
Pro Forma Limited Business Appraisal of
The software division of
AUTO LEASE INFORMATION NETWORK, CORP.
D/B/A
AUTO-LINC

May 5, 2003

Pro Forma Value as of May 5, 2003

By
ARROW BUSINESS APPRAISERS, INC.
Robert C. Malt, MBA, AVA

Monday, May 05, 2003

Kim Anthony Hartsock
President
Auto Lease Information Network Corporation
205 Edgewater Drive
Dunedin Beach, FL 34698

Mr. Hartsock,

Pursuant to your request, I am pleased to present my estimate of the pro forma fair market value of the software division of Auto Lease Information Network, Corp., d/b/a **Auto-Linc**.

The pro forma fair market value is estimated as of May 5, 2003. This valuation assumes all pro forma financial data provided to be accurate, and a balance sheet that is unencumbered by a significant debt load other than current accounts payable. Nor does this valuation assume that the company would own any significant non-operating assets (such as real estate) or maintain a significant amount of excess cash or other investments on its balance sheet. Therefore this valuation excludes any real estate, excess cash, investments, and any other non-operating assets, as well as, significant short and long-term debt, and other non-operating liabilities.

Based on the information contained in the detailed report hereinafter presented, it is my opinion that the pro forma fair market value of the software division of Auto Lease Information Network, Corp., d/b/a **Auto-Linc** as of May 5, 2003 is **FIFTY MILLION DOLLARS (\$50,000,000.00)**.

My opinion is based upon the assumptions and limiting conditions stated in this report and the facts and circumstances as of the valuation date.

Respectfully submitted,



Robert C. Malt, MBA, AVA
President
Arrow Business Appraisers, Inc.

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I certify that, to the best of my knowledge and belief:

The statements of facts contained in this report are true and correct.

- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, unbiased professional analyses, opinions and conclusions.
- Neither Arrow Business Appraisers, Inc. nor myself has a prospective interest in the properties that are the subject of this report, nor has an individual personal interest or bias with respect to the parties involved.
- My compensation is not contingent on an action or event resulting from the analyses, opinions or conclusions in, or the use of, this report.
- No significant professional assistance was provided to me in the preparation of this report.

General Assumptions & Limiting Conditions

This valuation is subject to the following assumptions and limiting conditions, to be understood in conjunction with the previously presented Certification section:

- Possession of this report does not carry with it the right of publication of all or part of it, nor may it be used for any purpose by anyone other than the client and the specified reason as stated in the report, without written consent of Arrow Business Appraisers, Inc.
- All reported facts, comments, estimates, opinions and statistical information set forth in this report have been obtained from sources believed to be accurate, reliable and knowledgeable, but no liability is assumed for the content or accuracy of the data furnished by others, including information and representations provided by management. All pro forma financial statements and other data pertaining to the Company have been provided by management and accepted by Arrow Business Appraisers, Inc. without further verification, including conformity or non-conformity with generally accepted accounting principles and/or other guidelines established by recognized regulatory and other governing bodies. Arrow Business Appraisers can offer no opinion as to the reasonableness of the assumptions used by management in the creation of the pro forma financial statements, or the financial statements themselves.
- The pro forma financial information and any adjustments thereto and any forecasts and projections presented in this report, including attached Exhibits, are included solely to assist in the development of the value estimate presented in this report. Because of the limited purpose of this presentation, the information may be incomplete and contain departures from generally accepted accounting principles and/or other guidelines established by recognized regulatory and other governing bodies. We express no opinion or other assurances on the information presented and it should not be used for any other purpose other than to assist in this pro forma valuation.
- All claims to property have been assumed to be valid and no investigation or consideration of legal title or any existing liens or encumbrances, which may be against the assets, were undertaken except as may be stated in this report.

