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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2019

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

Commission File Number: 001-36449

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**TRUECAR, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

04-3807511  
(I.R.S. Employer  
Identification Number)

**120 Broadway, Suite 200  
Santa Monica, California 90401  
(800) 200-2000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	TRUE	The Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of November 1, 2019, 106,596,308 shares of the registrant's common stock were outstanding.

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TRUECAR, INC.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "might," "likely," "plans," "potential," "predicts," "projects," "seeks," "should," "target," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance and our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses and ability to grow revenue, scale our business, generate cash flow, fulfill our mission and achieve and maintain future profitability;
- our relationship with key industry participants, including car dealers and automobile manufacturers;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate;
- our ability to anticipate market needs and develop new and enhanced products and services to meet those needs and our ability to successfully monetize those products and services;
- maintaining and expanding our customer base in key geographies, including our ability to increase the number of high-volume brand dealers in our network generally and in key geographies;
- our relationship with the United Services Automobile Association, or USAA, our ability to negotiate an extension of our partnership with USAA, the terms on which such an extension can be secured and the user experience on USAA's car-buying site;
- our reliance on our third-party service providers;
- the impact of competition in our industry and innovation by our competitors;
- our anticipated growth and growth strategies, including our ability to increase close rates and the rate at which site visitors prospect with a TrueCar certified dealer;
- our ability to successfully increase dealer subscription rates, and manage dealer churn;
- our ability to attract significant automobile manufacturers to participate, and remain participants, in our incentive programs;
- our ability to increase the number of dealers participating in our automotive trade-in program, expand its geographic coverage and successfully monetize the TrueCar Trade product;
- our ability to anticipate or adapt to future changes in our industry;
- the impact on our business of seasonality, cyclical trends affecting the overall economy and actual or threatened severe weather events;
- our ability to hire and retain a chief executive officer and integrate him or her and other recent additions into our management team;
- our ability to hire and retain necessary qualified employees, including anticipated additions to our product and technology teams;
- our continuing ability to provide customers access to our products;
- our ability to maintain and scale our technical infrastructure and leverage the completion of our technology replatforming project to enhance our customer experience and launch new product offerings;
- the evolution of technology affecting our products, services and markets;
- our ability to adequately protect our intellectual property;
- the outcome, and effect on our business, of litigation to which we are a party, including our ability to settle any such litigation, the terms on which we reach any such settlement and the likelihood of obtaining final court approval of any such settlement, if required;
- our ability to navigate changes in domestic or international economic, political or business conditions, including changes in interest rates, consumer demand and import tariffs;
- our ability to stay abreast of, and in compliance with, new or modified laws and regulations that currently apply or become applicable to our business, including newly-enacted and rapidly-changing data protection and net neutrality laws and regulations and changes in applicable tax laws and regulations;
- the continued expense and administrative workload associated with being a public company;
- our ability to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud;
- our liquidity and working capital requirements;

- the estimates and estimate methodologies used in preparing our consolidated financial statements;
- the future trading prices of our common stock and the impact of securities analysts' reports on these prices;
- our plans to invest in new businesses, products, services and technologies, systems and infrastructure, including potential investments and acquisitions;
- our ability to effectively and timely integrate our operations with those of any business we acquire, including DealerScience, and related factors, including the difficulties associated with such integration (such as the difficulties, challenges and costs associated with managing and integrating new facilities, assets and employees) and the achievement of the anticipated benefits of such integration;
- the preceding and other factors discussed in Part II, Item 1A, "Risk Factors," and in other reports we may file with the Securities and Exchange Commission from time to time; and
- the factors set forth in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the section entitled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on any forward-looking statements. Forward-looking statements speak only as of the date the statements are made. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

**TRUECAR, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except par value and share data)  
(Unaudited)

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 172,463	\$ 196,128
Accounts receivable, net of allowances of \$6,247 and \$3,382 at September 30, 2019 and December 31, 2018, respectively (includes related party receivables of \$193 and \$349 at September 30, 2019 and December 31, 2018, respectively)	45,607	47,760
Prepaid expenses	8,347	7,468
Other current assets	34,842	4,103
Total current assets	261,259	255,459
Property and equipment, net	30,949	61,511
Operating lease right-of-use assets	37,573	—
Goodwill	73,311	73,311
Intangible assets, net	18,807	23,451
Equity method investment	22,437	—
Other assets	4,247	7,228
Total assets	\$ 448,583	\$ 420,960
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable (includes related party payables of \$6,030 and \$5,039 at September 30, 2019 and December 31, 2018, respectively)	\$ 21,486	\$ 26,305
Accrued employee expenses	6,216	4,349
Operating lease liabilities, current	6,383	—
Accrued expenses and other current liabilities (includes related party accrued expenses of \$453 and \$218 at September 30, 2019 and December 31, 2018, respectively)	43,138	10,908
Total current liabilities	77,223	41,562
Deferred tax liabilities	736	568
Lease financing obligations, net of current portion	—	22,987
Operating lease liabilities, net of current portion	38,340	—
Other liabilities	2,306	9,290
Total liabilities	118,605	74,407
Commitments and contingencies (Note 7)		
<b>Stockholders' Equity</b>		
Preferred stock — \$0.0001 par value; 20,000,000 shares authorized at September 30, 2019 and December 31, 2018; no shares issued and outstanding at September 30, 2019 and December 31, 2018	—	—
Common stock — \$0.0001 par value; 1,000,000,000 shares authorized at September 30, 2019 and December 31, 2018; 106,492,395 and 104,337,508 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	10	10
Additional paid-in capital	753,217	720,025
Accumulated deficit	(423,249)	(373,482)
Total stockholders' equity	329,978	346,553
Total liabilities and stockholders' equity	\$ 448,583	\$ 420,960

See accompanying notes to condensed consolidated financial statements.

**TRUECAR, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(in thousands except per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues (includes related party contra revenue of \$331 and \$0 for the three months ended September 30, 2019 and 2018, respectively, and \$840 and \$0 for the nine months ended September 30 2019 and 2018, respectively)	\$ 90,555	\$ 93,586	\$ 264,212	\$ 262,497
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization presented separately below; includes related party cost of revenue of \$302 and \$0 for the three months ended September 30, 2019 and 2018, respectively, and \$725 and \$0 for the nine months ended September 30, 2019 and 2018, respectively)	8,391	7,737	25,659	22,941
Sales and marketing (includes related party expenses of \$6,279 and \$6,514 for the three months ended September 30, 2019 and 2018, respectively, and \$17,501 and \$16,332 for the nine months ended September 30, 2019 and 2018, respectively)	57,961	57,031	172,932	157,463
Technology and development	13,027	15,345	44,726	46,633
General and administrative	13,018	14,030	49,504	41,005
Depreciation and amortization	6,145	5,992	19,327	16,808
Total costs and operating expenses	98,542	100,135	312,148	284,850
Loss from operations	(7,987)	(6,549)	(47,936)	(22,353)
Interest income	855	888	2,822	2,242
Interest expense	—	(662)	—	(1,985)
Loss from equity method investment	(464)	—	(737)	—
Loss before income taxes	(7,596)	(6,323)	(45,851)	(22,096)
Provision for (benefit from) income taxes	56	(72)	226	(168)
Net loss	\$ (7,652)	\$ (6,251)	\$ (46,077)	\$ (21,928)
Net loss per share, basic and diluted	\$ (0.07)	\$ (0.06)	\$ (0.44)	\$ (0.22)
Weighted average common shares outstanding, basic and diluted	106,239	102,765	105,510	101,503
<b>Other comprehensive loss:</b>				
Comprehensive loss	\$ (7,652)	\$ (6,251)	\$ (46,077)	\$ (21,928)

See accompanying notes to condensed consolidated financial statements.

**TRUECAR, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands except share data)  
(Unaudited)

Nine Months Ended September 30, 2019

	Common Stock		APIC	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
<b>Balance at December 31, 2018</b>	104,337,508	\$ 10	\$ 720,025	\$ (373,482)	\$ 346,553
Cumulative-effect of accounting change adopted as of January 1, 2019	—	—	—	(3,690)	(3,690)
Net loss	—	—	—	(14,365)	(14,365)
Stock-based compensation	—	—	9,108	—	9,108
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	781,538	—	2,261	—	2,261
<b>Balance at March 31, 2019</b>	105,119,046	\$ 10	\$ 731,394	\$ (391,537)	\$ 339,867
Net loss	—	—	—	(24,060)	(24,060)
Stock-based compensation	—	—	16,061	—	16,061
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	776,563	—	(469)	—	(469)
<b>Balance at June 30, 2019</b>	105,895,609	\$ 10	\$ 746,986	\$ (415,597)	\$ 331,399
Net loss	—	—	—	(7,652)	(7,652)
Stock-based compensation	—	—	7,622	—	7,622
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	596,786	—	(1,391)	—	(1,391)
<b>Balance at September 30, 2019</b>	106,492,395	\$ 10	\$ 753,217	\$ (423,249)	\$ 329,978

See accompanying notes to condensed consolidated financial statements.



**TRUECAR, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)**  
(in thousands except share data)  
(Unaudited)

Nine Months Ended September 30, 2018

	Common Stock		APIC	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
<b>Balance at December 31, 2017</b>	100,428,656	\$ 10	\$ 664,192	\$ (351,084)	\$ 313,118
Cumulative-effect of accounting change adopted as of January 1, 2018	—	—	—	5,923	5,923
Net loss	—	—	—	(9,055)	(9,055)
Stock-based compensation	—	—	9,431	—	9,431
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	468,809	—	(166)	—	(166)
<b>Balance at March 31, 2018</b>	100,897,465	\$ 10	\$ 673,457	\$ (354,216)	\$ 319,251
Net loss	—	—	—	(6,622)	(6,622)
Stock-based compensation	—	—	9,445	—	9,445
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	708,935	—	1,905	—	1,905
<b>Balance at June 30, 2018</b>	101,606,400	\$ 10	\$ 684,807	\$ (360,838)	\$ 323,979
Net loss	—	—	—	(6,251)	(6,251)
Stock-based compensation	—	—	10,798	—	10,798
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	2,212,948	—	15,316	—	15,316
<b>Balance at September 30, 2018</b>	<u>103,819,348</u>	<u>\$ 10</u>	<u>\$ 710,921</u>	<u>\$ (367,089)</u>	<u>\$ 343,842</u>

See accompanying notes to condensed consolidated financial statements.

**TRUECAR, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
<b>Cash flows from operating activities</b>		
Net loss	\$ (46,077)	\$ (21,928)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	19,357	16,808
Deferred income taxes	168	(207)
Bad debt expense and other reserves	827	1,240
Stock-based compensation	31,382	28,316
Increase in the fair value of contingent consideration liability	225	—
Amortization of lease right-of-use assets	4,437	—
Loss from equity method investment	737	—
Non-cash interest expense on lease financing obligation	—	278
Impairment or write-off and net loss on disposal of finite-lived assets	1,109	294
Changes in operating assets and liabilities:		
Accounts receivable	1,326	(9,496)
Prepaid expenses	(1,879)	(3,816)
Other current assets	(30,558)	(915)
Other assets	1,897	(760)
Accounts payable	(4,762)	8,109
Accrued employee expenses	1,740	(1,545)
Operating lease liabilities	(5,125)	—
Accrued expenses and other liabilities	32,799	(508)
Other liabilities	(352)	113
Net cash provided by operating activities	<u>7,251</u>	<u>15,983</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(8,150)	(13,088)
Cash paid for equity method investment	(23,174)	—
Net cash used in investing activities	<u>(31,324)</u>	<u>(13,088)</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of common stock options	2,857	19,385
Taxes paid related to net share settlement of equity awards	(2,449)	(2,293)
Net cash provided by financing activities	<u>408</u>	<u>17,092</u>
Net (decrease) increase in cash and cash equivalents	(23,665)	19,987
Cash and cash equivalents at beginning of period	196,128	197,762
Cash and cash equivalents at end of period	<u>\$ 172,463</u>	<u>\$ 217,749</u>
<b>Supplemental disclosures of non-cash activities</b>		
Stock-based compensation capitalized for software development	1,409	1,358
Capitalized assets included in accounts payable, accrued employee expenses and other accrued expenses	335	624
Proceeds receivable from disposal of capitalized facility lease	—	700
Taxes payable related to net share settlement of equity awards included in accrued employee expenses	—	39

See accompanying notes to condensed consolidated financial statements.

**TRUECAR, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Organization and Nature of Business**

TrueCar, Inc. is an Internet-based information, technology, and communication services company. Hereinafter, TrueCar, Inc. and its wholly owned subsidiaries ALG, Inc., TrueCar Dealer Solutions, Inc. and DealerScience, LLC are collectively referred to as “TrueCar” or the “Company,” ALG, Inc. is referred to as “ALG,” TrueCar Dealer Solutions, Inc. is referred to as “TCDS,” and DealerScience, LLC is referred to as “DealerScience.” TrueCar was incorporated in the State of Delaware in February 2005 and began business operations in April 2005. Its principal corporate offices are located in Santa Monica, California.

TrueCar is a digital automotive marketplace that (i) provides pricing transparency about what other people paid for their cars and enables consumers to engage with TrueCar Certified Dealers who are committed to providing a superior purchase experience; (ii) empowers Certified Dealers to attract these informed, in-market consumers in a cost-effective, accountable manner; and (iii) allows automobile manufacturers (“OEMs”) to more effectively target their incentive spending at deep-in-market consumers during their purchase process. TrueCar has established a diverse software ecosystem on a common technology infrastructure, powered by proprietary data and analytics. Consumers access TrueCar’s platform through the TrueCar.com website and TrueCar mobile applications or through the car buying websites and mobile applications that TrueCar operates for its affinity group marketing partners (“Auto Buying Programs”). An affinity group is comprised of a network of members or employees that provides discounts to its members.

ALG provides forecasts, consulting, and other services regarding determination of the residual value of an automobile at future given points in time, which are used to underwrite automotive loans and leases and by financial institutions to measure exposure and risk across loan, lease, and fleet portfolios. ALG also obtains automobile purchase data from a variety of sources and uses this data to provide consumers and dealers with highly accurate, geographically specific, real-time pricing information.

Through its subsidiary TCDS, the Company provides its TrueCar Trade product, which gives consumers information on the value of their trade-in vehicles and enables them to obtain a guaranteed trade-in price before setting foot in the dealership. This valuation is, in turn, backed by a third-party guarantee to dealers that the vehicles will be repurchased at the indicated price if the dealer does not want to keep them.

Additionally, in December 2018, the Company acquired DealerScience, which, through TCDS, provides dealers with advanced digital retailing software tools that allow them to calculate accurate monthly payments, expedite vehicle desking, which is the process of presenting and agreeing upon financial terms and financing options, and streamline the consumer’s experience.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Company’s unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and Article 10-1 of Regulation S-X. Accordingly, some information and footnote disclosures required by GAAP for complete financial statements have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements and notes have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2018, except for the accounting policy changes detailed in Note 3 as a result of the Company’s adoption of the new leasing standard, and include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the interim periods presented.

The condensed consolidated balance sheet at December 31, 2018 has been derived from the audited financial statements at that date, but does not include all of the disclosures required by GAAP. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Form 10-K filed with the SEC on March 1, 2019.

## **Principles of Consolidation**

The accompanying condensed consolidated financial statements include the accounts of TrueCar and its wholly owned subsidiaries. Business acquisitions are included in the Company's condensed consolidated financial statements from the date of the acquisition. The Company's purchase accounting resulted in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates. Equity investments through which the Company is able to exercise significant influence over but does not control the investee and is not the primary beneficiary of the investee's activities are accounted for using the equity method. The Company's share of the income or loss from equity method investments is recognized on a one-quarter lag due to the timing and availability of financial information. All intercompany balances and transactions have been eliminated in consolidation.

## **Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP 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 dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Assets and liabilities that are subject to judgment and use of estimates include sales allowances and allowances for doubtful accounts, contract assets, the fair value of a warrant asset and the related liability, the fair value of assets and liabilities assumed in business combinations, right-of-use assets and lease liabilities, the fair value of capitalized lease facilities, the recoverability of goodwill and long-lived assets, valuation allowances with respect to deferred tax assets, useful lives associated with property and equipment and intangible assets, lease exit liabilities, contingencies, and the valuation and assumptions underlying stock-based compensation and other equity instruments. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities. In addition, the Company engaged valuation specialists to assist with management's determination of the valuation of the fair value of a warrant asset and the related liability, right-of-use assets and lease liabilities, the fair value of capitalized lease facilities, the fair values of assets and liabilities assumed in business combinations, the fair value of reporting units in connection with annual goodwill impairment testing, the fair value of performance shares, and in periods prior to the Company's initial public offering, valuation of common stock.

## **Segments**

The Company has one operating segment. During the first quarter of 2019, the Company's chief operating decision maker ("CODM") was the President and Chief Executive Officer and the Interim Chief Financial Officer and Chief Accounting Officer, who managed the Company's operations based on consolidated financial information for purposes of evaluating financial performance and allocating resources. Effective April 1, 2019, the Company's Interim Chief Financial Officer and Chief Accounting Officer resigned from his positions. From April 1, 2019, through May 31, 2019, the Company's CODM was solely comprised of the President and Chief Executive Officer until his resignation on May 31, 2019. From June 1, 2019 through June 16, 2019, the CODM was comprised of the Interim President and Chief Executive Officer. Upon the hiring of the Chief Financial Officer on June 17, 2019 and through September 30, 2019, the CODM was comprised of both the Interim President and Chief Executive Officer and the Chief Financial Officer. During the three and nine months ended September 30, 2019, the Company's operations were managed based on consolidated financial information for purposes of evaluating financial performance and allocating resources by the various CODM in place.

The CODM reviews financial information on a consolidated basis, accompanied by information about dealer revenue, OEM incentive revenue, and forecasts, consulting and other revenue (Note 12). All of the Company's principal operations, decision-making functions and assets are located in the United States.

## **Equity Method Investment**

On February 8, 2019, the Company acquired 20% of the outstanding equity interests of Accu-Trade, LLC, a Delaware limited liability company ("Accu-Trade"), from R.M. Hollenshead Auto Sales & Leasing, Inc., a Florida corporation ("RHAS"), Robert M. Hollenshead ("Hollenshead") and Jeffrey J. Zamora ("Zamora" and, together with RHAS and Hollenshead, the "Sellers"), pursuant to a Membership Interest Purchase Agreement, dated as of February 8, 2019 (the "Purchase Agreement"), by and among Accu-Trade, RHAS, Hollenshead, Zamora and the Company. Pursuant to the Purchase Agreement, and upon the terms and subject to the conditions thereof, the Company paid the Sellers \$17.9 million in cash consideration and made a \$5 million capital contribution to Accu-Trade. The Company recognizes its proportional share of the income or loss from the equity method investment on a one-quarter lag due to the timing and availability of financial information from Accu-Trade.

Included in the initial carrying value of \$22.9 million, which represents the fair value on the transaction date, was a basis difference of \$21.0 million related to the difference between the cost of the investment and the Company's proportionate share of the net assets of Accu-Trade. The carrying value of the equity method investment is primarily adjusted for the Company's share in the losses of Accu-Trade and amortization of the basis difference. The Company amortizes its basis difference between the estimated fair value and the underlying book value of Accu-Trade's technology and guarantor relationship over their respective useful lives using the straight-line method. The weighted-average life of these intangible assets is approximately 5 years.

### **Recent Accounting Pronouncements**

In June 2016, the Financial Accounting Standards Board ("FASB") issued new guidance that replaces the existing model for measuring the allowance for credit losses for financial assets measured at amortized cost (including trade accounts receivable) to a model that is based on the expected losses rather than incurred losses. Under the new credit loss model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecast information. This standard is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual reporting periods, with early adoption permitted. The Company continues to evaluate the impact of this guidance but the adoption is not expected to have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued new guidance that aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This standard is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual reporting periods, with early adoption permitted. The Company continues to evaluate the impact of this guidance but the adoption is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued guidance amending the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. On January 1, 2019, the Company adopted the new leasing standard using the prospective transition method. See Note 3 for further details.

In June 2018, the FASB issued new guidance to simplify the accounting for nonemployee share-based payment transactions by expanding the scope of Accounting Standards Codification Topic 718, Compensation - Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. Under the new standard, most of the guidance on stock compensation payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. This standard is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

## **3. Leases**

### **Adoption of the New Lease Accounting Standard**

On January 1, 2019, the Company adopted the new lease accounting standard using the modified retrospective transition method applied at the effective date of the standard. Results for reporting periods beginning after January 1, 2019 are presented under the new leasing standard, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting. The Company has elected to utilize the package of practical expedients at the time of adoption, which allows the Company to (1) not reassess whether any expired or existing contracts are or contain leases, (2) not reassess the lease classification of any expired or existing leases, and (3) not reassess initial direct costs for any existing leases. The Company also has elected to utilize the short-term lease recognition exemption and, for those leases that qualified, the Company did not recognize right-of-use ("ROU") assets or lease liabilities.

### **New Lease Accounting Policies**

The Company determines if an arrangement is a lease at inception and determine the classification of the lease, as either operating or finance, at commencement. The Company has various operating leases for its offices. These existing leases have remaining lease terms ranging from 1 to 11 years. Certain lease agreements contain options to renew, with renewal terms that generally extend the lease terms by 3 to 5 years for each option. The Company does not have any finance leases.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company estimates the incremental borrowing rate to reflect the profile of secured borrowing over the expected term of the leases based on the information available at the later of the initial date of adoption or the lease commencement date.

The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Sublease rental income is recognized as a reduction to the related lease expense on a straight-line basis over the sublease term.

### Adoption Impact

As a result of adoption, the Company recorded a material impact as ROU assets and lease liabilities are recognized on the consolidated balance sheet related to office facility leases. The ROU assets and lease liabilities were valued using the incremental borrowing rate as of the adoption date. Additionally, the Company expects to recognize greater rent expense in operating expenses and less interest expense as the Company's prior build-to-suit leases are now classified as operating leases. Additionally, the change related to build-to-suit leases resulted in the removal of build-to-suit assets from the consolidated balance sheet, which reduced property and equipment, net by \$28.3 million and eliminated the lease financing obligation of \$1.8 million within accrued expenses and other liabilities and \$23.0 million within lease financing obligation, net of current portion. See Note 5 for further details.

The cumulative effects of the changes made to the Company's January 1, 2019 consolidated balance sheet were as follows (in thousands):

	December 31, 2018	Adjustments Due to Adoption of New Leasing Standard	January 1, 2019
<b>Assets</b>			
Other current assets	\$ 4,103	\$ 188	\$ 4,291
Property and equipment, net	61,511	(25,461)	36,050
Operating lease right-of-use assets	—	42,010	42,010
Other assets	7,228	147	7,375
<b>Liabilities</b>			
Operating lease liabilities, current	\$ —	\$ 6,498	\$ 6,498
Accrued expenses and other current liabilities	10,908	(2,637)	8,271
Lease financing obligation, net of current portion	22,987	(22,987)	—
Operating lease liabilities, net of current portion	—	43,351	43,351
Other liabilities	9,290	(3,651)	5,639
<b>Stockholders' Equity</b>			
Accumulated deficit	\$ (373,482)	\$ (3,690)	\$ (377,172)

**Lease Costs**

For the three and nine months ended September 30, 2019, the Company recorded operating lease costs, excluding subleases, that were included in the condensed consolidated statements of comprehensive loss as follows (in thousands):

<b>Operating lease costs recorded within:</b>	<b>Three Months Ended September 30, 2019</b>	<b>Nine Months Ended September 30, 2019</b>
Cost of revenue	\$ 186	\$ 578
Sales and marketing	433	1,314
Technology and development	611	1,861
General and administrative	904	2,668
<b>Total operating lease costs</b>	<b>\$ 2,134</b>	<b>\$ 6,421</b>

The Company did not include short term or variable lease costs in the table above as these amounts were immaterial. For the three and nine months ended September 30, 2019, the Company recorded lease costs, excluding subleases, of \$2.1 million and \$6.4 million, respectively. The Company made cash payments for operating leases of \$2.4 million and \$2.5 million for the three months ended September 30, 2019 and 2018, respectively, and \$7.0 million and \$7.3 million for the nine months ended September 30, 2019 and 2018, respectively, all of which were included in cash flows from operating activities within the condensed consolidated statements of cash flows. The Company's operating leases have a weighted average remaining lease term of 7.1 years and weighted average discount rate of 5.7%. For its subleases, the Company recorded contra rent expense of \$0.5 million and \$0.6 million for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, the Company recorded contra rent expense of \$1.5 million and \$1.6 million, respectively, related to its subleases.

