

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE PATENT TRIAL AND APPEAL BOARD**

Petition for CBM Review of	§	Customer No. 97149
United States Patent No. 8,396,791, for	§	
<i>System and Method for Assessing and Managing</i>	§	Attorney Docket No: D1164.00024
<i>Financial Transactions</i>	§	
	§	Petitioner: DealerSocket, Inc.
Patent Owner: AutoAlert, Inc.	§	

DECLARATION OF DARREN VANCLEAVE

Darren VanCleave declares:

1. From 1982 until 1987 or 1988, I worked for Superior Car Company and Baytown Motors, climbing from salesman to General Sales Manager. I then became a dealer principal of Jack Solock Chrysler Plymouth, and worked as its General Sales Manager, before going to work for Half-A-Car Co., Inc. (“HAC”) in 1993. I worked for HAC until 2000, eventually climbing to the position of Global Sales and Marketing Director. Since then I have worked in other areas.

2. “Pull-ahead” transactions were already common in automotive sales when I entered the field. In a pull ahead, a customer is pulled out of his or her lease or finance contract ahead of time, before the end of the term, and put into a new vehicle lease or finance contract.

3. While I was with HAC, it had both lease and retail retention tools, training, workshops, and a college. We taught thousands of dealers, worldwide, how to equity mine, how to identify opportunities for and execute pull aheads, and more generally how to renew and retain their customers.

4. While I was with HAC, we developed what was called the Equity Analysis or Option Analysis form. This form presented an analysis comparing the cost to a customer of driving his or her current vehicle to the cost of driving a new vehicle. This equity analysis would compare the current payment to a new payment, taking into consideration any equity in the current vehicle and a cost of driving comparison, which considered maintenance and wear cost and fuel savings.

5. In the 1990s many automobile manufacturers and manufacturer finance companies did lease pull-ahead programs, where the manufacturer (or its financing company) would cover anywhere from 1 to 12 of a customer's remaining payments to encourage the customer to lease a new vehicle. At HAC, we received spreadsheets from the manufacturers, via email, containing lists of eligible customers and associated information, which we would merge with our data. We used the resulting data sets to help dealers identify good candidates for pull-ahead transactions.

6. In the mid 1990s, automobile manufacturers stopped "subventing" (or supporting) residual values, as a result of which residual values on new leases were very low and lease payments were relatively high. This reduced the number of vehicles being leased, which reduced the number of 2 and 3-year-old used vehicles coming off lease, which reduced the number of 2 to 3-year-old used vehicles available in the market place, which caused the values of those vehicles to go up. As a result customers had equity in their leased vehicle before their leases had expired. While at

HAC, we worked with dealers to identify and contact those customers and invite them to have an equity/option analysis done.

7. From the mid 1990s it has been common practice for dealerships that have a retention/renewal department or manager to manage pull-ahead opportunities. The retention/renewal managers often generate equity analysis/option analysis and deal sheets for their salespeople.

8. Looking further back, while I was working at automobile dealerships, I did everything I could to make the point of sale the point of resale—in other words, while selling one car to a customer, I would prepare to sell to the customer again. To do that, at the point of sale, I stored or recorded each customer's information in a data repository. I set a trigger, based on the term of the finance or lease contract, to let us know when the customer might be close to an equity position. For example, a customer who financed a vehicle for 48 months and started with 10% equity (typically from a downpayment or tradein) would be close to an equity position at 24 months, which would be the trigger for that customer. When a customer was triggered, I or a colleague would ascertain the customer's equity in his or her current car, then use that to calculate what the customer's payment might be on a newer model of the same or a similar car in our inventory. If we arrived at a new payment close enough to the customer's current payment then we would contact the customer and advise that we could get him or her into a new car for the same or a lower monthly cost than the customer was already paying.

9. The customer information I collected and stored (or recorded) at the point of sale included contact information, vehicle information, and finance/lease information and calculations (including principal amount financed, interest rate, term, and monthly payment).

10. Initially, my data repository was paper. I tracked customer information and triggers using a “tickler file.” That is, I had a set of files with alphabetical tabs, organized by month and year. Once I set the trigger for a customer, I filed the customer’s information under the appropriate month and year. Then, at the beginning of every month, I pulled the files for all of the customers triggered that month and went through the process described above for each of them. Initially, I used a calculator to perform the calculations. As computers became more commonplace in automobile dealerships (starting in the mid-1980s), my repository became electronic, and we used computers for more and more of the calculations. More generally, as computers and software became better, and more commonplace, computers were used to store customer data, sort customer data, and calculate payments. Data was sorted based on original finance/lease term and potential for equity. Using a computer automated the process and made it much faster.

11. To calculate equity, I or a colleague obtained the customer’s current payoff and subtracted it from the NADA Used Car Guide, Blue Book, or Black Book estimated value to ascertain the customer’s equity.

12. We usually calculated each customer's new payment options under several different scenarios. For example, we might calculate a customer's likely payment based on a 36-month lease, as well as 48-month and 60-month financing for a purchase. Our calculations took account of the customer's current equity, available financing programs and rates, any manufacturer or dealer incentives, and our asking price for the potential replacement vehicle, among other things.

13. We considered a new payment to be close enough if either (1) the new payment was no greater than the customer's current payment or (2) the amount by which the new payment exceeded the current payment was less than or equal to an amount that captured the difference in driving cost. (Newer cars generally have lower driving costs because as cars age, repairs become more frequent and costly, and newer models often get better gas mileage.)

14. Sometimes, in response to major manufacturer incentives, I would advance customers and pull their files for analysis sooner than they would otherwise have been triggered. For example, if a manufacturer offered to forgive a certain number of payments for customers who traded in, I would pull the files for customers who otherwise would not have been triggered for up to that many months later.

15. We were not the first to perform the prospecting process described above. That process was a standard business practice in the industry by the time I entered it, and I learned it from people who had already been doing it for years. All

the calculations associated with pull-ahead transactions also were already standard in the industry by the time I entered it.

16. From the mid 1990s, when emailing became a common business practice, email has been used as a tool in the renewal/retention processes, such as those described above. We used email to communicate sales opportunities identified in our database to sales teams and management. Renewal/retention managers at dealerships used email to notify salespeople of sales opportunities identified through the renewal/retention processes described above. Manufacturers, finance companies, banks, and vendors used email to notify dealer clients about pull-ahead opportunities, and email was also used to communicate those opportunities to customers.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on this ____ day of May 14, 2014, at Houston, Tx.



Darren VanCleave