General Assumptions & Limiting Conditions

- This valuation is valid only for the valuation date presented in this report. Arrow Business Appraisers and the analyst have no responsibility to update this report for events and circumstances that occur subsequent to the valuation date.
- The contents of this valuation are an opinion of value for the purposes stated. In no way should this be construed as a recommendation to buy or sell the underlying company. Arrow Business Appraisers and the analyst support only the opinions stated in this report and assume no responsibility for use of formulas and other approaches based on these conclusions in the future.
- No responsibility is assumed for matters of a legal nature or character.
- No consideration has been given to the existence of potential environmental liabilities, which may or may not be present on the underlying property. This includes real estate either owned or leased by the Company. Therefore, no responsibility can be taken for hidden or unapparent conditions of the property or potential claims against the Company.
- Arrow Business Appraisers and the analyst relied on pro forma financial data provided by the client, as well as, verbal representations made by the client regarding this data and subsequent adjustments made to this data. Arrow Business Appraisers and the analyst have made no attempt to verify the accuracy of these statements.
- As an attempt to estimate the value of a portion of the Subject Company based on hypothetical future performance, this Pro Forma Limited Business Appraisal does not conform to IRS, NACVA or USPAP standards, and as such, significantly deviates from accepted standards of business valuation.

Purpose

The purpose of this valuation engagement is to determine the pro forma fair market value of 100% of the operating assets (excluding the real estate, cash, accounts receivable, and free and clear of any liabilities) and goodwill of the software division of Auto Lease Information Network, Corp., d/b/a **Auto-Linc** (the “Company”), a Florida Corporation as of a valuation date of **May 5, 2003**. The valuation is to determine the fair market value for a potential equity investment in the Company.

Definition of Fair Market Value

Fair market value is herein defined as the fiduciary amount at which property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. It is also generally assumed that fair market value represents both a transaction between hypothetical persons dealing at arms length, each having the ability as well as the willingness to buy and/or sell. It is further assumed that both parties are well informed about the property and the market for such property.

Summary of Final Estimate of Fair Market Value

The estimated fair market value of a 100% of the operating assets and goodwill of the software division of Auto Lease Information Network, Corp., d/b/a **Auto-Linc** as of the valuation date is as follows (all cash or equivalent purchase terms):

**100% of the operating assets and goodwill of
the software division of Auto-Linc
\$ 50,000,000.00
As of May 5, 2003**

Readers are urged to read the “General Assumptions and Limiting Conditions” section of this report for important conditions, restrictions and assumptions. Additionally, some assumptions are included throughout this report. Therefore, readers should read the entire report in order to attain an understanding of the value estimate contained herein.

Industry

The automobile industry is the single largest industry in the country. Total sales for new car dealerships rose by 6% to a record \$690 billion in 2001, and is expected to continue to grow in 2002. New vehicle sales accounted for just under 60% of all sales, with used vehicles sales and service and parts accounting for 29% and 11.6% respectively.¹ As the industry has matured and consolidated, price competition has become even greater. Furthermore, as the Internet has allowed consumers unprecedented access to knowledge about automobile costs and dealer profit margins, dealerships no longer enjoy the huge negotiating edge they once did when dealing with consumers. Consequently, dealerships have been looking to wring efficiencies out of their operations in order to maintain profit margins, and outperform less efficient competitors. As such, dealers have been increasingly turning to technology solutions in order to automate certain front and back office procedures, thereby reducing costly overhead.

Company, Products and Services

AUTO-LINC publishes copyrighted software and patented procedures for the automobile finance and lease industry, which is the most lucrative segment of the largest business in the world. The software is a unique point-of-sale and bank lockbox program that automates almost every step of the car sale process, from origination to repeat business. The software eliminates errors and drastically reduces costs, allowing the licensed software users to sell more cars. At the heart of the software package is the point-of-sale software component, which automates 80% of the job tasks necessary to sell and lease pre-owned vehicles. The proven systems reduce the cost of sales to 6% of average physical lot sales.

¹ NADA.org – NADA Data 2002

Geographic Service Area

The Company plans to target the entire US automobile dealer market, representing over 110,000 dealers.

