeiture; and income taxes, among others. We base our estimates on historical experience and on other various assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Revenue Recognition

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

Transaction Services Revenue. Transaction services revenue consists of revenue earned from our financing source customers for each credit application or contract that dealers submit to them. We also earn transaction services revenue from financing source customers for each financing contract executed via our electronic contracting and digital contract processing solutions, as well as for any portfolio residual value analyses we perform for them. We also earn transaction services revenue from dealers or other service and information providers, such as aftermarket providers, and credit report providers, for each fee-bearing product accessed by dealers.

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

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

Subscription Services Revenue. Subscription services revenue consists of revenue earned from our customers (typically on a monthly basis) for use of our subscription or license-based products and services. Some of these subscription services enable dealer customers to manage their dealership data and operations, compare various financing and leasing options and programs, sell insurance and other aftermarket products, analyze inventory and execute financing contracts electronically. These subscription services are typically sold based upon contracts that include fixed or determinable prices and that do not include the right of return or other similar provisions or significant post service obligations. We recognize revenue from such contracts ratably over the contract period. We recognize set-up fees, if any, ratably over the expected customer relationship of three years. For contracts that contain two or more products or services, we recognize revenue in accordance with the above policy using relative fair value.

Other Revenue. Other revenue consists of revenue primarily earned through training and installations of our DMS suite, shipping commissions earned from our digital contract business and consulting and analytical revenue earned from ALG.

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

Shipping Costs

Shipping charges billed to customers are included in net revenue, and the related shipping costs are included in cost of revenue.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments purchased with original maturity of three months or less.

Short-term and long-term Investments

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

Short-term and long-term investments as of December 31, 2008 and 2007 consist of corporate bonds, municipal notes, and auction rate securities (ARS) that are invested in tax-exempt state government obligations and tax-advantaged preferred stock trust securities. We classify investment securities as available for sale, and as a result, report the investments at fair value. For the years ended December 31, 2008, 2007 and 2006, there were unrealized gains of $15,000, $0 and $0 included in accumulated other comprehensive income, respectively. Refer to Note 3 for information regarding the fair value measurement of our ARS.

Translation of Non-U.S. Currencies

We have maintained business operations in Canada since January 1, 2004. The translation of assets and liabilities denominated in foreign currency into U.S. dollars is made at the prevailing rate of exchange at the balance sheet date. Revenue, costs and expenses are translated at the average exchange rates during the period. Translation adjustments are reflected in accumulated other comprehensive income on our consolidated balance sheets, while gains and losses resulting from foreign currency transactions are included in our consolidated statements of operations. Amounts resulting from foreign currency transactions were not material for the years ended December 31, 2008, 2007 and 2006.

Allowance for Doubtful Accounts

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

Property, Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation, which is provided for by charges to income over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are charged to operating expenses as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

Software and Web Site Development Costs and Amortization

We account for the costs of software and web site development costs developed or obtained for internal use in accordance with SOP No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* and EITF 00-2, *Accounting for Web Site Development Costs.* We capitalize costs of materials, consultants and payroll and payroll-related costs incurred by employees involved in developing internal use computer software. Costs incurred during the preliminary project and post-implementation stages are charged to expense. Software and web site development costs are amortized on a straight-line basis over estimated useful lives ranging from two to four years. Capitalized software and web site development costs, net were $12.7 million and $10.8 million as of December 31, 2008 and 2007, respectively. Amortization expense totaled $7.4 million, $6.2 million and $5.8 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Goodwill, Other Intangibles and Long-lived Assets

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

SFAS No. 142 requires that goodwill be assessed at the operating segment or lower level. After considering the factors included in SFAS No. 131 and EITF Topic No. D-101, we determined that the components of our one operating segment have similar economic characteristics, nature of products, distribution, shared resources and type of customer such that the components should be aggregated into a single reporting unit for purposes of performing the impairment test for goodwill. We estimate the fair value of our reporting unit using a market capitalization approach. From time to time an independent third-party valuation expert may be utilized to assist in the determination of fair value. Determining the fair value of a reporting unit is judgmental and often involves the use of significant estimates and assumptions. We perform our annual goodwill impairment test on October 1 of every year or when there is a triggering event. Our estimate of the fair value of the reporting unit was in excess of its carrying value as of October 1, 2008 and 2007.

Historically, our market capitalization has been above the carrying value of our consolidated net assets and there has been no indication of potential impairment. The results of our most recent annual assessment performed on October 1, 2008 did not indicate any potential impairment of our goodwill.

Subsequent to our October 1, 2008 goodwill impairment test, our market capitalization was impacted by the volatility in the U.S equity markets. For twelve days between October 24, 2008 and November 24, 2008 and on January 21, 2009 our market capitalization was approximately 5% or less below the carrying value of our consolidated net assets of approximately $400 million, as of October 1, 2008. The period of October 24, 2008 and November 24, 2008, coincided with two specific events, the stock markets 52 week lows and the Detroit's Big Three automakers first meeting in Washington to plead their case for financial aid from the federal government.

Despite the fact that our market cap traded below our book value for twelve days we do not believe that there has been an impairment based on the duration and depth of the market decline as well as an implied control premium. A control premium is the amount that a buyer is willing to pay over the current market price of a company as indicated by the market capitalization, in order to acquire a controlling interest. The premium is justified by the expected synergies, such as the expected increase in cash flow resulting from the cost savings and revenue enhancements.

Long-lived assets, including property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the long-lived asset to its estimated fair value. The determination of future cash flows as well as the estimated fair value of long-lived assets involves significant estimates on the part of management. In order to estimate the fair value of a long-lived asset, we may engage a third party to assist with the valuation. If there is a material change in economic conditions or other circumstances influencing the estimate of future cash flows or fair value, we could be required to recognize impairment charges in the future. We evaluate the remaining useful life of intangible assets on a periodic basis to determine whether events and circumstances warrant a revision to the remaining estimated amortization period. If events and circumstances were to change significantly, such as a significant decline in the financial performance of our business, we could incur a significant non-cash charge to our income statement.

As discussed in Note 7 of our consolidated financial statements, during the fourth quarter of 2008, as a result of a specific event, we recorded and impairment of an intangible asset of approximately $1.9 million to cost of revenue.

Our financial results are impacted by trends in the number of dealers serviced and the level of indirect financing and leasing by our participating financing source customers, number of new and used vehicles sold, special promotions by automobile manufacturers and the level of indirect financing and leasing by captive finance companies not available in our network. We expect to continue to experience challenges due to the ongoing adverse outlook for the credit markets and automobile sales. In addition, volatility in our stock price and declines in our market capitalization could lead to an impairment of the carrying value of our goodwill and other long-lived assets. As a result, we may be required to write-off some of our goodwill or long-lived assets if these conditions persist for an extended period of time.

Income Taxes

We account for income taxes in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*, (SFAS No. 109) which requires deferred tax assets and liabilities to be recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No 109 of FIN 48*, on January 1, 2007. FIN 48 specifies the way public companies are to account for uncertainty in income tax reporting, and prescribes the methodology for recognizing, reversing, and measuring the tax benefits of a tax position taken, or expected to be taken in a tax return. Our adoption of FIN 48 did not result in any change to the level of our liability for uncertain tax positions, and there was no adjustment to our retained earnings for the cumulative effect of an accounting change. As of December 31, 2007, the total liability for the uncertain tax positions recorded in our balance sheet in accrued other liabilities was $0.1 million. At December 31, 2008, the total liability for uncertain tax positions recorded in our balance sheet in accrued other liabilities was $0.5 million.

Advertising Expenses

We expense the cost of advertising and promoting our services as incurred. Such costs are included in selling, general and administrative expenses in the consolidated statements of operations and totaled $1.4 million, $1.7 million and $0.9 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Concentration of Credit Risk

Our assets that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, short-term and long-term investments and receivables from clients. We place our cash, cash equivalents, short-term investments and long-term investments with financial institutions. We regularly evaluate the creditworthiness of the issuers in which we invest. Our trade receivables are spread over many customers. We maintain an allowance for uncollectible accounts receivable based on expected collectability and perform ongoing credit evaluations of customers' financial condition. As of December 31, 2008 and 2007 no customer accounted for more than 10% of our accounts receivable. For the three years ended December 31, 2008 no customer accounted for more than 10% of our revenue.

Our revenue is generated from customers associated with the automotive industry.

Net Income per Share

We computed net income per share in accordance SFAS No. 128, *Earnings per Share.* Under the provisions of SFAS No. 128, basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding, assuming dilution, during the period. The diluted earnings per share calculation assumes that (i) all stock options which are in the money are exercised at the

beginning of the period and the proceeds used by us to purchase shares at the average market price for the period and (ii) if applicable, unvested awards that are considered to be contingently issuable shares because they contain either a performance or market condition will be included in diluted earnings per share in accordance with SFAS No. 128 if dilutive and if their conditions (a) have been satisfied at the reporting date or (b) would have been satisfied if the reporting date was the end of the contingency period.

The following table sets forth the computation of basic and diluted net income (in thousands, except share and per share amounts):

	Year Ended December 31,		
	2008	2007	2006
Numerator:			
Net income	$ 1,736	$ 19,752	$ 19,336
Denominator:			
Weighted average common stock outstanding (basic)	40,461,896	39,351,138	36,064,796
Common equivalent shares from options to purchase common stock, restricted common stock and contingent Long-Term Incentive Equity Awards	1,211,111	1,847,635	1,502,692
Weighted average common stock outstanding (diluted)	41,673,007	41,198,773	37,567,488
Basic net income per share	$ 0.04	$ 0.50	$ 0.54
Diluted net income per share[1]	$ 0.04	$ 0.48	$ 0.51

(1) In accordance with SFAS No. 128, for the years ended December 31, 2008, 2007 and 2006, we have excluded 393,333, 196,666 and 400,000 contingently issued shares, respectively, from diluted weighted average common stock outstanding as their contingent considerations (a) have not been satisfied at the reporting date nor (b) would have been satisfied if the reporting date was the end of the contingency period (Refer to Note 13 for further information).

The following is a summary of the weighted 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:

	Year Ended December 31,		
	2008	2007	2006
Stock options	2,257,841	476,464	819,500
Restricted common stock	202,513	36,877	59,667
Total	2,460,354	513,341	879,167

Stock-Based Compensation

We have three types of stock-based compensation programs: stock options, restricted common stock, and an employee stock purchase plan (ESPP) that allows employees to purchase our common stock at a 15% discount each quarter through payroll deductions.

SFAS 123(R) requires us to measure and recognize the cost of employee services received in exchange for an award of equity instruments. Under the fair value recognition 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, net of an estimated forfeiture rate. As permitted by SFAS 123(R), we elected the prospective transition method because we previously applied the minimum value method, as a private company, under FAS 123. Under this method, prior periods are not revised. Upon the adoption of SFAS No. 123(R), we did not have a cumulative effect of accounting change.

Determining the appropriate fair value model and calculating the fair value of the share-based payment awards require the input of highly subjective assumptions, including the expected life of the share-based payment awards, the number of expected options or restricted common stock that will be forfeited prior to the completion of the vesting requirements, and the stock price volatility. We use the Black-Scholes and binomial lattice-based valuation pricing models to value our stock-based awards. Due to our limited public company history, we believe we do not have appropriate historical experience to estimate future exercise patterns or our expected volatility; as such we based our expected life and expected volatility on the historical expected life and historical expected volatility of similar entities whose common shares are publicly traded. Application of alternative assumptions could produce significantly different estimates of the fair value of stock-based compensation and consequently, the related amounts recognized in our consolidated statements of operations. The provisions of SFAS No. 123(R) apply to new or modified stock awards on the effective date.

On December 13, 2005, we commenced the initial public offering of our common stock. Prior to our initial public offering, we applied APB No. 25 and related interpretations for our stock option and restricted common stock grants and we measured awards using the minimum-value method for SFAS 123 pro forma disclosure purposes. ABP No. 25 provides that the compensation expense is measured based on the intrinsic value of the stock award at the date of grant. SFAS 123(R) requires that a company that measured awards using the minimum-value method for SFAS 123 prior to the filing of its initial public offering, 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. As a result, we will continue to account for pre-initial public offering awards under APB No. 25 unless they are modified after the adoption of SFAS 123(R).

The following summarizes stock-based compensation expense recognized for the three years ended December 31, 2008, 2007 and 2006 (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Stock options	$ 8,331	$ 6,333	$ 8,671
Restricted common stock	5,361	4,260	1,855
ESPP	299	313	150
Total stock-based compensation expense	$13,991	$10,906	$10,676

The intrinsic value and/or fair value per stock option and restricted common stock are being recognized as compensation expense over the applicable vesting period.

Stock-based compensation expense recognized for the year ended December 31, 2008 was $14.0 million, of which $12.5 million was in accordance with SFAS 123(R) and $1.5 million in accordance with APB 25. Stock-based compensation expense recognized for the year ended December 31, 2007 was $10.9 million, of which $8.8 million was in accordance with SFAS 123(R) and $2.1 million in accordance with APB 25. Stock-based compensation expense recognized for the year ended December 31, 2006 was $10.7 million, of which $3.7 million was in accordance with SFAS 123(R) and $7.0 million in accordance with APB 25.

Included in the stock-based compensation expense for restricted common stock for the years ended December 31, 2008, 2007 and 2006, was $1.4 million, $1.3 million, and zero, respectively, related to the long-term incentive equity awards. Refer to Note 13 for further information regarding our long-term incentive equity awards.

The following is the effect of adopting SFAS No. 123(R) as of January 1, 2006 (in thousands, except per share amounts):

	Year Ended December 31, 2006
Stock options, restricted common stock and employee stock purchase plan compensation expense recognized:	
Cost of revenue	$ 753
Product development	252
Selling, general and administrative	2,658
Total stock-based compensation expense	3,663
Related deferred income tax benefit	(1,429)
Decrease in net income	$ 2,234
Decrease in basic earnings per share	$ 0.06
Decrease in diluted earnings per share	$ 0.06

For the year ended December 31, 2008, 2007, and 2006, the fair market value of each option grant has been estimated on the date of grant using the Black-Scholes Option Pricing Model with the following SFAS 123(R) weighted-average assumptions:

	Year Ended December 31,		
	2008	2007	2006
Expected life (in years)[1]	4.33 - 4.47	4.33 - 6.25	6.25
Risk-free interest rate	2.35 - 3.14%	3.09 - 4.76%	4.27 - 5.04%
Expected volatility[2]	47 - 48.6%	47%	47%
Expected dividend yield	0%	0%	0%

(1) For the year ended December 31, 2008, the expected lives of options were determined based on the historical lives of similar entities whose common shares are publicly traded. For the year ended December 31, 2007 and 2006, the expected lives of options were determined based on the "simplified" method under the provisions of SAB 107. Due to our limited history as a public company, we believe we do 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) For the years ended December 31, 2008, 2007, and 2006, we estimated our expected volatility based on the historical volatility of similar entities whose common shares are publicly traded.

Refer to Note 13 for the weighted-average assumptions used in determining the expense for our Long-Term Incentive Equity Awards.

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 2008, 2007 and 2006 was $9.61, $16.47 and $11.17, respectively.

Recent Accounting Pronouncements

In April 2008, the FASB issued FSP SFAS No. 142-3 *Determination of the Useful Life of Intangible Assets* (FSP SFAS No. 142-3). FSP SFAS No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of FSP SFAS No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under other accounting principles generally accepted in the United States of America. FSP SFAS No. 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The guidance

for determining the useful life of a recognized intangible asset is to be applied prospectively, therefore, the impact of the implementation of this pronouncement cannot be determined until the transactions occur. We are currently determining the impact this will have on our AAX acquisition. Certain disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date.

In February 2008, the FASB issued FSP SFAS No. 157-2, *Effective Date of FASB Statement 157*, delaying the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We are currently evaluating the impact that this statement will have on our consolidated financial statements.

In June 2007, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, which clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends, or dividend equivalents, before vesting should be considered participating securities. As participating securities, these instruments should be included in the calculation of basic EPS. FSP No. EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Once effective, all prior-periods EPS data presented must be adjusted retroactively to conform with the provision of the FSP. We are currently evaluating the impact that this statement will have on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We have elected not to apply SFAS No. 159 to any of our existing assets or liabilities.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations (SFAS No. 141R), which replaced SFAS No. 141. SFAS No. 141R retains the fundamental requirements of SFAS No. 141, but revises certain principles, including the definition of a business combination, the recognition and measurement of assets acquired and liabilities assumed in a business combination, the accounting for goodwill, and financial statement disclosure. SFAS No. 141R will impact us in the first quarter of 2009 related to our recent acquisition of AAX. We are currently evaluating the impact that this statement will have on our consolidated financial statements.

3. Fair Value Measurements

Effective January 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157), which defines the fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are as follows:

- Level 1 — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 — Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3 — Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

We have segregated all financial assets that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Assets measured at fair value on a recurring basis include the following as of December 31, 2008 (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Cash equivalents[1]	$124,497	$ —	$ —	$124,497
Short-term investments[2][3]	42,490	860	—	43,350
Long-term investments[4]	—	2,842	1,550	4,392
Total	$166,987	$3,702	$1,550	$172,239

(1) Cash equivalents consist primarily of money market funds with original maturity dates of three months or less, for which we determine fair value through quoted market prices.

(2) Level 1 short-term investments consist primarily of corporate bonds and municipal notes with maturity dates of one year or less, for which we determine fair value through quoted market prices.

(3) Level 2 short-term and long-term investments consist of auction rate securities (ARS) invested in tax-advantaged preferred stock trusts in which the underlying equities are preferred stock of financial institutions. As of December 31, 2008, we have $3.7 million (net of impairment charge) of ARS invested in tax-advantaged preferred stock trusts. Our investments securities are classified as available for sale and reported at fair value. ARS have long-term underlying maturities, but have interest rates that reset every six months or less. The $3.7 million invested in tax-advantaged preferred stock trust securities are associated with failed auctions, for which we have been, or expect to be notified that the trust will be dissolved and will distribute the underlying security. As we expect to receive the liquid underlying preferred stock instruments within ninety days of year end, we believe that the most representative measure of fair value of these trusts to be the quoted market prices of the underlying preferred stock instruments. Based upon our assessment we reduced the fair value of the investments in the preferred stock trusts from $9.6 million to $3.7 million and recorded an other-than-temporary charge of $6.0 million to earnings and an unrealized gain of $0.1 million to stockholders' equity during the year ended December 31, 2008.

(4) Level 3 long-term investments consist of auction rate securities (ARS) invested in tax-exempt state government obligations that was valued at par. Our intent is not to hold the $1.6 million of ARS invested in tax-exempt state government obligations to maturity, but rather use the interest reset feature to provide liquidity as necessary.

We reviewed the ARS portfolio for impairment in accordance with FAS 115-1 and FAS 124-1,*The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* and Staff Accounting Bulletin Topic 5M *Other-Than-Temporary Impairment of Certain Investments in Debt and Equity Securities,* to determine the classification of the impairment as "temporary" or "other-than-temporary". A temporary impairment charge results in an unrealized loss being recorded in the other comprehensive income component of stockholders' equity. It occurs if a loss in an investment is determined to be temporary in nature and we have the ability and intent to hold the investment until a recovery in market value takes place. Such an unrealized loss does not reduce our net income for the applicable accounting period because the loss is not viewed as other-than-temporary. An impairment charge is recorded against earnings to the extent we determine that there is a loss of fair value that is other-than-temporary. We have determined that the significant reduction in fair value related to our preferred stock trusts ARS was other-than-temporary and we recorded an impairment charge in our consolidated statements of operations based on a variety of factors, including the significant decline in fair value indicated for the individual investments and the adverse market conditions impacting ARS. Based on our available cash and other investments, we do not currently anticipate that the lack of liquidity caused by failed auctions will have a material adverse effect on our operating cash flows or will affect our ability to operate our business as usual. The valuation of our ARS portfolio is subject to uncertainties that are

difficult to predict and we may be required to further reduce the carrying value of these securities, which would result in an additional loss being recognized in our statement of operations, which could be material.

The change in the carrying amount of Level 3 investments for the twelve months ended December 31, 2008 is as follows (in thousands):

Balance as of January 1, 2008	$ —
Reclassification from Level 1 investments to Level 3 investments	169,580
Reclassification from Level 3 investments to Level 2 investments	(3,936)
Net sales of auction rate securities	(158,430)
Other-than-temporary impairment included in net income	(5,664)
Balance as of December 31, 2008	$ 1,550

4. Business Combinations

AutoStyleMart, Inc. (ASM)

On August 1, 2007, we completed the purchase of all of the outstanding shares of ASM, for a purchase price of $4.0 million in cash (including direct acquisition costs of $0.2 million). ASM is a provider of accessories-related solutions to automotive dealerships. Under the terms of the merger agreement, we have a future contingent payment obligation of up to $11.0 million in cash, based upon the achievement of certain operational targets from February 2008 through February 2011. As the terms of the merger agreement required certain of the former stockholders to remain employees or consultants of DealerTrack for a certain period, a portion of the contingent purchase price if earned, will be classified as compensation, purchase price, or a combination thereof. As of December 31, 2008, we are uncertain if the operational targets for the earnout will be achieved, and as such no compensation expense or purchase price has been recorded in connection with this contingent payment obligation. Quarterly, we will re-assess the probability of the achievement of the operational targets.

This acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows (in thousands):

Current assets	$ 69
Property and equipment	32
Intangible assets	4,126
Goodwill	808
Total assets acquired	5,035
Total liabilities assumed	(1,018)
Net assets acquired	$ 4,017

The liabilities assumed includes a $1.4 million deferred tax liability that relates to the future amortization of acquired intangibles offset by a $1.0 million deferred tax asset that relates primarily to acquired net operating loss carryovers.

We allocated the amounts of intangibles and goodwill based on fair value as follows: approximately $3.7 million of the purchase price has been allocated to purchased technology and $0.4 million to non-compete agreements. These intangibles are being amortized on a straight line basis over four to five years based on each intangible's estimated useful life. We also recorded approximately $0.8 million in goodwill, which represents the remainder of the excess of the purchase price over the fair value of the net assets acquired.

The results of AutoStyleMart were included in our consolidated statements of operations from the date of acquisition.

Arkona, Inc. (Arkona)

On June 6, 2007, we completed the purchase of all of the outstanding shares of Arkona for a cash purchase price of approximately $60.0 million (including direct acquisition costs of approximately $1.0 million). This acquisition expands our product suite with an on-demand dealership management system that can be utilized by franchised, independent and other specialty retail dealers.

This acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows (in thousands):

Current assets	$ 2,842
Property and equipment	2,065
Other assets	191
Intangible assets	25,660
Goodwill	39,091
Total assets acquired	69,849
Total liabilities assumed	(9,876)
Net assets acquired	$59,973

The liabilities assumed includes a $9.3 million deferred tax liability that relates primarily to the future amortization of acquired intangibles offset by a $4.5 million deferred tax asset that relates primarily to acquired net operating loss carryovers. Additionally, the liabilities assumed include approximately a $2.0 million sales tax liability, which had been reduced by $0.8 million from $2.8 million during the year ended December 31, 2008. Subsequent to the acquisition we expensed approximately $0.5 million of additional potential sales tax liability.

We allocated the amounts of intangible assets and goodwill based on fair value appraisals as follows: approximately $14.7 million of the purchase price has been allocated to purchased technology (five year life), $9.2 million to customer contracts (four year life) and $1.8 million to non-compete agreements (one and three year lives). These estimated intangibles are being amortized on a straight line basis over each intangible's estimated useful life. We also recorded approximately $39.1 million in goodwill, which represents the remainder of the excess of the purchase price over the fair value of the net assets acquired.

The results of Arkona were included in our consolidated statements of operations from the date of acquisition.

Curomax Corporation and its subsidiaries (collectively, Curomax)

On February 1, 2007, we completed the purchase of all of the outstanding shares of Curomax pursuant to a shares purchase agreement, dated as of January 16, 2007, for an adjusted cash purchase price of approximately $40.7 million (including direct acquisition and restructuring costs of approximately $1.6 million). Curomax is a provider of an Internet-based credit application and contract processing network in Canada. Under the terms of the share purchase agreement, we have future contingent payment obligations of approximately $1.8 million in cash to be paid out based upon the achievement of certain operational objectives over the subsequent twenty-four months. As of December 31, 2008, we have determined that certain operational conditions have been met and as such, we have recorded a liability of approximately $1.4 million which was paid out on February 9, 2009. The operational conditions related to the remaining amount of $0.4 million were determined as of September 30, 2008 not to be achieved, however a subsequent reassessment determined that the operational conditions had been met and the additional $0.4 million of contingent purchase price was recorded as a liability at December 31, 2008 and will be paid in 2009. The $1.8 million of additional purchase consideration was recorded as goodwill.

This acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows (in thousands):

Current assets	$ 1,925
Property and equipment	339
Intangible assets	21,670
Goodwill	21,929
Total assets acquired	45,863
Total liabilities assumed	(5,154)
Net assets acquired	$40,709

The liabilities assumed includes a $3.9 million deferred tax liability that relates primarily to the future amortization of acquired intangibles offset by a $0.3 million deferred tax asset that relates primarily to acquired net operating loss carryovers.

We allocated the amounts to intangible assets and goodwill based on fair value appraisals as follows: approximately $17.2 million of the purchase price has been allocated to customer contracts (four year life), $0.8 million to purchased technology (one and two year lives) and $3.7 million to non-compete agreements (two year lives). These intangibles are being amortized on a straight-line basis over each intangible's estimated useful life. We also recorded approximately $21.9 million in goodwill, which represents the remainder of the excess of the purchase price over the fair value of the net assets acquired.

The results of Curomax were included in our consolidated statements of operations from the date of acquisition. On January 1, 2008, Curomax Corporation was amalgamated into DealerTrack Canada, Inc.

DealerWare L.L.C. (DealerWare)

On August 1, 2006, we acquired substantially all of the assets and certain liabilities of DealerWare. DealerWare is a provider of aftermarket menu-selling software and other dealership software. DealerWare's software suite also includes reporting and compliance solutions that complement DealerTrack's existing products. The aggregate purchase price was $5.2 million in cash (including direct acquisition costs of approximately $0.2 million). This acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows (in thousands):

Current assets	$ 12
Intangible assets	2,200
Goodwill	2,942
Total assets acquired	5,154
Total liabilities assumed	—
Net assets acquired	$5,154

We allocated the amounts to intangible assets and goodwill based on fair value appraisals as follows: approximately $1.3 million of the purchase price has been allocated to customer contracts and approximately $0.9 million to purchased technology. These intangibles are being amortized on a straight-line basis over eighteen months to three years based on each intangible's estimated useful life. We also recorded approximately $2.9 million in goodwill, which represents the remainder of the excess of the purchase price over the fair value of the net assets acquired.

The results of DealerWare were included in our consolidated statement of operations from the date of the acquisition.

Global Fax, L.L.C. (Global Fax)

On May 3, 2006, we acquired substantially all of the assets and certain liabilities of Global Fax. Global Fax provides outsourced document scanning, storage, data entry, and retrieval services for automotive financing customers. The aggregate purchase price was $24.6 million in cash (including direct acquisition costs of approximately $0.3 million). This acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows (in thousands):

Current assets	$ 1,261
Property and equipment	537
Other long-term assets	14
Intangible assets	11,192
Goodwill	11,718
Total assets acquired	24,722
Total liabilities assumed	(167)
Net assets acquired	$24,555

We allocated the amounts to intangible assets and goodwill based on fair value appraisals as follows: approximately $5.9 million of the purchase price has been allocated to customer contracts, $4.4 million to an application processing contract with DHL, $0.5 million to purchased technology and $0.4 million to non-compete agreements. These intangibles are being amortized on a straight-line basis over two to five years based on each intangible's estimated useful life. We also recorded approximately $11.7 million in goodwill, which represents the remainder of the excess of the purchase price over the fair value of the net assets acquired.

The results of Global Fax were included in our consolidated statement of operations from the date of the acquisition.

WiredLogic, Inc. (DealerWire)

On February 2, 2006, we acquired substantially all of the assets and certain liabilities of DealerWire. DealerWire allows a dealership to evaluate its sales and inventory performance by vehicle make, model and trim, including information about unit sales, costs, days to turn and front-end gross profit. The aggregate purchase price was $6.0 million in cash (including direct acquisition costs of approximately $0.1 million). This acquisition was recorded under the purchase method of accounting, resulting in the total purchase price being allocated to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition as follows (in thousands):

Current assets	$ 18
Property and equipment	36
Other long-term assets	5
Intangible assets	2,262
Goodwill	3,734
Total assets acquired	6,055
Total liabilities assumed	(22)
Net assets acquired	$6,033

We allocated the amounts to intangible assets and goodwill based on fair value appraisals as follows: approximately $1.3 million of the purchase price has been allocated to customer contracts, $0.7 million to purchased technology and $0.3 million to non-compete agreements. These intangibles are being amortized on a straight-line basis over two years based on each intangible's estimated useful life. We also recorded approximately

$3.7 million in goodwill, which represents the remainder of the excess of the purchase price over the fair value of the net assets acquired.

The results of DealerWire were included in our consolidated statement of operations from the date of the acquisition.

DealerAccess Purchase Price Adjustment

In connection with the purchase of DealerAccess, Inc. (DealerAccess) on January 1, 2004, we had a contractual agreement with the seller providing that (i) if the seller or any of its related parties submitted one or more on-line credit applications prior to December 31, 2006 in regard to purchases of vehicles, other than recreational or marine vehicles, to any third-party which offers services in Canada that are similar to the credit application portal services and (ii) the aggregate volume of the funded transactions submitted by the seller or any of its related parties to DealerAccess through the portal during the period beginning January 1, 2004 through December 31, 2006 is less than the volume defined in the purchase agreement, then the purchase price would be adjusted downward.

We were made aware during 2006 that a party related to the seller began submitting on-line electronic credit applications through a competing portal. After the contractual measurement period expired on December 31, 2006, we calculated the purchase price adjustment of $1.4 million. The adjustment was paid by the seller in February 2007. We recorded this purchase price adjustment to other income during the fourth quarter 2006, as DealerAccess had no remaining goodwill or identifiable intangibles from purchase accounting.

Automotive Lease Guide Purchase Price Adjustment

In connection with the purchase of Automotive Lease Guide (ALG) on May 25, 2005, we had a contractual agreement with the seller to pay an additional $0.8 million per year for 2006 through 2010. There is additional contingent consideration of $11.3 million that may be paid contingent upon future increases in revenue of ALG and another one of our subsidiaries through December 2009. For the years ended December 31, 2008, 2007 and 2006, we paid $1.1 million, $0.5 million and $0.2 million of additional consideration. The remaining potential contingent consideration as of December 31, 2008 is $9.4 million. The additional purchase price consideration was recorded as goodwill on our consolidated balance sheet.

5. Related Party Transactions

Service Agreements with Related Parties — Other Service and Information Providers

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 expense to this related party for the year ended December 31, 2006 was $1.7 million. As of December 31, 2006, this service provider did not own at least 5% of our shares and is no longer considered a related party.

We entered into several agreements with a stockholder and its affiliates that is a service provider for automotive dealers. These automotive dealers may utilize our network to access customer credit reports and customer leads provided by or through this related party. We earn revenue from this related party for each credit report or customer lead that is accessed using our web-based service. The total amounts of net revenue from this related party for the year ended December 31, 2008, 2007 and 2006 were $2.4 million, $2.4 million, and $2.7 million. The total amount of accounts receivable from this related party as of December 31, 2008 and 2007 was $0.3 million and $0.2 million, respectively.

Service Agreement with Related Parties — Financing Sources

We have entered into agreements with the automotive financing source affiliates of certain of our former 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 our data services and other products. 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 these stockholders also restrict our ability to terminate such agreements.

The total amount of net revenue from these related parties for the year ended December 31, 2006 was $30.7 million.

As a result of our October 12, 2006 public offering, we no longer had a financing source as a related party.

6. Property and Equipment

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

	Estimated Useful Life (Years)	December 31, 2008	December 31, 2007
Computer equipment	3 - 5	$ 20,431	$16,719
Office equipment	5	2,896	2,189
Furniture and fixtures	5	3,068	2,840
Leasehold improvements	5 -11	1,233	992
Total property and equipment, gross		27,628	22,740
Less: Accumulated depreciation and amortization		(14,180)	(9,948)
Total property and equipment, net		$ 13,448	$12,792

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2008, 2007 and 2006, was $5.9 million, $4.1 million and $2.8 million, respectively, and is calculated on a straight line basis over the estimated useful life of the asset.

7. Intangible Assets

Intangible assets principally are comprised of customer contracts, database, trade names, patents, technology, non-competition agreements, and application processing contract with DHL. The amortization expense relating to intangible assets is recorded as a cost of revenue. The gross book value, accumulated amortization and amortization periods of the intangible assets were as follows (dollars in thousands):

	December 31, 2008		December 31, 2007		
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization	Amortization Period (Years)
Customer contracts	$33,673	$(17,289)	$ 41,569	$(14,789)	2-4
Database	13,333	(8,818)	16,433	(9,577)	3-6
Trade names	10,500	(5,469)	10,500	(4,460)	5-10
Technology	22,684	(7,209)	35,212	(16,618)	2-5
Non-compete agreement	10,697	(7,697)	14,062	(6,214)	2-5
Application processing contract	—	—	4,400	(1,029)	5
Other	—	—	900	(861)	5
Total	$90,887	$(46,482)	$123,076	$(53,548)	

The amortization expense charged to income for the years ended December 31, 2008, 2007, and 2006, was $26.8 million, $28.2 million, and $17.3 million, respectively.

Amortization expense that will be charged to income for the subsequent five years and thereafter is estimated, based on the December 31, 2008 book value, to be $17.8 million in 2009, $14.6 million in 2010, $6.9 million in 2011, $2.6 million in 2012, $1.3 million in 2013 and $1.2 million thereafter.

On May 4, 2007, we completed an asset acquisition from Manheim Auction, Inc. of a non-compete agreement, customer list and a three-year data license for approximately $5.1 million. Based upon a fair value assessment we allocated $4.2 million to the non-compete agreement, $0.4 million to the customer list and $0.5 million to the data license. All three intangibles will be amortized to cost of revenue over three years.

On November 10, 2008, we entered into a perpetual license agreement for certain CRM technology components with AutoNation Holding Corp, Inc. for $3.0 million. The entire $3.0 million was allocated to the fair value of the technology acquired and will be amortized to cost of revenue over its useful life. As of December 31, 2008, $2.5 million has been paid and the remaining amount of $0.5 million is payable on the earlier of one hundred eighty days from the delivery date of the technology or completion of the first successful installation of the technology by DealerTrack.

During May 2006, as a part of our acquisition of Global Fax, LLC we recorded an intangible asset related to an application processing contract with DHL of $4.4 million. During the fourth quarter of 2008, we were notified by DHL that they would be cancelling their contract and as such management concluded that this asset was impaired and accelerated the remaining amortization of approximately $1.9 million to cost of revenue.

8. Goodwill

The changes in the carrying amount of goodwill for the year ended December 31, 2008 is as follows (in thousands):

Balance as of January 1, 2008	$117,702
Purchase price adjustments — Curomax (see Note 4)	1,799
Impact of change in Canadian dollar exchange rate	(4,610)
Purchase price adjustments — ALG (Note 4)	1,139
Purchase price adjustments — Arkona (Note 4)	(836)
Other	(308)
Balance as of December 31, 2008	$114,886

The changes in the carrying amount of goodwill for the year ended December 31, 2007 is as follows (in thousands):

Balance as of January 1, 2007	$ 52,499
Acquisition of Curomax (see Note 4)	20,130
Impact of change in Canadian dollar exchange rate	3,768
Acquisition of Arkona (see Note 4)	39,927
Acquisition of AutoStyleMart (see Note 4)	803
Purchase price adjustments — ALG	547
Purchase price adjustments — Go Big	74
Other adjustments	(46)
Balance as of December 31, 2007	$117,702

9. Other Accrued Liabilities

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

	December 31, 2008	December 31, 2007
Customer deposits	$ 2,749	$ 2,773
Revenue share	1,700	1,196
Taxes	1,511	3,379
Accrued Curomax contingent consideration (Note 4)	1,837	—
Software licenses	1,341	1,212
Professional fees	1,158	1,462
Public company costs	240	174
Severance	34	271
Other	815	920
Total other accrued liabilities	$11,385	$11,387

10. Public Offerings

On October 24, 2007, we completed the public offering of 5,175,000 shares (including 675,000 shares sold upon the exercise of the underwriters' over-allotment option) of our common stock at a price of $46.40 per share. In this offering, 2,300,000 shares were sold by us and 2,875,000 shares were sold by a stockholder. We did not receive any proceeds from the sale of our common stock by the selling stockholder. The net proceeds to us from the sale of our common stock in this offering were $102.2 million after the exercise of the over-allotment, after deducting the underwriting discounts and commissions, financial advisory fees and expenses of the offering.

On October 12, 2006, we completed the public offering of 11,500,000 shares of our common stock at a price of $23.76 per share. In this offering, we sold 2,750,000 shares of our common stock and certain of our stockholders sold 8,750,000 shares of our common stock, including 1,500,000 shares of our common stock sold by the selling stockholders in connection with the full exercise of the underwriters' over-allotment option. We did not receive any proceeds from the sale of shares of our common stock by the selling stockholders. We received net proceeds of $61.6 million after the exercise of the over-allotment, after deducting the underwriting discounts and commissions, financial advisory fees and expenses of the offering.

11. 401(k) Plan

Our 401(k) plan covers substantially all employees meeting certain age requirements in accordance with section 401(k) of the Internal Revenue Code. Under the provisions of the 401(k) plan, we have the ability to make matching contributions equal to a percentage of the qualifying portion of the employee's voluntary contribution, as well as an additional matching contribution at year end and a nonelective contribution. Contributions under such plans for the years ended December 31, 2008, 2007 and 2006 were $2.0 million, $1.6 million and $1.0 million, respectively.

12. Income Taxes

The components of our income before income taxes are as follows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
United States	$(2,467)	$29,433	$23,554
Canada	8,164	3,353	2,579
Total income before taxes	$ 5,697	$32,786	$26,133

The provision for income taxes consists of the following (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Current tax:			
Federal	$ 2,440	$14,123	$ 15,558
State and local	290	2,373	2,839
Canada	3,283	1,169	—
Total current tax	6,013	17,665	18,397
Deferred tax:			
Federal	(1,783)	(5,757)	(8,510)
State and local	(913)	179	(471)
Canada	644	947	(2,619)
Total deferred tax	(2,052)	(4,631)	(11,600)
Provision for income taxes, net	$ 3,961	$13,034	$ 6,797

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect in the year in which the differences are expected to reverse.

Deferred tax assets and liabilities as of December 31, 2008 and 2007 consisted of the amounts shown below:

	December 31,	
	2008	2007
Deferred tax assets:		
Net operating loss carryforwards	$ 4,465	$ 8,092
Depreciation and amortization	—	143
Deferred compensation	11,053	7,543
Acquired intangibles	5,650	1,230
Tax credits	—	511
Impairment loss	2,171	—
Other	2,021	2,940
	25,360	20,459
Deferred tax liabilities:		
Acquired Intangibles	(1,299)	(2,795)
Capitalized software and web site development	(2,076)	(2,264)
Depreciation and amortization	(864)	—
Tax credits	(100)	—
Other	(1,144)	(733)
	19,877	14,667
Deferred tax asset valuation allowance	(3,322)	(954)
Total Deferred tax assets, net	$16,555	$13,713

As of December 31, 2007, the deferred tax asset other included SRED Pool carryforwards in the amount of $1.0 million. The SRED Pool deferred tax asset as of December 31, 2007 was fully utilized by December 31, 2008.

As required by SFAS No. 109, the conclusion that it is more likely than not that the net deferred tax asset of approximately $16.6 million and $13.7 million at December 31, 2008 and 2007, respectively, would be realized was based on careful evaluation of the nature and weight of all of the available positive and negative evidence in

accordance with SFAS No. 109. In reaching our conclusion, we balanced the weight of both the negative and positive evidence including cumulative losses; recent positive earnings; the expected level of future earnings; the length of the carry forward periods applicable to the deferred tax assets; and the change in business activity in recent years as compared to the initial years of operation.

We have state net operating losses which expire in various times and amounts through 2027. For the year ended December 31, 2008, approximately $1.1 million of the $3.3 million represents a valuation allowance against our state net operating losses which may not be utilized, and $2.2 million of the $3.3 million represents a valuation allowance against our impairment loss for auction rate securities which may not be utilized. Capital losses generally may only be used to offset income from capital gains. Since we do not anticipate any capital gains in the foreseeable future, no tax benefit is recorded with respect to the impairment losses as it is not likely that tax benefits would ultimately be realized from such losses. For the year ended December 31, 2007, the deferred tax asset valuation allowance of approximately $1.0 million represents a valuation allowance against our state net operating losses which may not be utilized.

As of December 31, 2008 and 2007, we had U.S. federal net operating loss carryforwards of $9.2 million and $20.0 million, respectively. As of December 31, 2008 and 2007, the utilization of $9.2 million and $20.0 million, respectively, of these loss carryforwards may be subject to limitation under Section 382 of the Internal Revenue Code. These losses are available to reduce future taxable income and expire in varying amounts beginning in 2022.

As of December 31, 2008, all Canadian net operating loss carryforwards from prior periods were fully utilized.

The difference in income tax expense between the amount computed using the statutory federal income tax rate and our effective tax rate is primarily due to state taxes and tax exempt income from investments. The effect of change in tax rate for 2008 and 2007 is primarily due to state taxes, differences in foreign tax rates and the benefits derived from tax exempt income. The effect of change in tax rate for 2006 represents the tax impact of a change in the estimated effective tax rate applicable to our deductible and taxable temporary differences for purpose of determining our deferred tax assets and liabilities. The change in the estimated effective tax rate was made in order to reflect the tax rate at which our temporary differences are expected to reverse in future years.

The analysis of the effective tax rate for 2008, 2007 and 2006 is as follows:

	Year Ended December 31,		
	2008	2007	2006
Pre-tax book income	35.0%	35.0%	35.0%
State taxes	(2.7)	3.5	6.0
Foreign rate differential	18.8	2.8	0.2
Deferred tax rate adjustment	(7.9)	1.5	2.3
Valuation allowance and other	26.3	(3.1)	(17.5)
Total	69.5%	39.7%	26.0%

We do not provide for deferred taxes on the temporary differences related to investments in foreign subsidiaries since such profits are considered to be permanently invested.