**Lease Commitments**

Future undiscounted lease payments for the Company's operating lease liabilities, a reconciliation of these payments to its operating lease liabilities, and related sublease income at September 30, 2019 are as follows (in thousands):

<b>Years ended December 31,</b>	
2019 (three months remaining)	\$ 1,578
2020	8,523
2021	7,152
2022	7,369
2023	7,628
Thereafter	22,561
<b>Total lease payments</b>	<b>\$ 54,811</b>
Less: imputed interest	(10,088)
<b>Total lease liabilities (discounted)</b>	<b>\$ 44,723</b>

<b>Years ended December 31,</b>	<b>Sublease Income</b>
2019 (three months remaining)	\$ (552)
2020	(1,282)
<b>Total sublease income</b>	<b>\$ (1,834)</b>

As previously disclosed in the Company's 2018 Annual Report on Form 10-K and under the previous lease accounting standard, future minimum lease payments for the Company's operating leases at December 31, 2018, on an undiscounted basis, were as follows (in thousands):

Years ended December 31,	Lease Commitments	Sublease Income
2019	\$ 9,220	\$ (2,180)
2020	8,716	(1,282)
2021	7,145	—
2022	7,362	—
2023	7,621	—
Thereafter	22,532	—
Total minimum lease payments	\$ 62,596	\$ (3,462)

#### 4. Fair Value Measurements

Fair value is defined 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 on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting standards describe a fair value hierarchy based on the following three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- Level 1 — Quoted prices in active markets for identical assets, liabilities, or funds.
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of cash equivalents, accounts receivable, prepaid and other current assets, accounts payable, and accrued expenses and other current liabilities approximate fair value because of the short maturity of these items.

The following table summarizes the Company's financial assets measured at fair value on a recurring basis at September 30, 2019 and December 31, 2018 by level within the fair value hierarchy. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	At September 30, 2019				At December 31, 2018			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets:</b>								
Cash equivalents	\$ 165,857	\$ —	\$ —	\$ 165,857	\$ 192,207	\$ —	\$ —	\$ 192,207
Total assets	\$ 165,857	\$ —	\$ —	\$ 165,857	\$ 192,207	\$ —	\$ —	\$ 192,207
<b>Liabilities:</b>								
Contingent consideration, current	\$ —	\$ —	\$ 2,396	\$ 2,396	\$ —	\$ —	\$ —	\$ —
Contingent consideration, non-current	—	—	2,306	2,306	—	—	4,477	4,477
Total liabilities	\$ —	\$ —	\$ 4,702	\$ 4,702	\$ —	\$ —	\$ 4,477	\$ 4,477



## 5. Property and Equipment, net

Property and equipment consisted of the following at September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019	December 31, 2018
Computer equipment, software, and internally developed software	\$ 56,649	\$ 99,204
Furniture and fixtures	4,762	4,758
Leasehold improvements	15,839	8,602
Capitalized facility leases	—	30,632
	<u>77,250</u>	<u>143,196</u>
Less: Accumulated depreciation	(46,301)	(81,685)
Total property and equipment, net	<u>\$ 30,949</u>	<u>\$ 61,511</u>

Prior to the adoption of the new lease guidance, the Company was considered the owner, for accounting purposes only, of one of its Santa Monica, California leased office spaces as it had taken on certain risks of construction build cost overages above normal tenant improvement allowances. These capitalized facility leases were removed from the balance sheet at adoption. Refer to Note 3 for further details.

Included in the table above are property and equipment of \$1.5 million and \$1.1 million at September 30, 2019 and December 31, 2018, respectively, which are capitalizable but had not yet been placed in service. These balances were comprised primarily of capitalized software not ready for its intended use.

Total depreciation and amortization expense of property and equipment was \$4.6 million and \$5.0 million for the three months ended September 30, 2019 and 2018, respectively. Total depreciation and amortization expense of property and equipment was \$14.7 million and \$13.9 million for the nine months ended September 30, 2019 and 2018, respectively.

Amortization of internal use capitalized software development costs was \$3.4 million and \$3.6 million for the three months ended September 30, 2019 and 2018, respectively. Amortization of internal use capitalized software development costs was \$10.7 million and \$9.9 million for the nine months ended September 30, 2019 and 2018, respectively.

During the three and nine months ended September 30, 2019, the Company disposed of or retired certain fully depreciated computer equipment, software, and internally developed software with an original cost basis of \$52.1 million that resulted in the recognition of an immaterial gain.

## 6. Credit Facility

The Company is party to a third amended and restated loan and security agreement (the "Credit Facility") with a financial institution that provides for advances under a \$35.0 million revolving line of credit. In February 2018, the Company entered into a first amendment to the Credit Facility that, among other things, extended the expiration of the Credit Facility from February 18, 2018 to February 18, 2021. In December 2018, the Company entered into a second amendment to the Credit Facility to make certain other revisions that do not alter the borrowing amounts, interest rates, or required ratios. The Credit Facility provides a \$10.0 million subfacility for the issuance of letters of credit and contains an increase option permitting the Company, subject to the lender's consent, to increase the revolving credit facility by up to \$15.0 million, to an aggregate maximum of \$50.0 million.

The Credit Facility bears interest, at the Company's option, at either (i) the prime rate published by The Wall Street Journal, plus a spread of 0.25% to 0.50%, or (ii) a LIBOR rate determined in accordance with the terms of the Credit Facility, plus a spread of 0.75% to 2.50%. In each case, the spread is based on the Company's adjusted quick ratio, which is a ratio of the Company's cash and cash equivalents plus net billed accounts receivable to current liabilities plus all borrowings under the Credit Facility.

Interest is due and payable quarterly in arrears for prime rate loans and on the earlier of the last day of each quarter or the end of an interest period, as defined in the Credit Facility, for LIBOR rate loans. The Company is also obligated to pay an unused revolving line facility fee of 0.00% to 0.20% per annum based on the Company's adjusted quick ratio.

The Credit Facility requires the Company to maintain an adjusted quick ratio of at least 1.50 to 1.00 on the last day of each quarter. If this adjusted quick ratio is not maintained, then the facility requires the Company to maintain, as measured at each quarter end, a maximum consolidated leverage ratio of 3.00 or 2.50 to 1.00, and a fixed charge coverage ratio of at least 1.25 to 1.00.

Consolidated leverage ratio is a ratio of all funded indebtedness, including all capital lease obligations, plus all letters of credit under the facility to the Company's Adjusted EBITDA for the trailing twelve months. Fixed charge coverage ratio is the ratio of the Company's Adjusted EBITDA minus cash income taxes to its cash interest payments for the trailing twelve months. The Credit Facility also limits the Company's ability to pay dividends. At September 30, 2019, the Company was in compliance with the Credit Facility's financial covenants.

The Company's future material domestic subsidiaries are required, upon the lender's request, to become co-borrowers under the Credit Facility. Additionally, the Credit Facility contains acceleration clauses that accelerate any borrowings in the event of default. The Company's obligations and those of its future material domestic subsidiaries are collateralized by substantially all of their respective assets, subject to certain exceptions and limitations.

At September 30, 2019, the Company had no outstanding amounts under the Credit Facility and the amount available was \$31.5 million, reduced for the letters of credit issued and outstanding under the subfacility of \$3.5 million.

## **7. Commitments and Contingencies**

### **Lease Exit Costs**

The Company had historically accounted for exit and disposal activities through the use of a lease exit liability. Under the new leasing guidance, the remaining lease exit liability was eliminated and the remaining balance was included as an adjustment to reduce the ROU assets for the relevant properties. Refer to Note 3 for further details.

### **Reorganization and Executive Departures**

In January 2019, the Company initiated and completed a restructuring plan (the "Reorganization Plan") to improve efficiency and reduce expenses. The Company recorded severance costs of approximately \$3.3 million in the first quarter of 2019 in connection with the Reorganization Plan. These costs were recorded within cost of revenue, sales and marketing, technology and development, and general and administrative expenses within the Company's condensed consolidated statements of comprehensive loss. The Company does not expect to incur significant additional charges in future periods related to this Reorganization Plan.

In the second quarter of 2019, the Company incurred severance costs totaling \$4.6 million associated with the separations of executive-level employees, including its former chief executive officer. Of the total, the Company recorded \$0.4 million in sales and marketing, \$0.9 million in technology and development and \$3.3 million in general and administrative expenses in the Company's condensed consolidated statements of comprehensive loss during the nine months ended September 30, 2019.

The following table presents a roll forward of the severance liability for the nine months ended September 30, 2019 (in thousands):

	<b>Severance Liability</b>	
Accrual at December 31, 2018	\$	—
Expense		7,871
Cash Payments		(7,809)
Accrual at September 30, 2019	\$	62

### **Legal Proceedings**

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. When the Company becomes aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. In accordance with authoritative guidance, the Company records loss contingencies in its financial statements only for matters in which losses are probable and can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum estimated liability. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. The Company continuously assesses the potential liability related to the Company's pending litigation and revises its estimates when additional information becomes available. The Company is not currently a party to any material legal proceedings, other than as described below.

#### ***Stockholder Litigation***

##### Milbeck Federal Securities Litigation

On March 30, 2018, Leon Milbeck filed a putative securities class action against the Company in the U.S. District Court for the Central District of California (the "Milbeck Federal Securities Litigation"). On June 27, 2018, the court appointed the Oklahoma Police Pension and Retirement Fund as lead plaintiff, who filed an amended complaint on August 24, 2018. The amended complaint sought an award of unspecified damages, interest, attorney's fees and equitable relief based on allegations that the defendants made false or misleading statements about the Company's business, operations, prospects and performance during a purported class period of February 16, 2017 through November 6, 2017 in violation of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder and that the defendants made actionable misstatements in violation of Section 11 of the Securities Act in connection with our secondary offering that occurred during the class period. The amended complaint named the Company, certain of its then-current and former officers and directors and the underwriters for its secondary offering as defendants. On October 31, 2018, the plaintiff dismissed the underwriters from the litigation "without prejudice," meaning that they could be reinstated as defendants at a later time, and on November 5, 2018, the Company filed a motion to dismiss the amended complaint, which the court denied on February 5, 2019. On May 9, 2019, the court granted the lead plaintiff's motion for class certification. On August 2, 2019, the parties entered into an agreement to settle the Milbeck Federal Securities Litigation on a class-wide basis for \$28.25 million, all of which will be paid by the Company's directors' and officers' liability insurance. On October 15, 2019, the court granted preliminary approval of the proposed settlement and scheduled a final approval hearing on January 27, 2020. The settlement is subject to class notice, potential objections and opt-outs, and final approval by the court. As of September 30, 2019, the proposed settlement amount and offsetting insurance receivable of \$28.25 million are included in "Accrued expenses and other current liabilities" and "Other current assets" in the Company's condensed consolidated balance sheets.

### California Derivative Litigation

On March 6, 2019, the Company, certain of its then-current and former officers and directors and USAA were named as defendants in a derivative action filed by Dean Drulias nominally on behalf of the Company in the U.S. District Court for the Central District of California (the “California Derivative Litigation”). On March 12, 2019, the plaintiff filed an amended complaint, which alleged breach of fiduciary duties, unjust enrichment and violation of Section 10(b) and Section 29(b) of the Exchange Act and sought contribution for damages awarded against us in the Milbeck Federal Securities Litigation and an award of unspecified damages, interest, attorney’s fees and equitable relief based on substantially the same factual allegations as the Milbeck Federal Securities Litigation. On May 13, 2019, the Company filed motions to dismiss the amended complaint on the grounds of *forum non conveniens* based upon the exclusive forum provision of the Company’s certificate of incorporation, failure to make a pre-suit demand on the Company’s board of directors and failure to state a claim upon which relief may be granted. On October 23, 2019, the court granted the Company’s motion to dismiss the state-law claims with prejudice on the grounds of *forum non conveniens* and granted the Company’s motion to dismiss the federal-law claims without prejudice for failure to state a claim. In light of these rulings, the court declined to address the Company’s motion to dismiss for failure to show pre-suit demand futility. The court permitted the plaintiff to amend his complaint with respect to the dismissed federal-law claims, but on November 5, 2019, he informed the court that he declined to do so and stated his intent to appeal the court’s ruling. The Company believes that the complaint is without merit, and intends to vigorously defend itself in this matter. The Company has not recorded an accrual related to this matter as of September 30, 2019 as the Company does not believe a loss is probable or reasonably estimable.

### Delaware Chancery Derivative Litigation

In August 2019, three purported stockholder derivative actions were filed in Delaware alleging a variety of claims nominally on the Company’s behalf arising out of alleged breaches of fiduciary duty under Delaware law based upon substantially the same factual allegations as the Milbeck Federal Securities Litigation. The complaints named the Company, certain of its then-current and former directors and officers, USAA and, in one of the actions, certain entities affiliated with USAA and certain of our current and former directors as defendants. On October 7, 2019, the Delaware Court of Chancery consolidated the cases into a single action in that court bearing the caption *In re TrueCar, Inc. Stockholder Derivative Litigation* (the “Delaware Derivative Litigation”). On November 6, 2019, the plaintiffs filed a consolidated complaint against all of the defendants named in the prior actions, asserting claims for breach of fiduciary duty, unjust enrichment, contribution and indemnification against the Company’s current and former officers and directors, and claims for aiding and abetting breaches of fiduciary duty against the entities affiliated with USAA and with certain of the Company’s current and former directors. The plaintiffs seek an award of damages against the defendants on behalf of the Company and various alleged corporate governance reforms. The Company expects to file motions to dismiss for failure to make a pre-suit demand and failure to state a claim similar to the motions it filed in the California Derivative Litigation. The Company believes that the consolidated complaint is without merit, and intends to vigorously defend itself in this matter. The Company has not recorded an accrual related to this matter as of September 30, 2019 as the Company does not believe a loss is probable or reasonably estimable.

### Delaware Federal Derivative Litigation

In April 2019, the Company, certain of its then-current and former directors and officers and USAA were named as defendants in derivative actions nominally on behalf of the Company filed by Ara Afarian and Shelley Niemi in the U.S. District Court for the District of Delaware. The complaints alleged breach of Section 29(b) of the Exchange Act as well as breach of fiduciary duties and unjust enrichment and sought contribution for damages awarded against the Company in the Milbeck Federal Securities Litigation and an award of unspecified damages, interest, attorney’s fees and equitable relief based on substantially the same factual allegations as the Milbeck Federal Securities Litigation. The Niemi complaint also sought rescission of certain contracts. On April 17, 2019, the cases were consolidated into a single action bearing the caption *In re TrueCar, Inc. Shareholder Derivative Litigation*. On September 4, 2019, the court granted the plaintiffs’ unopposed motion to voluntarily dismiss the litigation without prejudice, meaning it could be re-filed at a later date. In light of the termination of the litigation on this basis, the Company has not recorded an accrual related to this matter as of September 30, 2019 as the Company does not believe a loss is probable.

### ***The Lanham Act Litigation***

On March 9, 2015, the Company was named as a defendant in a lawsuit purportedly filed on behalf of numerous automotive dealers who are not on the TrueCar platform in the U.S. District Court for the Southern District of New York (the “NY Lanham Act Litigation”). The complaint in the NY Lanham Act Litigation alleged that the Company violated the Lanham Act as well as various state laws prohibiting unfair competition and deceptive acts or practices related to the Company’s advertising and promotional activities. The complaint sought injunctive relief in addition to over \$250 million in damages as a

result of the alleged diversion of customers from the plaintiffs' dealerships to TrueCar Certified Dealers. On April 7, 2015, the Company filed an answer to the complaint. Thereafter, the plaintiffs amended their complaint, and on July 13, 2015, the Company filed a motion to dismiss the amended complaint. On January 6, 2016, the court granted in part and denied in part the Company's motion to dismiss with respect to some, but not all, of the advertising and promotional activities challenged in the amended complaint. On July 2, 2018, the Company filed a motion for summary judgment seeking dismissal of the amended complaint in its entirety. On March 27, 2019, the court granted in part and denied in part the Company's motion, allowing the plaintiffs to pursue disgorgement of the Company's profits on a deterrence theory but granting summary judgment to the Company on the other aspects of the plaintiffs' claims. On April 9, 2019, the Company filed a motion for reconsideration of the court's ruling, which the court granted on July 12, 2019. As a result, the court granted the Company's motion for summary judgment in its entirety as to the plaintiffs' Lanham Act claim. In light of the dismissal of the plaintiffs' sole federal claim, the court declined to exercise supplemental jurisdiction over the state-law claims alleged by the amended complaint and therefore dismissed them without prejudice, meaning that the state-law claims could be re-filed in state court at a later date. The plaintiffs did not appeal the dismissal of their claims, and the deadline for doing so passed in August 2019, so the NY Lanham Act Litigation is currently resolved. In light of the termination of the litigation, the Company has not recorded an accrual related to this matter as of September 30, 2019, as it does not believe a loss is probable.

### ***The California Consumer Class Action***

On December 23, 2015, the Company was named as a defendant in a putative class action lawsuit filed by Gordon Rose in the California Superior Court for the County of Los Angeles. The complaint asserted claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code, based principally on allegations that the Company was operating in the State of California as an unlicensed automobile dealer and autobroker as well as factual allegations similar to those asserted in the NY Lanham Act Litigation. The complaint sought an award of unspecified damages, interest, disgorgement, injunctive relief and attorney's fees. In the complaint, the plaintiff sought to represent a class of California consumers defined as "[a]ll California consumers who purchased an automobile by using TrueCar, Inc.'s price certificate during the applicable statute of limitations." On July 13, 2016, the plaintiff amended his complaint. The amended complaint continues to assert claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code. The amended complaint retains the same proposed class definition as the initial complaint. Like the initial complaint, the amended complaint seeks an award of unspecified damages, punitive and exemplary damages, interest, disgorgement, injunctive relief and attorney's fees. On September 12, 2016, the Company filed a demurrer to the amended complaint. On October 13, 2016, the court granted in part and denied in part the Company's demurrer to the amended complaint, dismissing the unjust enrichment claim but declining to dismiss the balance of the claims at the demurrer stage of the litigation. On February 7, 2018, the plaintiff filed a motion for class certification, which the court denied on July 27, 2018. On September 26, 2018, the plaintiff filed a notice of appeal and proceedings in the trial court have been stayed pending the resolution of the appeal. On October 8, 2019, the court of appeal heard argument, but has not yet issued a decision in this matter. The Company believes that the amended complaint is without merit, and it intends to vigorously defend itself in this matter. The Company has not recorded an accrual related to this matter as of September 30, 2019 as the Company does not believe a loss is probable or reasonably estimable.

### **Employment Contracts**

The Company has entered into employment contracts with certain executives of the Company. Employment under these contracts is at-will employment. However, under the provisions of the contracts, the Company would incur severance obligations of up to twelve months of the executive's annual base salary for certain events such as involuntary terminations.

### **Indemnifications**

In the ordinary course of business, the Company may provide indemnities of varying scope and terms to customers, vendors, lessors, investors, directors, officers, employees and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or intellectual property infringement claims made by third parties. While the Company's future obligations under certain of these agreements may contain limitations on liability for indemnification, other agreements do not contain such limitations and under such agreements it is not possible to predict the maximum potential amount of future payments due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under such indemnities have not had a material effect on the Company's business, financial condition, results of operations or cash flows. Additionally, the Company does not believe that any amounts that it may be required to pay under these indemnities in the future will be material to the Company's business, financial position, results of operations, or cash flows.

**8. Stock-based Awards**

**Stock Options**

A summary of the Company's stock option activity for the nine months ended September 30, 2019 is as follows:

	<b>Number of Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Life (in years)</b>
Outstanding at December 31, 2018	14,114,651	\$ 12.32	7.0
Granted	2,115,973	6.95	
Exercised	(363,609)	7.84	
Forfeited/expired	(4,983,186)	12.72	
Outstanding at September 30, 2019	<u>10,883,829</u>	<u>\$ 11.25</u>	5.6

At September 30, 2019, total remaining stock-based compensation expense for unvested stock option awards was \$15.3 million, which is expected to be recognized over a weighted-average period of 2.3 years. For the three months ended September 30, 2019 and 2018, the Company recorded stock-based compensation expense for stock option awards of \$1.9 million and \$4.2 million, respectively. For the nine months ended September 30, 2019 and 2018, the Company recorded stock-based compensation expense for stock option awards of \$11.9 million and \$12.6 million, respectively.

**Restricted Stock Units**

Activity in connection with restricted stock units is as follows for the nine months ended September 30, 2019:

	<b>Number of Shares</b>	<b>Weighted- Average Grant Date Fair Value</b>
Non-vested — December 31, 2018	5,375,963	\$ 11.01
Granted	5,018,710	6.53
Vested	(2,252,523)	9.54
Forfeited	(1,756,835)	9.79
Non-vested — September 30, 2019	<u>6,385,315</u>	<u>\$ 8.34</u>

At September 30, 2019, total remaining stock-based compensation expense for non-vested restricted stock units was \$50.1 million, which is expected to be recognized over a weighted-average period of 2.8 years. The Company recorded \$5.3 million and \$6.1 million in stock-based compensation expense for restricted stock units for the three months ended September 30, 2019 and 2018, respectively. The Company recorded \$19.5 million and \$15.7 million in stock-based compensation for restricted stock units for the nine months ended September 30, 2019 and 2018, respectively.

## Stock-based Compensation Cost

The Company recorded stock-based compensation cost relating to stock options and restricted stock units in the following categories on the accompanying condensed consolidated statements of comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of revenue	\$ 549	\$ 469	\$ 1,601	\$ 1,210
Sales and marketing	2,697	3,852	10,885	10,522
Technology and development	1,615	2,829	7,024	7,880
General and administrative	2,330	3,097	11,872	8,704
Total stock-based compensation expense	7,191	10,247	31,382	28,316
Amount capitalized to internal software use	431	551	1,409	1,358
Total stock-based compensation cost	\$ 7,622	\$ 10,798	\$ 32,791	\$ 29,674

As referenced in Note 7, certain executive-level employees, including the Company's former chief executive officer, separated from the Company in the second quarter of 2019. Benefits provided associated with these terminations include severance payments, acceleration of certain equity awards and extension of the exercise period for certain vested stock options. As a result of these termination benefits, the Company recognized \$7.2 million in additional stock-based compensation expense during the second quarter of 2019 and for the nine months ended September 30, 2019.

## 9. Income Taxes

In determining quarterly provisions for income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date loss. The Company's annual estimated effective tax rate differs from the statutory rate primarily as a result of state taxes, tax amortization of goodwill and changes in the Company's valuation allowance. The Company recorded income tax expense of \$0.1 million for the three months ended September 30, 2019 and an income tax benefit of \$0.1 million for the three months ended September 30, 2018. The Company recorded income tax expense of \$0.2 million for the nine months ended September 30, 2019 and an income tax benefit \$0.2 million for the nine months ended September 30, 2018.

There were no material changes to the Company's unrecognized tax benefits in the nine months ended September 30, 2019, and the Company does not expect to have any significant changes to unrecognized tax benefits through the end of the fiscal year. Due to the presence of NOL carryforwards, all income tax years remain open for examination by the IRS and various state taxing authorities.