Outlook

The overall outlook for the automobile industry is cautiously optimistic in the short-term, and better for the long-term. On the macroeconomic side, the National Association for Business Economics predicts 2.7 percent GDP growth for 2003 along with stable interest rates and very low inflation². Low interest rates are a key component in reducing the cost of ownership and leasing, thereby increasing sales.

² National Association for Business Economics – NABE Outlook Panel – February 2003

Financial Summary

From Pro Forma Financial Statements

Pro Forma Cash Flow Statement	Year 1
Cash Revenues	72,300,000
Gross Profit	59,700,000
Startup Expenses	423,645
Operating Expenses	65,019
Net Cash Flow	59,211,336
Seller Discretionary Cash Flow (SDCF) (rounded)	59,000,000

Valuation Methodology

Although there are many methods for valuing a particular business, the market approach is generally the most reliable way to determine the value of a business because it is the only approach that utilizes comparable sales data of similar businesses that have been sold in the marketplace. For the purposes of this Pro Forma Limited Appraisal, due to readily available comparable market data, the Market Approach (combined with a risk premium discount rate) was the only valuation method considered.

Market Approach

The application of price-related ratios of comparable companies is a common technique used to impute a value of a closely-held company. The basic premise is that the Subject Company should have a very similar market value to that of comparable companies with similar financial characteristics (eg. revenues, earnings, cash flow, etc.)

Next to actual arm's length trades of a Subject Company's stock, the price at which companies engaged in the same or similar line of businesses, which are selling in a free, and open market is the next best measure of value. Comparability is a function of many areas, including but not limited to, size and quality of the Company, capital structure, profitability, and distribution channels.

Comparable Sales Data was culled from two sources: Privately-held business sales, and Publicly-traded companies. Based on these data samples, it was determined that the Price to SDCF Multiplier was the most appropriate multiple to estimate value, with an average of 8.1 and 8.6 respectively. A weighted average of 8.5 (see Exhibits for additional detail) was used due to the fact that the publicly-traded comparable companies more closely match the profitability characteristics of the Subject Company. The Price to Sales Multiplier was not considered since the Price/SDCF Multiplier had a lower (better) coefficient of variance for the publicly-traded comparable companies, and is generally a more reliable multiple in determining value in most cases. Utilizing based SDCF of \$59,000,000 and the Price/SDCF Multiplier of 8.5, the future value of the software division was approximated at \$500,000,000 (five hundred million dollars).

Discount Rate

A discount rate is simply a way to measure investment risk. The riskier the investment, the higher the discount rate needed to offset the risk in terms of an expected value. For example, a 50-50 bet (using a flip of a coin, for example) of \$10 dollars would have a discount rate of 50% since the expected return is \$5 dollars, or 50% of the original \$10 dollar bet. In the case of a startup business, the risk is generally considered to be high by private equity investors. As such, the rule of thumb for these investors is that 1 out of 10 of these investments will succeed immensely, while the rest fail to one degree or another. Utilizing this rule of thumb, the implied discount rate is 90% of a firm's future value.

Final Conclusions of Value

Utilizing the Market Approach's Price/SDCF Multiplier of 8.5, and a discount rate of 90%, my final conclusion of value is **\$ 50,000,000.00.**

This conclusion of value is based upon pro forma fair market value. It should be noted that private-equity investors use many criteria to value an investment opportunity, including non-financial criteria, and therefore may value the entity differently.

Notes from the Appraiser

The limiting conditions and the full text of this report are integral to understanding this valuation, its purpose, intended use and assumptions. This valuation estimate is only for the purpose as noted in this report. This valuation is for use by the Client only. Neither the report nor its findings, in whole or in part, are to be used for any other purpose or provided to any other party.

Robert C. Malt, MBA, AVA - Appraiser

- Member of the National Association of Valuation Analysts (NACVA)
- Accredited Valuation Analyst (AVA) designation from NACVA
- Master of Business Administration (MBA), University of Maryland
- BS in Business, Babson College
- Licensed Florida Real Estate Broker
- Experienced Business Broker
- Member of the Florida Business Brokers Association (FBBA)
- President of Arrow Business Appraisers, Inc.