We do not expect any significant increase or decrease in our unrecognized tax benefits within the next 12 months. We adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109 of FIN 48, on January 1, 2007. FIN 48 specifies the way public companies are to account for uncertainty in income tax reporting, and prescribes the methodology for recognizing, reversing, and measuring the tax benefits of a tax position taken, or expected to be taken, in a tax return. Our adoption of FIN 48 did not result in any change to the level of our liability for uncertain tax positions, and there was no adjustment to our retained earnings for the cumulative effect of an accounting change.

We file a consolidated US income tax return and tax returns in various state and local jurisdictions. Certain of our subsidiaries also file income tax returns in Canada. The Internal Revenue Service (IRS) has initiated a review of our consolidated federal income tax return for the period ended December 31, 2006. The IRS has also initiated an examination of Arkona, Inc. for the period ended March 31, 2006 (pre-acquisition period). At this time no issues

have been identified in any audits which would lead us to believe any changes in reserves are necessary. All of our other significant taxing jurisdictions are closed for years prior to 2005.

Interest and penalties, if any, related to tax positions taken in our tax returns recorded in interest expense and general and administrative expenses, respectively, in our consolidated statement of operations. At December 31, 2007, no amounts were accrued for interest and penalties related to tax positions taken on our tax returns. At December 31, 2008, we accrued interest and penalties related to tax positions taken on our tax returns of approximately $28,000.

A year-over-year reconciliation of our liability for uncertain tax positions is as follows (dollars in millions):

Balance January 1, 2008	$ 0.1
Additions	0.4
Payments	—
Balance December 31, 2008	$ 0.5
Balance January 1, 2007	$ 0.4
Additions	—
Payments	(0.3)
Balance December 31, 2007	$ 0.1

Approximately $0.3 million of the liability for uncertain tax positions recorded in our balance sheet would affect our effective rate upon resolution of the uncertain tax positions.

13. 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.

Second Amended and Restated 2005 Incentive Award Plan

On June 3, 2008, our stockholders approved a proposal to amend and restate our Amended and Restated DealerTrack Holdings, Inc. 2005 Incentive Award (2005 Incentive Award Plan) to, among other things, increase the aggregate number of shares authorized for issuance under the 2005 Plan by 1,550,000 shares. After giving effect to these additional shares there is an aggregate of 9,250,000 shares of common stock that have been reserved for issuance pursuant to the 2005 Incentive Award Plan. As of December 31, 2008, 1,559,996 shares were available for future issuance. The significant features of the Second Amended and Restated 2005 Incentive Award Plan are:

- any shares underlying grants that are forfeited, cancelled or are terminated are added back for issuance;
- shares tendered or held for taxes will not be added to the reserved pool;
- upon the exercise of a stock appreciation rights, or SAR, the gross number of shares will be reduced from the pool;
- we may grant non-qualified stock options, restricted common stock, SAR's, performance shares, performance stock units, dividend equivalent units, stock payment awards, deferred stock awards, restricted stock units performance-based awards payable in either cash or in shares to our employees, directors or consultants, and additionally, we may grant incentive stock options to our employees;
- the option term for new stock options is now limited to seven years;
- the maximum number of shares of common stock that may be awarded to any one person during any one year is 750,000 shares and the maximum amount payable with respect to cash performance bonus awards during any fiscal year is limited to $3,000,000;

- to ensure that certain awards granted as "performance-based compensation" under section 162(m) of the Internal Revenue Code of 1986, the compensation committee may require that the vesting of such awards be conditioned on the satisfaction of performance criteria; and
- the term of the Restated 2005 Plan is now extended to April 29, 2018.

Options granted under both the 2001 Stock Option Plan and the 2005 Incentive Award Plan generally vest over a period of four years from the vesting commencement date (three years for directors), and expire seven years from the date of grant (as defined by the plan document), except for stock options granted prior to July 11, 2007, which expire ten years from the date of grant (as defined by the plan document) 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 under certain conditions have a twelve-month period following termination of employment to exercise.

The following table summarizes the activity under our stock option plans as of December 31, 2008:

	Number of Shares	Weighted-Average Exercise Price
Balance as of January 1, 2008	3,918,595	$14.2141
Options Granted	1,041,900	$23.6416
Options Exercised	(102,182)	$ 9.3085
Options Cancelled	(124,964)	$27.3064
Balance as of December 31, 2008	4,733,349	$16.0616
Vested and unvested expected to vest as of December 31, 2008	4,610,656	$15.8334

The intrinsic value of the stock options exercised during the years ended December 31, 2008, 2007 and 2006 was approximately $1.1 million, $18.9 million, and $6.7 million, respectively. The intrinsic value of the stock options vested and unvested expected to vest at December 31, 2008 was approximately $14.6 million. The weighted average remaining contractual term for options vested and unvested expected to vest at December 31, 2008 was 5.5758 years.

The following table summarizes information concerning currently outstanding and exercisable options as of December 31, 2008:

	Options Outstanding				Options Exercisable			
Exercise Price Range	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)
$2.80-$47.98	4,733,349	5.5863	$16.0616	$14,617	3,024,306	5.3634	$10.7873	$14,555

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value, based on our closing stock price of $11.89 for the year ended December 31, 2008.

We have granted restricted common stock to certain employees and directors under the 2005 Incentive Award Plan. The awards are generally subject to an annual cliff vest of four years from the date of grant (one year for directors).

A summary of the status of the non-vested shares as of December 31, 2008 and changes during the year ended December 31, 2008, is presented below:

	Restricted Common Stock	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested as of January 1, 2008	983,129	$16.0433
Awards granted	49,357	$19.9127
Awards vested	(141,510)	$27.1847
Awards canceled/expired/forfeited	(7,801)	$28.8505
Non-vested as of December 31, 2008	883,175	$14.3609

As of December 31, 2008, there was $15.5 million and $10.4 million of unamortized APB 25 and FAS 123(R) stock-based compensation expense related to stock option and restricted common stock awards, respectively. The unamortized stock-based compensation expense related to stock options is expected to be recognized on a straight line basis over a weighted average remaining period of 2.2196 years. Of the $10.4 million of deferred stock-based compensation expense related to restricted common stock awards, $5.2 million is expected to be recognized on a straight-line basis over a weighted average remaining period of 1.3356 years. The remaining $5.2 million of restricted common stock-based compensation relates to the long-term incentive equity awards, of which $0.8 million relates to the Market Value Awards and $4.4 million relates to the EBITDA Performance Awards. Refer to the section "Long-Term Incentive Equity Awards", in this footnote, for expense recognition information.

Employee Stock Purchase Plan

The total number of shares of common stock reserved under the ESPP is 1,500,000 and the total number of shares available for future issuance as of December 31, 2008 under the ESPP is 1,275,074. 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 last day of the offering period, which is the date of purchase. As of December 31, 2008, 224,926 shares of common stock were issued under the ESPP. The compensation expense that we recorded for the years ended December 31, 2008, 2007 and 2006, related to the ESPP was $0.3 million, $0.3 million and $0.2 million, respectively.

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 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 ours 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. As of December 31, 2008, 2,177 deferred stock units were recorded under a memo account and 147,823 shares of common stock are reserved and available for distribution under the Employees' Deferred Compensation Plan.

Directors' Deferred Compensation Plan

The Directors' Deferred Compensation Plan is a non-qualified retirement plan that 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 ours 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. As of December 31,

2008, 32,703 deferred stock units were recorded under a memo account and 34,312 shares of common stock are reserved and available for distribution under the Directors' Deferred Compensation Plan.

Long Term Incentive Equity Awards

On August 2, 2006, November 2, 2006, and July 21, 2007, the compensation committee of the board of directors granted long-term performance equity awards (under the 2005 Incentive Award Plan) consisting of 565,000, 35,000 and 10,000 shares of restricted common stock, respectively, to certain executive officers and other employees. Each individual's award is allocated 50% to achieving earnings before interest, taxes, depreciation and amortization, as adjusted to reflect any future acquisitions (EBITDA Performance Award) and 50% to the market value of our common stock (Market Value Award). The awards are earned upon our achievement of EBITDA and market-based targets for the fiscal years 2007, 2008 and 2009, but will not vest unless the grantee remains continuously employed in active service until January 31, 2010. If an EBITDA Performance Award or Market Value Award is not earned in an earlier year, it can be earned upon achievement of that target in a subsequent year. The awards will accelerate in full upon a change in control, if any.

In accordance with FAS 123(R), we valued the EBITDA Performance Award and the Market Value Award using the Black-Scholes and binomial lattice-based valuation pricing models, respectively. The total fair value of the entire EBITDA Performance Award is $6.0 million (prior to estimated forfeitures), of which, in January 2007, we began expensing on a straight-line basis the amount associated with the 2007 award as it was deemed probable that the threshold for the year ending December 31, 2007 would be met. We have met the EBITDA target for 2007 and have recorded expense related to the 2007 target for the years ended December 31, 2008 and 2007, of $0.7 million and $0.6 million, respectively. As of December 31, 2008, we have not begun to expense the EBITDA Performance Awards for 2008 and 2009 as it has not been deemed probable that the targets will be achieved. We will continue to evaluate the probability of achieving the targets on a quarterly basis. The total value of the entire Market Value Award is $2.5 million (including estimated forfeitures), which is expensed on a straight-line basis from the date of grant over the applicable service period. As long as the service condition is satisfied, the expense is not reversed, even if the market conditions are not satisfied. The expense recorded related to the market value award for the years ended December 31, 2008, 2007 and 2006, was $0.7 million, $0.7 million and $0.3 million, respectively.

The fair value of the EBITDA Performance Award for the years ended December 31, 2007 and 2006 has been estimated on the date of grant using a Black-Scholes valuation pricing model with the following weighted-average assumptions

	July 21, 2007	November 2, 2006	August 2, 2006
Expected volatility	47.00%	40.00%	40.00%
Expected dividend yield	0.00%	0.00%	0.00%
Expected life (in years)	2.37	3.16	3.42
Risk-free interest rate	4.43%	4.91%	4.99%
Weighted-average fair value of EBITDA Performance Award	$38.01	$25.39	$18.95

The number of shares of restricted common stock that management expects to be earned for the Market Value Award for the years ended December 31, 2007 and 2006 has been estimated on the date of grant using a binomial lattice-based valuation pricing model with the following weighted-average assumptions:

	July 21, 2007	November 2, 2006	August 2, 2006
Expected volatility	47.00%	40.00%	40.00%
Expected dividend yield	0.00%	0.00%	0.00%
Expected life (in years)	2.37	1.16-3.16	1.41-3.42
Risk-free interest rate	4.43%	4.55-4.91%	4.83-4.99%
Weighted-average fair value of Market Value Award	$29.77	$ 15.86	$ 7.49

14. Stock Repurchase Program

On March 18, 2008, the board of directors authorized a stock repurchase program under which we may spend up to $75.0 million to repurchase shares of our common stock. Stock repurchases under this program may be made on the open market, through 10b5-1 programs, or in privately negotiated transactions in accordance with all applicable laws, rules and regulations. The transactions may be made from time to time without prior notice and in such amounts as our management deems appropriate and will be funded from cash on hand. The number of shares to be repurchased and the timing of repurchases will be based on several factors, including the price of our common stock, legal or regulatory requirements, general business and market conditions, and other investment opportunities. The stock repurchase program will expire on March 31, 2009, but may be limited or terminated at any time by our board of directors without prior notice. From inception of the program through December 31, 2008, we repurchased 3.0 million shares of common stock for an aggregate price of approximately $49.8 million. As of December 31, 2008, there was $25.2 million remaining in our stock repurchase program.

15. Commitments and Contingencies

Operating Leases

We lease our office space and various office equipment under cancelable and noncancelable operating leases which expire on various dates through October 15, 2018. For the years ended December 31, 2008, 2007 and 2006 the total operating lease expense was $5.0 million, $4.6 million and $2.9 million, respectively.

Future minimum rental payments under the noncancelable operating leases are as follows (in thousands):

Years Ending December 31,	
2009	$ 4,720
2010	3,756
2011	3,186
2012	3,062
2013	2,861
Thereafter	11,883
	$29,468

Capital Leases

The following is an analysis of the leased property under capital leases by major property class (in thousands):

	As of December 31,	
	2008	2007
Computer equipment	$1,486	$1,486
Furniture and fixtures	203	203
	1,689	1,689
Less: Accumulated depreciation	(870)	(274)
	$ 819	$1,415

Future minimum rental payments under the capital leases are as follows (in thousands):

Years Ending December 31,	
2009	$417
2010	349
2011	115
Total minimum lease payments	881
Less: Amount representing taxes, included in total minimum lease payments	(50)
Net minimum lease payments	831
Less: Amount representing interest	(67)
Present value of net minimum lease payments	$764

Retail Sales Tax

The Ontario Ministry of Revenue (the Ministry) has conducted a retail sales tax field audit on the financial records of our Canadian subsidiary, DealerTrack Canada, Inc. (formerly known as 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, Inc., Bank of Montreal agreed to indemnify us specifically for this potential liability for all sales tax periods prior to January 1, 2004. The potential sales tax liability for the period covered by this indemnification is now closed due to the statutory expiration of the periods open for audit by the Ministry. To date, all amounts paid to the Ministry by us for this assessment have been reimbursed by the Bank of Montreal under this indemnity.

We undertook a comprehensive review of the audit findings of the Ministry using external tax experts. Our position has been 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. We received a letter dated November 2, 2007 from an appeals officer of the Ministry stating that the assessment was, in his opinion, properly raised and his intention was to recommend his confirmation to senior management of the Ministry. The officer agreed, however, to defer his recommendation for a period of thirty business days to enable us to submit any additional information not yet provided. We submitted additional information to the Ministry to support our position that the services are not subject to sales tax.

We received a letter dated December 21, 2007 from the Ministry stating that no change should be made to the appeals officer's opinion. The letter further stated that we had ninety days from the date of the letter to file a Notice of Appeal with the Superior Court of Justice. A Notice of Appeal was filed on our behalf on March 18, 2008 to challenge the assessment because we did not believe these services are subject to sales tax. On December 15, 2008, the Ministry filed its response to our Notice of Appeal. The response reiterates the Ministry's position that the transactions are subject to Ontario retail sales tax. The parties are now engaged in the discovery process and we expect this matter will be heard by the Superior Court in late 2009. We have not accrued any related sales tax liability for the period subsequent to May 31, 2003, for these financing source revenue transactions. This appeal is supported by the financial institutions whose source revenue transactions were subject to the assessment. These financial institutions have agreed to participate in the cost of the litigation.

In the event we are obligated to charge sales tax for this type of transaction, we believe this Canadian subsidiary's contractual arrangements with its financing source customers obligate these customers to pay all sales taxes that are levied or imposed by any taxing authority by reason of the transactions contemplated under the particular contractual arrangement. In the event of any failure to pay such amounts, we would be required to pay the obligation, which could range from $4.4 million (CAD) to $4.9 million (CAD), including penalties and interest.

Commitments

Pursuant to employment or severance agreements with certain employees, we have a commitment to pay severance of approximately $5.4 million as of December 31, 2008 and $5.1 million as of December 31, 2007, 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 also have a commitment to pay additional severance of $2.9 million as of December 31, 2008 and $2.4 million as of December 31, 2007, if there is a change in control. Due to the realignment of our workforce and business on January 5, 2009, the severance commitment was reduced by approximately $1.9 million. Refer to Note 18 for further information.

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.

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.

DealerTrack Inc. v. RouteOne LLC

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 sought injunctive relief as well as damages against RouteOne for infringement of two patents owned by us: U.S. Patent No. 6,587,841 (the "'841 Patent") and U.S. Patent No. 5,878,403 (the "'403 Patent"). These patents relate to computer implemented automated credit application analysis and decision routing inventions. The complaint also sought relief for RouteOne's acts of copyright infringement, circumvention of technological measures and common law fraud and unfair competition.

The court approved a joint stipulation of dismissal with respect to this action. Pursuant to the joint stipulation, the patent count was dismissed without prejudice to be pursued as part of the below consolidated actions and all other counts were dismissed with prejudice.

DealerTrack, Inc. v. Finance Express et al., CV-06-2335;

DealerTrack Inc. v. RouteOne and Finance Express et al., CV-06-6864; and

DealerTrack Inc. v. RouteOne and Finance Express et al., CV-07-215

On April 18, 2006, we filed a Complaint and Demand for Jury Trial against David Huber, Finance Express LLC ("Finance Express"), and three of their unnamed dealer customers in the United States District Court for the Central District of California, Civil Action No. CV-06-2335 AG (FMOx). The complaint sought declaratory and injunctive relief, as well as damages, against the defendants for infringement of the '403 Patent and the '841 Patent. Finance Express denied infringement and challenged the validity and enforceability of the patents-in-suit.

On October 27, 2006, we filed a Complaint and Demand for Jury Trial against RouteOne, David Huber and Finance Express in the United States District Court for the Central District of California, Civil Action No. CV-06-6864 (SJF). The complaint sought declaratory and injunctive relief as well as damages against the defendants for infringement of the '403 Patent and '841 Patent. On November 28, 2006 and December 4, 2006, respectively, defendants RouteOne, David Huber and Finance Express filed their answers. The defendants denied infringement and challenged the validity and enforceability of the patents-in-suit.

On February 20, 2007, we filed a Complaint and Demand for Jury Trial against RouteOne, David Huber and Finance Express in the United States District Court for the Central District of California, Civil Action No. CV-07-215 (CWx). The complaint sought declaratory and injunctive relief as well as damages against the defendants for infringement of U.S. Patent No. 7,181,427 (the "'427 Patent"). On April 13, 2007 and April 17, 2007, respectively, defendants RouteOne, David Huber and Finance Express filed their answers. The defendants denied infringement and challenged the validity and enforceability of the '427 Patent.

The DealerTrack, Inc. v. Finance Express et al., CV-06-2335 action, the DealerTrack Inc. v. RouteOne and Finance Express et al., CV-06-6864 action and the DealerTrack v. RouteOne and Finance Express et al., CV-07-215 action, described above, were consolidated by the court. A hearing on claims construction, referred to as a "*Markman*" hearing, was held on September 25, 2007. Fact and expert discovery and motions for summary judgment have been completed.

On July 21, 2008 and September 30, 2008, the court issued summary judgment orders disposing of certain issues and preserving other issues for trial.

On January 29, 2009, the parties filed a proposed pretrial order that the court has not yet entered. Under the proposed pretrial order, we expect the following claims to be tried:

1. RouteOne infringes claims 1, 3 and 4 of the '427 Patent pursuant to 35 U.S.C. Section 271(a).

2. Finance Express infringes claims 7-9, 12, 14, 16 and 17 of the '841 Patent pursuant to 35 U.S.C. Sections 271(a) and (b).

3. Finance Express infringes claims 1, 3 and 4 of the '427 Patent pursuant to 35 U.S.C. Section 271(a).

RouteOne and Finance Express continue to assert that the patents are invalid and unenforceable, and continue to deny infringement.

Trial is currently scheduled to begin April 21, 2009.

We intend to pursue our claims vigorously.

We believe that the potential liability from all current litigations will not have a material effect on our financial position or results of operations when resolved in a future period.

16. 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. The chief operating decision maker reviews information at a consolidated level, as such we have one reportable segment under SFAS No. 131. For enterprise-wide disclosure, we are organized primarily on the basis of service lines. Revenue earned outside of the United States for the years ended December 31, 2008 and 2007 is approximately 11% and 10% of our revenue, respectively, and is less than 10% of our revenue for 2006.

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

	Year Ended December 31,		
	2008	2007	2006
Transaction services revenue	$132,419	$147,312	$112,752
Subscription services revenue	94,690	75,061	53,352
Other	15,597	11,472	7,168
Total net revenue	$242,706	$233,845	$173,272

17. Credit Facility

Our $25.0 million revolving credit facility expired on April 15, 2008, pursuant to its terms.

18. Subsequent Events

Realignment of Workforce and Business

On January 5, 2009, we announced a realignment of our workforce and business aimed at sharpening our focus on high growth opportunities and to reflect current market conditions. To do this we reduced our workforce by approximately 90 people, or 8% of our total employees, including several executive and senior-level positions. As a result of the realignment, we anticipate a restructuring charge in the first quarter of 2009 of $7.1 million on a pre-tax basis, including approximately $4.0 million of net non-cash compensation expense.

AAX Asset Acquisition

On January 23, 2009, we acquired the AAX® suite of inventory management solutions and other assets from JM Dealer Services, Inc., a subsidiary of JM Family Enterprises, Inc., for a purchase price of $32.6 million in cash. The AAX inventory management suite will be marketed in conjunction with our current inventory management solution. In accordance with SFAS 141R *Business Combinations* we expensed approximately $0.4 million of professional fees associated with the acquisition during the first quarter of 2009. We are in the process of finalizing the fair value assessment for the acquired assets, which is expected to be completed by December 31, 2009, and accordingly the related purchase accounting is not final.

Exit from SCS Business

On February 14, 2009, DealerTrack exited its non core SCS business in a transaction with a former senior executive of the company who left the organization in January 2009 as part of the realignment of our workforce. The SCS business, which accounted for approximately $1.9 million of revenue in 2008, is an administration system used by aftermarket providers as their back-end origination solution. DealerTrack can earn up to $2.0 million in contingent purchase price.