## 10. Net Loss Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss	\$ (7,652)	\$ (6,251)	\$ (46,077)	\$ (21,928)
Weighted-average common shares outstanding	106,239	102,765	105,510	101,503
Net loss per share - basic and diluted	\$ (0.07)	\$ (0.06)	\$ (0.44)	\$ (0.22)

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net loss per share at September 30, 2019 and 2018 (in thousands):

	September 30,	
	2019	2018
Options to purchase common stock	10,884	14,564
Common stock warrants	1,459	1,459
Non-vested restricted stock unit awards	6,385	5,431
Total shares excluded from net loss per share	<u>18,728</u>	<u>21,454</u>

## 11. Related Party Transactions

### Transactions with USAA

USAA is a large stockholder in the Company and the Company's most significant affinity marketing partner. The Company has entered into arrangements with USAA to operate its Auto Buying Program. At the time that the Company entered into these arrangements, USAA met the definition of a related party. The Company had amounts due from USAA at September 30, 2019 and December 31, 2018 of \$0.2 million and \$0.3 million, respectively. In addition, the Company had amounts due to USAA at September 30, 2019 and December 31, 2018 of \$6.0 million and \$5.3 million, respectively. The Company recorded sales and marketing expense of \$6.3 million and \$6.5 million for the three months ended September 30, 2019 and 2018, respectively, related to service arrangements entered into with USAA. The Company recorded sales and marketing expense of \$17.5 million and \$16.3 million for the nine months ended September 30, 2019 and 2018, respectively.

### Transactions with Accu-Trade

During the first quarter of 2019, the Company became a 20% owner of Accu-Trade and accounts for the investment using the equity method, as the Company has significant influence over the investee. The Company had amounts due to Accu-Trade at September 30, 2019 of \$0.4 million. The Company recognized contra-revenue of \$0.3 million and cost of revenue of \$0.3 million during the three months ended September 30, 2019 related to a software and data licensing agreement entered into with Accu-Trade. During the nine months ended September 30, 2019, the Company recognized contra-revenue of \$0.8 million and cost of revenue of \$0.7 million.

## 12. Revenue Information

### Disaggregation of Revenue

The Company disaggregates revenue into three revenue streams: dealer revenue, OEM incentives revenue, and forecasts, consulting and other revenue. The following table presents the Company's revenue categories during the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Dealer revenue	\$ 81,270	\$ 79,250	\$ 237,061	\$ 226,858
OEM incentives revenue	4,383	9,456	12,727	21,804
Forecasts, consulting and other revenue	4,902	4,880	14,424	13,835
Total revenues	<u>\$ 90,555</u>	<u>\$ 93,586</u>	<u>\$ 264,212</u>	<u>\$ 262,497</u>

### Contract Balances

The Company's contract asset balance for estimated variable consideration to be received upon the occurrence of subsequent vehicle sales is included within other current assets and is distinguished from accounts receivable in that these amounts are conditional upon subsequent sales and not only upon the passage of time. Substantially all of the contract asset balances of \$3.3 million at December 31, 2018 were transferred to accounts receivable during the nine months ended September 30, 2019 as vehicle sales occurred, with no significant changes in the estimate. A contract asset of \$2.8 million was recorded as of September 30, 2019 for leads delivered where consideration to be received was still conditional upon subsequent vehicle sales.



## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes thereto included in Item 1 "Financial Statements" in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those discussed in the section titled "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q. See "Special Note Regarding Forward-Looking Statements."

### Overview

**Our Mission:** We exist to be the most transparent brand in automotive, to serve as a catalyst that dramatically improves the way people discover, buy and sell cars.

We have established a diverse software ecosystem on a common technology infrastructure, powered by proprietary data and analytics. Our company-branded platform is available on our TrueCar website and mobile applications. In addition, we customize and operate our platform on a co-branded basis for our many affinity group marketing partners, including financial institutions like USAA and American Express; membership-based organizations like Consumer Reports, AARP, Sam's Club, and AAA; and employee buying programs for large enterprises such as IBM and Walmart. We enable users to obtain market-based pricing data on new and used cars, and to connect with our network of TrueCar Certified Dealers. We also allow automobile manufacturers, known in the industry as OEMs, to connect with TrueCar users during the purchase process and efficiently deliver targeted incentives to consumers.

We benefit consumers by providing information related to what others have paid for a make, model and trim of car in their area and price offers on actual vehicle inventory, which we refer to as VIN-based offers, from our network of TrueCar Certified Dealers. VIN-based offers provide consumers with price offers for specific vehicles from specific dealers. We benefit our network of TrueCar Certified Dealers by enabling them to attract these informed, in-market consumers in a cost-effective, accountable manner, which we believe helps them to sell more cars profitably. We benefit OEMs by allowing them to more effectively target their incentive spending at deep-in-market consumers during their purchase process.

Our network of over 16,500 TrueCar Certified Dealers consists primarily of new car franchises, representing all major makes of cars, as well as independent dealers selling used vehicles. TrueCar Certified Dealers operate in all 50 states and the District of Columbia.

Our subsidiary, ALG, provides forecasts and consulting services regarding determination of the residual value of an automobile at given future points in time. These residual values are used to underwrite automotive loans and leases to determine payments by consumers. In addition, financial institutions use this information to measure exposure and risk across loan, lease, and fleet portfolios.

Further, our subsidiary, TCDS, provides our TrueCar Trade product, which gives consumers information on the value of their trade-in vehicles and enables them to obtain a guaranteed trade-in price before setting foot in the dealership. This valuation is, in turn, backed by a third-party guarantee to dealers that the vehicles will be repurchased at the indicated price if the dealer does not want to keep them.

Additionally, in December 2018, we acquired DealerScience, which, through TCDS, provides dealers with advanced digital retailing software tools that allow them to calculate accurate monthly payments, expedite vehicle desking, which is the process of presenting and agreeing upon financial terms and financing options, and streamline the consumer's experience from shopping to showroom.

During the three months ended September 30, 2019, we generated revenues of \$90.6 million and recorded a net loss of \$7.7 million. During the nine months ended September 30, 2019, we generated revenues of \$264.2 million and recorded a net loss of \$46.1 million.

## Key Metrics

We regularly review a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make operating and strategic decisions.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Average Monthly Unique Visitors	7,695,650	8,005,041	7,341,470	7,857,787
Units(1)	267,821	268,026	750,458	748,012
Monetization	\$ 320	\$ 331	\$ 333	\$ 332
Franchise Dealer Count	12,711	12,549	12,711	12,549
Independent Dealer Count	4,242	3,482	4,242	3,482

- (1) We issued full credits of the amount originally invoiced with respect to 6,100 and 4,981 units during the three months ended September 30, 2019 and 2018, respectively. We issued full credits of the amount originally invoiced with respect to 15,778 and 15,486 units during the nine months ended September 30, 2019 and 2018, respectively. The number of units has not been adjusted downwards related to units credited as discussed in the description of the unit metric below.

### *Average Monthly Unique Visitors*

We define a monthly unique visitor as an individual who has visited our website, our landing page on our affinity group marketing partner sites, or our mobile applications within a calendar month. We identify unique visitors through cookies for browser-based visits on either a desktop computer or mobile device and through device IDs for mobile application visits. In addition, if a TrueCar.com user logs in, we supplement their identification with their log-in credentials to attempt to avoid double counting on TrueCar.com across devices, browsers and mobile applications. If an individual accesses our service using different devices or different browsers on the same device within a given month, the first access through each such device or browser is counted as a separate monthly unique visitor, except where adjusted based upon TrueCar.com log-in information. We calculate average monthly unique visitors as the sum of the monthly unique visitors in a given period, divided by the number of months in the period. We view our average monthly unique visitors as a key indicator of the growth in our business and audience reach, the strength of our brand, and the visibility of car-buying services to the member base of our affinity group marketing partners.

The number of average monthly unique visitors decreased 3.9% to approximately 7.7 million in the three months ended September 30, 2019 from approximately 8.0 million in the same period of 2018. The number of average monthly unique visitors decreased 6.6% to approximately 7.3 million in the nine months ended September 30, 2019 from approximately 7.9 million in the same period of 2018. The decrease was primarily due to changes in the search algorithms used by popular search engines reducing our organic traffic that started in the fourth quarter of 2018 and have continued into 2019.

### *Units*

We define units as the number of automobiles purchased from TrueCar Certified Dealers that are matched to users of TrueCar.com, our TrueCar-branded mobile applications or the car-buying sites and mobile applications we maintain for our affinity group marketing partners. A unit is counted after we have matched the sale to a TrueCar user with one of TrueCar Certified Dealers. We view units as a key indicator of the growth of our business, the effectiveness of our product and the size and geographic coverage of our network of TrueCar Certified Dealers.

On occasion, we issue credits to our TrueCar Certified Dealers with respect to units sold. However, we do not adjust our unit metric for these credits as we believe that in most cases a vehicle has in fact been purchased through our platform given the high degree of accuracy of our sales matching process. Credits are most frequently issued to a dealer that claims that it had a pre-existing relationship with a purchaser of a vehicle, and we determine whether we will issue a credit based on a number of factors, including the facts and circumstances related to the dealer claim and the level of claim activity at the dealership. In most cases, we issue credits in order to maintain strong business relations with the dealer and not because we have made an erroneous sales match or billing error.

For the three and nine months ended September 30, 2019 as compared to September 30, 2018, total units remained fairly flat. The number of units decreased 0.1% to 267,821 units in the three months ended September 30, 2019 from 268,026 units in the three months ended September 30, 2018. The number of units increased 0.3% to 750,458 units in the nine months ended September 30, 2019 from 748,012 units in the same period of 2018.

## ***Monetization***

We define monetization as the average transaction revenue per unit, which we calculate by dividing all of our transaction revenue (dealer revenue and OEM incentives revenue) in a given period by the number of units in that period. Our monetization decreased by 3.3% to \$320 during the three months ended September 30, 2019 from \$331 for the same period of 2018, primarily due to a decline in OEM revenue. Our monetization increased slightly by 0.3% to \$333 during the nine months ended September 30, 2019 from \$332 for the same period of 2018, primarily as a result of growth in revenue from new dealer products, which no incremental units are generated, offset by a decline in OEM revenue. We expect our monetization to be affected in the future by changes in our pricing structure, the unit mix between new and used cars, with used cars providing higher monetization, and the introduction of new products and services, including new OEM incentive programs.

## ***Franchise Dealer Count***

We define franchise dealer count as the number of franchise dealers in the network of TrueCar Certified Dealers at the end of a given period. This number is calculated by counting the number of brands of new cars sold at each individual location, or rooftop, regardless of the size of the dealership that owns the rooftop. The network is comprised of dealers with a range of unit sales volume per dealer, with dealers representing certain brands consistently achieving higher than average unit sales volume. We view our ability to increase our franchise dealer count, particularly dealers representing high volume brands, as an indicator of our market penetration and the likelihood of converting users of our platform into unit sales. Our TrueCar Certified Dealer network includes independent non-franchised dealers that primarily sell used cars and are not included in franchise dealer count.

Our franchise dealer count was 12,711 at September 30, 2019, an increase from 12,549 at September 30, 2018, and an increase from 12,674 at December 31, 2018. Note that our franchise dealer count excludes Genesis franchises on our program due to Hyundai's transition of Genesis to a stand-alone brand. In order to facilitate period-over-period comparisons, we have continued to count each Hyundai franchise that also has a Genesis franchise as one franchise dealer rather than two. We intend to increase the number of dealers representing high-volume brands in our dealer network, generally, and in key geographies, by investing to improve the dealer experience and increasing dealer satisfaction.

## ***Independent Dealer Count***

We define independent dealer count as the number of dealers in the network of TrueCar Certified Dealers at the end of a given period that exclusively sell used vehicles and are not directly affiliated with a new car manufacturer. This number is calculated by counting each location, or rooftop, individually, regardless of the size of the dealership that owns the rooftop. Our independent dealer count was 4,242 at September 30, 2019, an increase from 3,482 at September 30, 2018, and an increase from 3,655 at December 31, 2018.

## ***Non-GAAP Financial Measures***

Adjusted EBITDA and Non-GAAP net income (loss) are financial measures that are not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. We define Adjusted EBITDA as net loss adjusted to exclude interest income, interest expense, depreciation and amortization, stock-based compensation, income (loss) from equity method investment, certain litigation costs, certain restructuring costs, certain costs associated with the departures of certain of our former executives, certain transaction costs, changes in the fair value of contingent consideration, and income taxes. We define Non-GAAP net income (loss) as net loss adjusted to exclude stock-based compensation, income (loss) from equity method investment, certain litigation costs, certain restructuring costs, certain costs associated with the departures of certain of our former executives, certain transaction costs, and changes in the fair value of contingent consideration. We have provided below a reconciliation of each of Adjusted EBITDA and Non-GAAP net income (loss) to net loss, the most directly comparable GAAP financial measure. Neither Adjusted EBITDA nor Non-GAAP net income (loss) should be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP. In addition, our Adjusted EBITDA and Non-GAAP net income (loss) measures may not be comparable to similarly titled measures of other organizations as they may not calculate Adjusted EBITDA or Non-GAAP net income (loss) in the same manner as we calculate these measures.

We use Adjusted EBITDA and Non-GAAP net income (loss) as operating performance measures as each is (i) an integral part of our reporting and planning processes; (ii) used by our management and board of directors to assess our operational performance, and together with operational objectives, as a measure in evaluating employee compensation and bonuses; and (iii) used by our management to make financial and strategic planning decisions regarding future operating investments. We believe that using Adjusted EBITDA and Non-GAAP net income (loss) facilitates operating performance comparisons on a period-to-period basis because these measures exclude variations primarily caused by changes in the

excluded items noted above. In addition, we believe that Adjusted EBITDA, Non-GAAP net income (loss) and similar measures are widely used by investors, securities analysts, rating agencies and other parties in evaluating companies as measures of financial performance and debt service capabilities.

Our use of each of Adjusted EBITDA and Non-GAAP net income (loss) has limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect the payment or receipt of interest or the payment of income taxes;
- neither Adjusted EBITDA nor Non-GAAP net income (loss) reflects changes in, or cash requirements for, our working capital needs;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditures or any other contractual commitments;
- neither Adjusted EBITDA nor Non-GAAP net income (loss) reflects the costs to advance our claims in certain litigation or the costs to defend ourselves in various complaints filed against us, which we expect to continue to be significant;
- neither Adjusted EBITDA nor Non-GAAP net income (loss) reflects severance charges associated with the departures of certain of our former executives in the second quarter of 2019;
- neither Adjusted EBITDA nor Non-GAAP net income (loss) reflects the severance charges associated with a restructuring plan initiated and completed in the first quarter of 2019 to improve efficiency and reduce expenses;
- neither Adjusted EBITDA nor Non-GAAP net income (loss) reflects the legal, accounting, consulting and other third-party fees and costs incurred by the Company in connection with the evaluation and negotiation of potential merger and acquisition transactions;
- neither Adjusted EBITDA nor Non-GAAP net income (loss) considers the potentially dilutive impact of shares issued or to be issued in connection with stock-based compensation; and
- other companies, including companies in our own industry, may calculate Adjusted EBITDA and Non-GAAP net income (loss) differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA and Non-GAAP net income (loss) alongside other financial performance measures, including our net loss, our other GAAP results, and various cash flow metrics. In addition, in evaluating Adjusted EBITDA and Non-GAAP net income (loss) you should be aware that in the future we will incur expenses such as those that are the subject of adjustments in deriving Adjusted EBITDA and Non-GAAP net income (loss), and you should not infer from our presentation of Adjusted EBITDA and Non-GAAP net income (loss) that our future results will not be affected by these expenses or any unusual or non-recurring items.

The following table presents a reconciliation of net loss to Adjusted EBITDA for each of the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
<b>Reconciliation of Net Loss to Adjusted EBITDA:</b>				
Net loss	\$ (7,652)	\$ (6,251)	\$ (46,077)	\$ (21,928)
Non-GAAP adjustments:				
Interest income	(855)	(888)	(2,822)	(2,242)
Interest expense	—	662	—	1,985
Depreciation and amortization	6,145	5,992	19,327	16,808
Stock-based compensation (1)	7,191	10,247	31,382	28,316
Loss from equity method investment	464	—	737	—
Certain litigation costs (2)	157	335	1,436	1,996
Executive departure costs (3)	270	—	4,951	—
Restructuring charges (4)	—	—	3,280	—
Transaction costs (5)	—	—	1,926	—
Change in the fair value of contingent consideration	75	—	225	—
Provision for (benefit from) income taxes	56	(72)	226	(168)
Adjusted EBITDA	\$ 5,851	\$ 10,025	\$ 14,591	\$ 24,767

- (1) For the nine months ended September 30, 2019, the excluded amounts included stock-based compensation of \$7.2 million incurred in the second quarter of 2019 associated with the acceleration of certain equity awards and the extension of the exercise period for certain vested stock options related to the departures of certain executives, including our former chief executive officer.
- (2) The excluded amounts relate to legal costs incurred in connection with complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar and consumer class action lawsuits. We believe the exclusion of these costs is appropriate to facilitate comparisons of our core operating performance on a period-to-period basis. Based on the nature of the specific claims underlying the excluded litigation matters, once these matters are resolved, we do not believe our operations are likely to entail defending against the types of claims raised by these matters. We expect the cost of defending these claims to continue to be significant pending that resolution.
- (3) The excluded amounts represent severance charges associated with the separation of our former chief executive officer and the termination of executive-level employees in connection with the change in chief executive officer and related recruiting fees for the search of a new chief executive officer. For the three months ended September 30, 2019, we incurred \$0.3 million in related recruiting fees. For the nine months ended September 30, 2019, we incurred \$4.6 million in executive severance costs, as well as related recruiting fees of \$0.4 million. We believe excluding the impact of these terminations and the associated chief executive officer recruiting fees is consistent with our use of these non-GAAP measures as we do not believe they are a useful indicator of our ongoing operating results. We expect to incur an additional \$0.1 million in related executive recruiting fees in the fourth quarter of 2019.
- (4) The excluded amounts represent charges associated with a restructuring plan initiated and completed in the first quarter of 2019 to improve efficiency and reduce expenses. We believe excluding the impact of these charges is consistent with our use of these non-GAAP measures as we do not believe they are a useful indicator of our ongoing operating results.
- (5) The excluded amounts represent external legal, accounting, consulting and other third-party fees and costs we incurred in connection with the evaluation and negotiation of potential acquisition transactions. These expenses are included in general and administrative expenses in our condensed consolidated statements of comprehensive loss. We consider these fees and costs, which are associated with potential merger and acquisition transactions outside the normal course of our operations, to be unrelated to our underlying results of operations and believe that their exclusion provides investors with a more complete understanding of the factors and trends affecting our business operations. We also incurred \$0.6 million of such transaction expenses in the three months ended December 31, 2018 and will recast our prior-period Adjusted EBITDA presented in previous filings to reflect the exclusion of such expenses in future filings that present Adjusted EBITDA figures for such three-month period.

The following table presents a reconciliation of net loss to Non-GAAP net income (loss) for each of the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(in thousands)				
<b>Reconciliation of Net Loss to Non-GAAP net income (loss):</b>				
Net loss	\$ (7,652)	\$ (6,251)	\$ (46,077)	\$ (21,928)
Non-GAAP adjustments:				
Stock-based compensation (1)	7,191	10,247	31,382	28,316
Loss from equity method investment	464	—	737	—
Certain litigation costs (2)	157	335	1,436	1,996
Executive departure costs (3)	270	—	4,951	—
Restructuring charges (4)	—	—	3,280	—
Transaction costs (5)	—	—	1,926	—
Change in the fair value of contingent consideration	75	—	225	—
Non-GAAP net income (loss) (6)	\$ 505	\$ 4,331	\$ (2,140)	\$ 8,384

- (1) For the nine months ended September 30, 2019, the excluded amounts include stock-based compensation of \$7.2 million incurred in the second quarter of 2019 associated with the acceleration of certain equity awards and the extension of the exercise period for certain vested stock options related to the departures of certain executives, including our former chief executive officer.
- (2) The excluded amounts relate to legal costs incurred in connection with complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar and consumer class action lawsuits. We believe the exclusion of these costs is appropriate to facilitate comparisons of our core operating performance on a period-to-period basis. Based on the nature of the specific claims underlying the excluded litigation matters, once these matters are resolved, we do not believe our operations are likely to entail defending against the types of claims raised by these matters. We expect the cost of defending these claims to continue to be significant pending that resolution.
- (3) The excluded amounts represent severance charges associated with the separation of our former chief executive officer and the termination of executive-level employees in connection with the change in chief executive officer and related recruiting fees for the search of a new chief executive officer. For the three months ended September 30, 2019, we incurred \$0.3 million in related recruiting fees. For the nine months ended September 30, 2019, we incurred \$4.6 million in executive severance costs, as well as related recruiting fees of \$0.4 million. We believe excluding the impact of these terminations and the associated chief executive officer recruiting fees is consistent with our use of these non-GAAP measures as we do not believe they are a useful indicator of our ongoing operating results. We expect to incur an additional \$0.1 million in related executive recruiting fees in the fourth quarter of 2019.
- (4) The excluded amounts represent charges associated with a restructuring plan initiated and completed in the first quarter of 2019 to improve efficiency and reduce expenses. We believe excluding the impact of these charges is consistent with our use of these non-GAAP measures as we do not believe they are a useful indicator of our ongoing operating results.
- (5) The excluded amounts represent external legal, accounting, consulting and other third-party fees and costs we incurred in connection with the evaluation and negotiation of potential acquisition transactions. These expenses are included in general and administrative expenses in our condensed consolidated statements of comprehensive loss. We consider these fees and costs, which are associated with potential merger and acquisition transactions outside the normal course of our operations, to be unrelated to our underlying results of operations and believe that their exclusion provides investors with a more complete understanding of the factors and trends affecting our business operations. We also incurred \$0.6 million of such transaction expenses in the three months ended December 31, 2018 and will recast our prior-period Non-GAAP net income (loss) presented in previous filings to reflect the exclusion of such expenses in future filings that present Non-GAAP net income (loss) figures for such three-month period.

- (6) There is no income tax impact related to the adjustments made to calculate Non-GAAP net income (loss) because of our available net operating loss carryforwards and the full valuation allowance recorded against our net deferred tax assets at September 30, 2019 and 2018.

## Components of Operating Results

### Revenues

Our revenues are comprised of dealer revenue, OEM incentives revenue, and forecasts, consulting and other revenue. We recognize transaction revenue earlier for certain of our Auto Buying Program and OEM incentives arrangements at the time introductions and incentives are delivered based upon expected subsequent vehicle sales between the Auto Buying Program user and the dealer.

### Costs and Operating Expenses

*Cost of Revenue (exclusive of depreciation and amortization).* Cost of revenue includes expenses related to the fulfillment of our services, consisting primarily of data costs and licensing fees paid to third-party service providers and expenses related to operating our website and mobile applications, including those associated with our data centers, hosting fees, data processing costs required to deliver introductions to our network of TrueCar Certified Dealers, employee costs related to certain dealer operations, sales matching, employee and consulting costs related to delivering data and consulting services to our customers, and facilities costs. Cost of revenue excludes depreciation and amortization of software costs and other hosting and data infrastructure equipment used to operate our platforms, which are included in the depreciation and amortization line item on our condensed consolidated statements of comprehensive loss.

*Sales and Marketing.* Sales and marketing expenses consist primarily of: television, digital, and radio advertising; media production costs; affinity group partner marketing fees, which also include loan subvention costs where we pay certain affinity group marketing partners a portion of consumers' borrowing costs for car loan products offered by these affinity group marketing partners, and common stock warrants issued to USAA; marketing sponsorship programs; and digital customer acquisition. In addition, sales and marketing expenses include employee-related expenses for sales, customer support, marketing and public relations employees, including salaries, bonuses, benefits, severance, and stock-based compensation expenses; third-party contractor fees; and facilities costs. Marketing and advertising costs promote our services and are expensed as incurred, except for media production costs, which are expensed the first time the advertisement is aired.

*Technology and Development.* Technology and development expenses consist primarily of employee-related expenses including salaries, bonuses, benefits, severance, and stock-based compensation expenses; third-party contractor fees; facilities costs; software costs; and costs associated with our product development, product management, research and analytics, and internal IT functions.