EXHIBITS

Schedule 1: Valuation Data

Purpose of Valuation: Equity Investment in Business

Valuation Date: May 5, 2003

Standard of Value: Pro Forma Fair Market Value

Requestor Info: Kim_Hartsock

Contact Info: 205 Edgewater Drive
Dunedin Beach, FL 34698
800-806-0689

Valuation Notes: Pro Forma Limited Business Appraisal

Schedule 2: Essential Information

Shares Outstanding	1000
# of Shares Being Valued	1000
% of Stock Being Valued	100.00%
Number of Shareholders	n/a
Principal Activity	software development and sales
SIC	7372
SIC Description	Software publishing
NAICS	511210
Accounting Basis	Cash
Accounting Information	In-House / Pro Forma
Rounding Basis	\$12,863,415=\$13,000,000 - Millions
State of Incorporation	Florida
Primary Products/Services	POS software for the auto leasing market

Schedule 3: Pro Forma Cash Flow Statement

	<u>Year 1</u>
Cash Revenues (software sales)	72,300,000
Cost of Goods Sold	
Term Software Updates Escrow	7,200,000
Installation / Initial Operational Training	1,800,000
Sales and Initial Sales Training	3,000,000
Expense/Travel/Miscellaneous	600,000
Total Cost of Goods Sold	12,600,000
Gross Profit	59,700,000
Startup Expenses	
Initial Crew	22,780
Interactive Training Web Pages	12,940
Top Gun Guarantees (Sales)	15,000
Advertising (Software Sales)	4,900
Dealership or Buy-in	300,000
Legal Fees	14,500
Accounting/Auditing Fees	16,000
Equipment Leases	2,750
R & D	6,300
Automobile	18,475
Miscellaneous	10,000
Total Startup Expenses	423,645
Operating Expenses (prorated with Auto sales division)	
Server	426
Staff Salaries	20,424
Office Expense	18,648
Communications	13,542
Insurance	1,110
MOL	444
eFax	249
ISP's	861
Advertising	4,875
Professional Fees	4,440
Miscellaneous	0
Total Operating Expenses	65,019
Operating Cash Flow (SDCF)	59,211,336
Seller Discretionary Cash Flow (SDCF)	59,000,000 (rounded)

Schedule 4: Common Size Pro Forma Cash Flow Statement

	<u>Year 1</u>
Cash Revenues (software sales)	100%
Cost of Goods Sold	
Term Software Updates Escrow	10.0%
Installation / Initial Operational Training	2.5%
Sales and Initial Sales Training	4.1%
Expense/Travel/Miscellaneous	0.8%
Total Cost of Goods Sold	17.4%
Gross Profit	82.6%
Startup Expenses	
Initial Crew	0.0%
Interactive Training Web Pages	0.0%
Top Gun Guarantees (Sales)	0.0%
Advertising (Software Sales)	0.0%
Dealership or Buy-in	0.4%
Legal Fees	0.0%
Accounting/Auditing Fees	0.0%
Equipment Leases	0.0%
R & D	0.0%
Automobile	0.0%
Miscellaneous	0.0%
Total Startup Expenses	0.6%
Operating Expenses (prorated with Auto sales division)	
Server	0.0%
Staff Salaries	0.0%
Office Expense	0.0%
Communications	0.0%
Insurance	0.0%
MOL	0.0%
eFax	0.0%
ISP's	0.0%
Advertising	0.0%
Professional Fees	0.0%
Miscellaneous	0.0%
Total Operating Expenses	0.1%
Operating Cash Flow	81.9%