DEALERTRACK HOLDINGS, INC.

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions Charged to Expenses	Deductions	Other Adjustments	Balance at End of Period
			(In thousands)		
As of December 31, 2008:					
Allowance for doubtful accounts	$1,730	$4,225	$(5,007)	$ —	$ 948
Allowance for sales credits	885	5,414	(5,399)	—	900
Deferred tax valuation allowance	954	141	—	2,227(1)	3,322
As of December 31, 2007:					
Allowance for doubtful accounts	$1,884	$3,620	$(3,883)	$ 109	$1,730
Allowance for sales credits	2,523	3,147	(4,785)	—	885
Deferred tax valuation allowance	214	109	—	631(2)	954
As of December 31, 2006:					
Allowance for doubtful accounts	$1,531	$1,527	$(1,174)	$ —	$1,884
Allowance for sales credits	1,133	3,311	(1,921)	—	2,523
Deferred tax valuation allowance	4,245	214	(4,245)(3)	—	214

(1) For the year ended December 31, 2008, the deferred tax valuation allowance was increased by $2.2 million primarily due to an impairment loss on auction rate securities and was further increased by expenses in various states.

(2) For the year ended December 31, 2007, the deferred tax valuation allowance was increased by $0.6 million primarily due to acquisitions during 2007 and was further increased by expenses in various states.

(3) For the year ended December 31, 2006, the deferred tax asset valuation was reversed by $4.2 million. Included in this reversal is a $0.7 million adjustment to goodwill relating to the net operating loss acquired but not recognized at the date of acquisition of DealerAccess in January 2004.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *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 in Rules 13a- 15(e) and 15d- 15(e) 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 Annual Report on Form 10-K, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment was reviewed with the Audit Committee of our Board of Directors.

Based on its assessment of internal control over financial reporting, our management has concluded that, as of December 31, 2008, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered accounting firm, as stated in their report which appears herein.

Item 9B. ***Other Information***

None.

PART III

Anything herein to the contrary notwithstanding, in no event whatsoever are the sections entitled "Nominating and Compensation Committee Report on Executive Compensation" and "Audit Committee Report" to be incorporated by reference herein from our proxy statement in connection with our annual meeting of stockholders expected to be held in the second quarter of 2009.

Item 10. ***Directors, Executive Officers of Corporate Governance***

The information required to be furnished pursuant to this item will be set forth under the captions "Proposal One: Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2008. If the Proxy Statement is not filed with the SEC by such time, such information will be included in an amendment to this Annual Report by such time.

Item 11. ***Executive Compensation***

The information required to be furnished pursuant to this item will be set forth under the caption "Executive Compensation" in the Proxy Statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2008. If the Proxy Statement is not filed with the SEC by such time, such information will be included in an amendment to this Annual Report on Form 10-K by such time.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required to be furnished pursuant to this item will be set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2008. If the Proxy Statement is not filed with the SEC by such time, such information will be included in an amendment to this Annual Report on Form 10-K by such time.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required to be furnished pursuant to this item will be set forth under the caption "Certain Relationships and Transactions" in the Proxy Statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2008. If the Proxy Statement is not filed with the SEC by such time, such information will be included in an amendment to this Annual Report on Form 10-K by such time.

Item 14. ***Principal Accountant Fees and Services***

The information required to be furnished pursuant to this item will be set forth under the caption "Principal Accountant Fees and Services" in the Proxy Statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2008. If the Proxy Statement is not filed with the SEC by such time, such information will be included in an amendment to this Annual Report on Form 10-K by such time.

PART IV

Item 15. ***Exhibits, Financial Statement Schedule***

(a) The following documents are included in "Financial Statements and Supplementary Data" in Part II, Item 8 of this Annual Report on Form 10-K:

(1) Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2008 and 2007

Consolidated Statements of Operations for the three years ended December 31, 2008

Consolidated Statements of Cash Flows for the three years ended December 31, 2008

Consolidated Statements of Stockholders' Equity and Comprehensive Income for each of the three years ended December 31, 2008

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule — Schedule II

(3) Exhibits

Number	Description
3.1[4]	Form of Fifth Amended and Restated Certificate of Incorporation of DealerTrack Holdings, Inc.
3.2[4]	Form of Amended and Restated By-laws of DealerTrack Holdings, Inc.
4.1[1]	Fourth Amended and Restated Registration Rights Agreement, dated as of March 19, 2003, among DealerTrack Holdings, Inc. and the stockholders of DealerTrack Holdings, Inc. party thereto.
4.2[3]	Form of Certificate of Common Stock.
10.1[2]	Transition Services Agreement, dated as of March 19, 2003, by and among DealerTrack Holdings, Inc., Credit Online, Inc., DealerTrack, Inc., First American Credit Management Solutions, Inc. and First American Real Estate Solutions, LLC.
10.2[2]	Joint Marketing Agreement, dated as of March 19, 2003, by and among DealerTrack Holdings, Inc., DealerTrack, Inc., Credit Online, Inc. and First American CREDCO, a division of First American Real Estate Solutions, LLC.
10.3[2]	First Amendment to the Joint Marketing Agreement by and among DealerTrack Holdings, Inc., DealerTrack, Inc., Credit Online, Inc. and First American CREDCO, a division of First American Real Estate Solutions, LLC, dated as of December 1, 2004.
10.4[2]	Agreement between DealerTrack, Inc. and CreditReportPlus, LLC, dated as of December 1, 2004.
10.5[2]	Application Service Provider Contract, dated as of April 15, 2005, between First American Credit Management Solutions, Inc. and DealerTrack, Inc.
10.6[2]	Non-Competition Agreement, dated as of March 19, 2003, by and among DealerTrack Holdings, Inc., Credit Online, Inc., First American Credit Management Solutions, Inc. and The First American Corporation.
10.7[2]	License Agreement, made and entered into as of February 1, 2001, by and between The Chase Manhattan Bank and J.P. Morgan Partners (23A SBIC Manager), Inc.
10.8[2]	Asset Purchase Agreement, dated as of May 25, 2005, by and among Santa Acquisition Corporation, Automotive Lease Guide (alg), LLC, Automotive Lease Guide (alg) Canada, Inc., Douglas W. Aiken, John A. Blair and Raj Sundaram.
10.9[11]	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between Mark F. O'Neil and DealerTrack Holdings, Inc.
10.10*	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between Mark F. O'Neil and DealerTrack Holdings, Inc.

Number	Description
10.11*	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between David Trinder and DealerTrack Holdings, Inc.
10.12*	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between David Trinder and DealerTrack Holdings, Inc.
10.13[11]	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between Eric D. Jacobs and DealerTrack Holdings, Inc.
10.14*	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between Eric D. Jacobs and DealerTrack Holdings, Inc.
10.15[11]	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between Raj Sundaram and DealerTrack Holdings, Inc.
10.16*	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between Raj Sundaram and DealerTrack Holdings, Inc.
10.17[9]	Letter Agreement, dated October 23, 2006, from DealerTrack, Inc. to Raj Sundaram regarding relocation.
10.18[9]	Unfair Competition and Nonsolicitation Agreement, dated as of May 25, 2005, by and between Raj Sundaram and Automotive Lease Guide (alg), Inc.
10.19[9]	Amendment No. 1 to Unfair Competition and Nonsoliciation Agreement, made as of August 21, 2006, by and between Automotive Lease Guide (alg), Inc. and Raj Sundaram.
10.20[11]	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between Robert Cox and DealerTrack Holdings, Inc.
10.21*	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between Robert Cox and DealerTrack Holdings, Inc.
10.22[1]	2001 Stock Option Plan of DealerTrack Holdings, Inc., effective as of August 10, 2001.
10.23[1]	First Amendment to 2001 Stock Option Plan of DealerTrack Holdings, Inc., effective as of December 28, 2001.
10.24[1]	Second Amendment to 2001 Stock Option Plan of DealerTrack Holdings, Inc., effective as of March 19, 2003.
10.25[1]	Third Amendment to 2001 Stock Option Plan of DealerTrack Holdings, Inc., effective as of January 30, 2004.
10.26[6]	Fourth Amendment to 2001 Stock Option Plan of DealerTrack Holdings, Inc. effective as of February 10, 2006.
10.27[10]	Second Amended and Restated 2005 Incentive Award Plan, effective as of June 3, 2008.
10.28[8]	Amendment to Asset Purchase Agreement, dated October 18, 2006, by and among Santa Acquisition Corporation, Automotive Lease Guide (alg), LLC, Automotive Lease Guide (alg) Canada, Inc., Douglas W. Aiken, John A. Blair and Raj Sundaram.
10.29[5]	Form of Stock Option Agreement.
10.30[5]	Form of Restricted Stock Agreement.
10.31*	Form of Restricted Stock Unit Agreement.
10.32[1]	Senior Executive Incentive Bonus Plan, effective as of May 26, 2005.
10.33[9]	Stock Ownership and Retention Program, adopted May 26, 2005.
10.34[1]	Employee Stock Purchase Plan, adopted May 26, 2005.
10.35[1]	Directors' Deferred Compensation Plan, effective as of June 30, 2005.
10.36[11]	First Amendment to DealerTrack Holdings, Inc. Directors' Deferred Compensation Plan effective as of January 1, 2007.
10.37[1]	Employees' Deferred Compensation Plan, effective as of June 30, 2005.
10.38[11]	First Amendment to DealerTrack Holdings, Inc. Employees' Deferred Compensation Plan effective as of January 1, 2007.
10.39[1]	401(k) Plan, effective as of January 1, 2001, as amended.
10.40[2]	Lease Agreement, dated as of August 5, 2004, between iPark Lake Success, LLC and DealerTrack, Inc.

Number	Description
10.41[(4)]	Lender Integration Support Agreement, dated as of September 1, 2005, between First American CMSI Inc. and DealerTrack, Inc.
10.42(7)	Shares Purchase Agreement, made as of January 16, 2007, among certain shareholders of Curomax Corporation and all of the shareholders of 2044904 Ontario Inc., 2044903 Ontario Inc. and 2044905 Ontario Inc. and 6680968 Canada Inc.
14.1[(6)]	Code of Business Conduct and Ethics.
21.1*	List of Subsidiaries.
23.1*	Consent of PricewaterhouseCoopers LLP.
31.1*	Certification of Mark F. O'Neil pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Robert J. Cox III pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Mark F. O'Neil and Robert J. Cox III pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

(1) Incorporated by reference to our Registration Statement on Form S-1 (File No. 333-126944) filed July 28, 2005.

(2) Incorporated by reference to Amendment No. 1 to our Registration Statement on Form S-1 (File No. 333-126944) filed September 22, 2005.

(3) Incorporated by reference to Amendment No. 2 to our Registration Statement on Form S-1 (File No. 333-126944) filed October 12, 2005.

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(10) Incorporated by reference to Exhibit I to our Definitive Proxy Statement, filed on April 29, 2008.

(11) Incorporated by reference to our Quarterly Report on Form 10-Q filed August 9, 2007 .

DealerTrack hereby files as part of this Form 10-K the exhibits listed in Item 15(a) (3) above. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference rooms maintained by the SEC in Washington, D.C., New York, New York, and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. SEC filings are also available to the public from commercial document retrieval services and at the Web site maintained by the SEC at *http://www.sec.gov.*

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 24, 2009

DealerTrack Holdings, Inc.
(Registrant)

By: /s/ Robert J. Cox III

Robert J. Cox III
Senior Vice President, Chief Financial Officer
and Treasurer
(Duly Authorized Officer and
Principal Financial Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mark F. O'Neil Mark F. O'Neil	Chairman of the Board, President and Chief Executive Officer (principal executive officer)	February 24, 2009
/s/ Robert J. Cox III Robert J. Cox III	Senior Vice President, Chief Financial Officer and Treasurer (principal financial and accounting officer)	February 24, 2009
/s/ Mary Cirillo-Goldberg Mary Cirillo-Goldberg	Director	February 24, 2009
/s/ Ann B. Lane Ann B. Lane	Director	February 24, 2009
/s/ John J. McDonnell, Jr. John J. McDonnell, Jr.	Director	February 24, 2009
/s/ James David Power III James David Power III	Director	February 24, 2009
/s/ Howard L. Tischler Howard L. Tischler	Director	February 24, 2009
/s/ Barry Zwarenstein Barry Zwarenstein	Director	February 24, 2009
/s/ James Foy James Foy	Director	February 24, 2009

EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-K

FOR FISCAL YEAR ENDED DECEMBER 31, 2008

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32.1*	Certification of Mark F. O'Neil and Robert J. Cox III pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(10) Incorporated by reference to Exhibit I to our Definitive Proxy Statement, filed on April 29, 2008.

(11) Incorporated by reference to our Quarterly Report on Form 10-Q filed August 9, 2007 .

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	State of Incorporation
AAX, Inc.	Delaware
Automotive Lease Guide (alg), Inc.	Delaware
Chrome Systems, Inc.	Delaware
Credit Online, Inc.	Delaware
dealerAccess, Inc.	Delaware
DealerTrack AAX, Inc.	Delaware
DealerTrack Accessories Solutions, Inc.	Delaware
DealerTrack Aftermarket Services, Inc.	Delaware
DealerTrack Canada Inc.	Ontario, Canada
DealerTrack Data Services, Inc.	Delaware
DealerTrack Digital Services, Inc.	Delaware
DealerTrack, Inc.	Delaware
DealerTrack Independent Dealer Services, Inc.	Delaware
DealerTrack Specialty Solutions, Inc.	Delaware
DealerTrack Systems, Inc.	Delaware
webalg, inc.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-130310, No. 333-144491 and No. 333-152941) of DealerTrack Holdings, Inc. of our report dated February 24, 2009 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K. We also consent to the reference to us under the heading "Selected Consolidated Financial Data" in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York
February 24, 2009

EXHIBIT 31.1

CERTIFICATION

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

1. I have reviewed this report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(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 (the registrant's fourth quarter in the case of an annual report) 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 (or persons performing the equivalent functions):

(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.

By: /s/ MARK F. O'NEIL

MARK F. O'NEIL
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Date: February 24, 2009

EXHIBIT 31.2

CERTIFICATION

I, Robert J. Cox, certify that:

1. I have reviewed this report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(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 (the registrant's fourth quarter in the case of an annual report) 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 (or persons performing the equivalent functions):

(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.

By: /s/ ROBERT J. COX III

ROBERT J. COX III
SENIOR VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND TREASURER

Date: February 24, 2009

EXHIBIT 32.1

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 Annual Report of DealerTrack Holdings, Inc. (the "Company") on Form 10-K for the period ending December 31, 2008, 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. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

(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

Mark F. O'Neil
Chairman, President and
Chief Executive Officer

/s/ Robert J. Cox III

Robert J. Cox III
Senior Vice President,
Chief Financial Officer and Treasurer

Dated: February 24, 2009

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

FORM 10-K/A

Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2008

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

For the transition period from _____ to _____

Commission file number: 000-51653

DEALERTRACK HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**52-2336218**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Identification Number)*

1111 Marcus Ave., Suite M04
Lake Success, NY 11042
(Address of Principal Executive Offices, including Zip Code)
(516) 734-3600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 Par Value Per Share	**The NASDAQ Stock Market, LLC**
(Title of each class)	*(Name of exchange on which registered)*

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by a check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or an amendment to this Form 10-K. ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $535 million (based on the closing price for the registrant's common stock on the NASDAQ Global Market of $14.11 per share).

As of April 1, 2009, 40,023,759 shares of the registrant's common stock were outstanding.

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EXPLANATORY NOTE

This Amendment No. 1 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 is filed solely to include the information required by Part III of Form 10-K that previously was to be incorporated by reference to the registrant's definitive proxy statement for the 2009 Annual Meeting of Stockholders. This Amendment No. 1 is being filed because the registrant's definitive proxy statement for the 2008 Annual Meeting of Stockholders will be filed more than 120 days after the end of the registrant's fiscal year. Accordingly, Part III of the Form 10-K is hereby amended as set forth below. This Amendment No. 1 also includes the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"). As no financial statements are contained within this Amendment, we do not include the certifications pursuant to Section 906 of Sarbanes-Oxley. Except as described above, no other amendments are being made to the Annual Report on Form 10-K. This Amendment No. 1 does not reflect events occurring after the filing of the Form 10-K or modify or update the disclosure contained therein in any way other than as required to reflect the amendments discussed above.

PART III

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PART III

Item 10. Directors and Executive Officers of the Registrant.

Information About Our Board of Directors

Each of our directors is elected for a three-year staggered term. The eight members of our board of directors are divided into three classes: Class I, Class II and Class III. One class of directors is elected at each Annual Meeting. The following table shows our current directors, when the term of each class of directors expires and how each director is classified:

Class	Directors
Class I: Term expires 2009 and every three years thereafter	Messrs. Foy, Power and Tischler
Class II: Term expires 2010 and every three years thereafter	Ms. Lane and Messrs. McDonnell and Zwarenstein
Class III: Term expires 2011 and every three years thereafter	Ms. Cirillo-Goldberg and Mr. O'Neil

James Foy, 62, has served on our board of directors since September 2008. Mr. Foy has been President and Chief Executive Officer of privately held Aspect Software, Inc. and two predecessor companies (Concerto Software, Inc. and Davox Corporation) since 2001. In 1991, he founded Constellation Software, Inc., a technology company, and served as its President and Chief Executive Officer for three years. In 1994, Constellation was acquired by VMark Software, Inc. a predecessor company of Ardent Software, which was subsequently acquired by Informix Corp. Mr. Foy remained with the surviving companies in a variety of senior executive positions including President of Informix until IBM acquired Informix in 2001. Earlier in his career, he was with Prime Computer, Inc. and International Computers Limited (ICL). Mr. Foy serves on the boards of both Aspect Software and privately held Kalido, Inc., an enterprise software company.

James David Power III, 77, has served on our board of directors since June 2002. Mr. Power has spent more than 35 years at, is a founder of and, from 1996 until April 2005, served as the Chairman of the Board of J.D. Power and Associates, a marketing information firm. Mr. Power also serves as a director of IMPCO Technologies, Inc., a public company, which supplies alternative fuel products to the transportation, industrial and power generation industries. In 1992, Mr. Power was a recipient of the Automotive Hall of Fame's Distinguished Service Citation, awarded each year to seven of the industry's most accomplished leaders. Mr. Power holds honorary doctorate degrees from College of the Holy Cross, California Lutheran University, California State University, Northridge and College Misericordia. He also serves as an adjunct professor of marketing at California State University, Northridge. Mr. Power holds a BA from the College of the Holy Cross and an MBA from The Wharton School of Finance at the University of Pennsylvania.

Howard L. Tischler, 55, has served as lead director since April 2006 and on our board of directors since March 2003. Since January 2009, Mr. Tischler has been employed as Chairman and CEO of Enfocel, LLC, a management consulting and online marketing consulting firm. From September 2005 through December 2008, Mr. Tischler was employed by First Advantage Corporation, where he served as Group President of First Advantage Dealer Services. From 2001 until September 2005, Mr. Tischler was President and Chief Executive Officer of First American Credit Management Solutions, Inc., or CMSI, which was a subsidiary of The First American Corporation, as well as Teletrack, Inc. From 1999 until our acquisition of Credit Online, Inc. from CMSI in 2003, Mr. Tischler was President and Chief Executive Officer of Credit Online. Mr. Tischler currently serves on the Engineering Advisory Board at George Washington University. He holds a BS in Mathematics from the University of Maryland and an MS in Engineering and Operations Research from The George Washington University.

Barry Zwarenstein, 60, has served on our board of directors since November 2007. Since September 2008, Mr. Zwarenstein has been employed by SMART Modular Technologies, Inc., where he serves as Senior Vice President and Chief Financial Officer. From June 2004 through August 2008, Mr. Zwarenstein served as Executive Vice President and Chief Financial Officer for VeriFone Holdings, Inc. Prior to joining VeriFone, Mr. Zwarenstein served as Chief Financial Officer of Iomega Corporation from November 2001 to June 2004, of Mellanox Technologies Limited from January 2001 to June 2001, of Acuson Corporation from October 1998 to December 2000 and of Logitech S.A. from July 1996 to September 1998. Mr. Zwarenstein started his career at FMC Corporation, where he held a variety of financial positions, including, at the time of his departure, Chief Financial Officer for FMC Europe in Brussels, Belgium. Mr. Zwarenstein received a Bachelor of Commerce degree from the University of Natal, South Africa and an M.B.A. from the Wharton School of Business at the University of Pennsylvania. He is qualified as a Chartered Accountant (South Africa).

Ann B. Lane, 54, has served on our board of directors since July 2007. From April 2000 to January 2005, Ms. Lane was Managing Director, Co-Head of Syndicated & Leveraged Finance and Head of Bank Loan Capital Markets at JPMorgan. From 1997 to 2000, Ms. Lane was Managing Director and Global Co-Head of Bank Loan Syndications at Citigroup Inc. From 1995 to 1997, Ms. Lane was Global Industry Head, Aviation and Defense at Citigroup Inc., and from 1982 to 1995, Ms. Lane held a number of senior level positions at Citigroup, including Global Head of Corporate Debt Restructuring. Ms. Lane is a Board Member of Musical Masterworks in Old Lyme, Connecticut. Ms. Lane holds a BS in Economics from the University of California at Berkeley.