*General and Administrative.* General and administrative expenses consist primarily of employee-related expenses, including salaries, bonuses, benefits, severance, and stock-based compensation expenses for executive, finance, accounting, legal, and human resources functions. General and administrative expenses also include legal, accounting, and other third-party professional service fees, bad debt, lease exit costs, and facilities costs.

*Depreciation and Amortization.* Depreciation consists primarily of depreciation expense recorded on property and equipment. Amortization expense consists primarily of amortization recorded on intangible assets, capitalized software costs and leasehold improvements.

*Interest Income.* Interest income consists of interest earned on our cash and cash equivalents.

*Interest Expense.* Interest expense consists primarily of interest on our built-to-suit lease financing obligations.

*Provision for (Benefit from) Income Taxes.* We are subject to federal and state income taxes in the United States. We provided a full valuation allowance against our net deferred tax assets at September 30, 2019 and December 31, 2018, as it is more likely than not that some or all of our deferred tax assets will not be realized. As a result of the valuation allowance, our income tax benefit (or expense) is significantly less than the federal statutory rate of 21%. Our provision for income taxes for the three and nine months ended September 30, 2019 primarily reflects a tax expense associated with the amortization of tax-deductible goodwill that was not an available source of income to realize deferred tax assets. Our benefit for income taxes for the three and nine months ended September 30, 2018 primarily reflects a decrease in valuation allowance associated with the recognition of the Company's tax-deductible goodwill amortization as an available source of income to realize deferred tax assets.

## Results of Operations

The following table sets forth our selected consolidated statements of operations data for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(in thousands)				
<b>Consolidated Statements of Operations Data:</b>				
Revenues	\$ 90,555	\$ 93,586	\$ 264,212	\$ 262,497
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization presented separately below)	8,391	7,737	25,659	22,941
Sales and marketing	57,961	57,031	172,932	157,463
Technology and development	13,027	15,345	44,726	46,633
General and administrative	13,018	14,030	49,504	41,005
Depreciation and amortization	6,145	5,992	19,327	16,808
Total costs and operating expenses	98,542	100,135	312,148	284,850
Loss from operations	(7,987)	(6,549)	(47,936)	(22,353)
Interest income	855	888	2,822	2,242
Interest expense	—	(662)	—	(1,985)
Loss from equity method investment	(464)	—	(737)	—
Loss before income taxes	(7,596)	(6,323)	(45,851)	(22,096)
Provision for (benefit from) income taxes	56	(72)	226	(168)
Net loss	\$ (7,652)	\$ (6,251)	\$ (46,077)	\$ (21,928)
<b>Other Non-GAAP Financial Information:</b>				
Adjusted EBITDA	\$ 5,851	\$ 10,025	\$ 14,591	\$ 24,767
Non-GAAP net income (loss)	\$ 505	\$ 4,331	\$ (2,140)	\$ 8,384

### Comparison of the Three and Nine Months Ended September 30, 2019 and 2018

#### Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(in thousands)				
Dealer revenue	\$ 81,270	\$ 79,250	\$ 237,061	\$ 226,858
OEM incentives revenue	4,383	9,456	12,727	21,804
Forecasts, consulting and other revenue	4,902	4,880	14,424	13,835
Total revenues	\$ 90,555	\$ 93,586	\$ 264,212	\$ 262,497

**Three months ended September 30, 2019 compared to three months ended September 30, 2018.** The decrease in our revenues of \$3.0 million, or 3.2%, for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 primarily reflected a decrease in our OEM incentives revenue. Dealer revenue, OEM incentives revenue, and forecasts, consulting and other revenue comprised 89.7%, 4.8%, and 5.4%, respectively, of revenues for the three months ended September 30, 2019 as compared to 84.7%, 10.1%, and 5.2%, respectively, for the same period in 2018. The increase of \$2.0 million in dealer revenue for the three months ended September 30, 2019 reflected increases within newer revenue streams of \$2.0 million primarily due to our Trade and DealerScience products. The decrease of \$5.1 million in OEM incentives revenue was primarily due to the lack of recurring revenue from a large OEM client and softness in our existing clients for the three months ended September 30, 2019. Forecasts, consulting and other revenue for the three months ended September 30, 2019 remained materially consistent with the same period in 2018.



**Nine months ended September 30, 2019 compared to nine months ended September 30, 2018.** The increase in our revenues of \$1.7 million, or 0.7%, for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 primarily reflected an increase in our dealer revenue. Dealer revenue, OEM incentives revenue, and forecasts, consulting and other revenue comprised 89.7%, 4.8%, and 5.5%, respectively, of revenues for the nine months ended September 30, 2019 as compared to 86.4%, 8.3%, and 5.3%, respectively, for the same period of 2018. The increase of \$10.2 million in dealer revenue for the nine months ended September 30, 2019 reflected a 0.3% increase in monetization, along with increases within newer revenue streams of \$6.7 million primarily due to our Trade and DealerScience products. The decrease of \$9.1 million in OEM incentive revenue was primarily due to the lack of recurring revenue from a large OEM client and softness in our existing clients for the nine months ended September 30, 2019. Forecasts, consulting and other revenue for the nine months ended September 30, 2019 remained materially consistent with the same period in 2018.

### *Costs and Operating Expenses*

#### *Cost of Revenue (exclusive of depreciation and amortization)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Cost of revenue (exclusive of depreciation and amortization)	\$ 8,391	\$ 7,737	\$ 25,659	\$ 22,941
Cost of revenue (exclusive of depreciation and amortization) as a percentage of revenues	9.3%	8.3%	9.7%	8.7%

**Three months ended September 30, 2019 compared to three months ended September 30, 2018.** Cost of revenue increased \$0.7 million, or 8.5%, for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 primarily due to a \$0.2 million increase in data and licensing costs, a \$0.1 million increase in hosting fees, and a \$0.1 million increase in stock-based compensation.

**Nine months ended September 30, 2019 compared to nine months ended September 30, 2018.** Cost of revenue increased \$2.7 million, or 11.8%, for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 primarily due to a \$1.1 million increase in data and licensing costs, a \$0.9 million increase in employee-related expenses, and a \$0.4 million increase in stock-based compensation.

#### *Sales and Marketing Expenses*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Sales and marketing expenses	\$ 57,961	\$ 57,031	\$ 172,932	\$ 157,463
Sales and marketing expenses as a percentage of revenues	64.0%	60.9%	65.5%	60.0%

**Three months ended September 30, 2019 compared to three months ended September 30, 2018.** Sales and marketing expenses increased \$0.9 million, or 1.6%, for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. The increase primarily reflected a \$1.1 million increase in employee-related expenses primarily due to increased headcount, a \$0.7 million increase in creative production costs, and a \$0.4 million increase in branded media spend, offset by a \$1.2 million decrease in stock-based compensation.

**Nine months ended September 30, 2019 compared to nine months ended September 30, 2018.** Sales and marketing expenses increased \$15.5 million, or 9.8%, for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The increase primarily reflected a \$6.9 million increase in employee-related expenses primarily due to increased headcount, a \$4.2 million increase in branded media spend, and a \$3.2 million increase in partner marketing and revenue share paid to affinity marketing partners.

#### *Technology and Development Expenses*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Technology and development expenses	\$ 13,027	\$ 15,345	\$ 44,726	\$ 46,633
Technology and development expenses as a percentage of revenues	14.4%	16.4%	16.9%	17.8%
Capitalized software costs	\$ 3,143	\$ 3,781	\$ 9,232	\$ 11,329

**Three months ended September 30, 2019 compared to three months ended September 30, 2018.** Technology and development expenses decreased \$2.3 million, or 15.1%, for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. The decrease was primarily due to a decrease in stock-based compensation of \$1.2 million and a decrease in employee-related expenses of \$0.8 million.

Capitalized software costs decreased \$0.6 million primarily due to a decrease of \$0.4 million in third-party software costs and a \$0.2 million decrease in internal capitalized software costs.

We expect technology and development expenses to continue to be affected by variations in the amount of capitalized internally developed software.

**Nine months ended September 30, 2019 compared to nine months ended September 30, 2018.** Technology and development expenses decreased \$1.9 million, or 4.1%, for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The decrease was primarily due to a decrease in stock-based compensation of \$0.9 million, a decrease in outsourced services of \$0.6 million, and a decrease in employee-related expenses of \$0.4 million.

Capitalized software costs decreased \$2.1 million, or 18.5%, primarily due to a decrease of \$1.7 million in third-party software costs and a \$0.4 million decrease in internal capitalized software costs.

#### *General and Administrative Expenses*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
General and administrative expenses	\$ 13,018	\$ 14,030	\$ 49,504	\$ 41,005
General and administrative expenses as a percentage of revenues	14.4%	15.0%	18.7%	15.6%

**Three months ended September 30, 2019 compared to three months ended September 30, 2018.** General and administrative expenses decreased \$1.0 million, or 7.2%, for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. The decrease was primarily due to a \$0.8 million decrease in stock-based compensation and a \$0.4 million decrease in legal fees, offset by a \$0.3 million increase in employee-related expenses. Due to

ongoing litigation matters, we expect general and administrative expenses to vary depending on the timing and course of litigation proceedings and related legal fees.

**Nine months ended September 30, 2019 compared to nine months ended September 30, 2018.** General and administrative expenses increased \$8.5 million, or 20.7%, for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The increase was primarily due to a \$3.2 million increase in severance costs associated with the departure of our former chief executive officer in the second quarter of 2019, a \$3.2 million increase in stock-based compensation, which primarily relates to the acceleration of certain equity awards and the extension of the exercise period for certain vested stock options provided to our former chief executive officer, and a \$1.9 million increase in outsourced services primarily related to transaction costs incurred in connection with the evaluation and negotiation of potential acquisition transactions.

### *Depreciation and Amortization Expenses*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Depreciation and amortization expenses	\$ 6,145	\$ 5,992	\$ 19,327	\$ 16,808

**Three months ended September 30, 2019 compared to three months ended September 30, 2018.** Depreciation and amortization expenses increased \$0.2 million, or 2.6%, for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. The increase is primarily due to a \$0.6 million increase related to intangible assets acquired from the acquisition of DealerScience in December 2018 and a \$0.1 million net increase associated with the reclassification of certain build-to-suit assets to leasehold improvements upon adoption of the new lease guidance in January 2019, offset by a \$0.5 million decrease related to certain computer software and furniture and fixtures that were fully depreciated prior to the third quarter of 2019. We expect our depreciation and amortization expenses to continue to be affected by the amount of capitalized internally developed software costs, property and equipment, and the timing of placing projects in service.

**Nine months ended September 30, 2019 compared to nine months ended September 30, 2018.** Depreciation and amortization expenses increased \$2.5 million, or 15.0%, for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The increase is primarily due to a \$1.8 million increase related to intangible assets acquired from the acquisition of DealerScience in December 2018 and a \$0.5 million net increase associated with the reclassification of certain build-to-suit assets to leasehold improvements upon adoption of the new lease guidance in January 2019.

### *Interest Expense*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Interest expense	\$ —	\$ 662	\$ —	\$ 1,985

**Three months ended September 30, 2019 compared to three months ended September 30, 2018.** Historically our interest expense primarily related to interest incurred on our lease financing obligation for our leased office spaces under build-to-suit lease accounting. Under the new lease guidance adopted as of January 1, 2019, the build-to-suit leases are now classified as operating leases. As a result, we had no interest expense for the three months ended September 30, 2019 as compared to \$0.7 million in the three months ended September 30, 2018. We do not expect to incur interest expense in the fourth quarter of 2019, unless we draw down on our credit facility or incur other forms of debt financing.

**Nine months ended September 30, 2019 compared to nine months ended September 30, 2018.** We had no interest expense for the nine months ended September 30, 2019, as build-to-suit leases are now classified as operating leases under the new lease guidance. Interest expense was \$2.0 million in the nine months ended September 30, 2018, and primarily consisted of interest expense incurred on our lease financing obligation for our Santa Monica and San Francisco leased office spaces.

***Provision for (Benefit from) Income Taxes***

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands)			
Provision for (benefit from) income taxes	\$ 56	\$ (72)	\$ 226	\$ (168)

Our provision for income taxes for the three and nine months ended September 30, 2019 primarily reflects a tax expense associated with the amortization of tax deductible goodwill that is not an available source of income to realize deferred tax assets. Our benefit from income taxes for the three and nine months ended September 30, 2018 primarily reflects a decrease in valuation allowance in partial recognition of deferred tax assets associated with 2018 indefinite-lived net operating losses.

**Liquidity and Capital Resources**

At September 30, 2019, our principal sources of liquidity were cash and cash equivalents totaling \$172.5 million.

We have incurred cumulative losses of \$423.2 million from our operations through September 30, 2019, and expect to incur additional losses in the future. We believe that our existing sources of liquidity will be sufficient to fund our operations for at least the next 12 months. However, our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of our spending to support our technology and development efforts, and costs related to potential acquisitions to further expand our business and product offerings. To the extent that existing cash and cash equivalents, and cash from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

***Credit Facility***

We are party to a credit facility with Silicon Valley Bank that provides for advances of up to \$35.0 million. This credit facility provides a \$10.0 million subfacility for the issuance of letters of credit and contains an increase option permitting us, subject to the lender's consent, to increase the revolving credit facility by up to \$15.0 million, to an aggregate maximum of \$50.0 million. The credit facility has a three-year term and matures on February 18, 2021. No amounts were outstanding at September 30, 2019. The amount available under the amended credit facility at September 30, 2019 was \$31.5 million, reduced for the letters of credit issued and outstanding under the subfacility of \$3.5 million. See Note 6 of our condensed consolidated financial statements herein for more information about our amended credit facility.

***Cash Flows***

The following table summarizes our cash flows:

	Nine Months Ended September 30,	
	2019	2018
	(in thousands)	
<b>Consolidated Cash Flow Data:</b>		
Net cash provided by operating activities	\$ 7,251	\$ 15,983
Net cash used in investing activities	(31,324)	(13,088)
Net cash provided by financing activities	408	17,092
Net (decrease) increase in cash and cash equivalents	\$ (23,665)	\$ 19,987

### ***Operating Activities***

Our net loss and cash flows provided by or used in operating activities are significantly influenced by our investments in headcount and infrastructure to support our growth, marketing, advertising, and sponsorship expenses. Our net loss has been significantly greater than cash provided by or used in operating activities due to the inclusion of non-cash expenses and charges.

Cash provided by operating activities for the nine months ended September 30, 2019 was \$7.3 million. This was primarily due to our net loss of \$46.1 million, which, adjusted for non-cash items, primarily including stock-based compensation expense of \$31.4 million, depreciation and amortization expense of \$19.4 million, and amortization of lease right-of-use assets of \$4.4 million, resulted in \$12.2 million in cash provided by operations. Net cash provided by operations also reflected a decrease of \$4.9 million related to changes in operating assets and liabilities.

The \$4.9 million decrease related to changes in operating assets and liabilities primarily reflected an increase in accrued expenses and other current liabilities of \$32.8 million primarily related to a proposed legal settlement of approximately \$28.3 million that will be covered by applicable directors' and officers' liability insurance, a decrease in other assets of \$1.9 million primarily related to a decrease in long-term deposits, and an increase in accrued employee expenses of \$1.7 million primarily due to an increase in accrued bonus. These sources of cash were partially offset by an increase in other current assets of \$30.6 million related to a \$28.3 million insurance receivable associated with the aforementioned proposed legal settlement that will be covered by liability insurance, a decrease in accounts payable of \$4.8 million primarily related to decreased accrued marketing spend and marketing fees payable to our affinity group partners and advertisers, a decrease in operating lease liabilities of \$5.1 million, and an increase in prepaid expenses of \$1.9 million primarily related to software expenses and hosting fees.

Cash provided by operating activities for the nine months ended September 30, 2018 was \$16.0 million. This was primarily due to our net loss of \$21.9 million, which, adjusted for non-cash items, including stock-based compensation expense of \$28.3 million, depreciation and amortization expense of \$16.8 million, and bad debt expense of \$1.2 million, resulted in \$24.8 million in cash provided by operations. Net cash provided by operations also reflected a decrease of \$8.8 million related to changes in operating assets and liabilities.

The \$8.8 million decrease related to changes in operating assets and liabilities primarily reflected an increase in accounts receivable of \$9.5 million primarily related to the timing of billings to and payments from OEMs, an increase in prepaid expenses of \$3.8 million primarily related to an increase in prepaid marketing, insurance, and other costs, a decrease in accrued employee expenses of \$1.5 million primarily due to a decrease in accrued bonus, an increase in other current assets of \$0.9 million primarily related to an increase in the contract asset balance for estimated variable consideration to be received upon the occurrence of subsequent vehicle sales, and an increase in other assets of \$0.8 million primarily related to a long term prepayment for cloud computing services. These uses of cash were partially offset by an increase in accounts payable of \$8.1 million primarily due to an increase in marketing fees payable to our affinity group partners and advertisers.

### ***Investing Activities***

Our investing activities consist primarily of capital expenditures for capitalized software development costs and property and equipment.

Cash used in investing activities of \$31.3 million for the nine months ended September 30, 2019 resulted primarily from a \$23.2 million equity method investment as well as \$7.8 million of investments in software and \$0.3 million of investments in computer hardware.

Cash used in investing activities of \$13.1 million for the nine months ended September 30, 2018 resulted from \$10.1 million of investments in software, \$1.9 million of investments in furniture, leasehold, and facility improvements, and \$1.1 million of investments in computer hardware.

### ***Financing Activities***

Cash provided by financing activities of \$0.4 million for the nine months ended September 30, 2019 reflects \$2.9 million of proceeds from the exercise of stock options reduced by taxes paid for the net share settlement of certain equity awards of \$2.4 million.

Cash provided by financing activities of \$17.1 million for the nine months ended September 30, 2018 reflects \$19.4 million of proceeds from the exercise of stock options reduced by taxes paid for the net share settlement of certain equity awards of \$2.3 million.

***Contractual Obligations and Known Future Cash Requirements***

There were no significant changes to our contractual obligations and known future cash requirements for the nine months ended September 30, 2019.

**Off-Balance Sheet Arrangements**

We do not engage in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, as part of our ongoing business. Accordingly, our operating results, financial condition and cash flows are not subject to off-balance sheet risks.

## **Critical Accounting Policies and Estimates**

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions, including, but not limited to, those related to revenue recognition, allowance for doubtful accounts and sales allowances, stock-based compensation, income taxes, goodwill and other intangible assets, internal use capitalized software development costs, and contingencies and litigation. We base our estimates on historical experience and on various other estimates and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates and assumptions.

There have been no material changes to the critical accounting policies previously disclosed in our Annual Report on Form 10-K, filed with the SEC on March 1, 2019, except the accounting policy changes detailed in Note 2 of our condensed consolidated financial statements as a result of the adoption of the new lease standard.

### ***Goodwill***

We assess recoverability of goodwill on an annual basis or when events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable, such as a decline in stock price and market capitalization. During the second and third quarters of 2019, our stock price experienced high volatility ranging from a high of \$7.24 to a low of \$3.01 per share, causing a decline in our enterprise market capitalization. If our stock price declines further, material write-downs or impairment charges may be required in the future. The magnitude and timing of those charges would be dependent on the severity and duration of the decline and cannot be determined at this time. Any material non-cash impairment charges related to goodwill would have a material adverse effect on our results of operations and financial condition.

### **Recent Accounting Pronouncements**

See Note 2 to our condensed consolidated financial statements included herein.

## **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Market risk represents the risk of loss that may affect our financial position due to adverse changes in financial market prices and rates. We do not believe that there is any material market risk exposure that would require disclosure under this item.

### ***Interest Rate Risk***

We had cash and cash equivalents of \$172.5 million at September 30, 2019, which consist entirely of bank deposits and short-term money market funds. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

To the extent we borrow funds under our credit facility, we would be subject to fluctuations in interest rates. See Note 6 to the condensed consolidated financial statements herein. As of September 30, 2019, we had no borrowings under the credit facility.

We believe that we do not have a material exposure to changes in fair value as a result of changes in interest rates.

### ***Inflation Risk***

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, operating results and financial condition.

***Foreign Currency Exchange Risk***

Historically, as our operations and sales have been primarily in the United States, we have not faced any significant foreign currency risk. If we plan for international expansion, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk.



## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2019, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### **Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

As of April 1, 2019, we implemented a new enterprise resource planning (“ERP”) system, by transitioning certain of our operations, including the general ledger, to the new ERP system. We have modified our existing controls infrastructure, as well as added other processes and internal controls, to adapt to our new ERP system and to take advantage of the increased functionality of the new system.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

Refer to the disclosure under the heading “Legal Proceedings” in Note 7 “Commitments and Contingencies” to our condensed consolidated financial statements included in this report for legal proceedings. From time to time, we may be involved in various legal proceedings arising from the normal course of our business activities.

### Item 1A. Risk Factors

*Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report, including our consolidated financial statements and related notes, and Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before making an investment in our common stock. If any of the following risks is realized, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not presently known to us or not believed by us to be material could also impact us.*

#### Risks Related to Our Business and Industry

*The growth of our business relies significantly on our ability to grow and optimize the geographic coverage of dealers in our network of TrueCar Certified Dealers and increase the representation of high-volume brands in our network such that we are able to increase the number of transactions between our users and TrueCar Certified Dealers, as well as our ability to manage dealer churn and increase dealer subscription rates. Failure to do so would limit our growth.*

Some automotive brands consistently achieve higher than average sales volume per dealer. As a consequence, dealers representing those brands make a disproportionately greater contribution to our unit volume. Our ability to grow and to optimize the geographic coverage of dealers in our network of TrueCar Certified Dealers, increase the number of dealers representing high-volume brands and grow the overall number of dealers in our network is an important factor in growing our business.

As described elsewhere in this “Risk Factors” section, we are a relatively new participant in the automobile retail industry and car dealerships have sometimes viewed our business in a negative light. Although we have taken steps intended to improve our relationships with, and our reputation among, car dealerships, including the commitments made in our pledge to dealers, there can be no assurance that our efforts will be successful. We may be unable to maintain or grow the number of car dealers in our network, in a geographically optimized manner or at all, or increase the proportion of dealers in our network representing high volume brands. For example, during the second half of 2015, we experienced both a decline in the proportion of high-volume dealers in our network and slowed quarter-over-quarter revenue growth. If we experience a similar decline in the future, it could have a material adverse effect on our business, growth, financial condition, results of operations and cash flows.

In addition, our ability to increase the number of TrueCar Certified Dealers in an optimized manner depends on strong relationships with other constituents, including car manufacturers and state dealership associations. From time to time, car manufacturers have communicated concerns about our business to dealers in our network. For example, many car manufacturers maintain guidelines that prohibit dealers from advertising a car at a price that is below an established floor, referred to as “minimum allowable advertised price,” or “MAAP,” guidelines. If a manufacturer takes the position that its MAAP guidelines apply to prices provided by a TrueCar Certified Dealer to our users and the dealer submits a price to a user that falls below the applicable MAAP guidelines, the manufacturer may discourage that dealer from remaining in the network and may discourage other dealers within its brand from joining the network. For example, in late 2011, Honda publicly announced that it would not provide advertising allowances to dealers that remained in our network of TrueCar Certified Dealers. While we subsequently addressed Honda’s concerns and it ceased withholding advertising allowances from our TrueCar Certified Dealers, discord with specific car manufacturers could impede our ability to grow our dealer network. Although an increasing number of manufacturers have begun introducing MAAP guidelines recently, and we have implemented certain changes designed to accommodate these guidelines, it is unclear whether we will continue to be able to do so without making material, unfavorable adjustments to our business practices or user experience and, if we are not, it could have a material adverse effect on our business, growth, financial condition, results of operations and cash flows.

In addition, state dealership associations maintain significant influence over the dealerships in their states as lobbying groups and as thought leaders. To the extent that these associations view us in a negative light, our reputation with car dealers in the corresponding states may be negatively affected. If our relationships with car manufacturers or state dealership associations suffer, our ability to maintain and grow the number of car dealers in our network would be harmed.