Schedule 5: Comparable Sales Data – Privately-held Companies

PRIVATELY-HELD COMPANY SALES DATA										
State	Net Sales	Non-cash Charges	Total Oper. Expense	Operating Profit	SDCF	Sale Date	Sold Price	Price / Sales	Price / SDCF	SDCF margin
CA	32,804,805	479,163	13,279,035	5,022,302	5,501,465	6/7/00	44,000,000	1.34	8.00	17%
	41,257,084	1,390,257	32,014,604	-3,662,545	-2,272,288	9/7/01	50,000,000	1.21	N/A	-6%
MN	61,159,000	3,926,000	37,924,000	-4,505,000	-579,000	2/26/01	40,000,000	0.65	N/A	-1%
	30,015,000	932,000	28,425,000	-7,247,000	-6,315,000	10/25/98	69,400,000	2.31	N/A	-21%
CA	166,128,000		94,330,000	1,574,000	1,574,000	10/13/98	86,000,000	0.52	54.64	1%
	45,053,000	11,166,000	41,422,000	-26,482,000	-15,316,000	5/28/02	52,000,000	1.15	N/A	-34%
CA	39,280,000		32,288,000	2,891,000	2,891,000	7/29/97	23,716,339	0.60	8.20	7%
							MEAN	1.11	23.61	
							STDEV	0.62	26.87	
							COEFF OF VARIANCE	0.56	1.14	
							ADJUSTED PRICE/SDCF		8.1	

Schedule 6: Comparable Sales Data – Publicly-traded Companies

PUBLIC COMPANY DATA

SYMBOL	COMPANY	SALES	PROFIT MARGIN	P/E	P/Sales	Earnings	SDCF	P/SDCF
ANSS	Ansys Inc	\$94.35M	21%	22.6	4.6	19.0	22.1	19.4
EPIQ	EPIQ Systems Inc	\$43.91M	20%	38.3	7.6	4.9	10.8	17.4
PEGA	Pegasystems Inc	\$98.82M	19%	12.7	2.4	15.3	27.1	7.2
PVSW	Pervasive Software	\$38.58M	17%	13.8	2.4	5.4	9.0	8.3
QSII	Quality Systems Inc	\$51.67M	13%	28	3.7	5.3	8.2	18.1
SRNA	SERENA Software	\$95.78M	24%	29.4	7.1	23.2	31.9	21.4
SSNC	SS&C Technologies	\$62.96M	14%	21.5	3.0	2.6	4.1	13.6
WBSN	Websense Inc	\$66.43M	27%	19.2	5.2	16.7	33.6	9.5

Mean	23.2	4.5	11.6	18.4	14.4
Median	22.1	4.2	10.4	16.5	15.5
St Dev	8.5	2.0	7.9	11.7	5.5
Coeff. Of Variance	0.37	0.45	0.68	0.64	0.38

	low	7.2
	high	21.4
	Mean	14.4
40%	DLDM	5.7

ADJUSTED PRICE / SDCF	8.6
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Schedule 7: Valuation Multiple Selection

		<u>Weight*</u>
Privately-held - Price/SDCF multiple:	8.1	25%
Publicly-traded - Price/SDCF multiple:	8.6	75%
SELECTED MULTIPLE	8.5	

* - The Subject Company's profitability ratios more closely related to those of the publicly-traded companies than those of the privately-held companies.

Schedule 8: Price / SDCF Multiple Valuation

	Market Comparables Method
Seller Discretionary Cash Flow Base	59,000,000
Multiplied By: P/SDCF (Price/Cash Flow)	<u>8.5</u>
Sub-Total	501,500,000
Valuation Adjustment	0
Calculated Value	<u>501,500,000</u>
Number of Shares Outstanding	<u>1000</u>
Calculated Value Per Share	501,500
Number of Shares Being Valued	<u>1000</u>
Calculated Value of Shares Being Valued	<u><u>501,500,000</u></u>
 Selected Value (Rounded)	 <u><u>\$ 500,000,000</u></u>

Schedule 9: Private Equity Investment Discount

Rule of Thumb success ratio for early-stage private equity investments: 10:1

Implied Discount Rate for assumed risk premium: 90%

Pro Forma Future Value: \$500,000,000

X

(1 - Discount Rate) 10%

Present Value \$50,000,000 (Fifty Million Dollars)