John J. McDonnell Jr., 71, has served on our board of directors since July 2005. Mr. McDonnell has been Chief Executive Officer and a Director of ExaDigm, Inc., a leading innovator of modular IP-based technology, since October 2008. Mr. McDonnell is the founder of TNS, Inc., a leading provider of data communications services to processors of credit card, debit card and ATM transactions worldwide. Mr. McDonnell served as Chairman and Chief Executive Officer of TNS, Inc. from April 2001 to September 2006. Previously, he served as chairman and CEO of PaylinX Corp., a software provider for transaction processing, from November 1999 until it was sold to CyberSource Corp. in September 2000. He remains a director of CyberSource, a publicly held company. Prior to that, Mr. McDonnell was President, Chief Executive Officer and a director of Transaction Network Services, Inc. from the time he founded the company in 1990. Mr. McDonnell is also a founder and director of the Electronic Funds Transfer Association. He was the recipient of KPMG Peat Marwick LLP's 1997 High Tech Entrepreneur Award and the Rensselaer Polytechnic Institute 2002 Entrepreneur of the Year Award. Mr. McDonnell holds a BS in Electrical Engineering from Manhattan College, a MSEE from Renssalaer Polytechnic Institute and an Honorary Doctorate of Humane Letters from Marymount University.

Mary Cirillo-Goldberg, 61, has served on our board of directors since December 2002, and served as lead director from May 2005 to April 2006. Since September 2003, Ms. Cirillo-Goldberg has served as an advisor to Hudson Venture Partners, L.P., a venture capital fund. Ms. Cirillo-Goldberg served as the Chairman and Chief Executive Officer of OPCENTER, LLC, a privately held company that provides help desk, e-commerce and network operations services, from March 2000 to September 2003. From June 1997 through March 2000, she served as Executive Vice President and Managing Director of Bankers Trust Corporation. Ms. Cirillo-Goldberg currently serves as a director of three other public companies: ACE Limited, Health Care Property Investors, Inc. and Thomson Reuters Corporation.

Mark F. O'Neil, 50, has served as our Chairman of the Board, President and Chief Executive Officer since May 2005 and has served as a member of the board of directors since August 2001. From August 2001 to May 2005, Mr. O'Neil served as our Chief Executive Officer and President. Mr. O'Neil began his career at Intel Corporation, where he first developed knowledge of the technology industry. He subsequently worked for McKinsey & Co. before moving to the automotive industry in the late 1980s. His experience in the automotive industry includes serving as President of Ertley MotorWorld, a dealer group based in Pennsylvania. From this traditional retail dealer group, Mr. O'Neil went on to co-found and lead the development and rollout of CarMax, Inc., a publicly-held used automobile retailer. From June 2000 through January 2001, Mr. O'Neil was President and Chief Operating Officer of Greenlight.com, an online automotive sales website. He also serves as a director of DealerTire LLC, a privately held company. Mr. O'Neil holds a BS in Industrial Engineering from Worcester Polytechnic Institute and an MBA from Harvard Business School

Information About Our Executive Officers

The following individuals were serving as our executive officers as of April 20, 2009:

Name	Age	Title
Mark F. O'Neil	50	Chairman of the Board, President and Chief Executive Officer
Ana M. Herrera	52	Senior Vice President, Human Resources
Eric D. Jacobs	42	Senior Vice President, Chief Financial Officer, Chief Administrative Officer and Treasurer
Richard McLeer	44	Senior Vice President and Chief Information Officer
Raj Sundaram	42	Senior Vice President, Solutions and Services Group
Rick G. Von Pusch	47	Senior Vice President, Sales, Marketing and International

Mark F. O'Neil has served as our Chairman of the Board, President and Chief Executive Officer since May 2005 and has served as a member of the board of directors since August 2001. From August 2001 to May 2005, Mr. O'Neil served as our Chief Executive Officer and President. Mr. O'Neil began his career at Intel Corporation, where he first developed knowledge of the technology industry. He subsequently worked for McKinsey & Co. before moving to the automotive industry in the late 1980's. His experience in the automotive industry includes serving as President of Ertley MotorWorld, a dealer group based in Pennsylvania. From this traditional retail dealer group, Mr. O'Neil went on to co-found and lead the development and rollout of CarMax, Inc., a publicly-held used automobile retailer. From June 2000 through January 2001, Mr. O'Neil was President and Chief Operating Officer of Greenlight.com, an online automotive sales website. He also serves as a director of DealerTire LLC, a privately held company. Mr. O'Neil holds a BS in Industrial Engineering from Worcester Polytechnic Institute and an MBA from Harvard Business School.

Ana M. Herrera has served as Senior Vice President, Human Resources since February 2007. From May 2005 to January 2007, Ms. Herrera served as Vice President, Human Resources, of DealerTrack, Inc. From September 2002 to May 2005, Ms. Herrera was Vice President of Human Resources at MeadWestvaco Corporation, where she led the global human resources function for the company's Consumer Packaging Group. Prior to this, Ms. Herrera spent two years as a consultant, working on a wide range of human resources assignments for a diverse group of clients. Other previous experience includes having served as Vice President of Human Resources for Revlon Consumer Products Corporation's International Division, and as, first, Director and later Vice President of Human Resources for Duracell Corporation. Ms. Herrera holds a BS in Business Administration from California State Polytechnic University.

Eric D. Jacobs has served as Senior Vice President and Chief Administrative Officer since January 2009 and has also served as Chief Financial Officer and Treasurer since March 2009. From January 2004 through January 2009 Mr. Jacobs served as our Senior Vice President, General Counsel and Secretary. From August 2006 through January 2009 Mr. Jacobs also served as President of DealerTrack Canada, Inc., our Canadian subsidiary, formerly known as dealerAccess Canada, Inc. From April 2002 to December 2003, Mr. Jacobs served as our Vice President, General Counsel and Secretary. Mr. Jacobs was an associate at the international law firm of O'Melveny & Myers LLP where he specialized in general corporate and securities law from August 1998 to April 2002. Prior to becoming an attorney, Mr. Jacobs was an audit manager and CPA at KPMG LLP. Mr. Jacobs holds a BS in Business Administration with a major in Accounting, magna cum laude, from Rider University and a JD, with honors, from the Rutgers School of Law-Newark.

Richard McLeer has served as Senior Vice President and Chief Information Officer since January 2009. From August 2006 through January 2009, Mr. McLeer served as Senior Vice President, Strategy & Development. From April 2005 to August 2006, Mr. McLeer served as Vice President, Credit and Contract Solutions for DealerTrack, Inc., and served as our National Lender Development Manager from February 2001 to April 2005. From 1996 to 2001, Mr. McLeer was Senior Vice President and National Product Director for the Bank of America Auto Group, and previously held a variety of marketing, sales and business development positions at Bank of America. Prior to that, Mr. McLeer worked at Trans Union Corporation from 1993 to 1996. Other previous experience includes two years serving as controller of Ellesse, U.S.A., a division of Reebok, and four years in public accounting. Mr. McLeer holds a BS in Accounting from Hofstra University and is a CPA.

Rajesh (Raj) Sundaram has served as Senior Vice President, Solutions and Services Group, since January 2009. From August 2006 through January 2009, Mr. Sundaram served as Senior Vice President, Dealer Solutions. Mr. Sundaram served as President of Automotive Lease Guide (alg), Inc. and President of Automotive Lease Guide (alg), LLC, from 2002 until its acquisition by us in May 2005, and continued to hold those positions from May 2005 to August 2006. Prior to joining ALG as Vice President and General Manager in 1999, Mr. Sundaram served as Senior Manager, Strategic Planning and Pricing at Nissan North America, Inc. from 1997 to 1999, and held various positions in financial planning including Finance Manager, Infiniti division at Nissan North America, Inc. from 1994 to 1997. Mr. Sundaram previously held roles in the controller's office of the Ford division of Ford Motor Company from 1991 to 1994. Mr. Sundaram holds a BS and MS in Accounting from the University of Mumbai in India and an MBA in Finance from Lehigh University.

Rick G. Von Pusch has served as Senior Vice President, Sales, Marketing and International, since January 2009. Mr. Von Pusch served as Senior Vice President, Customer Development from August 2006 through January 2009. From April 2006 to August 2006, Mr. Von Pusch served as President of Sales and Marketing at 5Square Systems, a provider of CRM, desking and menu products. Mr. Von Pusch served as Vice President of U.S. Retail Sales at Reynolds and Reynolds Corporation from April 2005 to October 2005, Area Vice President from October 2001 to April 2005 and held various positions in sales and sales management at Reynolds and Reynolds from 1988 to 2001. Mr. Von Pusch also was a sales representative for NCR Corporation from 1985-1987. Mr. Von Pusch holds a BA in Management Information Systems from the University of South Florida.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and persons who beneficially own more than 10% of either class of our common stock to file reports of ownership and changes of ownership with the SEC and to furnish us with copies of the reports they file. Based solely on our review of the reports received by us, or written representations from certain reporting persons, we believe that during the period from January 1, 2008 through December 31, 2008 all reports were timely filed, except for (a) Form 4 filings to report the sale of stock by Mr. Charles Giglia on February 8, 2008; (b) a Form 4 by each of Messrs. Foy, Power, Tischler and Zwarenstein and Ms. Lane and Ms. Cirillo-Goldberg to report the receipt of restricted stock units on September 30, 2008; and (c) a Form 4 filing to report the sale of stock by Ms. Herrera on December 10, 2008.

Code of Business Conduct and Ethics

We have adopted a "code of ethics," as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, that applies to all of our directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A current copy of our Code of Business Conduct and Ethics is available on our website at www.dealertrack.com. A copy of our Code of Business Conduct and Ethics may also be obtained, free of charge, from us upon request directed to: DealerTrack Holdings, Inc., 1111 Marcus Avenue, Suite M04, Lake Success, NY 11042, Attention: Investor Relations. We intend to disclose any amendment to or waiver of a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, by posting such information on our website at www.dealertrack.com and/or in our, public filings with the Securities and Exchange Commission (the "SEC").

Procedures for Security Holder Recommendations for Director Nominees

Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of the board of directors, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee. Stockholders wishing to recommend director candidates for consideration by the committee may do so by writing to the Secretary at 1111 Marcus Avenue, Suite M04, Lake Success, NY 11042 who will forward all recommendations to the committee. Stockholders must submit their recommendations by or before January 1, 2010 and provide the following information:

- the name, address and telephone number of the recommending stockholder;
- a representation that the stockholder is a record holder of our securities, or evidence of ownership;
- the number of shares owned by the recommending stockholder and the time period for which such shares have been held;
- a statement from the recommending stockholder as to whether the stockholder has a good faith intention to continue to hold the reported shares through the date of our next Annual Meeting;
- the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed director candidate;
- a description of the qualifications and background of the proposed director candidate;
- a description of all arrangements or understandings between the recommending stockholder and the proposed director candidate;
- the consent of the proposed director candidate (i) to be named in the proxy statement and (ii) to serve as a director if elected; and
- any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to SEC rules.

The Nominating and Corporate Governance Committee may consider the following criteria in recommending candidates for election to the board of directors:

- personal and professional integrity, ethics and values;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- experience in the company's industry and with relevant social policy concerns;
- experience as a board member of another publicly held company;
- academic expertise in an area of the company's operations; and
- practical and mature business judgment.

Our Audit Committee

Our Audit Committee consists of Ms. Lane and Messrs. Zwarenstein and McDonnell. Mr. Zwarenstein serves as chairperson of the Audit Committee. Our board of directors has determined that each member of the Audit Committee is independent and that Ms. Lane and Mr. Zwarenstein are each audit committee financial experts, as defined by SEC rules, and have financial sophistication, in accordance with the applicable NASDAQ listing standards.

Item 11. Executive Compensation.

Non-Management Directors' Compensation For Fiscal Year 2006

Directors who are also employees receive no fees for their services as directors. During 2008, all other directors received the following compensation for their services:

Annual Fee:	$50,000 per director.
Initial Equity Grant:	Options to purchase 30,000 shares of our common stock upon becoming a director. The grant vests in three equal annual installments commencing on the first anniversary of the grant date, subject to the director's continued service on the board.
Annual Equity Grant:	Restricted common stock equal to a fixed dollar value of $135,000 is granted each year on the date of our Annual Meeting. This grant vests on the day of the following Annual Meeting, subject to the director's continued service on the board.

Directors are eligible to participate in the Directors' Deferred Compensation Plan, a non-qualified retirement plan. The Directors' Deferred Compensation Plan allows our non-employee directors to elect to defer between zero and 100% of the fees they would otherwise be entitled to receive in cash for services rendered as directors. Amounts deferred under the Directors' Deferred Compensation Plan are general liabilities of ours 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 either following the end of the participant's service on our board of directors, following a change of control if so elected, or at a specified 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.

Our stock ownership and retention program requires non-employee members of our board of directors to own shares equal in value to four times their annual retainer. Directors are expected to attain the required share ownership level within five years from joining our board of directors.

The following table sets forth our non-management directors' compensation for 2008.

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Option Awards (3)	Total
Mary Cirillo-Goldberg	$ 50,000	$ 171,274	$ 20,900	$ 242,174
James Foy	14,167	37,295	25,083	76,545
Ann B. Lane	50,000	135,692	178,800	364,492
John J. McDonnell, Jr.	50,000	173,549	5,367	228,916
James David Power III	50,000	171,274	20,900	242,174
Howard L. Tischler	50,000	171,274	20,900	242,174
Barry Zwarenstein	50,000	183,700	214,400	448,100

(1) The following directors deferred all or a portion of their 2008 cash compensation pursuant to our Directors' Deferred Compensation Plan and received deferred stock units. Each deferred stock unit converts into one share of common stock upon the payment commencement date selected by the director.

Name	Compensation Deferred	Number of Deferred Stock Units
Mary Cirillo-Goldberg	$ 50,000	3,298
James Foy	14,167	1,150
Ann B. Lane	50,000	3,298
James David Power III	50,000	3,298
Howard L. Tischler	50,000	3,298
Barry Zwarenstein	50,000	3,298

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2008 fiscal year for the fair value of restricted common stock granted in 2008 as well as prior fiscal years in accordance with SFAS 123(R). For restricted common stock, fair value is calculated using the closing price of our common stock on the date of grant. For additional information, refer to Notes 2 and 13 of our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2008. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value that will be received by each director. The following chart shows the details for each director's grants of restricted common stock as of December 31, 2008, including the grant date fair value computed in accordance with SFAS 123(R).

Name	Restricted Common Stock Grant Date	Number Granted	Grant Date Fair Value	Outstanding Restricted Common Stock
Mary Cirillo-Goldberg	5/26/2005	3,500	$ 17.10	0
	6/14/2006	3,500	21.94	1,167
	7/11/2007	3,500	39.05	0
	6/03/2008	6,828	19.77	6,828
James Foy	9/19/2008	4,888	20.71	4,888
Ann B. Lane	7/11/2007	3,500	39.05	0
	6/03/2008	6,828	19.77	6,828
John J. McDonnell, Jr.	7/28/2005	3,500	18.00	0
	6/14/2006	3,500	21.94	1,167
	7/11/2007	3,500	39.05	0
	6/03/2008	6,828	19.77	6,828
James David Power III	5/26/2005	3,500	17.10	0
	6/14/2006	3,500	21.94	1,167
	7/11/2007	3,500	39.05	0
	6/03/2008	6,828	19.77	6,828
Howard L. Tischler	5/26/2005	3,500	17.10	0
	6/14/2006	3,500	21.94	1,167
	7/11/2007	3,500	39.05	0
	6/03/2008	6,828	19.77	6,828
Barry Zwarenstein	11/06/2007	2,625	47.98	0
	6/03/2008	6,828	19.77	6,828

(3) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2008 fiscal year for the fair value of stock options granted in 2008 as well as prior fiscal years in accordance with SFAS 123(R). Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information, refer to Notes 2 and 13 of our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2008. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value that will be received by each director. The following chart shows the details for each director's outstanding options as of December 31, 2008, including the grant date fair value of each option computed in accordance with SFAS 123(R). For awards granted prior to January 1, 2006, the grant date fair value column represents the intrinsic value recorded under APB 25.

Name	Option Grant Date	Number Granted	Exercise Price	Grant Date Fair Value	Outstanding Stock Options (Exercisable)
James Foy	9/19/2008	30,000	$ 20.71	$ 8.60	0
Mary Cirillo-Goldberg	1/30/2003	6,250	2.80	0.00	6,250
	5/26/2005	50,000	12.92	4.18	50,000
Ann B. Lane	7/11/2007	30,000	39.05	17.88	10,000
John J. McDonnell, Jr.	7/28/2005	30,000	17.08	0.92	10,000
James David Power III	6/18/2002	6,250	2.80	0.00	6,250
	5/26/2005	50,000	12.92	4.18	50,000
Howard L. Tischler	5/26/2005	40,000	12.92	4.18	40,000
Barry Zwarenstein	11/06/07	30,000	47.98	21.44	10,000

COMPENSATION DISCUSSION AND ANALYSIS

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to our executive officers. These executive officers include the Chief Executive Officer, Chief Financial Officer and the three most highly compensated officers of DealerTrack, who we refer to in this section as the "named executive officers."

Overview

The Company's compensation philosophy is designed to support the key objective of creating value for the stockholders by growing the revenue and earnings before interest, taxes, depreciation and amortization, or EBITDA, increasing the total market capitalization and growing the share price. The Compensation Committee is responsible for establishing and approving the compensation of our executive officers.

DealerTrack believes that a sound compensation philosophy and strategy serve to align the team members and focus the executive team and the whole company on the vision and the achievement of our stated strategic objectives and goals.

The Compensation Committee has established the following principles in determining the compensation of the executive officers:

- balance rewards for executives between short-term results and the long-term strategic decisions needed to ensure sustained success for the Company and its stockholders over time;
- attract and retain high-performing executive talent by paying competitive compensation;
- provide rewards consistent with performance by tying both the annual cash incentive program and the long term equity incentive program to corporate performance; and
- provide equity-based long term incentives which align management and stockholder interests.

The Compensation Committee has established a number of processes, described below, to ensure that the executive compensation achieves these objectives.

Compensation Processes and Criteria

Peer Group Information and Benchmarking

In connection with compensation decisions for 2008, the Compensation Committee reviewed market compensation data of a peer group of companies established by Ernst & Young, an independent compensation consultant that is retained by and reports to the Compensation Committee. The companies that comprised our 2008 peer group were: Choicepoint, Inc., Digital River, Inc., f5 Networks Inc., Radiant Systems, Inc., Salesforce.com, Inc., Tier Technologies, Inc., Websense, Inc., Blackbaud, Inc., Blackboard Inc., Heartland Payment Systems, Jack Henry & Associates, TNS, Inc. and Witness Systems, Inc.

The Compensation Committee uses the peer group compensation data primarily to ensure that the total direct compensation for executives is within the broad middle range of comparative pay while providing an opportunity for the annual cash bonus to attain the 75th percentile when targeted performance levels are exceeded. While peer group market data provides a useful starting point for compensation decisions, the Compensation Committee also takes into account factors such as level of responsibility, prior experience and individual performance in arriving at final compensation decisions. The elements of executive compensation include base salary, annual and long term incentive plans, and annual grants of equity awards. Executive compensation has a high proportion of total direct compensation delivered through pay-for-performance incentive and long-term equity compensation, equating to a greater proportion of at-risk compensation.

On November 12, 2008, the Compensation Committee re-evaluated the 2008 peer group companies to determine if any revisions should be made in connection with compensation decisions for 2009. The Compensation Committee elected to remove two companies whose legal structures made them no longer appropriate peers for the Company: Choicepoint, Inc. and Witness Systems, Inc.

Assessment of Company and Individual Performance

The Compensation Committee, in collaboration with senior management, annually establishes specific revenue and EBITDA targets that determine the size of bonus payouts under the annual incentive bonus plan. Individual performance directly determines total direct compensation levels (consisting of annual salary, annual bonus awards and long-term incentives) for the Chief Executive Officer and other executive officers.

The Compensation Committee meets with the Chief Executive Officer at the beginning of the year to establish the Chief Executive Officer's performance objectives (both individual and company) for the year. At the end of the year, the Compensation Committee conducts a performance review of the Chief Executive Officer based on his achievement of the pre-established objectives. The overall performance of the Chief Executive Officer and the company are considered by the Compensation Committee in setting the Chief Executive Officer's compensation.

For all other executive officers, the Compensation Committee receives a performance assessment and compensation recommendation from the Chief Executive Officer. The performance evaluation of the other executive officers is based on achievement of pre-established objectives. The objectives for all executive officers are established by the CEO and include both corporate and individual objectives.

Total Compensation Review

The Compensation Committee annually reviews each executive officer's base pay, bonus and equity incentive awards with the guidance of the Compensation Committee's independent consultant. In addition to these compensation elements, the Compensation Committee reviews the long-term incentive program, deferred compensation program and the payments that would be required under various severance and change-in-control scenarios.

Components of Executive Compensation for 2008

Base Salary

Base salaries for DealerTrack's named executive officers are pegged at the market median and are competitive with similar positions at the peer group companies. The base salaries of all executive officers are reviewed annually against market data and adjusted to reflect individual roles and performance. Adjustments to base salary are determined based upon market trends as well as individual performance and experience. Base salary may be adjusted during the year if a change in the scope of the executive officer's responsibilities justifies such consideration. In 2008, the Compensation Committee increased the base salaries of each of the named executive officers from 2007 by approximately 3.77%. These salary increases were consistent with the base salary increases for the rest of the company's employees.