Further, in 2018, approximately 35% of our unit volume was subject to pay-per-sale billing arrangements, with the remaining units being subject to subscription billing arrangements. If the number of TrueCar Certified Dealers on subscription billing arrangements continues to increase relative to those on a pay-per-sale billing model, the growth of our business could become more dependent on our ability to increase dealer subscription rates, as rising unit volumes at dealers on subscription billing arrangements do not automatically result in higher revenues. If we are unable to convince subscription-based dealers of our value proposition, we could be unable to increase dealer subscription rates even if our unit volume increases, which could have a material adverse effect on our business, growth, financial condition, results of operations and cash flows.

We cannot assure you that we will expand our network of TrueCar Certified Dealers in a manner that provides a sufficient number of dealers by brand and geography for our unique visitors, or that we will be able to increase dealer subscription rates, and failure to do so would limit our growth.

***If key industry participants, including car dealers and automobile manufacturers, perceive us in a negative light or our relationships with them suffer harm, our ability to grow and our financial performance may be damaged.***

Our primary source of revenue consists of fees paid by TrueCar Certified Dealers to us in connection with the sales of automobiles to our users. In addition, our value proposition to consumers depends on our ability to provide pricing information on automobiles from a sufficient number of automobile dealers by brand and in a given consumer's geographic area. If our relationships with our network of TrueCar Certified Dealers suffer harm in a manner that leads to the departure of these dealers from our network, then our revenue and ability to maintain and grow unique visitor traffic would be adversely affected.

For example, at the end of 2011 and the beginning of 2012, due to certain regulatory and publicity-related challenges, many dealers canceled their agreements with us and our franchise dealer count fell from 5,571 at November 30, 2011 to 3,599 at February 28, 2012. In 2015, 279 franchise dealers became inactive as the result of a contractual dispute with a large dealer group, and our franchise dealer count decreased from 9,300 at June 30, 2015 to 8,702 at September 30, 2015. At September 30, 2019 our franchise dealer count was 12,711.

TrueCar Certified Dealers have no contractual obligation to maintain their relationship with us. Accordingly, these dealers may leave our network at any time or may develop or use other products or services in lieu of ours. Further, while we believe that our service provides a lower cost, accountable customer acquisition channel, dealers may have difficulty rationalizing their marketing spend across TrueCar and other channels, which may dilute our dealer value proposition. If we are unable to create and maintain a compelling value proposition for dealers to become and remain TrueCar Certified Dealers, our dealer network might not grow and could decline.

In addition, although the automobile dealership industry is fragmented, a small number of groups have significant influence over the industry, including state and national dealership associations, state regulators, car manufacturers, consumer groups, individual dealers and consolidated dealer groups. If any of these groups comes to believe that automobile dealerships should not do business with us, this belief could become quickly and widely shared by automobile dealerships and we could lose a significant number of dealers in our network. For example, in May 2015, the California New Car Dealers Association filed a lawsuit alleging that we were operating in the State of California as an unlicensed automobile dealer and autobroker. Although this litigation was ultimately settled, we cannot assure you that similar litigation will not be brought against us in the future. For more information on this lawsuit, refer to the risk factor below: "We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows." A significant number of automobile dealerships are also members of larger dealer groups, and if a group decides to leave our network, that decision would typically apply to all dealerships within the group.

Furthermore, automobile manufacturers may provide their franchise dealers with financial or other marketing support on the condition that they adhere to certain marketing guidelines, and these manufacturers may determine that the manner in which certain dealers use our platform is inconsistent with the terms of those guidelines. That determination could result in potential or actual loss of the manufacturers' financial or other marketing support to the dealers whose use of the TrueCar platform is deemed objectionable. The potential or actual loss of marketing support could cause those dealers to cease being members of our TrueCar Certified Dealer network, which could adversely affect our ability to maintain or grow the number and productivity of dealers in our network or the revenue derived from those dealers.

We cannot assure you that we will maintain strong relationships with the dealers in our network of TrueCar Certified Dealers or that we will not suffer dealer attrition in the future. We may also have disputes with dealers from time to time, including relating to the collection of fees from them and other matters. We may need to modify our products, change pricing or

take other actions to address dealer concerns in the future. If a significant number of these automobile dealerships decide to leave our network or change their financial or business relationship with us, our business, growth, operating results, financial condition and prospects would suffer.

***If we are unable to provide a compelling car-buying experience to our users, the number of transactions between our users and TrueCar Certified Dealers, and the number of TrueCar Certified Dealers, could decline, and our revenue and results of operations would suffer harm.***

The user experience on our TrueCar-branded website platform has evolved since its launch in 2010, but has not changed dramatically. We cannot assure you that we will be able to provide a compelling car-buying experience to our users. Our failure to do so could cause the number of transactions between our users and TrueCar Certified Dealers to decline and prevent us from effectively monetizing our user traffic. In addition, as described elsewhere in this “Risk Factors” section, if we are unable to provide a compelling car-buying experience to our users, the quality of the leads we provide to dealers could decline, which could result in dealers leaving our network.

We believe that our ability to provide a compelling car-buying experience is dependent on a number of factors, including:

- our ability to launch new products that are effective and have a high degree of consumer engagement;
- our ability to constantly innovate and improve our existing products;
- compliance of the dealers within our network of TrueCar Certified Dealers with applicable laws, regulations and the rules of our platform;
- our access to a sufficient amount of data to enable us to provide relevant pricing information to consumers; and
- our ability to constantly innovate and improve our mobile application and platform to enable us to provide products and services that users want to use on the devices they prefer.

***If the quality of the leads we provide to TrueCar Certified Dealers declines, our unit volume could decrease and TrueCar Certified Dealers could lose faith in our value proposition and choose to leave our network or insist on lower subscription rates, which could reduce our revenue and harm our business.***

Our Auto Buying Program introduces consumers to TrueCar Certified Dealers, who either pay us a subscription fee or pay us a fee per vehicle sold to our users introduced to them through our platform. The quality of these leads is an important variable in the success of our business and depends on many factors, including the attractiveness of our car-buying experience and the efficiency of the algorithm that matches our users with TrueCar Certified Dealers, among others. If our lead quality declines, our unit volume could decline, which could result in lower revenues from pay-per-sale billing arrangements, as well as an inability to convince TrueCar Certified Dealers that our value proposition justifies maintaining or increasing our subscription rates. Additionally, diminished lead quality could cause TrueCar Certified Dealers to be dissatisfied with our program, which could result in their choosing to leave our network or insist on lower subscription rates. Historically, some of our TrueCar Certified Dealers have expressed concern about our lead quality, and we observed an increase in this concern in the first half of 2019. Negative developments in this metric, like many others in the total value proposition that we provide to our TrueCar Certified Dealers, can adversely affect our revenues, results of operations and business.

***We have experienced significant turnover in our top executives, and our business could be adversely affected by these and other transitions in our senior management team or if any of the resulting vacancies cannot be filled with qualified replacements in a timely manner.***

In the first half of 2019, we experienced significant turnover in our top executives, including the departures of our chief executive officer, chief technology officer and chief marketing officer and the replacement of our chief financial officer, chief people officer and executive vice president of dealer sales and services. As a result of this turnover, our remaining management team has taken on increased responsibilities, which could divert attention from key business areas, and several key management roles remain vacant.

Management transition is often difficult and inherently causes some loss of institutional knowledge, which could negatively affect our results of operations and financial condition. Our ability to execute our business strategies may be adversely affected by the uncertainty associated with these transitions and the time and board and management attention needed to fill the vacant roles could disrupt our business. If we are unable to successfully identify and attract adequate replacements for the vacancies in our management roles in a timely manner, including the role of chief executive officer, we could experience increased employee turnover and harm to our business, growth, financial conditions, results of operations and cash flows. We

face significant competition for executives with the qualifications and experience we are seeking. The search for replacements for these positions is also likely to result in significant recruiting and relocation costs, and we can give no assurances concerning the timing or outcome of our search for these replacements.

Further, we cannot guarantee that we will not face similar turnover in the future. Although we generally enter into employment agreements with our executives, the agreements have no specific duration and our executive officers are at-will employees. As a result, they may terminate their employment relationship with us at any time, and we cannot ensure that we will be able to retain the services of any of them. Our senior management's knowledge of our business and industry would be difficult to replace, and any further turnover could negatively affect our business, growth, financial conditions, results of operations and cash flows.

***An inability to retain, attract and integrate qualified personnel could harm our ability to develop and successfully grow our business.***

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. The loss of key personnel, including members of management as well as key engineering, product and technology employees who understand our business and can innovate our products, could have an adverse effect on our business. Additionally, our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees, including our dealer, marketing, finance, accounting, legal and other personnel. Competition for qualified employees in our industry, particularly for software engineers, data scientists and other technical staff, is intense and we face significant competition in hiring and retaining them and difficulties in attracting them to move to the Los Angeles area, where our headquarters are located and the cost of living is high. In addition, we expect to face increasing competition for talented individuals with automotive or technology experience within Southern California as the "Silicon Beach" area of Los Angeles County continues to develop. Moreover, we have in the past conducted reductions in force to optimize our organizational structure and reduce costs, and certain senior personnel have also departed for various reasons. We are also limited in our ability to recruit internationally by domestic immigration laws.

To attract and retain executives and other key employees in this competitive marketplace, we must provide competitive compensation packages, including cash and stock-based compensation. Our primary forms of stock-based incentive awards are stock options and restricted stock units. If the anticipated value of our stock-based incentive awards does not materialize, if our stock-based compensation is otherwise not viewed as a valuable benefit or if our total compensation packages are not considered competitive, our ability to attract, retain and motivate executives and key employees could be weakened. Our ability to attract, retain and motivate employees could also be adversely affected by stock price volatility or negative publicity. If we do not succeed in attracting well-qualified employees, retaining and motivating existing employees or integrating new employees, our business could be materially and adversely affected.

***Our growth in prior years may not be indicative of our future growth, and we may not be able to manage future growth effectively.***

Our revenue grew from \$38.1 million in 2010 to \$353.6 million in 2018. However, our rate of revenue growth declined from 2017 to 2018 and may continue to be lower than it has been in past periods. In addition, our future revenue growth is dependent on our ability to:

- expand our dealer network in a geographically optimized manner, including increasing dealers in our network representing high-volume brands;
- increase the number of transactions between our users and TrueCar Certified Dealers;
- increase dealer subscription rates, and manage dealer churn;
- grow the revenue we derive from car manufacturer incentive programs;
- increase the number of dealers participating in our automotive trade-in program, expand its geographic coverage and successfully monetize the TrueCar Trade product;
- maintain and grow our affinity group marketing partner relationships and increase the productivity of our current affinity group marketing partners;
- increase the number of users of our products and services, and in particular the number of unique visitors to the TrueCar website and our TrueCar-branded mobile applications, including by improving our search-engine optimization;

- further enhance our consumer experience and increase our close rates and the rate at which site visitors prospect with a TrueCar certified dealer;
- further improve the quality of our existing products and services, and introduce high-quality new products and services; and
- introduce third-party ancillary products and services, including by integrating acquired companies like DealerScience and their products and services into our business.

We may not successfully accomplish any of these objectives. We plan to continue our investment in future growth. Among other things, we expect to continue to expend substantial financial and other resources on:

- marketing and advertising;
- dealer outreach and training;
- technology and product development, including the hiring of additional personnel in our product development and technical teams and the development of new products and new features for existing products;
- strategic partnerships, investments and acquisitions; and
- general administration, including legal, accounting and other compliance expenses related to being a public company.

In addition, our historical growth has placed and may continue to place significant demands on our management and our operational and financial resources. We have hired, and expect to continue hiring, additional personnel, particularly in our dealer, product and technology teams. The additional personnel in our dealer team are intended to enhance the service experience and the productivity of our dealer network while the additional personnel in our product and technology teams are focusing on developing new products and features empowered by the completion of the replatforming of our technology infrastructure and delivering a better experience to consumers, dealers and affinity group marketing partners and car manufacturers that offer incentive programs through our platform. Finally, our organizational structure is becoming more complex as we continue to add additional staff, and we will need to improve our operational, financial and management controls as well as our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture of rapid innovation, teamwork and attention to the car-buying experience for the consumer and the economics of the dealer.

***We may be unable to maintain or grow relationships with data providers or may experience interruptions in the data feeds they provide, which may limit the information that we are able to provide to our users and dealers as well as the timeliness of the information, and which may impair our ability to attract or retain consumers and TrueCar Certified Dealers and to timely invoice our dealers.***

We receive automobile purchase data from many third-party data providers, including our network of TrueCar Certified Dealers; dealer management system, or DMS, data feed providers; data aggregators and integrators; survey companies; purveyors of registration data; and our affinity group marketing partners. In the circumstances in which we employ a pay-per-sale billing model, we use this data to match purchases from TrueCar Certified Dealers so that we may collect transaction fees from those dealers and recognize revenue from the related transactions. Further, we use this data to demonstrate to TrueCar Certified Dealers on a subscription billing model the value we provide to support maintaining or increasing our subscription rates.

From time to time, we experience interruptions in one or more data feeds that we receive from third-party data providers, particularly DMS data feed providers, in a manner that affects our ability to timely invoice the dealers in our network. These interruptions may occur for a number of reasons, including changes to the software used by these data feed providers and difficulties in renewing our agreements with third-party data feed providers. In the circumstances in which we employ a pay-per-sale billing model, an interruption in the data feeds that we receive may affect our ability to match automobile purchases made by our users from TrueCar Certified Dealers, thereby delaying our submission of an invoice to an automobile dealer in our network for a given transaction and delaying the timing of cash receipts from the dealer, and in circumstances in which we employ a subscription billing model, an interruption in the data feeds that we receive may affect our ability to justify maintaining or increasing our subscription rates. The redundancies of data feeds received from multiple providers may not result in sufficient data to match automobile purchases made by our users from TrueCar Certified Dealers. In the case of an interruption in our data feeds, our billing structure may transition to a subscription model for affected automobile dealers in our network until the interruption ceases. However, our subscription billing model may result in lower revenues

during an interruption and, when an interruption ceases, we are not always able to retroactively match a transaction and collect a fee. In addition, our likelihood of collecting the fee owed to us for a given transaction decreases for those periods in which we are unable to submit an invoice to automobile dealers. Interruptions that occur in close proximity to the end of a given reporting period could result in delays in our ability to recognize those transaction revenues in that reporting period and these shortfalls in transaction revenue could be material to our operating results.

***We have a history of losses and we may not achieve or maintain profitability in the future.***

We have not been profitable since inception. We had an accumulated deficit of \$423.2 million at September 30, 2019 and we experienced a net loss of \$46.1 million in the nine months ended September 30, 2019. From time to time in the past, we have made significant investments in our operations that have not resulted in corresponding revenue growth and, as a result, increased our losses. We continue to make significant investments to support the further development and expansion of our business and these investments may not result in increased revenue or growth on a timely basis or at all. Our revenue growth has been highly influenced by marketing expenditures. Incremental marketing expenditures in certain situations do not result in sufficient incremental revenue to cover their cost. This limits the growth in revenue that can be achieved through marketing expenditures. In addition, as a public company, we have incurred, and will continue to incur, significant legal, accounting and other expenses.

We may incur significant losses in the future for a number of reasons, including slowing demand for our products and services, increasing competition, weakness in the automobile industry generally, as well as other risks described in this report, and we may encounter unforeseen expenses, difficulties, complications and delays, and other unknown factors. If we incur losses in the future, we may not be able to reduce costs effectively because many of our costs are fixed. In addition, if we reduce variable costs to respond to losses, this may affect our ability to acquire users and dealers, improve our products and services and grow our revenues. Accordingly, we may not be able to achieve or maintain profitability and we may continue to incur significant losses in the future, and this could seriously harm our business and cause the price of our common stock to decline.

***We have operated our business at its current scale for a limited period of time and we cannot predict whether we will continue to grow. If we are unable to successfully respond to changes in the market, our business could be harmed.***

Our business has grown as users and automobile dealers have increasingly used our products and services. However, our business has operated at its current scale for only a limited period of time. Given this limited history, we cannot guarantee that we will be able to maintain or grow our business. We expect that our business will evolve in ways that may be difficult to predict. For example, marketing expenditures in certain situations become inefficient, particularly with respect to the TrueCar website and our branded mobile applications. Continued revenue growth will require more focus on increasing the number of transactions, subscriptions and other sources from which we derive revenue by growing our network of TrueCar Certified Dealers, including dealers representing high-volume brands, both on an overall basis and in important geographies, as well as growth in the revenue we derive from car manufacturer incentive programs. It is also possible that car dealers could broadly determine that they no longer believe in the value of our services. In the event of these or any other developments, our continued success will depend on our ability to successfully adjust our strategy to meet the changing market dynamics. If we are unable to do so, our business could be harmed and our results of operations and financial condition could be materially and adversely affected.

***The loss of a significant affinity group marketing partner or a significant reduction in the number of cars purchased from our TrueCar Certified Dealers by members of our affinity group marketing partners would reduce our revenue and harm our operating results.***

Our financial performance is substantially dependent upon the number of automobiles purchased from TrueCar Certified Dealers by users of the TrueCar website, our branded mobile applications and the car-buying sites we maintain for our affinity group marketing partners. A majority of the automobiles purchased by our users have historically been, and continue to be, matched to the car-buying sites we maintain for our affinity group marketing partners. As a result, our relationships with our affinity group marketing partners are critical to our business and financial performance. However, several aspects of our relationships with affinity groups might change in a manner that harms our business and financial performance, including:

- affinity group marketing partners might terminate their relationship with us or make the relationship non-exclusive, resulting in a reduction in the number of transactions between users of our platform and TrueCar Certified Dealers;
- affinity group marketing partners might de-emphasize the automobile buying programs within their offerings or alter the user experience for members in a way that results in a decrease in the number of transactions between their members and our TrueCar Certified Dealers; or

- the economic structure of our agreements with affinity group marketing partners might change, resulting in a decrease in our operating margins on transactions by their members.

Any of these changes to our relationships with our affinity group marketing partners could happen for a number of reasons both within and outside of our control. For example, we share certain information of our users with our affinity partners, and those partners may in turn use that information to offer enhanced value propositions to our users, such as OEM incentives or other benefits provided by third parties that we refer to as buyer's bonuses, or for analytical or other business purposes. Affinity partners who derive value from that information may terminate their relationship with us, or change the relationship in a manner adverse to our business, if we cease or limit our sharing of the information, and we cannot assure you that we will not be required to do so due to market conditions or contractual counterparties, or by law or regulators given the rapidly evolving environment surrounding privacy matters in the United States. For more information on these matters, refer to the risk factor below: *"We collect, process, store, share, disclose and use personal information and other data, and our actual or perceived failure to protect this information and data could damage our reputation and brand and harm our business and operating results."*

A significant change to our relationships with affinity group marketing partners may have a negative effect on our business in other ways. For example, the termination by an affinity group marketing partner of our relationship may create the perception that our products and services are no longer beneficial to the members of affinity groups or a more general negative association with our business. In addition, a termination by an affinity group marketing partner may result in the loss of the data they provided to us about automobile transactions. This loss of data may decrease the quantity and quality of the information that we provide to consumers and may also reduce our ability to identify transactions for which we can invoice dealers. If our relationships with affinity group marketing partners change, our business, revenue, operating results and prospects may be harmed.

***Any adverse change in our relationship with United Services Automobile Association, or USAA, or the user experience on its car-buying site, could harm our business.***

The largest source of user traffic and unit sales from our affinity group marketing partners comes from the site we maintain for USAA, which is also a large stockholder. In 2018, 271,830 units, representing 27% of all units purchased by users from TrueCar Certified Dealers during that period, were matched to users of the car-buying site we maintain for USAA. In the nine months ended September 30, 2019, 221,225 units, representing 29% of all units purchased by users from TrueCar Certified Dealers during that period, were matched to users of the car-buying site we maintain for USAA. As such, the number of units purchased using USAA's car-buying site has a significant influence on our operating results. We define units as the number of automobiles purchased from TrueCar Certified Dealers that are matched to users of the TrueCar website and our branded mobile applications or the car-buying sites we maintain for our affinity group marketing partners. At September 30, 2019, USAA beneficially owned 9,054,239 shares, which represented 8.5% of our outstanding common stock.

Our affinity group marketing agreement with USAA extends through February 13, 2020, but we cannot assure you that it will be renewed, or that a new agreement extending our partnership with USAA will be reached, before the expiration of its current term on terms satisfactory to us, or at all. In addition, USAA has broad discretion in how the car-buying site we maintain for USAA is promoted and marketed on its own website and in whether, and at what level, to subsidize a portion of its members' borrowing costs for car loan products. Changes in USAA's promotion and marketing, or the user experience on its website, have in the past and may in the future adversely affect the volume of user traffic we receive from USAA, the close rate of that traffic and, consequently, our revenues, results of operations and cash flows.

For example, during the third quarter of 2017, USAA made changes to the user experience for its car-buying site that we believe contributed to a decrease in the number of transactions between its members and our TrueCar Certified Dealers during the second half of 2017 and the first half of 2018. Additionally, USAA has informed us that it expects to implement site changes that make it clearer to its members that they are interacting with a third-party website operated by us. It is possible that this change, which could be implemented as early as the first half of 2020, could adversely affect the volume of user traffic we receive from USAA. Changes in how USAA promotes and markets our platform, its subvention of its members' borrowing costs or future modifications of its car-buying site and its user experience could adversely affect our business and operating results in the future.

***The failure to attract manufacturers to participate in our car manufacturer incentive programs, or to induce manufacturers to remain participants in those programs, could reduce our growth or have an adverse effect on our operating results.***

In the nine months ended September 30, 2019 and 2018, respectively, we derived approximately 4.8% and 8.3% of our revenue from our arrangements with car manufacturers to promote the sale of their vehicles through additional consumer incentives, and we believe that this revenue stream represents a substantial growth opportunity for our business. Failure to attract additional manufacturers to participate in these programs could reduce our growth and harm our operating results.



Additionally, our relationships with manufacturers typically begin with a short-term pilot arrangement and, even if a relationship progresses beyond the pilot stage, it may only be for a short term and may not be renewed by the manufacturer, which could cause fluctuations in our operating results. If we are unable to induce the manufacturers with which we currently have relationships to continue or expand their incentive programs on our platform, or to enter into longer-term arrangements, or if we are unable to attract new manufacturers to our platform, that could have an adverse effect on our business, revenue, operating results and prospects.

***If we are not successful in increasing the number of dealers participating in our automotive trade-in program, expanding its geographic coverage, providing a compelling value proposition to consumers using our TrueCar Trade product, monetizing that product or integrating it into our consumer experience, our business and prospects could be adversely affected.***

We believe that our TrueCar Trade product is a vital element of our effort to build out an end-to-end consumer experience, and we recently entered into a 10-year commercial partnership with Accu-Trade to replace our trade-in pilot program. Accu-Trade, through its affiliates, supplies the valuation data we use in providing offers and guarantees those offers to dealers. We cannot assure you that Accu-Trade will continue to be able to supply accurate valuation data and to stand behind its guarantees. If it is unable to do so, our TrueCar Trade product, and our business and prospects, could be adversely affected.

Further, the TrueCar Trade product is a relatively new offering. We cannot guarantee that the results we obtained during our pilot program can be replicated on a larger scale as we offer the product more broadly. If we are not able to increase the number of dealers who offer the TrueCar Trade product, expand its geographic coverage, provide a compelling value proposition to consumers who use the product, successfully monetize it or integrate it into our consumer experience, that failure would negatively impact our business, revenue, operating results and prospects.

***The success of our business relies heavily on our marketing and branding efforts, especially with respect to the TrueCar website and our branded mobile applications, as well as those efforts of the affinity group marketing partners whose websites we power, and these efforts may not be successful.***

We believe that the TrueCar website and our TrueCar-branded mobile applications are an important component of the growth of our business. Because TrueCar.com is a consumer brand, we rely heavily on marketing and advertising to increase the visibility of this brand with potential users of our products and services. We currently advertise through television and radio marketing campaigns, digital and online media, sponsorship programs and other means, the goals of which are to increase the strength and recognition of, and trust in, the TrueCar brand and to drive more unique visitors to our website and mobile applications. We incurred expenses of \$172.9 million and \$157.5 million on sales and marketing during the nine months ended September 30, 2019 and 2018, respectively.