Schedule 10: Valuation Summary

VALUATION SUMMARY

Valuation Method	Estimated Value			
	Total Before Discounts/ Premiums	After Discounts/ Premiums	% Valued	Final Value
Market Comparables Method - Price to SDCF	500,000,000	50,000,000	100%	50,000,000
Selected Value	<u>500,000,000</u>	<u>50,000,000</u>		<u>50,000,000</u>

Schedule 11: Data Provided: Software Sales & Overhead

SOFTWARE SALES

Cash Sale Price	\$ 120,500	increases periodically	\$ 72,300,000
Cash Sale Costs Monthly	Item	Month	Annual
	\$ 12,000	\$ 600,000	\$ 7,200,000
Term Software			
Updates Escrow			
Installation / Initial	\$ 3,000	\$ 150,000	\$ 1,800,000
Operational Training			
Sales and Initial Sales	\$ 5,000	\$ 250,000	\$ 3,000,000
Training			
Expense/Travel/Miscellaneous	\$ 1,000	\$ 50,000	\$ 600,000
EQUITY HOLDER	\$ -	\$ -	\$ -
AUTO-LINC	\$ 99,500	\$ 4,975,000	\$ 59,700,000

OVERHEAD

Payee:	Optimal	Software Division Share*	Annualized
Server	\$48	\$36	\$426
Staff Salaries	\$2,300	\$1,702	\$20,424
Office Expense	\$2,100	\$1,554	\$18,648
Communications	\$1,525	\$1,129	\$13,542
Insurance	\$125	\$93	\$1,110
MOL	\$50	\$37	\$444
eFax	\$28	\$21	\$249
ISP's	\$97	\$72	\$861
Advertising	\$549	\$406	\$4,875
Professional fees	\$500	\$370	\$4,440
Total	\$7,322	\$5,418	\$65,019

*Prorated by sales **74%**

Schedule 12: Data Provided: Startup Costs

Monetary Needs for Program Release			
To build the Initial Analyst Teams/Software Salespeople (10) in a remote facility for 5 days:			Optimal:
	Initial crew:		
	(\$100 x 5-days x 10 people) - Fees		\$ 5,000
		Travel	\$ 4,200
		Hardware	\$ 4,190
		Facility	\$ 4,030
		Room & Board	\$ 2,860
		Miscellaneous	\$ 2,500
	Total		\$ 22,780.00
	Interactive Training Web Pages:	Scriptwriters	\$1,100
		Web Hosting	\$40
		Web Design	\$2,000
		Web Building	\$1,800
		Animation	\$2,000
		Web Maintenance	\$1,000
		Teacher/Monitor	\$5,000
			\$12,940
Personnel	Top Gun Income Guarantees: Each		\$15,000
To Advertise for Automobile Transaction Clients			
	Internet	auto trader.com	\$ 2,744
		used cars.com	\$ 200
	Colleges	Seminars	\$ 1,200
	Hang Tags	Supplies	\$ 475
		shipping	\$ 80
		Management	\$ 2,000
	Total		\$ 6,699
To Advertise for Software Sales			
	Internet	Automotive News	\$ 400
	Power Seminar	Location	\$ 4,500
	Total		\$ 4,900
Dealership or buy in			\$ 300,000
Legal Fees		Corporate	\$6,000
		Patent application	\$7,000
		Copyright update	\$1,500
	Total		\$ 14,500

Exhibits

Accounting/Auditing/Appraisals			\$ 16,000
Facilitating Equipment Leases (Portland, OR)	(+\$20/accnt/mo.)		\$ 2,750
R&D Office			\$ 6,300
Corporate Vehicle(s)			\$ 18,475
Miscellaneous			\$ 10,000
Total Needs for Release			\$ 115,344
Total with Dealership & Top Gun			\$ 430,344
Total without automobile sales advertising			\$ 423,645