None of DealerTrack's named executive officers received an increase in base salary from 2008 to 2009. As of April 16, 2009, DealerTrack instituted a company-wide decrease of 5.29% in base salary for the rest of 2009 for all employees, including all executive officers.

Annual Incentive Bonus Plan

- Under the annual incentive bonus plan, the cash incentive bonus amounts are targeted at the 50th percentile of the peer group's annual bonus compensation. Awards under the annual incentive plan are based upon the achievement of both corporate and individual goals, including EBITDA, total revenue and business unit revenue targets and individual performance. If we exceed the targets and achieve the stretch goals, the annual incentive bonus amount is then targeted at the 75th percentile of the peer group's annual bonus compensation in order to provide rewards consistent with performance. The 2008 corporate performance targets were: an EBITDA target of $74.1 million, a corporate-wide revenue target of $282.4 million, as well as separate revenue targets for each of the business units. Under this plan, no annual bonuses were required to be paid in 2008 if the company did not meet an EBITDA threshold of $67.3 million. The company did not meet this threshold; accordingly, the payout of the 2008 bonus was at the discretion of the Compensation Committee.

- EBITDA was used as the principal metric to review and assess the operating performance and the performance of the management team because EBITDA provides useful information with respect to the performance of the fundamental business activities and is also frequently used by equity research analysts and others in the evaluation of the company. For executive officers with company-wide responsibility, equal weight is given to total corporate revenue and EBITDA targets. For other executive officers who are responsible for business units, depending on their position, different weights are given to corporate and business unit revenues. In each case, additional weight is given to individual performance and attainment of individual goals.

- The annual incentive bonus target amounts, expressed as a percentage of base salary, are established for the named executive officers each year, with a target range of 50% to 80% of base salary for 2008 and a maximum range of 175% to 210% of base salary for 2008, depending on the executive officer's position. As stated above, no bonuses are required to be paid under the plan if the company does not meet the pre-determined EBITDA threshold amount. If the EBITDA threshold amount and the respective revenue targets are exceeded, the Compensation Committee may increase or reduce payouts by up to 5% depending on performance relative to specific subscription and transaction revenue targets. The Compensation Committee may further positively or negative adjust the actual award to each executive officer depending on its assessment of each individual's performance. In making this assessment, the Compensation Committee also considers the input of the Chief Executive Officer with respect to awards to the other executive officers. In the case of the Chief Executive Officer, the Compensation Committee considers additional non-financial factors such as leadership, leadership development, talent management and succession planning in determining the annual incentive bonus amount. The Compensation Committee may adjust the financial metrics in appropriate circumstances, such as the acquisition or divestiture of a business or the impact of foreign exchange rates. In 2008, the financial metrics were not adjusted.

The company had a challenging year in 2008 due to the unprecedented decline in the number of vehicles financed. However, despite the challenging economic environment for our business, the company achieved 3.8% growth in revenue. The growth achieved reflects the fact that the company was able to grow its subscription business 26.2%. Growing the subscription business is a key focus to eliminate our dependency on the transaction business.

The actual revenue and EBITDA in 2008 were $242.7 million and $41.4 million, respectively. Although no bonuses were required to be paid under the plan because the minimum EBITDA target for 2008 was not met, the Compensation Committee used its discretion to award cash incentive bonuses to executive officers that ranged from 0% to 45% of their respective base salaries. The Chief Executive Officer requested that the Compensation Committee not consider awarding him a bonus for 2008. The other named executive officers received bonus payouts equal to less than 45% of their respective bonus target amounts.

Annual Equity Grants

In order to align the executive officers' interests with those of the stockholders, the Compensation Committee makes an annual equity grant each year to each executive officer. The Compensation Committee reviewed and considered competitive market information at or near the 50th percentile of the company's peer group and established awards within the competitive range of the 50th percentile of the peer group. The following factors were also considered in determining the level of long-term incentives awarded to the executive officers:

- the executive's performance;
- the executive's potential future contributions to the company;
- the current compensation of the executive; and
- the current overall value of the executive's long-term incentives.

The Compensation Committee uses non-qualified stock options instead of incentive stock options in order to preserve the company's compensation expense tax deduction. The 2008 equity grants to our executive officers consisted solely of time-vesting stock options. The rationale for a grant consisting solely of stock options was the Compensation Committee's desire to focus our executive officers directly on increasing stockholder value through the growth in share price. In future years the Compensation Committee may elect to provide equity in the form of restricted stock, stock options or restricted stock units.

The annual equity grants also serve as a retention device because they are vested and earned through service with us over a four-year period and the options have a seven-year life. These equity grants further the long-term perspective necessary for continued success of the business.

The Compensation Committee typically makes the annual stock option grants at the first regularly scheduled meeting of the Compensation Committee of the year. Option grants to new hires are generally made at the first regularly scheduled Compensation Committee meeting that follows the date of hire. We set the exercise price of the options at the closing price of the stock on the date of grant. All equity grants to our named executive officers in 2008 were made pursuant to the Amended and Restated 2005 Incentive Award Plan.

Stock Ownership Requirements

The Compensation Committee has also implemented stock ownership requirements for members of the executive team equal to multiples of their base salary, which vary from one time to six times base salary. The CEO is required to hold shares with a value equal to six times his base salary, and the other named executive officers are required to hold shares with a value equal to two times their base salaries.

Each executive officer is expected to attain his or her stock ownership level within five years of becoming an executive officer. Stock options are not included in determining compliance with the share ownership requirement. Named executive officers are expected to retain 25% of the net after-tax shares acquired pursuant to the exercise of a stock option until they achieve the minimum share ownership position. The Compensation Committee reviews each named executive officer's compliance with the minimum stock ownership requirement once a year. Shares acquired through the company's Employee Stock Purchase Plan are counted toward the stock ownership requirement.

As of the end of 2008, each executive officer met the minimum share ownership requirement.

Long-Term Equity Incentive Program

In August 2006, the Compensation Committee implemented a performance-based long-term equity incentive program and made significant grants of restricted common stock to the named executive officers. These grants are targeted to deliver total direct compensation (annual base salary, annual bonus awards and long-term incentives) at the 75th percentile of the peer group upon the achievement of exceptional performance. These grants will be fully earned and vested only if during the three fiscal year measurement period: (i) we achieve annual growth for the EBITDA and market capitalization metrics as set forth below; and (ii) if the executive officers remain continuously employed with us through January 31, 2010. As provided in the award agreements, the EBITDA goals are adjusted by the Compensation Committee from time to time to reflect both the positive and negative impact of acquisitions, in order to neutralize the impact of those acquisitions. Awards of performance-based long-term equity incentive awards were granted pursuant to the Amended and Restated 2005 Incentive Award Plan.

Performance Goals

EBITDA	Market Cap
December 31, 2007	
$54.1 million	$928 million
December 31, 2008	
$66.9 million	$1,136 million
December 31, 2009	
$82.9 million	$1,400 million

The company met its performance goals for fiscal year 2007 related to both EBITDA and market capitalization but did not meet its performance goals for fiscal year 2008 for either EBITDA or market capitalization. The awards related to each 2008 performance goal remain eligible for vesting should the company meet its 2009 performance goals in that category. For example, if the company meets its 2009 EBITDA performance goal, participants in the company's Long-Term Equity Incentive Plan will be entitled to receive their performance awards for EBITDA for both 2008 and 2009.

Employment Agreements

The company has entered into employment agreements with each of the named executive officers. These agreements were amended in 2007 to reduce the amount of severance provided in the event of termination without cause or for good reason from two years of base salary to one year of base salary generally payable over the one year period following the executive's termination. The purpose of these amendments was to bring the company's employment agreements more in line with peer group companies. Additionally, these agreements provide for pro-rata annual cash incentive and limited accelerated vesting of equity grants (other than performance-based restricted common stock) in the event of a termination of employment by us without cause or by a named executive officer for good reason. In return, each executive covenants not to compete or solicit the employees for one year from the date of termination. Severance is stopped if the executive violates these covenants during the one-year severance period.

The employment agreements also provide change in control benefits. In the event we were to undergo a change in control, the employment agreements provide for 36 months of accelerated vesting for time-based stock option and restricted common stock grants and full vesting of such grants in the event of termination within 12 months of the change in control. The performance-based restricted common stock grants provide for full acceleration upon a change in control. We believe that it is fair to provide for accelerated vesting because equity grants provide such a high proportion of the total compensation. Very often, members of senior management lose their jobs in connection with a change of control. By agreeing up front to protect the named executive officers from losing their equity in the event of a change in control, we believe we can reinforce and encourage the continued attention and dedication of the executive officers to their assigned duties without distraction in the face of an actual or threatened change in control. This protection also aligns the interests of the named executive officers with that of the stockholders.

The employment agreements also provide for a tax gross-up payment to the named executive officers in the event they become subject to the 20% golden parachute excise tax. We have agreed to this payment because it is market practice and because we believe that the named executive officers should be able to receive what they have bargained for without being subject to this punitive tax.

Mr. Sundaram's employment agreement contains an additional term that results from his joining us upon the acquisition of certain assets of Automotive Lease Guide (alg), LLC. We agreed to honor an existing arrangement that he had in regards to a promissory note owed to his former employer in order to encourage Mr. Sundaram to remain with us after the acquisition.

In 2006, Mr. Sundaram's promotion to Senior Vice President, Dealer Solutions, required him to move across the country to corporate headquarters in Lake Success, New York. Accordingly, we entered into a relocation agreement with Mr. Sundaram that provided, among other things, reimbursement of his moving expenses, temporary housing expenses, forfeited tuition deposits and certain expenses in connection with the purchase and sale of his primary residence, as well as a car allowance.

In 2008, Mr. Sundaram was paid a gross amount of $37,814.67. This amount represents the final reimbursement for certain expenses (described above) in connection with his relocation. Specifically, the expenses included the forfeiture of automobile benefits and the differential in property taxes.

Perquisites

We believe that cash and equity compensation are the two key components in attracting and retaining management talent and therefore do not generally provide any substantial perquisites other than relocation expenses.

Deferred Compensation Plan

We have a deferred compensation plan that allows the named executive officers to defer bonus compensation by investing it in deferred stock units based on the fair market value of the common stock on the date the bonuses would otherwise be paid. This plan provides a tax effective means of allowing the executive officers to invest in the stock and fulfills the objective of encouraging equity ownership. None of our named executive officers elected to have any portion of their 2008 bonuses deferred.

401(k) Plan

We maintain a 401(k) plan which covers substantially all employees. The 401(k) plan is an essential part of the retirement package needed to attract and retain employees in the industry. The 401(k) plan permits employees to contribute up to the lesser of 20% of earnings or the annual dollar limit prescribed by the tax laws. The company provides a matching contribution, the amount of which is determined at our discretion. For 2008, the matching contribution was 50% of each employee's contribution up to 6% of eligible pay, subject to IRS limitations. The matching contribution vests incrementally over a five-year period.

Section 162(m) Policy

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over $1,000,000 paid to their chief executive officers and the four other most highly compensated executive officers unless certain tests are met. The Compensation Committee's general intent is to design and administer our executive compensation programs to preserve the deductibility of compensation payments to named executive officers. However, our goal of preserving the deductibility of compensation is secondary in importance to achievement of the Companies' compensation objectives. We believe that the potential increased tax liability is of insufficient magnitude to warrant alteration of our current executive compensation programs, which we believe are achieving our desired compensation objectives while retaining our flexibility to exercise judgment in assessing our named executive officers' performance.

Compensation Committee Actions Taken After Fiscal Year 2008

In January 2009, DealerTrack announced a realignment of its workforce, including plans to reduce its workforce by approximately 90 individuals. This included the departures of Robert Cox, Senior Vice President and Chief Financial Officer (effective March 2. 2009) and David Trinder, Senior Vice President, Network Solutions. Additionally Charles Giglia, Senior Vice President and Chief Information Officer, moved to a non-executive role.

Effective April 16, 2009, DealerTrack implemented a 5.29% reduction in the base salaries of all employees, including the executive officers.

COMPENSATION COMMITTEE REPORT

This report is submitted by the Compensation Committee of the Board of Directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed that Analysis with management. Based on its review and discussion with management, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement for filing with the Securities and Exchange Commission.

No portion of this Compensation Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that the company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be considered soliciting material or deemed filed under either the Securities Act or the Exchange Act.

Respectfully submitted by the Compensation Committee,
Mary Cirillo-Goldberg (chairperson)
James D. Foy
John J. McDonnell, Jr.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Stock Awards (1)	Option Awards (2)	Non-Equity Incentive Plan Compensation (3)	All Other Compensation (4)	Total
Mark F. O'Neil	2008	$525,000	$928,718	$912,581	$ 0(5)	$ 6,750	$2,373,049
Chairman and Chief	2007	510,000	969,198	873,180	525,000	10,669	2,888,047
Executive Officer	2006	495,040	369,913	695,967	660,000	9,799	2,230,719
Robert J. Cox III	2008	288,500	322,564	334,784	43,300	6,750	995,898
Senior Vice President,	2007	280,000	329,759	260,858	212,000	6,750	1,089,367
Chief Financial Officer and Treasurer (6)	2006	260,000	126,370	204,412	198,000	6,500	795,282
Eric D. Jacobs	2008	278,500	276,867	297,986	68,900	6,750	929,003
Senior Vice President,	2007	270,000	278,724	195,539	222,500	6,750	973,513
Chief Financial Officer, Chief Administrative Officer and Treasurer (7)	2006	260,000	112,433	150,595	208,000	6,600	737,628
Raj Sundaram	2008	278,500	251,027	267,068	61,300	116,937	974,832
Senior Vice President,	2007	268,000	242,184	159,715	180,400	510,307	1,360,606
Dealer Solutions	2006	235,527	49,879	61,780	169,000	199,659	715,845
David Trinder	2008	278,500	229,607	240,640	0(8)	0	748,747
Senior Vice President,	2007	270,000	220,764	137,490	156,500	55,000	839,754
Network Solutions	2006	260,000	79,632	97,020	179,000	55,000	670,652

(1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the applicable fiscal year for the fair value of restricted common stock granted in fiscal year 2006 and 2007, in accordance with SFAS 123(R). Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For restricted common stock, fair value is calculated using the closing price of our common stock on the date of grant. For a discussion of the assumptions and methodologies used to calculate the amounts reported, refer to Notes 2 and 13 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2008. These amounts reflect the company's accounting expense for these awards, and do not correspond to the actual value that will be recognized by the named executive officers.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the applicable fiscal year for the fair value of stock options granted in such year, as well as prior fiscal years in accordance with SFAS 123(R). Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of the assumptions and methodologies used to calculate the amounts reported, refer to Note 2 and 13 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2008. See the Grants of Plan-Based Awards Table for information on options granted in 2008. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value that will be recognized by the named executive officers.

(3) The amounts shown include awards earned under our annual incentive bonus plan in fiscal year 2008 although such amounts are payable in the subsequent year.

(4) See the table below for additional information on all other compensation.

(5) Mr. O'Neil notified the Compensation Committee that he did not wish to be considered for a bonus for 2008 due to market conditions.

(6) Mr. Cox's employment at DealerTrack ended as of March 2, 2009.

(7) Mr. Jacobs became DealerTrack's Senior Vice President and Chief Administrative Officer as of January 5, 2009. On March 2, 2009 Mr. Jacobs also assumed the role of Chief Financial Officer and Treasurer. In 2008 Mr. Jacobs served as DealerTrack's Senior Vice President, General Counsel and Secretary.

(8) Mr. Trinder's employment at DealerTrack ended as of January 5, 2009, prior to the payment of bonuses for 2008.

ALL OTHER COMPENSATION TABLE

The following table describes each component of the All Other Compensation column in the Summary Compensation Table.

Name	Year	401(k) Match(1)	Tax Gross-Up	Relocation	Other	Total
Mark F. O'Neil	2008	$ 6,750	$ —	—	$ —	$ 6,750
	2007	6,750	—	—	3,919(4)	10,669
	2006	6,600	—	—	3,199(4)	9,799
Robert J. Cox III	2008	6,750	—	—	—	6,750
	2007	6,750	—	—	—	6,750
	2006	6,500	—	—	—	6,500
Eric D. Jacobs	2008	6,750	—	—	—	6,750
	2007	6,750	—	—	—	6,750
	2006	6,600	—	—	—	6,600
Raj Sundaram	2008	5,893	13,815(2)	24,000(3)	73,229(5)	116,937
	2007	5,852	144,305(2)	276,150(3)	84,000(5)	510,307
	2006	5,686	41,715(2)	68,258(3)	84,000(5)	199,659
David Trinder	2008	—	—	—	—	—
	2007	—	—	55,000(6)	—	55,000
	2006	—	—	55,000(6)	—	55,000

(1) This column reports our matching contributions to the named executive's 401(k) savings account of up to 3.0% of salary, subject up to the limitations imposed under IRS rules. These contributions vest over a five year period.

(2) This amount includes amounts reimbursed for the payment of taxes on imputed income for Mr. Sundaram's relocation expenses.

(3) This amount includes relocation expenses paid by the company including for 2008; (i) $10,000 temporary car allowance and (ii) $14,000 reimbursement for higher property taxes paid; for 2007: (i) $46,697 reimbursement for temporary housing, (ii) $15,000 temporary car allowance, (iii) $14,000 reimbursement for higher property taxes paid, (iv) $132,235 reimbursement of commissions and closing costs on the sale of his existing home, and (v) $68,218 purchase of a new home near company headquarters; and for 2006: (i) $35,258 reimbursement for temporary housing, (ii) $20,000 temporary car allowance, and (iii) $13,000 reimbursement for tuition payments forfeited due to his relocation.

(4) This amount represents the 15% discount received on shares purchased through our employee stock purchase plan. This discount was available to all employees.

(5) This amount includes payments pursuant to Mr. Sundaram's employment agreement that are reimbursements for interest due on a loan from Automotive Lease Guide (alg), LLC, his prior employer and the company from which we purchased substantially all of the assets of ALG, including in 2008, a $73,229 payment and in each of 2006 and 2007, an $84,000 payment.

(6) This amount represents an allowance paid through December 31, 2007 to cover increased cost of living expenses due to the executive's relocation.

GRANTS OF PLAN-BASED AWARDS IN 2006

The following table provides information about equity and non-equity awards granted to the named executives in 2008:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Option Awards; Number of Securities Underlying Options (2)	Exercise or Base Price of Option Awards (3)	Grant Date Fair Value of Stock and Option Awards (4)
		Threshold	Target	Maximum			
Mark F. O'Neil	1/24/2008	$ 315,000	$ 420,000	$ 882,000	100,000	$ 24.5	$ 998,400
Robert J. Cox III	1/24/2008	$ 129,825	$ 173,100	$ 320,234	45,000	$ 24.5	$ 449,280
Eric D. Jacobs	1/24/2008	$ 114,881	$ 153,175	$ 283,373	45,000	$ 24.5	$ 449,280
Raj Sundaram	1/24/2008	$ 114,881	$ 153,175	$ 268,056	40,000	$ 24.5	$ 399,360
David Trinder	1/24/2008	$ 114,881	$ 153,175	$ 268,056	40,000	$ 24.5	$ 399,360

(1) These columns show the potential value of the payout of the annual cash incentive bonuses for 2008 performance for each named executive officer if the minimum, target and maximum performance levels are achieved. The potential payout is performance based and driven by company and individual performance. The actual amount of the annual cash incentive bonuses paid for 2008 performance is shown in the Summary Compensation Table under the "Non-Equity Plan Compensation" column.

(2) This column shows the number of stock options granted in 2008 to the named executive officers. These options vest as follows: 25% of the shares subject to the option vest on the one year anniversary of the date of grant, and 1/36th of the remaining shares subject to the option vest each month thereafter, such that 100% of the shares subject to the option will be fully vested four years after the date of grant.

(3) This column shows the exercise price for the stock options granted during 2008. All option awards granted during 2008 were granted under the DealerTrack Holdings, Inc. Second Amended and Restated 2005 Incentive Award Plan.

(4) This column shows the grant date fair value of stock options computed in accordance with SFAS 123(R) granted to the named executive officers during 2008.

OUTSTANDING EQUITY AWARDS AT 2008 FISCAL YEAR END

The following table provides information on the current holdings of equity awards by the named executive officers. This table includes unexercised and unvested option awards; unvested restricted common stock; and restricted common stock with performance conditions that have not yet been satisfied. Each equity grant is shown separately for each named executive officer. The vesting schedule for each grant is shown following this table, based on the award grant date.