Our business model relies on our ability to scale rapidly and to decrease incremental user acquisition costs as we grow. Our revenue growth has been highly influenced by marketing expenditures. In part because of our reliance on a subscription-based billing model, incremental marketing expenditures may not result in sufficient revenue to permit recovery of incremental user acquisition costs through revenue growth. This limits the growth in revenue that can be achieved through marketing expenditures. If we are unable to recover our marketing costs through increases in user traffic and in the number of transactions by users of our platform, it could have a material adverse effect on our growth, results of operations and financial condition.

Additionally, if we discontinue our broad marketing campaigns or elect to reduce our sales and marketing costs to decrease our losses, this may affect our ability to acquire consumers and dealers and grow our revenues. Our current and potential competitors may also have significantly more financial, marketing and other resources than we have and the ability to devote greater resources to the promotion and support of their products and services. The realities of competing for users and brand visibility, as well as ensuring the satisfaction of our dealers, may limit our ability to reduce our own marketing expenditures, potentially negatively impacting our operating margins and financial results.

In addition, the number of transactions generated by the members of our affinity group marketing partners depends in part on the emphasis that these affinity group marketing partners place on marketing the purchase of cars within their platforms. For example, USAA is a large diversified financial services group of companies serving the United States military community with hundreds of highly competitive product and service offerings. At any given time, USAA's car-buying service may or may not be a priority relative to its other offerings. Consequently, changes in how USAA promotes and markets the car-buying site we maintain for them can affect, and have from time to time in the past affected, the volume of purchases generated by USAA members. For example, in the past USAA adjusted the location and prominence of the links to our platform on its web pages, which we believe adversely affected the volume of traffic to our platform. Should USAA or one or more of our other affinity group marketing partners decide to deemphasize the marketing of our platform, or if their marketing efforts are otherwise unsuccessful, our revenue, business and financial results will be harmed.

***Failure to increase our revenue, or to reduce our expenses as a percentage of revenue, would adversely affect our financial condition and profitability.***

We expect to make significant future investments to support the further development and expansion of our business and these investments may not result in increased revenue or growth on a timely basis or at all. Furthermore, these investments may not decrease as a percentage of revenue if our business grows. In particular, we intend to increase expenditures to acquire or develop and launch new products and enhance our existing products and services, continue to grow and train our network of TrueCar Certified Dealers and continue to upgrade and enhance our technology infrastructure. We also intend to continue investing to increase awareness of our brand, including through television, digital and radio advertisements. There can be no assurance that these investments will increase revenue or that we will eventually be able to decrease our expenses as a percentage of revenue, and failure to do so would adversely affect our financial condition and profitability.

***We are subject to a complex framework of federal and state laws and regulations primarily concerning vehicle sales, advertising and brokering, many of which are unsettled, still developing and contradictory, which have in the past, and could in the future, subject us to claims, challenge our business model or otherwise harm our business.***

Various aspects of our business are or may be subject, directly or indirectly, to U.S. federal and state laws and regulations. Failure to comply with those laws or regulations may result in the suspension or termination of our ability to do business in affected jurisdictions or the imposition of significant civil and criminal penalties, including fines or the award of significant damages against us and our TrueCar Certified Dealers in class action or other civil litigation.

#### *State Motor Vehicle Sales, Advertising and Brokering Laws*

The advertising and sale of new or used motor vehicles is highly regulated by the states in which we do business. Although we do not sell motor vehicles, state regulatory authorities or third parties could take the position that some of the regulations applicable to dealers or to the manner in which motor vehicles are advertised and sold generally are directly applicable to our business. If our products or services are determined not to comply with relevant regulatory requirements, we or our TrueCar Certified Dealers could be subject to significant civil and criminal penalties, including fines, or the award of significant damages in class action or other civil litigation, as well as orders interfering with our ability to continue providing our products and services in certain states. In addition, even without a determination that our products or services do not comply with relevant regulatory requirements, if dealers are uncertain about the applicability of those laws and regulations to our business, we may lose, or have difficulty increasing the number of, TrueCar Certified Dealers in our network, which would adversely affect our future growth.

Several states in which we do business have laws and regulations that strictly regulate or prohibit the brokering of motor vehicles or the making of so-called “bird-dog” payments by dealers to third parties in connection with the sale of motor vehicles through persons other than licensed salespersons. If our products or services are determined to fall within the scope of those laws or regulations, we may be forced to implement new measures, which could be costly, to reduce our exposure to those obligations, including the discontinuation of certain products or services in affected jurisdictions. Additionally, if regulators conclude that our products or services fall within the scope of those laws and regulations, we or our TrueCar Certified Dealers could be subject to significant civil or criminal penalties, including fines, or the award of significant damages in class action or other civil litigation.

In addition to generally applicable consumer protection laws, many states in which we do business have laws and regulations that specifically regulate the advertising for sale of new or used motor vehicles. These state advertising laws and regulations are frequently subject to multiple interpretations and are not uniform from state to state, sometimes imposing inconsistent requirements on the advertiser of a new or used motor vehicle. If the content displayed on the websites we operate is determined or alleged to be inaccurate or misleading, under motor vehicle advertising laws, generally applicable consumer protection laws or otherwise, we could be subject to significant civil and criminal penalties, including fines, or the award of significant damages in class action or other civil litigation. Moreover, allegations like these, even if unfounded or decided in our favor, could be extremely costly to defend, could require us to pay significant sums in settlements and could interfere with our ability to continue providing our products and services in certain states.

From time to time, certain state authorities, dealer associations and others have taken the position that aspects of our products and services violate state brokering, “bird-dog” or advertising laws. When these allegations have arisen, we have endeavored to resolve the identified concerns on a consensual and expeditious basis, through negotiation and education efforts, without resorting to the judicial process. In some instances, we have nevertheless been required to suspend all or certain aspects of our business operations in a state pending the resolution of these issues, the resolution of which included the payment of fines in 2011 and 2012 in an aggregate amount of approximately \$26,000. For example, in the beginning of 2012, following implementation of our first nationwide television advertising campaign, state regulatory inquiries into the compliance of our products and services with state brokering, “bird-dog” and advertising laws intensified to a degree we had not previously experienced. Responding to and resolving these inquiries, as well as our efforts to ameliorate the related adverse publicity and

loss of TrueCar Certified Dealers from our network, resulted in decreased revenues and increased expenses and, accordingly, increased our losses during much of 2012.

In May 2015, we were named as a defendant in a lawsuit filed by the California New Car Dealers Association, or CNCDA, in the California Superior Court for the County of Los Angeles, which we refer to as the CNCDA Litigation. The complaint sought declaratory and injunctive relief based on allegations that we were operating in the State of California as an unlicensed automobile dealer and autobroker. In December 2017, the parties entered into a binding settlement agreement to fully resolve the lawsuit, and the litigation was dismissed.

In July 2015, we were named as a defendant in a lawsuit filed in the California Superior Court for the County of Los Angeles by numerous dealers participating on the TrueCar platform, which we refer to as the Participating Dealer Litigation. The complaint, as subsequently amended, sought declaratory and injunctive relief based on allegations that we were engaging in unfairly competitive practices and were operating as an unlicensed automobile dealer and autobroker in contravention of various state laws. In September 2015, the plaintiffs voluntarily dismissed this lawsuit “without prejudice,” which means that the Participating Dealer Litigation is currently resolved, but that it could be re-filed at a later date.

In September 2015, we received a letter from the Texas Department of Motor Vehicles, which we refer to as the Texas DMV Notice, asserting that certain aspects of our advertising in Texas constituted false, deceptive, unfair or misleading advertising within the meaning of applicable Texas law. On September 24, 2015, we responded to the Texas DMV Notice in an effort to resolve the concerns raised by the Texas DMV Notice without making material, unfavorable adjustments to our business practices or user experience in Texas. In light of the fact that no further action has been taken with respect to this matter following our response to the Texas DMV Notice, we consider the issues raised by the Texas DMV Notice to be informally resolved, but we cannot assure you that this matter or similar matters will not reemerge in the future.

In December 2015, we were named as a defendant in a putative class action lawsuit filed by Gordon Rose in the California Superior Court for the County of Los Angeles, which we refer to as the California Consumer Class Action. The complaint asserts claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code, based in part on allegations that we are operating in the State of California as an unlicensed automobile dealer and autobroker. The plaintiff seeks to represent a class of “[a]ll California consumers who purchased an automobile by using TrueCar, Inc.’s price certificate during the applicable statute of limitations.” For more information concerning this lawsuit, refer to the risk factor below: *“We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.”*

In July 2016, we received a letter from the Mississippi Motor Vehicle Commission, which we refer to as the Mississippi MVC Letter, asserting that an aspect of our advertising in Mississippi was not in compliance with a regulation adopted by the Mississippi Motor Vehicle Commission. On July 19, 2016 we responded to the Mississippi MVC Letter in an effort to resolve the concerns raised by the Mississippi MVC Letter without making material, unfavorable adjustments to our business practices or user experience in Mississippi. In light of the fact that no further action has been taken with respect to this matter following our response to the Mississippi MVC Letter, we consider the issues raised by the Mississippi MVC Letter to be informally resolved, but we cannot assure you that this matter or similar matters will not reemerge in the future.

In August 2016, we met with investigators from the California Department of Motor Vehicles, or the California DMV, regarding an allegation made by a dealer that we were operating as an unlicensed automobile auction in California, which we refer to as the Unlicensed Auction Allegation. We provided the investigators with information about our business in an effort to resolve the concerns raised by the Unlicensed Auction Allegation. In October 2016, we were informally advised by an investigator for the California DMV that the concerns raised by the Unlicensed Auction Allegation had been resolved, but that the investigators will continue to evaluate our responses regarding certain matters related to the advertising of new motor vehicles. In light of the fact that no further action has been taken with respect to this matter, we consider the issues raised by the Unlicensed Auction Allegation to be informally resolved, but we cannot assure you that this matter or similar matters will not reemerge in the future.

In March 2017, we received an investigatory subpoena from the Consumer Protection Section of the Office of the Attorney General of the State of Ohio issued pursuant to the Ohio Consumer Sales Practices Act. The investigatory subpoena requested certain information about online content we displayed related to vehicles listed for sale by TrueCar Certified Dealers in Ohio. On April 18, 2017, we responded to the investigatory subpoena and supplied the information it sought. In light of the fact that no further action has been taken with respect to this matter subsequent to our response to the investigatory subpoena, we consider this matter to be resolved, but we cannot assure you that this matter or similar matters will not reemerge in the future.

In June 2017, we were named as a defendant in a putative class action filed by Kip Haas in the U.S. District Court for the Central District of California, which we refer to as the Federal Consumer Class Action. The complaint asserted claims for violation of the California Business and Professions Code, based principally on allegations of false and misleading advertising and unfair business practices. The complaint sought an award of unspecified damages, interest, injunctive relief and attorney’s

fees. In November 2017, the parties entered into a binding settlement agreement, and the litigation was dismissed in December 2017.

If state regulators or other third parties take the position in the future that our products or services violate applicable brokering, “bird-dog” or advertising laws or regulations, responding to those allegations could be costly, require us to pay significant sums in settlements, require us to pay civil and criminal penalties, including fines, interfere with our ability to continue providing our products and services in certain states or require us to make adjustments to our products and services or the manner in which we derive revenue from our participating dealers, any or all of which could result in substantial adverse publicity, loss of TrueCar Certified Dealers from our network, decreased revenues, increased expenses and decreased profitability.

#### *Federal Advertising Regulations*

The Federal Trade Commission, or the FTC, has authority to take actions to remedy or prevent advertising practices that it considers to be unfair or deceptive and that affect commerce in the United States. If the FTC takes the position in the future that any aspect of our business constitutes an unfair or deceptive advertising practice, responding to those allegations could require us to pay significant damages, settlements and civil penalties, or could require us to make adjustments to our products and services, any or all of which could result in substantial adverse publicity, loss of participating dealers, lost revenues, increased expenses and decreased profitability.

In March 2015, we were named as a defendant in a lawsuit purportedly filed on behalf of numerous automotive dealers who are not on the TrueCar platform in the U.S. District Court for the Southern District of New York, which we refer to as the NY Lanham Act Litigation. The complaint sought injunctive relief in addition to over \$250 million in damages based on allegations that we violated the Lanham Act as well as various state laws prohibiting unfair competition and deceptive acts or practices related to our advertising and promotional activities. In July 2019, the court granted the Company’s motion for summary judgment as to the plaintiffs’ Lanham Act claim and, in light of the dismissal of the plaintiffs’ sole federal claim, the court declined to exercise supplemental jurisdiction over their state-law claims and therefore dismissed them without prejudice. For more information concerning this litigation, refer to the risk factor below: “*We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.*”

#### *Federal Antitrust Laws*

The antitrust laws prohibit, among other things, any joint conduct among competitors that would lessen competition in the marketplace. Some of the information that we obtain from dealers is competitively sensitive and, if disclosed inappropriately, could potentially be used by dealers to impede competition or otherwise diminish independent pricing activity. A governmental or private civil action alleging the improper exchange of information, or unlawful participation in price maintenance or other unlawful or anticompetitive activity, even if unfounded, could be costly to defend and adversely impact our ability to maintain and grow our dealer network.

In addition, governmental or private civil actions under the antitrust laws could result in orders suspending or terminating our ability to do business or otherwise altering or limiting certain of our business practices, including the manner in which we handle or disclose dealer pricing information, or the imposition of significant civil or criminal penalties, including fines or the award of significant damages against us and our TrueCar Certified Dealers in class action or other civil litigation.

#### *Other*

The foregoing description of laws and regulations to which we are or may be subject is not exhaustive, and the regulatory framework governing our operations is subject to continuous change. The enactment of new laws and regulations or the interpretation of existing laws and regulations in an unfavorable way may affect the operation of our business, directly or indirectly, which could result in substantial regulatory compliance costs, civil or criminal penalties, including fines, adverse publicity, loss of participating dealers, lost revenues, increased expenses and decreased profitability. Further, investigations by government agencies, including the FTC, into allegedly anticompetitive, unfair, deceptive or otherwise unlawful business practices by us or our TrueCar Certified Dealers, could cause us to incur additional expenses and, if adversely concluded, could result in substantial civil or criminal penalties and significant legal liability.

***We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

#### *Stockholder Litigation*

##### Milbeck Federal Securities Litigation

In March 2018, Leon Milbeck filed a putative securities class action complaint against us in the U.S. District Court for the Central District of California, which we refer to as the Milbeck Federal Securities Litigation. On June 27, 2018, the court

appointed the Oklahoma Police Pension and Retirement Fund as lead plaintiff, who filed an amended complaint on August 24, 2018. The amended complaint sought an award of unspecified damages, interest, attorney's fees and equitable relief based on allegations that the defendants made false or misleading statements about our business, operations, prospects and performance during a purported class period of February 16, 2017 through November 6, 2017 in violation of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, and that the defendants made actionable misstatements in violation of Section 11 of the Securities Act in connection with our secondary offering that occurred during the class period. The amended complaint named us, certain of our then-current and former officers and directors and the underwriters for our secondary offering as defendants. On October 31, 2018, the lead plaintiff dismissed the underwriters from the litigation "without prejudice," meaning that they could be reinstated as defendants at a later time, and on November 5, 2018, we filed a motion to dismiss the amended complaint, which the court denied on February 5, 2019. On May 9, 2019, the court granted the lead plaintiff's motion for class certification. On August 2, 2019, the parties entered into an agreement to settle the Milbeck Federal Securities Litigation on a class-wide basis for \$28.25 million, all of which will be paid by our directors' and officers' liability insurance. On October 15, 2019, the court granted preliminary approval of the proposed settlement and scheduled a final approval hearing on January 27, 2020. The settlement is subject to class notice, potential objections and opt-outs and final approval by the court. Although the court has not yet finally approved the settlement, and the ultimate outcome of this legal proceeding therefore remains uncertain, we do not believe that a loss is probable because we expect that any settlement amount will be covered by our directors' and officers' liability insurance. However, if similar litigation is filed against us, we may incur significant legal fees, settlements or damage awards as a result. If any such matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

#### California Derivative Litigation

On March 6, 2019, Dean Drulias filed a derivative action complaint nominally on our behalf in the U.S. District Court for the Central District of California, which we refer to as the California Derivative Litigation, naming us, certain of our then-current and former officers and directors and USAA as defendants. On March 12, 2019, the plaintiff filed an amended complaint, which alleged breach of fiduciary duties, unjust enrichment and violation of Section 10(b) and Section 29(b) of the Exchange Act and sought contribution for damages awarded against us in the Milbeck Federal Securities Litigation and an award of unspecified damages, interest, attorney's fees and equitable relief based on substantially the same factual allegations as the Milbeck Federal Securities Litigation. On May 13, 2019, we filed motions to dismiss the amended complaint on the grounds of *forum non conveniens* based upon the exclusive forum provision of our charter, failure to make a pre-suit demand on our board of directors and failure to state a claim upon which relief may be granted. On October 23, 2019, the court granted our motion to dismiss the state-law claims with prejudice on the grounds of *forum non conveniens* and granted our motion to dismiss the federal-law claims without prejudice for failure to state a claim. In light of these rulings, the court declined to address our motion to dismiss for failure to show pre-suit demand futility. The court permitted the plaintiff to amend his complaint with respect to the dismissed federal-law claims, but on November 5, 2019, he informed the court that he declined to do so and stated his intent to appeal the court's ruling. We believe that the complaint is without merit, and intend to vigorously defend ourselves in this matter. Based on the current stage of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damages awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

#### Delaware Chancery Derivative Litigation

In August 2019, three purported stockholder derivative actions were filed in Delaware alleging a variety of claims nominally on our behalf arising out of alleged breaches of fiduciary duty under Delaware law based upon substantially the same factual allegations as the Milbeck Federal Securities Litigation. The complaints named us, certain of our then-current and former directors and officers, USAA and, in one of the actions, certain of entities affiliated with USAA and certain of our current and former directors as defendants. On October 7, 2019, the Delaware Court of Chancery consolidated the cases into a single action in that court bearing the caption *In re TrueCar, Inc. Stockholder Derivative Litigation*, which we refer to as the Delaware Chancery Derivative Litigation. On November 6, 2019, the plaintiffs filed a consolidated complaint against all of the defendants named in the prior actions, asserting claims for breach of fiduciary duty, unjust enrichment, contribution and indemnification against our current and former officers and directors, and claims for aiding and abetting breaches of fiduciary duty against the entities affiliated with USAA and with our current and former directors. The plaintiffs seek an award of damages against the defendants on our behalf and various alleged corporate governance reforms. We expect to file motions to dismiss for failure to make a pre-suit demand and failure to state a claim similar to the motions we filed in the California Derivative Litigation. We believe that the consolidated complaint is without merit, and intend to vigorously defend ourselves in this matter. Based on the current stage of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damages awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation

or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flow.

#### Delaware Federal Derivative Litigation

In April 2019, each of Ara Afarian and Shelley Niemi filed a derivative action complaint nominally on our behalf in the U.S. District Court for the District of Delaware naming us, certain of our then-current and former directors and officers and USAA as defendants. Each complaint alleged breach of Section 29(b) of the Exchange Act as well as breach of fiduciary duties and unjust enrichment and sought contribution for damages awarded against us in the Milbeck Federal Securities Litigation and an award of unspecified damages, interest, attorney's fees and equitable relief based on substantially the same factual allegations as the Milbeck Federal Securities Litigation. The Niemi complaint also sought rescission of certain contracts. On April 17, 2019, the cases were consolidated into a single action bearing the caption *In re TrueCar, Inc. Shareholder Derivative Litigation*, which, together with the California Derivative Litigation and the Delaware Chancery Derivative Litigation, we refer to as the Derivative Litigation. On September 4, 2019, the court granted the plaintiffs' unopposed motion to voluntarily dismiss the litigation without prejudice, meaning it could be re-filed at a later date. As a result, the litigation is currently resolved and we do not anticipate a loss related to this matter. However, if similar litigation is filed against us, we may incur significant legal fees, settlements or damages awards. If any such matter is not ultimately resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

#### *The Lanham Act Litigation*

In March 2015, we were named as a defendant in the NY Lanham Act Litigation. The complaint in the NY Lanham Act Litigation, purportedly filed on behalf of numerous automotive dealers who are not on the TrueCar platform, alleged that we violated the Lanham Act as well as various state laws prohibiting unfair competition and deceptive acts or practices related to our advertising and promotional activities. The complaint sought injunctive relief in addition to over \$250 million in damages as a result of the alleged diversion of customers from the plaintiffs' dealerships to TrueCar Certified Dealers. On April 7, 2015, we filed an answer to the complaint. Thereafter, the plaintiffs amended their complaint, and on July 13, 2015, we filed a motion to dismiss the amended complaint. On January 6, 2016, the court granted in part and denied in part our motion to dismiss. On July 2, 2018, we filed a motion for summary judgment seeking dismissal of the amended complaint in its entirety. On March 27, 2019, the court granted in part and denied in part our motion, allowing the plaintiffs to pursue disgorgement of our profits on a deterrence theory but granting summary judgment to us on the other aspects of the plaintiffs' claims. On April 9, 2019, we filed a motion for reconsideration of the court's ruling, which the court granted on July 12, 2019. As a result, the court granted our motion for summary judgment in its entirety as to the plaintiffs' Lanham Act claim. In light of the dismissal of the plaintiffs' sole federal claim, the court declined to exercise supplemental jurisdiction over the state-law claims alleged by the amended complaint and therefore dismissed them without prejudice, meaning that the state-law claims could be re-filed in state court at a later date. The plaintiffs did not appeal the dismissal of their claims, and the deadline for doing so passed in August 2019, so the NY Lanham Act Litigation is currently resolved and we do not anticipate a loss related to this matter. However, if the plaintiffs re-file their state-law claims in state court or if similar litigation is filed against us, we may incur significant legal fees, adverse changes in our dealer network, settlements or damages awards. If any such matter is not ultimately resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs or adverse changes in our dealer network, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

#### *The California Consumer Class Action*

In December 2015, we were named as a defendant in the California Consumer Class Action. The complaint asserted claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code, based principally on factual allegations similar to those asserted in the NY Lanham Act Litigation and the CNCDA Litigation. In the complaint, the plaintiff sought to represent a class of "[a]ll California consumers who purchased an automobile by using TrueCar, Inc.'s price certificate during the applicable statute of limitations." On July 13, 2016, the plaintiff amended his complaint. The amended complaint continues to assert claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code. The amended complaint retains the same proposed class definition as the initial complaint. Like the initial complaint, the amended complaint seeks an award of unspecified damages, punitive and exemplary damages, interest, disgorgement, injunctive relief and attorney's fees. On September 12, 2016, we filed a demurrer to the amended complaint, which the court granted in part and denied in part on October 13, 2016, dismissing the unjust enrichment claim but declining to dismiss the balance of the claims at the demurrer stage of the litigation. On February 7, 2018, the plaintiff filed a motion for class certification, which the court denied on July 27, 2018. On September 26, 2018, the plaintiff filed a notice of appeal and proceedings in the trial court have been stayed pending the resolution of the appeal. On October 8, 2019, the court of appeal heard argument, but has not yet issued a decision in this matter. We believe that the amended complaint is without merit, and we intend to vigorously defend ourselves in this matter. Based on the current stage of the proceedings in this case, the outcome of this legal proceeding,

including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As a public company, we face the risk of shareholder lawsuits, particularly if we experience declines in the price of our common stock. In the past, following periods of volatility in the overall market and the market prices of a particular company's securities, securities class action lawsuits have often been instituted against affected companies, and as noted immediately above, this type of lawsuit has been instituted against us in the form of the Milbeck Federal Securities Litigation and the Derivative Litigation, among others. Additional lawsuits of this type or similar types, if instituted against us or one or more of our officers or directors, whether arising from alleged facts the same as, similar to or different from those alleged in the Milbeck Federal Securities Litigation or the Derivative Litigation, could result in significant legal fees, settlements or damage awards, as well as the diversion of our management's attention and resources, and thus could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We have incurred significant legal fees in our defense of certain of the matters referred to above and we may incur additional fees and other liabilities in connection with those matters that are still pending and any additional lawsuits that may be filed against us or one or more of our officers or directors hereafter. Our insurance policies may not provide sufficient coverage to adequately mitigate the legal fees and potential liabilities arising from these matters and, even where fees and liabilities are covered by those policies, we may be unable to fully collect the insurance proceeds in a timely manner or at all. As a result, these fees and other liabilities could have a material adverse effect on our financial condition, results of operations and cash flows.