Name	Option Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested (1)	Market Value of Shares or Units of Stock That Have Not Vested (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (4)
Mark F. O'Neil	1/16/2002	164,941	—	$ 3.12	1/15/2012	5/26/2005	7,500	$ 89,175	—	—
	1/30/2003	197,452	—	2.80	1/29/2013	1/27/2006	17,500	208,075	—	—
	5/3/2004	7,501	—	2.80	2/13/2011	8/2/2006			170,000	$ 2,021,300
	5/3/2004	235,000	—	2.80	5/2/2014	2/6/2007	30,000	356,700	—	—
	8/18/2004	167,000	—	2.80	8/17/2014	8/8/2007	7,500	89,175	—	—
	5/26/2005	111,977	13,023	12.92	5/25/2015	—	—	—	—	—
	1/27/2006	65,624	24,376	20.68	1/26/2016	—	—	—	—	—
	2/6/2007	18,333	21,667	28.73	2/5/2017	—	—	—	—	—
	8/8/2007	3,333	6,667	38.98	8/7/2014	—	—	—	—	—
	1/24/2008	—	100,000	24.50	1/23/2015	—	—	—	—	—
Robert J. Cox III	1/16/2002	25,781	—	3.12	1/15/2012	5/26/2005	2,500	29,725	—	—
	1/30/2003	18,620	—	2.80	1/29/2013	1/27/2006	6,000	71,340	—	—
	5/3/2004	11,697	—	2.80	6/26/2011	8/2/2006			60,000	713,400
	5/3/2004	35,000	—	2.80	5/02/2014	2/6/2007	9,000	107,010	—	—
	8/18/2004	65,000	—	2.80	8/17/2014	8/8/2007	3,750	44,588	—	—
	5/26/2005	44,791	5,209	12.92	5/25/2015	—	—	—	—	—
	1/27/2006	18,228	6,772	20.68	1/26/2016	—	—	—	—	—
	2/6/2007	5,499	6,501	28.73	2/5/2017	—	—	—	—	—
	8/8/2007	1,666	3,334	38.98	8/7/2014	—	—	—	—	—
	1/24/2008	—	45,000	24.50	1/23/2015	—	—	—	—	—
Eric D. Jacobs	5/15/2002	26,250	—	2.80	5/14/2012	5/26/2005	2,500	29,725	—	—
	1/30/2003	9,753	—	2.80	1/29/2013	1/27/2006	5,000	59,450	—	—
	1/30/2004	45,000	—	2.80	1/29/2014	8/2/2006			50,000	594,500
	8/18/2004	50,000	—	2.80	8/17/2014	2/6/2007	6,750	80,258	—	—
	5/26/2005	44,791	5,209	12.92	5/25/2015	8/8/2007	3,750	44,588	—	—
	1/27/2006	14,583	5,417	20.68	1/26/2016	—	—	—	—	—
	2/6/2007	4,124	4,876	28.73	2/5/2017	—	—	—	—	—
	8/8/2007	1,666	3,334	38.98	8/7/2014	—	—	—	—	—
	1/24/2008	—	45,000	24.50	1/23/2015	—	—	—	—	—
Raj Sundaram	5/26/2005	22,395	2,605	12.92	5/25/2015	1/27/2006	2,500	29,725	—	—
	1/27/2006	7,291	2,709	20.68	1/26/2016	11/2/2006	5,000	59,450	—	—
	11/2/2006	10,416	9,584	25.39	11/1/2016	8/2/2006			35,000	416,150
	2/6/2007	4,124	4,876	28.73	2/5/2017	2/6/2007	6,750	80,258	—	—
	8/8/2007	1,666	3,334	38.98	8/7/2014	8/8/2007	3,750	44,588	—	—
	1/24/2008	—	40,000	24.50	1/23/2015	—		—	—	—
David Trinder	1/30/2004	8,334	—	2.80	1/29/2014	5/26/2005	1,250	14,863	—	—
	7/01/2004	3,000	—	2.80	7/20/2014	1/27/2006	4,500	53,505	—	—
	8/18/2004	10,000	—	2.80	8/17/2014	8/2/2006			35,000	416,150
	5/26/2005	31,353	3,647	12.92	5/25/2015	2/6/2007	6,750	80,258	—	—
	1/27/2006	13,124	4,876	20.68	1/26/2016	8/8/2007	3,750	44,588	—	—
	2/6/2007	4,124	4,876	28.73	2/5/2017	—	—	—	—	—
	8/8/2007	1,666	3,334	38.98	8/7/2014	—	—	—	—	—
	1/24/2008	—	40,000	24.50	1/23/2015	—	—	—	—	—

(1) These awards vest in four equal annual installments from date of grant.

(2) The market value is based on the closing price of our common stock as of December 31, 2008, which was $11.89.

(3) These are performance based restricted common stock awards that vest in full on January 31, 2010, provided that the executive officer remains employed on such date. The amount that will vest at such time is subject to the achievement of certain pre-established performance goals for fiscal years 2007, 2008 and 2009. These performance goals are equally based on both our earnings before interest, taxes, depreciation and amortization, as adjusted, or EBITDA, and market capitalization, in each case as measured on the last day of the fiscal year. The company met its performance goals for fiscal year 2007 related to both EBITDA and market capitalization but did not meet its performance goals for fiscal year 2008 for either EBITDA or market capitalization.

(4) The market value is based on the closing price of our common stock as of December 31, 2008, which was $11.89, without taking any discounts and assuming that targets are achieved (EBITDA and market cap).

Option Vesting Schedule

Except for grant dates set forth below, the vesting schedule for stock options is 25% of the shares subject to the option vest on the one year anniversary of the date of grant, and 1/36th of the remaining shares subject to the option vest each month thereafter, such that 100% of the shares subject to the option will be fully vested four years after the date of grant.

Stock Option Grant Date	Vesting Schedule
January 30, 2003	The vesting commencement date was January 1, 2003.
January 30, 2004	10,000 options vested immediately for Mr. Jacobs, the remaining 60,000 began vesting on January 1, 2004.
May 3, 2004	14,609 of Mr. Cox's options were immediately vested. Of the remaining 41,016 options, 6,016 vested in 14 equal monthly installments ending on June 27, 2005 and the remaining 35,000 options had a vesting commencement date of January 1, 2004. 152,462 of Mr. O'Neil's options were immediately vested. Of the remaining 262,491, 37,491 vested in 10 equal monthly installments ending on February 14, 2005 and the remaining 225,000 had a vesting commencement date of January 1, 2004.

OPTION EXERCISES AND STOCK VESTED IN FISCAL 2008

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized On Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting (7)
Mark F. O'Neil	—	$ —	28,750(2)	$ 641,750
Robert J. Cox III	—	—	9,750(3)	214,780
Eric D. Jacobs	—	—	8,500(4)	185,278
Raj Sundaram	—	—	7,250(5)	129,353
David Trinder	15,000(1)	138,231	7,000(6)	152,873

(1) Mr. Trinder exercised 10,000 stock options on December 8, 2008 and 5,000 stock options on December 9, 2008 with an exercise price of $2.80. The closing prices on these dates were $11.89 and $12.25 respectively.

(2) These Shares vested upon the lapse of restricted common stock. 8,750 shares lapsed on January 27, 2008, 10,000 shares on February 6, 2008, 7,500 shares on May 26, 2008, and 2,500 shares on August 8, 2008.

(3) These Shares vested upon the lapse of restricted common stock. 3,000 shares lapsed on January 27, 2008 and February 6, 2008, 2,500 shares on May 26, 2008, and 1,250 shares on August 8, 2008.

(4) These Shares vested upon the lapse of restricted common stock. 2,500 shares lapsed on January 27, 2008 and May 26, 2008, 2,250 shares on February 6, 2008, and 1,250 shares on August 8, 2008.

(5) These Shares vested upon the lapse of restricted common stock. 1,250 shares lapsed on January 27, 2008 and August 8, 2008, 2,250 shares on February 6, 2008, and 2,500 shares on November 2, 2008.

(6) These Shares vested upon the lapse of restricted common stock. 2,250 shares lapsed on January 27, 2008 and February 6, 2008, and 1,250 shares on May 26, 2008 and August 8, 2008.

(7) The closing prices of our common stock were $23.92 on January 25, 2008, $23.39 on February 6, 2008, $21.14 on May 26, 2008, $16.00 on August 8, 2008 and $10.73 on October 31, 2008.

NON-QUALIFED DEFERRED COMPENSATION

We have a deferred compensation plan that allows the executive officers to defer up to 100% of annual bonus earning by investing it in deferred stock units based on the fair market value of the common stock on the date the bonuses would otherwise be paid. Only one of our named executive officers elected to defer any portion of the 2006 bonus which was payable in 2007. None of our named executive officers elected to have any portion of their 2007 or 2008 bonuses deferred.

POTENTIAL PAYMENTS UPON TERMINATION

The tables set forth below describe and quantify certain compensation that would become payable under existing plans and arrangements if the named executive officer's employment had terminated on December 31, 2008, based on our closing stock price on that date. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event and our stock price. None of our named executive officers are entitled to any compensation in the event of a voluntary termination without good reason or an involuntary termination for cause.

Name	Base Salary (1)	Short-Term Incentives (2)	Performance Shares (3)	Stock Options (4)	Restricted Stock (5)	Health Care (6)	280G Tax Gross-Up	Total
Mark F. O'Neil								
Involuntary or Good Reason Termination	$ 525,000	$ 420,000	—	$ —	$ 594,500	$ 17,840	—	$ 1,557,340
Death or Disability	525,000	420,000	1,429,700	—	89,175	17,840	—	2,481,715
Change In Control	1,050,000	420,000	2,021,300	—	743,125	17,840	—	4,252,265
Robert J. Cox III (7)								
Involuntary or Good Reason Termination	288,500	173,100	—	—	202,130	15,882	—	679,612
Death or Disability	288,500	173,100	504,600	—	29,725	15,882	—	1,011,807
Change In Control	577,000	173,100	713,400	—	252,663	15,882	466,926	2,198,971
Eric D. Jacobs								
Involuntary or Good Reason Termination	278,500	153,175	—	—	172,405	15,882	—	619,962
Death or Disability	278,500	153,175	420,500	—	29,725	15,882	—	897,782
Change In Control	557,000	153,175	594,500	—	214,020	15,882	—	1,534,577
Raj Sundaram								
Involuntary or Good Reason Termination	278,500	153,175	—	—	172,405	18,083	—	622,163
Death or Disability	278,500	153,175	294,350	—	—	18,083	—	744,108
Change In Control	557,000	153,175	416,150	—	214,020	18,083	—	1,358,428
David Trinder (8)								
Involuntary or Good Reason Termination	278,500	153,175	—	—	151,598	17,840	—	601,113
Death or Disability	278,500	153,175	294,350	—	14,863	17,840	—	758,728
Change In Control	557,000	153,175	416,150	—	193,213	17,840	—	1,337,378

(1) 12 months base salary continuation calculated based on the salary in effect on the date of termination if terminated without cause, death or disability, or by executive for good reason. If termination is without cause or by executive for good reason within 12 months of a change in control, executive will receive 24 months of base salary continuation. Severance will cease if the executive violates the non-compete provision of his employment agreement.

(2) A pro-rata bonus payment calculated based on the number of days during the fiscal year through the date of termination, applied to executive's target bonus.

(3) The Death or Disability amounts represent accelerated vesting of a pro-rata portion of the performance shares awarded in August 2006. The Change of Control amounts represent full vesting of the performance shares. Value is based on $11.89, the closing price of our common stock on December 31, 2008.

(4) Named executive officers are eligible for acceleration of the vesting of certain of such officer's outstanding stock options upon termination under certain circumstances, including involuntary termination or resignation for good reason. However, as of December 31, 2008, the closing price of our common stock was $11.89, which was lower than the exercise price of any options eligible for acceleration.

(5) The Involuntary or Good Reason Termination amounts represent two years acceleration of the vesting of the named executive officer's restricted common stock. The Death or Disability and Change of Control amounts represent full vesting of the named executive officer's restricted common stock granted prior to our initial public offering in 2005. Value is based on $11.89, the closing price of our common stock on December 31, 2008.

(6) Represents the reimbursement of premiums otherwise payable by executive pursuant to COBRA for a period of 12 months.

(7) Mr. Cox's employment with DealerTrack ended as of March 2, 2009. Mr. Cox's separation agreement provided for a one-time cash lump sum severance payment of $288,500, representing one year of base salary; and an additional one-time cash severance payment of $159,252, representing 75% percent of his target bonus for 2008 plus his target bonus for 2009, pro rated for the number of days worked in 2009. Mr. Cox also received accelerated vesting of certain of his equity awards. He is also eligible to receive reimbursement of health care premiums totaling $17,840.

(8) Mr. Trinder's employment with DealerTrack ended as of January 5, 2009. Mr. Trinder's separation agreement provided for a one-time cash lump sum severance payment of $278,500, representing one year of base salary; and an additional one-time cash severance payment of $153,175, representing his target bonus for 2008. Mr. Trinder also received accelerated vesting of certain of his equity awards. He is also eligible to receive reimbursement of health care premiums totaling $17,840.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended December 31, 2008, Ms. Cirillo-Goldberg and Messrs. Foy and McDonnell were members of our Compensation Committee and none of our executive officers served as: (i) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee; (ii) a director of another entity, one of whose executive officers served on our Compensation Committee; or (iii) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director on our board of directors. No member of our Compensation Committee has ever been an employee of DealerTrack.

Employment Agreements with Named Executive Officers

Each of our named executive officers has entered into a written employment agreement with us or one of our subsidiaries that governs the terms and conditions of his employment. Each employment agreement with respect to the named executive officers provides:

- The initial term of employment ended on August 8, 2008 and was automatically renewed according to its terms, Each agreement will continue automatically to be extended for additional one-year periods unless either party notifies the other of non-extension at least 60 days prior to the end of a term.

- The annual base salary for 2009 and 2008 for each of the named executive officers is as follows:

	2009	2008
Mark F. O'Neil	$ 497,227(1)	$ 525,000
Robert J. Cox III	$ 288,500(2)	$ 288,500
Eric D. Jacobs	$ 263,767(1)	$ 278,500
Raj Sundaram	$ 263,767(1)	$ 278,500
David Trinder	$ 278,500(3)	$ 278,500

(1) None of DealerTrack's named executive officers received an increase in base salary from 2008 to 2009. As of April 16, 2009 DealerTrack instituted a company-wide decrease in base salary for the rest of 2009 for all officers and employees. The amounts set forth reflect the officers' base salaries as in effect following the 5.29% decrease, which took effect April 16, 2009.

(2) Mr. Cox's employment with DealerTrack ended as of March 2, 2009, prior to the company-wide base salary decrease.

(3) Mr. Trinder's employment with DealerTrack ended as of January 5, 2009, prior to the company-wide base salary decrease.

- Each named executive officer is eligible to receive an annual performance-based cash bonus. Each year, the amount of such bonus, if any, is determined based upon our performance relative to certain performance benchmark targets as described above under "Annual Incentive Bonus."

- Each named executive officer is prohibited from competing with us or soliciting our employees or customers during the term of his employment and for a period of two years thereafter, and from disclosing our confidential or proprietary information indefinitely.

- In the event that a named executive officer's employment is terminated by us without "cause," death or disability, or by the executive for "good reason," the named executive officer will be entitled to continue to participate in our health and welfare benefit plans for a period of one year following termination and to continue to be paid his base salary for a period of one year following termination. Additionally, the named executive officer shall be entitled to receive a pro rata annual bonus based on the percentage of the year worked through the date of termination. Notwithstanding the foregoing, in no event will any named executive officer be entitled to receive any such payment or benefits after he or she violates any non-compete, non-disclosure or non-solicit covenant. "Cause" means any of the following: (i) the executive officer's conviction for a felony, commission of fraud or embezzlement upon us; (ii) the executive officer's commission of any willful act intended to injure our reputation, business, or business relationships; (iii) the refusal or failure to perform his duties with us in a competent and professional manner (in certain cases, with a cure period of ten business days); or (iv) the refusal or failure of the executive officer to comply with any of his material obligations under his employment agreement (in certain cases, with a cure period of ten business days). "Good reason" means any of the following: (i) a material breach by us of an executive officer's employment agreement or in connection with our stock incentive plans (which has not been cured within the allotted time); (ii) a material reduction of an executive officer's title or duties or the assignment to the officer of any duties materially inconsistent with his or her then current position; (iii) any material reduction in the executive officer's salary or benefits; (iv) the failure of any successor entity to assume the terms of the executive officer's employment agreement upon a "change of control"; or (v) relocation of the officer's location a distance of at over fifty miles; or (vi) if we do not renew the executive officer's employment agreement upon its expiration.

Mr. Sundaram has the following additional provisions in his employment agreement:

- A monthly payment equal to 1 / 12 of $1,200,000 multiplied by the prime interest rate plus 1%, up to a maximum rate of 7% until the note described in the subsequent bullet point is issued.

- Eligibility to receive additional compensation payable in the form of a note based on the fiscal performance of certain data products. The note, when and if issued, will accrue interest monthly and is payable in full on June 30, 2010, although it can be prepaid at any time at our option.

- A separate Unfair Competition and Nonsolicitation Agreement in which he agreed not to solicit from or compete with our ALG business for a period of ten years from May 25, 2005.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2008 regarding the number of shares of our common stock that may be issued under our equity compensation plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities in Column a)
	(a)	(b)	(c)
Equity compensation plans approved by stockholders			
Stock option plans (1)	4,733,349	$ 16.06	1,559,996
2005 Employee Stock Purchase Plan	—	N/A	1,275,072
Equity compensation plans not approved by stockholders	—	—	—
Total	4,733,349	$ 16.06	2,835,068

(1) Consists of the 2001 Stock Option Plan and the Amended and Restated 2005 Incentive Award Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Based on our review of information on file with the SEC and our stock records, the following table provides certain information about beneficial ownership of our common stock as of April 15, 2009 for: (i) each person (or group of affiliated persons) which is known by us to own beneficially more than 5% of our common stock, (ii) each of our directors, (iii) each named executive officer and (iv) all directors and current executive officers as a group. Unless otherwise indicated, the address for those listed below is c/o DealerTrack Holdings, Inc., 1111 Marcus Ave., Suite M04, Lake Success, NY 11042. Except as indicated by footnote, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Shares	Number of Shares Beneficially Owned	Percent Owned
Mark F. O'Neil (1)	1,161,012	2.84%
Robert J. Cox III (2)	282,159	*
Eric D. Jacobs (3)	308,531	*
Raj Sundaram (4)	186,080	*
David Trinder (5)	131,474	*
James Foy (6)	4,888	*
Mary Cirillo-Goldberg (7)	143,162	*
Ann B. Lane (8)	20,328	*
John J. McDonnell, Jr. (9)	57,327	*
James David Power III (10)	76,578	*
Howard L. Tischler (11)(14)	62,328	*
Barry Zwarenstein (12)	19,453	*
All current directors and current executive officers as a group (13 persons) (13)	2,366,594	5.71%
First Advantage Corporation and related entities (14)	2,553,824	6.38%
FMR LLC (15)	6,088,212	15.21%
Barclays Global Investors, N.A.(16)	2,409,570	6.02%
Wasatch Advisors, Inc. (17)	2,891,466	7.22%

* Indicates less than 1%

(1) Includes 833,143 shares which Mr. O'Neil has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options. Also includes 213,750 shares of restricted common stock and 80,000 restricted stock units.

(2) Includes 282,159 shares which Mr. Cox has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options.

(3) Includes 212,209 shares which Mr. Jacobs has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options. Also includes 63,250 shares of restricted common stock and 30,000 restricted stock units.

(4) Includes 67,123 shares which Mr. Sundaram has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options. Also includes 49,500 shares of restricted common stock and 30,000 restricted stock units.

(5) Includes 116,294 shares which Mr. Trinder has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options.

(6) Includes 4,888 shares of restricted common stock.

(7) Includes 56,250 shares which Ms. Cirillo-Goldberg has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options and 7,995 shares of restricted common stock.

(8) Includes 10,000 shares which Ms. Lane has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options. Also includes 6,828 shares of restricted common stock.

(9) Includes 10,000 shares which Mr. McDonnell has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options. Also includes 7,995 shares of restricted common stock.

(10) Includes 56,250 shares which Mr. Power has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options and 7,995 shares of restricted common stock.

(11) Includes 40,000 shares which Mr. Tischler has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options and 7,995 shares of restricted common stock.

(12) Includes 10,000 shares which Mr. Zwarenstein has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options. Also includes 6,828 shares of restricted common stock.

(13) Includes 1,437,566 shares which this group has the right to acquire within 60 days after April 15, 2009 upon the exercise of stock options, 477,024 shares of restricted common stock and 210,000 restricted stock units.

(14) The shares shown as beneficially owned by First Advantage Corporation consist of 2,553,824 shares of common stock held by FADV CMSI, Inc. (f/k/a Credit Management Solutions, Inc.) ("CMSI"), a direct, wholly-owned subsidiary of First Advantage Corporation ("FADV"). FADV is a direct, majority-owned subsidiary of FADV Holdings LLC ("Holdings"). Holdings is owned by The First American Corporation ("First American"), First American Real Estate Solutions LLC ("FARES") and First American Real Estate Information Services, Inc. ("FAREISI") as holders of 62.59%, 36.28% and 1.12%, respectively. FAREISI is a direct, wholly owned subsidiary of First American. First American owns 80% of FARES. FADV, First American, Holdings, FAREISI and FARES may be deemed to beneficially own CMSI's shares of common stock. FADV, First American, Holdings, FAREISI and FARES disclaim beneficial ownership of the shares of common stock held by CMSI. The shares shown as beneficially owned by CMSI were reported in its Amendment No. 4 to Schedule 13G filed with the SEC on April 3, 2009. Its address is 100 Carillon Parkway, St. Petersburg, FL 33716. Mr. Tischler served as Group President of First Advantage Dealer Services, an affiliate of CMSI, until December 2008. Mr. Tischler disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(15) The shares shown as beneficially owned by FMR LLC were reported in its Amendment No. 5 to Schedule 13G filed with the SEC on February 17, 2009. Its address is 82 Devonshire Street, Boston, Massachusetts 02109.