***We participate in a highly competitive market, and pressure from existing and new companies may adversely affect our business and operating results.***

We face significant competition from companies that provide vehicle inventory listings, vehicle information, lead generation and car-buying services designed to reach consumers and enable dealers to reach these consumers.

Our competitors offer various products and services that compete with us. Some of these competitors include:

- Internet search engines and online automotive sites such as Google, Amazon Vehicles, Autotrader.com, eBay Motors, AutoWeb.com (formerly Autobytel.com), Edmunds.com, KBB.com, CarSaver.com, CarGurus.com and Cars.com;
- sites operated by automobile manufacturers such as General Motors and Ford;
- providers of offline, membership-based car-buying services such as the Costco Auto Program; and
- offline automotive classified listings, such as trade periodicals and local newspapers.

We compete with many of the companies that provide the above-mentioned products and services, among other companies, for a share of car dealers' overall marketing budget for online and offline media marketing spend. If car dealers come to view alternative marketing and media strategies to be superior to us, we may not be able to maintain or grow the number of TrueCar Certified Dealers and our TrueCar Certified Dealers may sell fewer cars to users of our platform, and our business, operating results and financial condition will be harmed.

We also expect that new competitors will continue to enter the automotive retail industry with competing products and services, which could have an adverse effect on our revenue, business and financial results.

Our competitors could significantly impede our ability to expand and optimize our network of TrueCar Certified Dealers and to reach consumers. Our competitors may also develop and market new technologies that render our existing or future products and services less competitive, unmarketable or obsolete. In addition, if our competitors develop products or services with similar or superior functionality to our solutions, we may need to decrease the prices for our solutions in order to remain competitive. If we are unable to maintain our current pricing structure due to competitive pressures, our revenue will be reduced and our operating results will be negatively affected.

Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we have, and the ability to devote greater resources to the development, promotion and support of their products and services. Additionally, they may have more extensive automotive industry relationships, longer operating histories and greater name recognition than we have. As a result, these competitors may be better able to respond more quickly with new technologies and to undertake more extensive marketing or promotional campaigns. In addition, if any of our competitors have existing relationships with dealers or automobile manufacturers for marketing or data analytics solutions, those dealers and

automobile manufacturers may be unwilling to continue to partner with us. If we are unable to compete with these companies, the demand for our products and services could substantially decline.

In addition, if one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. Our competitors may also establish or strengthen cooperative relationships with our current or future third-party data providers, technology partners or other parties with whom we have relationships, thereby limiting our ability to develop, improve and promote our solutions. We may not be able to compete successfully against current or future competitors, and competitive pressures may harm our revenue, business and financial results.

***We may acquire or invest in other businesses, products or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results, and we may not be able to successfully or efficiently integrate our acquisitions.***

Our success will depend, in part, on our ability to grow our business in response to the demands of consumers, dealers and other constituents within the automotive industry, as well as competitive pressures. In some circumstances, we may determine to do so through the acquisition of or investment in complementary businesses and technologies rather than through internal development, such as our acquisition of DealerScience in December 2018 and our investment in Accu-Trade in February 2019. The identification of suitable acquisition or investment candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions or investments.

The integration of acquisitions requires significant time and resources, and we may not manage these processes successfully. Our ability to successfully integrate acquired businesses, products and technologies is unproven. We may be required to make substantial investments of resources to support our acquisitions, which would result in significant ongoing operating expenses and could divert resources and management attention from other areas of our business. We cannot assure you that these investments will be successful. Additionally, strategic investments in and partnerships with other businesses expose us to the risk that we may not be able to control the operations of those businesses, which could decrease the benefits we realize from a particular relationship. We are also exposed to the risk that our partners in strategic investments may encounter financial difficulties that could lead to disruption of their activities, or impairment of assets acquired, which could adversely affect future reported results of operations and stockholders' equity.

The risks we face in connection with our acquisitions and investments include:

- diversion of management time and focus from operating our business to addressing acquisition integration or investment management challenges;
- additional operating losses and expenses of the business we acquired or in which we invested;
- coordination of technology, research and development and sales and marketing functions;
- transition of the acquired business's users to our website and mobile applications;
- retention of employees from the acquired business;
- cultural and other challenges associated with integrating employees from the acquired business into our organization;
- integration of the acquired business's accounting, management information, human resources, legal and other administrative systems;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- potential write-offs of intangibles or other assets acquired, or write-downs of investments, that may have an adverse effect our operating results in a given period;
- the risks associated with the business, product or technology we acquired or invested in, which may differ from or be more significant than the risks our business faces;
- liability for the activities, products or services of the business we acquired or invested in, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and



- litigation or other claims in connection with the business, product or technology we acquired or invested in, including claims from terminated employees, consumers, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities and harm our business generally. Future acquisitions or investments could also result in dilutive issuances of our equity securities; the incurrence of debt, contingent liabilities or amortization expenses; or the write-off of goodwill, any of which could harm our financial condition. Also, the anticipated benefits of any acquisitions or investments may not materialize.

***We rely, in part, on Internet search engines to drive traffic to our website, and if we fail to appear prominently in the search results, our traffic would decline and our business would be adversely affected.***

We depend in part on Internet search engines such as Google, Bing and Yahoo! to drive traffic to our website, both through organic search results and the purchase of car-related keywords. For example, when a user types an automobile into an Internet search engine, we rely on a high organic search ranking of our webpages in these search results to refer the user to our website. However, our ability to maintain high, non-paid search result rankings is not within our control. Our competitors' Internet search engine optimization efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in a way that adversely affects our search result rankings. If Internet search engines modify their search algorithms in ways that are detrimental to us, or if our competitors' search engine optimization efforts are more successful than ours, overall growth in our user base could slow, our user base could decline or we could attract a less in-market user base. Internet search engine providers could provide automobile dealer and pricing information directly in search results, align with our competitors or choose to develop competing services. Our website has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future.

We also purchase car-related keywords by anticipating what words and terms consumers will use to search for car purchases on search engines and then bid on those words and terms in the search engines' auction systems. Search engines frequently update and change the logic that determines the placement and ordering of results on a user's search, which may reduce the effectiveness of the keywords we have purchased. Further, we bid against our competitors and other advertisers for preferred placement on the search engines' results pages. Many of our competitors have greater resources with which to bid and better brand recognition than we do. We have experienced increased competition for paid advertisements, which has increased the cost of paid Internet search advertising and as a result our marketing and advertising expenses. Search engines may also adopt a more aggressive auction-pricing system for keywords that causes us to incur higher advertising costs or reduces our market visibility to prospective users. If paid search advertising costs further increase or become cost-prohibitive, whether because of increased competition, pricing system changes, algorithm changes or otherwise, our advertising expenses could rise significantly or we could reduce or discontinue our paid search advertisements. Moreover, the use of voice recognition technology like Alexa, Google Assistant, Cortana or Siri may drive traffic away from search engines, which could reduce traffic to our website. Any reduction in the number of users directed to our website through Internet search engines could harm our business and operating results.

***Our platform must integrate with a variety of web browsers and operating systems, both on desktop computers and mobile devices, that are developed by others, and our business is dependent on our ability to maintain our platform's functionality and deliver a compelling consumer experience across those browsers and operating systems.***

We interact with users through our Internet-based platform, which is designed to operate on a variety of network, hardware and software platforms that are developed by others and over which we have no control, including the numerous web browsers and operating systems that consumers use to access the Internet, both on desktop computers and mobile devices. As a result, we need to continuously modify and enhance our platform to keep pace with consumers' evolving expectations and changes in network, hardware, software, communication and browser technologies. If we are unable to respond in a timely and cost-effective manner to these rapid technological developments, or otherwise to provide a compelling consumer experience across each of the devices and browsers that consumers prefer to use, our platform could become obsolete or otherwise attract fewer users, which could adversely impact our revenues, business and operating results.

***The success of our business depends on consumers' continued and unimpeded access to our platform on the Internet.***

Consumers must have Internet access to use our platform. Some providers may take measures that affect consumers' ability to use our platform, such as degrading the quality of the data packets we transmit over their lines, giving those packets lower priority, giving other packets higher priority than ours, blocking our packets entirely or attempting to charge their customers more for using our platform. If network operators attempt to interfere with our services, extract fees from us to deliver our platform or otherwise engage in discriminatory practices, our business could be adversely affected.

In December 2010, the FCC adopted so-called “net neutrality” rules barring Internet providers from blocking or slowing down access to online content, protecting services like ours from this type of interference, which we refer to as the Federal Net Neutrality Regulations. Effective June 11, 2018, however, the FCC repealed the Federal Net Neutrality Regulations, and considerable uncertainty currently surrounds the regulatory environment in this field. For example, on September 30, 2018, California enacted the California Internet Consumer Protection and Net Neutrality Act of 2018, or the California Net Neutrality Act. Among other things, the California Net Neutrality Act, which took effect on January 1, 2019, imposes net neutrality requirements similar to the Federal Net Neutrality Regulations. On the day of its enactment, the federal government sued California, claiming that the California Net Neutrality Act is preempted by federal law, and the State of California subsequently agreed not to enforce the California Net Neutrality Act pending the resolution of the ongoing legal challenges. On October 1, 2019, the U.S. Court of Appeals for the D.C. Circuit upheld the FCC’s repeal of the Federal Net Neutrality Regulations, but overturned the FCC’s preemption of state-level regulations like the California Net Neutrality Act and similar enactments of other states, including Oregon, Vermont and Washington. As a result, considerable uncertainty currently complicates this area of the law. Additionally, on April 10, 2019, the United States House of Representatives voted in favor of legislation that would reinstate the Federal Net Neutrality Regulations. We cannot predict the final outcome of the legal challenges to the FCC’s action and the California Net Neutrality Act or whether other states or governmental entities, including the U.S. Congress, will respond to the D.C. Circuit’s decision, the FCC’s decision or the enactment of the California Net Neutrality Act. Within this regulatory environment, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business.

***The failure to maintain our brand could harm our ability to grow unique visitor traffic and to expand our dealer network.***

Maintaining and enhancing the TrueCar brand largely depends on the success of our efforts to maintain the trust of our users and TrueCar Certified Dealers and to deliver value to each of our users and TrueCar Certified Dealers. If our existing or potential users come to perceive that we are not focused primarily on providing them with a better car-buying experience or if dealers do not perceive us as offering a compelling value proposition, our reputation and the strength of our brand would be adversely affected.

Complaints or negative publicity about our business practices, our marketing and advertising campaigns, our compliance with applicable laws and regulations, the integrity of the data that we provide to users, our approach to data privacy and security issues and other aspects of our business, irrespective of their validity, could diminish users’ and dealers’ confidence in and use of our products and services and adversely affect our brand. These concerns could also diminish the trust of existing and potential affinity group marketing partners. There can be no assurance that we will be able to maintain or enhance our brand, and failure to do so could harm our business growth prospects and operating results.

***Our ability to enhance our current product offerings, or grow complementary product offerings, may be limited, which could negatively impact our growth rate, revenues and financial performance.***

As we introduce new offerings, such as DealerScience’s digital retailing tools, our TrueCar Trade product and our Sponsored Listings product, or enhance existing products and services on our platform, we may incur losses or otherwise fail to enter these markets successfully. Our expansion into these markets may place us in competitive and regulatory environments with which we are unfamiliar and involves various risks, including the need to invest significant resources and the possibility that returns on these investments will not be achieved for several years, if at all.

In attempting to enhance our current product offerings and establish our new product offerings, we expect to incur significant expenses and face various other challenges, such as expanding our sales force and technology teams or management personnel to cover these markets and complying with complicated regulations that may apply to these markets. For example, in addition to management attention and redeployment of existing employees and resources, since the inception of our TrueCar Trade product with Accu-Trade and certain of its affiliates, we have incurred \$6.8 million in license fees and revenue share costs. We incurred \$1.9 million in such license fees and revenue share costs in the nine months ended September 30, 2019.

In addition, we may not successfully demonstrate the value of these expanded or complementary products to dealers or consumers, and failure to do so would compromise our ability to successfully expand our user experience and could harm our growth rate, revenue and operating performance.

Additionally, key contractual counterparties, including our affinity group marketing partners and automobile manufacturers who participate in our incentive programs, are increasingly requiring that our products adhere to technical standards, including accessibility standards, more stringent than those required by applicable law. Ensuring that our products adhere to these requirements could divert our attention from key initiatives and require the investment of a significant amount of resources and, if we are unsuccessful in implementing the standards, could negatively affect our reputation and contractual relationships, which could adversely affect our growth rate, revenue and financial and operating performance.

*We may make product and investment decisions that do not prioritize short-term financial results and may not produce the long-term benefits that we expect.*

We may make product and investment decisions that do not prioritize short-term financial results if we believe that those decisions are consistent with our mission or will otherwise improve our financial performance over the long term. For example, we recently completed a long-term replatforming of our technology platform that required a substantial dedication of resources over a sustained period of time and therefore caused a delay in pursuing other projects that may have had a more immediate financial impact. We also may introduce new features or other changes to existing products, or introduce new stand-alone products, that attract users away from products or use cases where we have more proven means of monetization. For example, we plan to introduce a product experience that would allow our users more control over when their contact information is provided to dealers. Although we believe that this experience will ultimately improve our product and yield long-term financial benefits, in the short-term it could result in less revenue as our traditional product monetizes fewer users, and it could ultimately be unsuccessful. These decisions may adversely affect our business and results of operations and may not produce the long-term benefits that we expect.

*Our business is subject to risks related to the larger automotive ecosystem, including interest rates, consumer demand, global supply chain challenges and other macroeconomic issues.*

Decreases in consumer demand could adversely affect the market for automobile purchases and, as a result, reduce the number of consumers using our platform. Consumer purchases of new and used automobiles generally decline during recessionary periods and other periods in which disposable income is adversely affected. For example, the number of new vehicle sales in the United States decreased from approximately 16.1 million in 2007 to approximately 10.4 million in 2009, according to the Bureau of Economic Analysis. Various economic uncertainties, including stock market and commodity pricing volatility, could lead to a downturn that may impact our business. Purchases of new and used 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, reductions in business and consumer confidence, stock market volatility, new tariffs or border adjustment taxes, increased unemployment and changes in environmental regulations and fuel economy standards.

Interest rates in particular can have a significant impact on automobile purchases and affordability due to the direct relationship between interest rates and monthly loan payments, a critical factor for many consumers. Potential interest rate increases by the U.S. Federal Reserve could negatively affect the number of vehicles purchased by consumers, and any reduction in purchases could adversely affect automobile dealers and car manufacturers and lead to a reduction in other spending by these constituents, including targeted incentive programs. In addition, our business may be negatively affected by challenges to the larger automotive ecosystem, including challenges arising from growth in car manufacturer subscription service offerings, increasing interest rates on loans, global supply chain challenges, such as those resulting from automotive tariffs or the Japanese tsunami in 2011, and other macroeconomic issues. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Further, in 2018, tariffs were imposed on certain imports of steel and aluminum into the United States. These tariffs are likely to increase the cost of manufacturing automobiles in the United States. Substantial tariffs have also been proposed on the importation into the United States of European automobiles, which represent a material portion of the new vehicles sold in the United States, and automobile parts from China. Each of these policies could materially increase the cost to U.S. consumers of new automobiles and thereby decrease the number of new vehicle sales in the United States, which could have a material adverse impact on our business, results of operations, financial condition and prospects.

***We may fail to respond adequately to changes in technology and consumer demands that could lead to decreased demand for automobiles.***

In recent years, the market for motor vehicles has been characterized by rapid changes in technology and consumer demands. Self-driving technology, ride sharing, transportation networks and other fundamental changes in the automotive industry and transportation technology and infrastructure could have a substantial impact on consumer demand for the purchase or lease of automobiles. If we fail to respond adequately to a decline in the demand for automobile purchases, it could have a material adverse effect on our business, growth, operating results, financial condition and prospects.

***If we suffer a significant interruption in our ability to gain access to third-party data, we may be unable to maintain key aspects of our user experience, including the TrueCar Curve, and our business and operating results would suffer.***

Our business relies on our ability to analyze data for the benefit of our users and the TrueCar Certified Dealers in our network. We use data obtained through agreements with third parties to power certain aspects of the user experience on our platform, including the TrueCar Curve, a graphical distribution of what others paid for the same make and model of car. In addition, the effectiveness of our user acquisition efforts depends in part on the availability of data relating to existing and potential users of our platform. If we are unable to renew data agreements as they expire, or use alternative data sources, and we experience a material disruption in the data provided to us, the information that we provide to our users and TrueCar Certified Dealers may be limited, the quality of this information may suffer, the user experience may be negatively affected and certain functionality on our platform may be disabled, and our business, financial condition, results of operations and cash flows would be materially and adversely affected.

***Our unique visitors, revenue and operating results fluctuate due to seasonality.***

Our revenue trends are a reflection of consumers' car buying patterns. Across the automotive industry, consumers tend to purchase a higher volume of cars in the second and third quarters of each year, due in part to the introduction of new vehicle models from manufacturers. In the past, these seasonal trends have not been pronounced due to the overall growth of our business, but we expect that in the future our revenues may be affected by these seasonal trends. Our business could also be impacted by cyclical trends affecting the overall economy, specifically the retail automobile industry, as well as by actual or threatened severe weather or other significant events outside of our control.

***We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our operating results, business and financial condition may be harmed.***

Since our founding, we have raised substantial equity and debt financing to support the growth of our business. Because we intend to continue to make investments to support the growth of our business, we may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to increase our marketing expenditures to improve our brand awareness, develop new products or services or further improve existing products and services, enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in further equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms that are acceptable to us or at all. In addition, our current revolving credit facility contains restrictive covenants relating to our capital raising activities and other financial and operational matters, and any debt financing that we secure in the future could involve further restrictive covenants which may make it more difficult for us to obtain additional capital and pursue business opportunities. Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected.

***Security breaches and improper access to or disclosure of our data or user data, or other hacking and phishing attacks on our systems, could harm our reputation and adversely affect our business.***

Our industry is prone to cyberattacks by third parties seeking unauthorized access to our data or users' data or to disrupt our ability to provide service. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data, including personal information, content or payment information from users, could result in the loss or misuse of such data, which could harm our business and reputation and diminish our competitive position. In addition, computer malware, viruses, social engineering (such as spear phishing attacks) and general hacking have become more prevalent in our industry, have occurred on our systems in the past and are likely to occur on our systems in the future. Such attacks may cause interruptions to the services we provide, degrade the user experience, cause users to lose confidence and trust in our products, impair our internal systems or result in financial harm to us. Our efforts to protect our data or the data we receive could also be unsuccessful due to software bugs or other technical malfunctions; employee, contractor or vendor error or malfeasance; government surveillance; or other threats. In addition, third parties may attempt to fraudulently induce employees or users to disclose information to gain access to our data or our users' data. Cyberattacks continue to evolve in sophistication and volume and may be inherently difficult to detect for long periods of time. Although we have developed systems and processes that are designed to protect our data and user data, to prevent data loss and to prevent or detect security breaches, we cannot assure you that such measures will provide absolute security, and we may need to expend significant resources in protecting against or remediating security breaches and cyberattacks.

In addition, some of our third-party partners, including developers, affinity group marketing partners and OEM partners, may receive or store information that we or our users provide. If these partners fail to adopt or adhere to adequate data security practices, or suffer a breach of their networks, our data or our users' data could be improperly accessed, used or disclosed. Affected users or government authorities could initiate legal or regulatory actions against us in connection with any actual or perceived security breaches or improper disclosure of data, which could cause us to incur significant expense and liability or result in orders or consent decrees requiring us to modify our business practices. Such incidents or our efforts to remediate those incidents could have a material and adverse effect on our business, reputation or financial results.

***We collect, process, store, share, disclose and use personal information and other data, and our actual or perceived failure to protect this information and data could damage our reputation and brand and harm our business and operating results.***

We collect, process, store, share, disclose and use personal information and other data provided by consumers and dealers. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of this information. From time to time, concerns have been expressed about whether our products, services or processes compromise the privacy of our users. Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could harm our business and operating results.

There are numerous federal, state, local and foreign laws regarding privacy and the collection, processing, storage, sharing, disclosure, use or protection of personal information and other data. The scope of these laws is changing, they are subject to differing interpretations and they may be costly to comply with and may be inconsistent between countries and jurisdictions or conflict with other rules.

Numerous jurisdictions are currently considering, or have recently enacted, data protection legislation. For example, on June 28, 2018, California enacted the California Consumer Privacy Act of 2018, which we refer to as the California Privacy Act. The California Privacy Act, which takes effect on January 1, 2020 but contains a "lookback" to January 1, 2019, will impose sweeping data protection obligations on many companies doing business in California and provides for substantial fines for non-compliance and, in some cases, a private right of action for consumers who are victims of data breaches involving their unencrypted personal information. Additionally, on October 11, 2019, the California Department of Justice, which we refer to as the California DOJ, published a notice of proposed rulemaking action with respect to draft regulations to implement the California Privacy Act, which we refer to as the California Privacy Regulations. Although the California DOJ is not required to promulgate the final California Privacy Regulations until July 1, 2020, and is not expected to begin enforcing the California Privacy Act until then, companies are subject to penalties for any violation of the California Privacy Act beginning on January 1, 2020. As a result of the continuing uncertainty surrounding the requirements of the California Privacy Act and the rapidly approaching deadline for compliance, we may be required to modify our data processing practices and policies, products and consumer experience in a manner that materially negatively impacts our business, operating results, financial condition and prospects.

Legislation similar to the California Privacy Act has also passed in other states, including Colorado, Maine, Nevada and Utah. The potential effects of these states' legislation are far-reaching and may require us to incur substantial costs and expenses in an effort to comply, and it is unclear whether, and if so how, the United States Congress will respond to these overlapping, state-by-state enactments.

Further, many laws, including the Telephone Consumer Protection Act of 1991 and the CAN-SPAM Act of 2003, regulate outbound contacts with consumers, such as phone calls, texts or emails. If we, or dealers on our network, are perceived to have violated these or other similar laws and regulations, our brand and reputation could be negatively affected and we could face potentially costly litigation.

Our business operations and data handling procedures are based on industry standards. We maintain and update privacy and information security policies and employ an audit and assurance program designed to ensure that we comply with privacy and security-related obligations to third parties. We strive to monitor the changing regulatory environment and to address the new requirements of applicable laws and regulations and other mandatory obligations relating to privacy and data protection. However, it is possible that these obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another, that they may conflict with other rules or our practices or that new regulations could be enacted. In addition to the increasing technical and financial burdens they impose on our business, the rapid legislative and other legal developments in this field create considerable uncertainties and impose substantial compliance costs and challenges. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to consumers or other third parties or our privacy-related legal obligations, including those imposed by the California Privacy Act and other state privacy laws, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which may include personally identifiable information or other user data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others. Any of these consequences could cause consumers and automobile dealers to lose trust in us, which could have a material adverse effect on our business and prospects. Additionally, if vendors, developers or other third parties that we work with violate applicable laws or our policies, such violations may also put consumer or dealer information at risk and could in turn harm our reputation, business and operating results.