(16) The shares shown as beneficially owned by Barclays Global Investors were reported in its Schedule 13G filed with the SEC on February 5, 2009. Its address is 400 Howard Street, San Francisco, CA 94105.

(17) The shares shown as beneficially owned by Wasatch Advisors, Inc. and related entities were reported in its Schedule 13G filed with the SEC on February 17, 2009. Its address is 150 Social Hall Avenue, Salt Lake City, Utah 84111.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

DIRECTOR INDEPENDENCE

The Nominating and Corporate Governance Committee and our board of directors annually assess the independence of the non-management directors by reviewing the financial and other relationships between the directors and us. This review is designed to determine whether these directors are independent under the criteria established by NASDAQ for independent board members. The Nominating and Governance Committee and our board of directors have determined that all of our non-management directors are independent under those standards.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures With Respect to Related Party Transactions

In accordance with its written charter, the Audit Committee, which is comprised of all independent directors, is responsible for reviewing all related party transactions for potential conflict of interest situations on an ongoing basis and the approval of the Audit Committee is required for all such transactions. The term "related party transactions" refers to transactions required to be disclosed in our filings with the SEC pursuant to Item 404 of Regulation S-K.

Transactions with Other Five Percent Stockholders

First American Credit Management Solutions, Inc.

Current Equity Ownership. CMSI owns an aggregate of 2,553,824 shares, or 6.4 %, of our common stock.

Joint Marketing Agreement. We are a party with First Advantage CREDCO, or CREDCO, formerly known as First American CREDCO, an affiliate of CMSI, to a Joint Marketing Agreement, dated as of March 19, 2003, and amended as of December 1, 2004, under which automotive dealers may use our web-based network to, among other things, electronically access a CREDCO credit report on a prospective customer. We earn revenue from CREDCO on a per transaction basis, each time a report is accessed. The total revenue and accounts receivable from CREDCO as of and for the year ended December 31, 2008 were $1.3 million (0.5% of our total revenue) and $148,000, respectively.

Under the Joint Marketing Agreement, we have agreed not to compete with CREDCO in certain circumstances in the marketing of consumer credit reports to our automobile dealer customers.

CreditReportPlus Agreement. We are party to an agreement with CreditReportPlus, LLC, an affiliate of CMSI, under which our dealer customers will be provided CreditReportPlus as our preferred provider of certain functionality related to credit reports. The total revenue and accounts receivable from this Agreement, as of and for the year ended December 31, 2008, was $1.1 million (0.5% of our total revenue) and $161,000, respectively.

CMSI Agreements. We are party to agreements with CMSI under which we receive certain integration, customer support and hosting services as well as a verification tool with respect to data services and contract data. The total amount of expense for the year ended December 31, 2008, was approximately $75,000.

Non-Competition Agreement. As part of our acquisition of Credit Online, Inc. from CMSI, we entered into a non-competition agreement with CMSI and The First American Corporation, the former parent company of CMSI, under which we have agreed not to compete in the single financing source credit origination and/or credit decisioning system business and CMSI has agreed not to compete in the multi-financing source credit application processing business and other related businesses defined in the agreement.

Bar None Agreement. In February 2006, we entered into an agreement with Bar None, Inc., an affiliate of CMSI, under which we provide integration with respect to leads for automotive dealers generated through Bar None. The total revenue and accounts receivable from Bar None for the year ended December 31, 2008 was $42,000 (0.1 % of our total revenue) and $4,000, respectively.

Director. Howard L. Tischler served as Group President of First Advantage Dealer Services, an affiliate of CMSI, from September 2005 through December 2008, and from 2001 until September 2005, as President and Chief Executive Officer of CMSI. Mr. Tischler has been a director of DealerTrack since March 2003 pursuant to our stockholders' agreement, which terminated upon our initial public offering. CMSI no longer has the right to appoint a director to our board of directors. For his service as a director, Mr. Tischler received $50,000 cash compensation from us in 2008, which he deferred and in lieu of which he received 3,298 deferred stock units, as well as 6,828 shares of restricted common stock from us on June 3, 2008, pursuant to our Amended and Restated 2005 Incentive Award Plan.

Registration Rights

We are party to a Fourth Amended and Restated Registration Rights Agreement, dated March 19, 2003, among ACF Investment Corp., ADP, Inc., Capital One Auto Finance, Inc., DJR US, LLC, (formerly known as Automotive Lease Guide (alg), LLC), First American Credit Management Solutions, Inc., GRP II, L.P., GRP II Investors, L.P., GRP II Partners, L.P., J.P. Morgan Partners, Wells Fargo Financial, Inc., Wells Fargo Small Business Investment Company, Inc., WFS Web Investments, Janet Clarke, Robert J. Cox III, Mary Cirillo-Goldberg and Mark F. O'Neil which provides for:

- An unlimited number of piggyback registrations pursuant to which we are required to register sales of a holder's shares under the Securities Act when we undertake a public offering either on our own behalf or on behalf of another stockholder, subject to the discretion of the managing underwriter of the offering to decrease the amount that holders may register, with priority given, in the case of a public offering undertaken on our own behalf, first to the shares to be sold by us, then to shares to be sold by the holders exercising these piggyback registration rights and then to all other shares and, in the case of a public offering on behalf of another stockholder, first to the shares to be sold by such stockholder, then to shares to be sold by us, and then to all other shares;

- Two demand registrations pursuant to which we are required to register sales of a holder's shares under the Securities Act that would result in aggregate net proceeds of at least $30,000,000, subject to certain rights to delay up to 180 days the filing or effectiveness of any such registration statements; and

- One registration on Form S-3 (or equivalent short-form registration statement) per year pursuant to which we are required to register sales of a holder's shares under the Securities Act, subject to the aggregate market value (at the time of a holder's request) of the shares registered by such holder being no less than $5,000,000.

Generally, we have agreed to pay all expenses of any registration pursuant to the registration rights agreement, except that underwriters' discounts and commissions shall be borne pro rata by the parties selling shares pursuant to the applicable registration statement.

Earn Out Provision

In connection with our purchase of substantially all of the assets of Automotive Lease Guide (alg) LLC on May 25, 2005, we agreed to pay to DJR US, LLC (the former owner of the assets of Automotive Lease Guide (alg) LLC) $750,000 on each of the first through fifth anniversaries of the closing date of the acquisition. Additionally, we agreed to pay additional consideration of up to $11.3 million contingent upon certain future increases in revenue of ALG and another of our subsidiaries through December 2009. In May 2008, we paid $750,000 to DJR as the annual payment and in February 2009, we paid $1.1 million to DJR as additional consideration based on 2008 revenue. Raj Sundaram, our Senior Vice President, Solutions and Services Group, is a member of DJR US, LLC.

Item 14. Principal Accountant Fees and Services.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table represents the fees billed by PwC for 2008 and 2007:

	2008	2007
Audit fees (1) :	$ 1,098,565	$ 1,130,030
Audit-related fees (2) :	288,102	57,500
Tax fees (3) :	—	—
All other fees (4) :	1,500	1,500
Total:	$ 1,388,167	$ 1,189,030

(1) Audit fees consisted of audit work performed on our consolidated financial statements, as well as work normally performed by the independent registered public accounting firm in connection with statutory and regulatory filings.

(2) Audit-related fees consisted of audits of our employee benefit plan, as well as due diligence work related to potential acquisitions.

(3) Tax fees are fees associated with tax compliance.

(4) All other fees for 2008 are related to the licensing of certain software from PwC.

All of the audit-related, tax and all other services provided by PwC to us in 2008 and 2007 were approved by the Audit Committee by means of specific pre-approvals or pursuant to the procedures contained in the pre-approval policies and procedures established by the Audit Committee.

PART IV

Item 15. Exhibits

15(a)(3) Exhibits

Exhibits are as set forth in the “List of Exhibits.”

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 30, 2009

DealerTrack Holdings, Inc.
(Registrant)

By: /s/ Eric D. Jacobs
Eric D. Jacobs
Senior Vice President, Chief Administrative Officer,
Chief Financial Officer and Treasurer
(Duly Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

Number	Description
3.1[4]	Form of Fifth Amended and Restated Certificate of Incorporation of DealerTrack Holdings, Inc.
3.2[4]	Form of Amended and Restated By-laws of DealerTrack Holdings, Inc.
4.1[1]	Fourth Amended and Restated Registration Rights Agreement, dated as of March 19, 2003, among DealerTrack Holdings, Inc. and the stockholders of DealerTrack Holdings, Inc. party thereto.
4.2[3]	Form of Certificate of Common Stock.
10.1[2]	Transition Services Agreement, dated as of March 19, 2003, by and among DealerTrack Holdings, Inc., Credit Online, Inc., DealerTrack, Inc., First American Credit Management Solutions, Inc. and First American Real Estate Solutions, LLC.
10.2[2]	Joint Marketing Agreement, dated as of March 19, 2003, by and among DealerTrack Holdings, Inc., DealerTrack, Inc., Credit Online, Inc. and First American CREDCO, a division of First American Real Estate Solutions, LLC.
10.3[2]	First Amendment to the Joint Marketing Agreement by and among DealerTrack Holdings, Inc., DealerTrack, Inc., Credit Online, Inc. and First American CREDCO, a division of First American Real Estate Solutions, LLC, dated as of December 1, 2004.
10.4[2]	Agreement between DealerTrack, Inc. and CreditReportPlus, LLC, dated as of December 1, 2004.
10.5[2]	Application Service Provider Contract, dated as of April 15, 2005, between First American Credit Management Solutions, Inc. and DealerTrack, Inc.
10.6[2]	Non-Competition Agreement, dated as of March 19, 2003, by and among DealerTrack Holdings, Inc., Credit Online, Inc., First American Credit Management Solutions, Inc. and The First American Corporation.
10.7[2]	License Agreement, made and entered into as of February 1, 2001, by and between The Chase Manhattan Bank and J.P. Morgan Partners (23A SBIC Manager), Inc.
10.8[2]	Asset Purchase Agreement, dated as of May 25, 2005, by and among Santa Acquisition Corporation, Automotive Lease Guide (alg), LLC, Automotive Lease Guide (alg) Canada, Inc., Douglas W. Aiken, John A. Blair and Raj Sundaram.
10.9[11]	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between Mark F. O'Neil and DealerTrack Holdings, Inc.
10.10+	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between Mark F. O'Neil and DealerTrack Holdings, Inc.
10.11+	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between David Trinder and DealerTrack Holdings, Inc.
10.12+	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between David Trinder and DealerTrack Holdings, Inc.
10.13[11]	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between Eric D. Jacobs and DealerTrack Holdings, Inc.
10.14+	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between Eric D. Jacobs and DealerTrack Holdings, Inc.
10.15[11]	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between Raj Sundaram and DealerTrack Holdings, Inc.
10.16+	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between Raj Sundaram and DealerTrack Holdings, Inc.
10.17[9]	Letter Agreement, dated October 23, 2006, from DealerTrack, Inc. to Raj Sundaram regarding relocation.
10.18[9]	Unfair Competition and Nonsolicitation Agreement, dated as of May 25, 2005, by and between Raj Sundaram and Automotive Lease Guide (alg), Inc.
10.19[9]	Amendment No. 1 to Unfair Competition and Nonsoliciation Agreement, made as of August 21, 2006, by and between Automotive Lease Guide (alg), Inc. and Raj Sundaram.
10.20[11]	Amended and Restated Senior Executive Employment Agreement, dated as of August 8, 2007, by and between Robert Cox and DealerTrack Holdings, Inc.

Number	Description
10.21+	Amendment No. 1 To Amended and Restated Senior Executive Employment Agreement, dated December 31, 2008, by and between Robert Cox and DealerTrack Holdings, Inc.
10.22[1]	2001 Stock Option Plan of DealerTrack Holdings, Inc., effective as of August 10, 2001.
10.23[1]	First Amendment to 2001 Stock Option Plan of DealerTrack Holdings, Inc., effective as of December 28, 2001.
10.24[1]	Second Amendment to 2001 Stock Option Plan of DealerTrack Holdings, Inc., effective as of March 19, 2003.
10.25[1]	Third Amendment to 2001 Stock Option Plan of DealerTrack Holdings, Inc., effective as of January 30, 2004.
10.26[6]	Fourth Amendment to 2001 Stock Option Plan of DealerTrack Holdings, Inc. effective as of February 10, 2006.
10.27[10]	Second Amended and Restated 2005 Incentive Award Plan, effective as of June 3, 2008.
10.28[8]	Amendment to Asset Purchase Agreement, dated October 18, 2006, by and among Santa Acquisition Corporation, Automotive Lease Guide (alg), LLC, Automotive Lease Guide (alg) Canada, Inc., Douglas W. Aiken, John A. Blair and Raj Sundaram.
10.29[5]	Form of Stock Option Agreement.
10.30[5]	Form of Restricted Stock Agreement.
10.31+	Form of Restricted Stock Unit Agreement.
10.32[1]	Senior Executive Incentive Bonus Plan, effective as of May 26, 2005.
10.33[9]	Stock Ownership and Retention Program, adopted May 26, 2005.
10.34[1]	Employee Stock Purchase Plan, adopted May 26, 2005.
10.35[1]	Directors' Deferred Compensation Plan, effective as of June 30, 2005.
10.36[11]	First Amendment to DealerTrack Holdings, Inc. Directors' Deferred Compensation Plan effective as of January 1, 2007.
10.37[1]	Employees' Deferred Compensation Plan, effective as of June 30, 2005.
10.38[11]	First Amendment to DealerTrack Holdings, Inc. Employees' Deferred Compensation Plan effective as of January 1, 2007.
10.39[1]	401(k) Plan, effective as of January 1, 2001, as amended.
10.40[2]	Lease Agreement, dated as of August 5, 2004, between iPark Lake Success, LLC and DealerTrack, Inc.

Number	Description
10.41[4]	Lender Integration Support Agreement, dated as of September 1, 2005, between First American CMSI Inc. and DealerTrack, Inc.
10.42[7]	Shares Purchase Agreement, made as of January 16, 2007, among certain shareholders of Curomax Corporation and all of the shareholders of 2044904 Ontario Inc., 2044903 Ontario Inc. and 2044905 Ontario Inc. and 6680968 Canada Inc.
14.1[7]	Code of Business Conduct and Ethics.
21.1+	List of Subsidiaries.
23.1+	Consent of PricewaterhouseCoopers LLP.
31.1+	Certification of Mark F. O'Neil pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Robert J. Cox III pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3*	Certification of Mark F. O'Neil pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4*	Certification of Eric D. Jacobs pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Mark F. O'Neil and Robert J. Cox III pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

\+ Previously filed with our Annual Report on Form 10-K filed on February 24, 2009.

(1) Incorporated by reference to our Registration Statement on Form S-1 (File No. 333-126944) filed July 28, 2005.

(2) Incorporated by reference to Amendment No. 1 to our Registration Statement on Form S-1 (File No. 333-126944) filed September 22, 2005.

(3) Incorporated by reference to Amendment No. 2 to our Registration Statement on Form S-1 (File No. 333-126944) filed October 12, 2005.

(4) Incorporated by reference to Amendment No. 3 to our Registration Statement on Form S-1 (File No. 333-126944) filed October 24, 2005.

(5) Incorporated by reference to our Quarterly Report on Form 10-Q filed May 12, 2006.

(6) Incorporated by reference to our Annual Report on Form 10-K filed March 30, 2006.

(7) Incorporated by reference to our Current Report on Form 8-K dated January 16, 2007 filed January 18, 2007.

(8) Incorporated by reference to our Quarterly Report on Form 10-Q filed November 14, 2006.

(9) Incorporated by reference to our Annual Report on Form 10-K filed March 16, 2007.

(10) Incorporated by reference to Exhibit I to our Definitive Proxy Statement, filed on April 29, 2008.

(11) Incorporated by reference to our Quarterly Report on Form 10-Q filed August 9, 2007.

Exhibit 31.3

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

1. I have reviewed this Annual Report on Form 10-K/A of DealerTrack Holdings, Inc. for the year ended December 31, 2008; and

2. Based on my knowledge, this annual 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 annual report.

By: /s/ MARK F. O'NEIL
MARK F. O'NEIL
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Date: April 30, 2009

Exhibit 31.4

I, Eric D. Jacobs, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of DealerTrack Holdings, Inc. for the year ended December 31, 2008; and

2. Based on my knowledge, this annual 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 annual report.

By: /s/ ERIC D. JACOBS
ERIC D. JACOBS
SENIOR VICE PRESIDENT, CHIEF
ADMINSTRATIVE OFFICER, CHIEF
FINANCIAL OFFICER AND
TREASURER

Date: April 30, 2009

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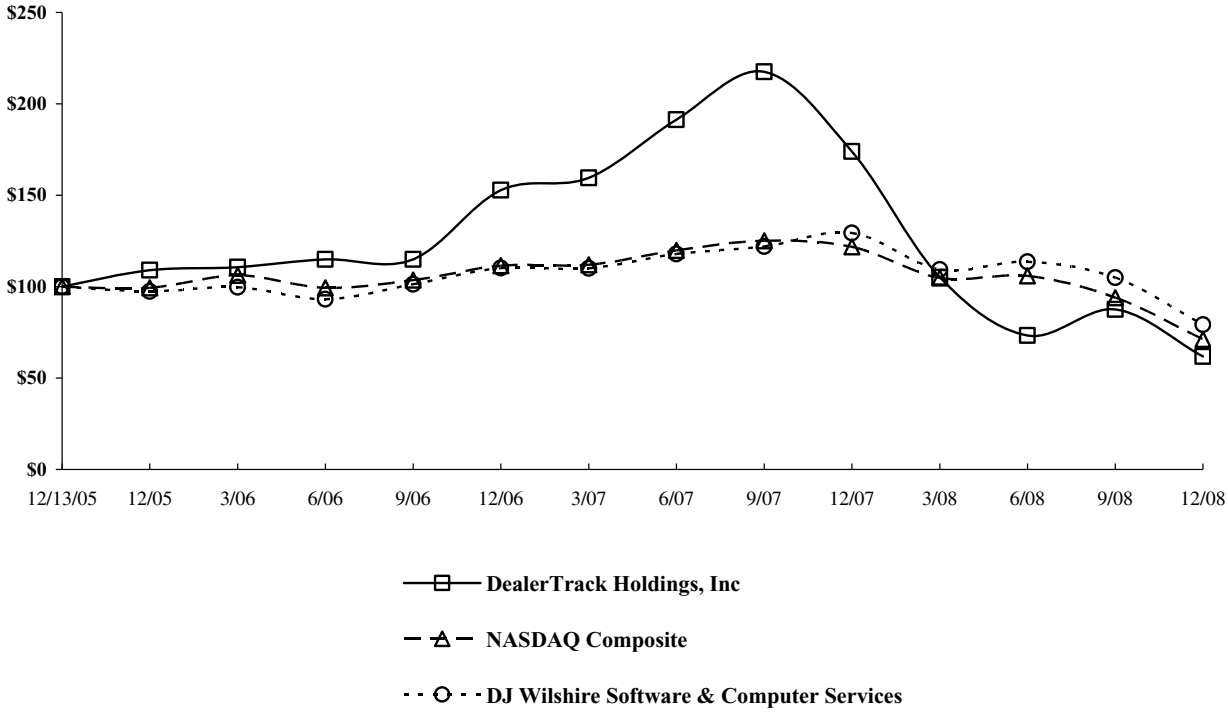
COMPARISON OF 3 YEAR CUMULATIVE TOTAL RETURN*

Among DealerTrack Holdings, Inc, The NASDAQ Composite Index
And The DJ Wilshire Software & Computer Services Index



*$100 invested on 12/13/05 in stock or 11/30/05 IN index, including reinvestment of dividends.
Fiscal year ending December 31.

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Management

Mark F. O'Neil
Chairman & CEO

Ana M. Herrera
Senior Vice President,
Human Resources

Eric D. Jacobs
Senior Vice President,
Chief Financial and Administrative Officer

Richard McLeer
Senior Vice President,
Chief Information Officer

Raj Sundaram
Senior Vice President,
Solutions and Services Group

Rick G. Von Pusch
Senior Vice President,
Sales, Marketing and International

Board of Directors

Mary Cirillo-Goldberg
Former Executive Vice President Bankers Trust

James Foy
CEO Aspect Software

Ann B. Lane
Former Managing Director JPMorgan Securities

John J. McDonnell Jr.
CEO ExaDigm

Mark F. O'Neil
Chairman & CEO, DealerTrack Holdings, Inc.

James David Power III
Founder, former Chairman of the Board,
J.D. Power and Associates

Howard L. Tischler
CEO, Enfocel

Barry Zwarenstein
Senior Vice President & Chief Financial Officer,
SMART Modular Technologies

Listing:
NASDAQ Global Market: TRAK

Transfer Agent:
American Stock Transfer &
Trust Company
6201 15th Avenue
Brooklyn, NY 11219
Phone: 1.800.937.5449

Independent Auditors:
PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017

Investor Relations Contact:
Katherine Piscopo Stein
InvestorRelations@dealertrack.com
Phone: 1.888.450.0478
http://ir.dealertrack.com

Annual Meeting of Stockholders:
Wednesday, June 17, 2008 at 10:00 a.m. ET
DealerTrack Headquarters
1111 Marcus Avenue, Suite M04
Lake Success, New York 11042
Phone: 1.888.450.0478