***Our products and internal systems rely on software that is highly technical, and if it contains undetected errors or vulnerabilities, our business could be adversely affected.***

Our products and internal systems rely on software, including software developed or maintained internally or by third parties, that is highly technical and complex. In addition, our products and internal systems depend on the ability of that software to store, retrieve, process and manage substantial amounts of data. The software on which we rely has contained, and may in the future contain, undetected errors, bugs or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors, vulnerabilities or other design defects within the software on which we rely have in the past, and may in the future, result in a negative experience for consumers, dealers and partners who use our products, delay product introductions or enhancements, result in targeting, measurement or billing errors, compromise our ability to protect consumers', dealers' and partners' data and our intellectual property or lead to reductions in our ability to provide some or all of our products and services. In addition, any errors, bugs, vulnerabilities or defects discovered in the software on which we rely, and any associated degradations or interruptions of service, could result in damage to our reputation, loss of users, loss of revenue or liability for damages, any of which could adversely affect our business and financial results.

***Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in service on our website or mobile applications could damage our reputation and result in a loss of consumers, which could harm our business, brand, operating results and financial condition.***

Our brand, reputation and ability to attract consumers, affinity groups and advertisers depend on the reliable performance of our technology platform and content delivery. We have on occasion in the past and may in the future experience interruptions with our systems. Interruptions in these systems, whether due to system failures, computer viruses, denial-of-service attacks or physical or electronic break-ins, could affect the security or availability of our products and services on our website and mobile application and prevent or inhibit the ability of consumers to access our products and services. As our consumer base and the number of TrueCar Certified Dealers continue to grow, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy consumers' and dealers' needs. It is possible that we may not effectively scale and grow our technical infrastructure to accommodate these increased demands. Problems with the reliability or security of our systems or with the upgrading, architectural unification or scaling of those systems could harm our reputation, result in a loss of consumers, dealers and affinity group marketing partners and result in additional costs. In addition, a significant disruption in our billing systems could affect our ability to match automobile purchases made by our users from TrueCar Certified Dealers and delay or prevent us from submitting invoices to TrueCar Certified Dealers, receiving payment for invoices and recognizing revenue related to purchases.

Any errors, defects, disruptions or other performance or reliability problems with our network operations, or with the services we receive from third-party network infrastructure providers, could cause interruptions in access to our products and could harm our reputation, business, operating results and financial condition.

***We rely on Amazon Web Services for the majority of our computing, storage, bandwidth and other services. Any disruption of or interference with our use of the Amazon Web Services operation would negatively affect our operations and seriously harm our business.***

Amazon provides a distributed computing infrastructure platform for business operations, or what is commonly referred to as a “cloud” computing service, and we currently run the vast majority of our computing on Amazon Web Services.

Any transition of the cloud services currently provided by Amazon Web Services to another cloud provider would be difficult to implement and would cause us to incur significant time and expense. We have built our software and computer systems to use computing, storage capabilities, bandwidth and other services provided by Amazon, some of which do not have a readily available alternative in the market. Given this, any significant disruption of or interference with our use of Amazon Web Services would negatively impact our operations and seriously harm our business.

If our users or partners are not able to access our products and services through Amazon Web Services or encounter difficulties in doing so, we may lose customers, TrueCar Certified Dealers, partners and revenue. The level of service provided by Amazon Web Services or similar providers may also impact our customers’, TrueCar Certified Dealers’ and partners’ usage of our products and services and satisfaction with us. If Amazon Web Services or similar providers experience interruptions in service regularly or for a prolonged period of time, or other similar issues, our business would be seriously harmed. Hosting costs also have increased and are likely to continue to increase as our user base and user engagement grow and may seriously harm our business if we are unable to grow our revenues faster than the cost of using the services of Amazon or similar providers.

Amazon has broad discretion to change and interpret its terms of service and other policies that apply to us, and those actions may be unfavorable to us. Amazon may also alter how we are able to process data on the Amazon Web Services platform. If Amazon makes changes or interpretations that are unfavorable to us, our business could be seriously harmed. Additionally, any disruption of or interference with the use of Amazon Web Services, including disruptions due to system failures, denial-of-service or other cyberattacks and computer viruses, or an interruption to Amazon’s systems or in the infrastructure that allows us to connect to them for an extended period, may impact our ability to operate the business and could adversely impact our operations and our business.

***We may experience difficulties with our new enterprise resource planning, or ERP, software solution.***

We recently implemented a new ERP software solution. We committed significant resources to this new system, which went live in the first half of 2019, and it may take time for us to fully realize its functionality. As a result of the conversion process and during our initial use of the new system, we may experience delays or disruptions in the integration of our systems, procedures or controls. The policies and security measures established with this ERP system and our other information technology systems may be vulnerable to data breaches, cyber-attacks or fraud. We may also encounter errors in data, an inability to accurately process or record transactions or security or technical reliability issues. Any of these issues could harm our ability to conduct core operating functions such as processing invoices and recording and reporting financial information on a timely and accurate basis or impact our internal control compliance efforts, which could disrupt our operations, divert management’s attention from key strategic initiatives and have an adverse effect on our results of operations and financial condition.

***Failure to adequately protect our intellectual property could harm our business and operating results.***

Our business depends on our intellectual property, the protection of which is crucial to the success of our business. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. In addition, we attempt to protect our intellectual property, technology and confidential information by requiring our employees and consultants to enter into confidentiality and assignment of inventions agreements and third parties to enter into nondisclosure agreements. These agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property or technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary.

Competitors may adopt service names similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term “TrueCar.”

We currently hold the “TrueCar.com” and “True.com” Internet domain names as well as various other related domain names. The regulation of domain names in the United States is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain all domain names that use the name TrueCar.

***We may in the future be subject to intellectual property disputes, which are costly to defend and could harm our business and operating results.***

We may from time to time face allegations that we, or businesses we acquired or in which we invested, have infringed the trademarks, copyrights, patents or other intellectual property rights of third parties, including from our competitors or non-practicing entities.

Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop offering some features, purchase licenses or modify our products and features while we develop non-infringing substitutes or may result in significant settlement costs.

In addition, we use open-source software in our products and expect to use open-source software in the future. From time to time, we may face claims by companies that incorporate open-source software into their products, claiming ownership of, or demanding release of, the source code, the open-source software or derivative works that were developed using the software, or otherwise seeking to enforce the terms of the applicable open-source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our platform or services, any of which would have a negative effect on our business and operating results.

Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, operating results and reputation.

***We have incurred and will continue to incur substantial costs as a result of operating as a public company, and our management has been and will be required to continue to devote substantial time to compliance with our public company responsibilities and corporate governance practices.***

As a public company, we have incurred, and will continue to incur, significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act, the Dodd-Frank Act and rules implemented by the SEC and Nasdaq impose various requirements on public companies, including in relation to corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, changing rules and regulations may increase our legal, accounting and financial compliance costs and make some activities more time consuming and costly. If, despite our efforts to comply with new or changing laws, regulations and standards, we fail to comply, regulatory authorities may initiate legal proceedings against us, and our business may be harmed. Further, failure to comply with these laws, regulations and standards may make it more difficult and more expensive for us to obtain directors' and officers' liability insurance, and we may be required to accept reduced policy limits and coverage or to incur substantial costs to maintain the same or similar coverage, which could make it more difficult for us to attract and retain qualified persons to serve on our board of directors or our board committees or as executive officers.

Our compliance with applicable provisions of Section 404 of the Sarbanes-Oxley Act relating to management assessment of internal controls requires that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. If we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Furthermore, investor perceptions of our company may suffer if, in the future, material weaknesses are found, and this could cause a decline in the market price of our stock. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our stated operating results and harm our reputation. If we are unable to implement and maintain internal controls effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal control from our independent registered public accounting firm.

***If our goodwill, intangible and other long-lived assets or investments become impaired, we may be required to record a significant non-cash charge to earnings which would materially and adversely affect our results of operations.***

We had goodwill and intangible assets of \$92.1 million at September 30, 2019. Under accounting principles generally accepted in the United States, we review our 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 may not be recoverable. We review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. While we have not recognized any impairment charges since our inception, we may recognize impairment charges in future periods in connection with businesses we acquire or in which we invest. The carrying value of our goodwill and intangible assets may not be recoverable due to factors such as a decline in our stock price and market capitalization, reduced estimates of future revenues or cash flows or slower growth rates in our industry. Estimates of future revenues and cash flows are based on a



long-term financial outlook of our operations. 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 our intangible assets, including goodwill, and a significant charge to earnings in our consolidated financial statements during the period in which an impairment is determined to exist. If we have to reduce the carrying value of our goodwill or intangible assets, the impairment charge could materially and adversely affect our results of operations.

We review our equity-method investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. We recognize an impairment of an equity-method investment if the fair value of the investment as a whole, and not the underlying assets, has declined and the decline is other than temporary. If our equity-method investment in Accu-Trade, or any other equity-method investment that we make in the future, is not recoverable, we may be required to record an impairment charge, which could materially and adversely affect our results of operations.

***If our ability to use our net operating loss carryforwards and other tax attributes is limited, we may not receive the benefit of those assets.***

We had federal net operating loss carryforwards of approximately \$404.0 million and state net operating loss carryforwards of approximately \$255.1 million at December 31, 2018. These federal and state net operating loss carryforwards begin to expire in the years ending December 31, 2025 and 2019, respectively. Federal net operating losses generated after December 31, 2017 will not expire and will carry forward indefinitely, but will be limited in any given year to offsetting a maximum of 80% of our taxable income for the year, determined without regard to the application of such net operating loss carryforwards. At December 31, 2018, we had federal and state research and development credit carryforwards of approximately \$0.8 million and \$0.4 million, respectively. The federal credit carryforwards begin to expire in the year ending December 31, 2028. The state credit carryforwards can be carried forward indefinitely.

Sections 382 and 383 of the Internal Revenue Code impose substantial restrictions on the use of net operating losses and other tax attributes in the event of a cumulative “ownership change” of a corporation of more than 50% over a three-year period. Accordingly, if we generate taxable income in the future, changes in our stock ownership, including equity offerings, as well as other changes that may be outside our control, could potentially result in material limitations on our ability to use our net operating loss and research tax credit carryforwards.

***Changes in applicable tax law and resolutions of tax disputes could negatively affect our financial results.***

We are subject to taxation in the United States. Changes in tax laws applicable to us, including interpretations thereof and related accounting standards, could materially and adversely affect our business, financial condition, results of operations and cash flows. For example, in 2018, the United States Supreme Court issued its decision in *South Dakota v. Wayfair, Inc.* That decision overturned prior case law that online sellers are not required to collect sales and use taxes unless they have a physical presence in the buyer’s state. Although we believe that the *Wayfair* decision is unlikely to have a material effect on our business, it has resulted in nationwide uncertainty over sales tax liability and could precipitate responses from federal and state legislators, regulators and courts that materially increase our tax administrative costs and tax risk.

***Catastrophic events or geopolitical conditions could disrupt our business.***

A disruption or failure of our systems or operations because of a major earthquake, weather event, cyberattack, terrorist attack or other catastrophic event could cause delays in providing our services or performing other critical functions. Our corporate headquarters, a majority of our employees and many of our essential business operations are located in the Los Angeles area, which is a seismically active region. A catastrophic event that results in the destruction or disruption of any of our critical business or IT systems could harm our ability to conduct normal business operations and adversely affect our revenues and operating results.

#### **Risks Related to Ownership of Our Common Stock**

***We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which could cause our stock price to decline.***

We have provided and may continue to provide guidance about our business and future operating results, including financial results for the quarter and fiscal year ending December 31, 2019, as part of our press releases, investor conference calls or otherwise. In developing this guidance, our management must make certain assumptions and judgments about our future performance. For example, in the second quarter of 2015 and the fourth quarter of 2018, our business results varied significantly from guidance for the quarter and the price of our common stock declined. Our future business results may vary

significantly from management's guidance due to a number of factors, many of which are outside of our control, and which could materially and adversely affect our operations, financial condition and operating results. If our publicly-announced guidance of future operating results fails to meet the expectations of securities analysts, investors or other interested parties, the price of our common stock could decline.

***Concentration of ownership among our existing executive officers and directors, their affiliates and holders of 5% or more of our outstanding common stock may prevent new investors from influencing significant corporate decisions.***

As of September 30, 2019, our executive officers, directors and holders of 5% or more of our outstanding common stock (based upon the most recent filings on Schedule 13G with the SEC with respect to each such holder) beneficially own, in the aggregate, approximately 92% of our outstanding shares of common stock (assuming exercise of all beneficially owned shares). Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. These stockholders are able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these stockholders, which in turn could reduce the price of our common stock.

***The price of our common stock has been and may continue to be volatile, and the value of your investment could decline.***

The trading price of our common stock has been volatile since our initial public offering and is likely to continue to fluctuate substantially. For the nine months ended September 30, 2019, the trading price of our common stock fluctuated from a low of \$3.01 per share to a high of \$10.39 per share. For the fiscal year ended December 31, 2018, the trading price of our common stock fluctuated from a low of \$8.03 per share to a high of \$14.55 per share. The trading price of our common stock depends on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of high technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- the failure of securities analysts to maintain coverage of us, changes in financial estimates or recommendations by any securities analysts who follow our company;
- our failure to meet our publicly-announced guidance of future operating results or otherwise to meet the expectations of securities analysts or investors in this regard;
- announcements by us or our competitors of new products;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- our ability to control costs, including our operating expenses;

- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of or investments in businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management;
- conditions in the automobile industry;  
and
- general economic conditions and slow or negative growth of our markets.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. Additionally, as a public company, we face the risk of shareholder lawsuits, particularly if we experience declines in the price of our common stock. In the past, following periods of volatility in the overall market and the market prices of a particular company's securities, securities class action lawsuits have often been instituted against affected companies. We have been, and may in the future be, subject to these legal actions.

***Sales of substantial amounts of our common stock in the public markets, or the perception that such sales might occur, could depress the market price of our common stock.***

The market price of our common stock could decline as a result of the sale of substantial amounts of our common stock, particularly sales by our directors, executive officers and significant stockholders, a large number of shares of our common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares.

At September 30, 2019, approximately 106.5 million shares of our common stock were outstanding. In addition, as of September 30, 2019, there were 10.9 million shares underlying options and 6.4 million shares underlying restricted stock units. If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our stock could decline. Under Rule 144 under the Securities Act, shares held by non-affiliates for more than six months may generally be sold without restriction, other than a current public information requirement, and may be sold freely without any restrictions after one year. Shares held by affiliates may also be sold under Rule 144, subject to applicable restrictions, including volume and manner of sale limitations.

In January 2017, we filed a shelf registration statement on Form S-3, which we refer to as the 2017 Registration Statement. Under the 2017 Registration Statement, we sold 1.15 million shares of common stock and certain selling stockholders sold 9.2 million shares of common stock.

We or selling stockholders may periodically offer additional securities in amounts, at prices and on terms to be announced when and if the securities are offered. At the time any of the securities covered by the 2017 Registration Statement or any subsequent shelf registration statement are offered for sale, we will prepare and file with the SEC a prospectus supplement containing specific information about the terms of the offering.

***You may experience future dilution as a result of future equity offerings.***

If we raise additional funds through the sale of equity or convertible debt securities, the issuance of the securities will result in dilution to our stockholders. We may sell shares or other securities in any other offering at a price per share that is less than the price per share paid by investors in the past, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of our common stock, or securities convertible or exchangeable into common stock, in future transactions may be higher or lower than the price per share paid in the past. In addition, if we were to issue securities in connection with our acquisition of complementary businesses, products or technologies, our stockholders would also experience dilution.

***Future sales of shares by existing stockholders could cause our stock price to decline.***



If our existing stockholders, including employees and service providers who obtain equity, sell substantial amounts of our common stock in the public market, the trading price of our common stock could decline. All of our outstanding shares are eligible for sale in the public market, other than approximately 10.5 million shares (including vested options) as of September 30, 2019 held by directors, executive officers and other affiliates that are subject to volume limitations under Rule 144 of the Securities Act. Our employees, other service providers and directors are subject to our quarterly trading blackouts. In addition, we have reserved shares for issuance under our equity incentive plans. The issuance and subsequent sale of these shares will be dilutive to our existing stockholders and the trading price of our common stock could decline.

***Anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.***

Our certificate of incorporation and bylaws and Delaware law contain provisions that could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions:

- creating a classified board of directors whose members serve staggered three-year terms;
- authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings; and
- providing our board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our certificate of incorporation or bylaws or of Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

***Our certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.***

Our certificate of incorporation provides that, unless we otherwise agree, the Court of Chancery of the State of Delaware will be the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us under the Delaware General Corporation Law, our certificate of incorporation or our bylaws;
- any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.



This exclusive-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or other agents, which may discourage lawsuits against us and our directors, officers, employees and other agents. If a court were to find this exclusive-forum provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our business.

***If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.***

The trading market for our common stock is influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price could decline. If any analyst who covers us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

***We do not expect to declare any dividends in the foreseeable future.***

We have never declared or paid cash dividends on our common stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. In addition, the terms of our credit facility currently restrict our payment of cash dividends on our capital stock. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

### *(a) Sales of Unregistered Securities*

None.

### *(b) Use of Proceeds from Public Offerings of Common Stock*

Our initial public offering of common stock was effected through a Registration Statement on Form S-1 (File No. 333-195036), which was declared effective on May 15, 2014. There has been no material change in the planned use of proceeds from our initial public offering or follow-on offerings as described in our final prospectuses filed with the SEC on May 16, 2014, November 12, 2014 and April 27, 2017, respectively, pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the "Securities Act"). Pending those uses, we have invested the net proceeds in short-term, investment-grade interest-bearing securities and obligations, such as money market accounts.

## Item 6. Exhibits

The documents listed below are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference from Exhibit Number	Date Filed
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant.</a>	<a href="#">S-1/AFile No. 333-195036</a>	3.2	5/5/2014
3.2	<a href="#">Amended and Restated Bylaws of the Registrant.</a>	<a href="#">S-1/AFile No. 333-195036</a>	3.4	5/5/2014
10.1#	<a href="#">Separation Agreement and Release, dated August 19, 2019, by and between the Registrant and Neeraj Gunsagar.</a>	<a href="#">Filed herewith</a>		
31.1	<a href="#">Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.</a>	<a href="#">Filed herewith</a>		
31.2	<a href="#">Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.</a>	<a href="#">Filed herewith</a>		
32.1(1)	<a href="#">Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.</a>	<a href="#">Furnished herewith</a>		
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	<a href="#">Filed herewith</a>		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	<a href="#">Filed herewith</a>		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	<a href="#">Filed herewith</a>		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	<a href="#">Filed herewith</a>		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	<a href="#">Filed herewith</a>		
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibit 101)	<a href="#">Filed herewith</a>		

# Indicates a management contract or compensatory plan.

- (1) This certification is deemed not filed for purpose of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.



**SIGNATURES**

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

**TRUECAR, INC.**

Date: November 7, 2019 By: /s/ Michael Darrow  
Michael Darrow  
*Interim President & Chief Executive Officer*  
*(Principal Executive Officer)*

Date: November 7, 2019 By: /s/ Noel B. Watson  
Noel B. Watson  
*Chief Financial Officer & Chief Accounting Officer*  
*(Principal Financial Officer & Principal Accounting Officer)*

## SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (“Agreement”) is made by and between Neeraj Gunsagar (“Employee”) and TrueCar, Inc. (“Company”) (collectively, “Parties” or individually, a “Party”).

## RECITALS

WHEREAS, Employee was employed by the Company;

WHEREAS, Employee signed an At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement with the Company dated as of January 31, 2012 (the “Confidentiality Agreement”);

WHEREAS, Employee signed an Employment Agreement with the Company entered into as of June 29, 2015 (the “Employment Agreement”);

WHEREAS, the Company and Employee have entered into Stock Option Agreements granted as of the dates indicated in Exhibit A hereto, pursuant to which Employee was granted the option to purchase shares of the Company’s common stock (each such grant, an “Option” and together, the “Options”) and have entered into Restricted Stock Unit Award Agreements granted as of the dates indicated in Exhibit A hereto, granting Employee the right to receive an award of restricted stock units or performance units (each such award, an “RSU Award” and together, the “RSU Awards”), each subject to the terms and conditions of the Company’s 2005 Stock Plan (the “2005 Plan”) or the Company’s 2014 Equity Incentive Plan (the “2014 Plan” and, together with the 2005 Plan, the “Plans” and each, a “Plan”), and the terms and conditions of the Stock Option Agreement, the Restricted Stock Unit Award Agreement or the Performance Unit Award Agreement, as applicable, related to the award (collectively with the Plan, “Stock Agreements”);

WHEREAS, Employee’s employment with the Company terminated June 20, 2019 (the “Termination Date”); and

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that the Employee may have against the Company and any of the Releasees (as defined below), including, but not limited to, any and all claims arising out of or in any way related to Employee’s employment with or separation from the Company.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Employee hereby agree as follows:

## COVENANTS

1. Consideration. In consideration of Employee’s execution of this Agreement and Employee’s fulfillment of all of its terms and conditions, and provided that Employee does not revoke the Agreement under Section 6 below, the Company agrees as follows:

a. Severance Payment. The Company will pay to Employee a lump sum equivalent to twelve (12) months of Employee’s base salary in the amount of Four Hundred Thousand Dollars (\$400,000.00), less applicable withholding (the “Severance”). The Severance shall be paid to Employee within sixty (60) days following the Effective Date.

b. COBRA Continuation.

i. Subject to Section 1.b.ii below, the Company will either, at the Company’s election, reimburse Employee for the payments Employee makes, or pay directly to the insurance provider the premiums, for medical, vision and dental coverage for Employee and Employee’s eligible dependents under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended or comparable state law (“COBRA”) during the twelve (12) month period following the Termination Date or until Employee has secured other employment that provides group health insurance coverage, whichever occurs first provided Employee timely elects COBRA coverage, remains eligible for COBRA continuation coverage and, with respect to reimbursements, pays for COBRA coverage.

ii. Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot, without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), provide any COBRA reimbursements or direct payments of COBRA premiums under this Agreement (either, the “COBRA Benefits”) that

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otherwise would be due to Employee under this Section, the Company will not provide, and Employee will not be entitled to, COBRA Benefits, but the Company will, in lieu of any such COBRA Benefits to which Employee is entitled under this Section, provide to Employee a taxable monthly payment (“Healthcare Premium Payment”) in an amount equal to the monthly COBRA premium that Employee would be required to pay to continue his group health coverage at coverage levels in effect immediately prior to Employee’s termination (which amount will be based on the premium for the first month of COBRA coverage), which payments will be made regardless of whether Employee elects COBRA continuation coverage. At the same time each monthly Healthcare Premium Payment (if any is due) is paid to Employee, the Company also will provide Employee with a gross-up amount, determined by the Company, necessary to pay federal and state income and employment taxes incurred by Employee with respect to such Healthcare Premium Payment (with such gross-up to be calculated by the Company based on the withholding rates the Company has in effect for Employee at the time the Healthcare Premium Payment is paid to Employee). Any Healthcare Premium Payments and any related gross-up payments will cease to be provided when, and under the same terms and conditions, COBRA Benefits would have ceased under this Section. For the avoidance of doubt, the taxable payments in lieu of COBRA Benefits may be used for any purpose including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable withholdings. Notwithstanding anything to the contrary under this Agreement, if at any time the Company determines in its sole discretion that it cannot provide the payments contemplated by this Section without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), Employee will not receive such payment or any further COBRA Benefits.

c. Acceleration of Equity Awards. On the Termination Date, but subject to the effectiveness of this Agreement as provided herein, Employee’s vesting in each of the Options and each of the RSU Awards other than the performance unit RSU Award granted on March 15, 2019 covering 11,864 shares of Company common stock (the “PSU Award”) shall accelerate as to the number of shares subject to the applicable Option or RSU Award that otherwise would have vested within the twelve (12) month period immediately following the Termination Date had Employee remained employed by the Company through such period (and assuming for this purposes that no Change in Control (as such term is defined in the applicable Plan and as defined in the Employment Agreement) occurred during such period) (the “Severance Acceleration”).

d. Attorneys Fees. Within fourteen (14) days of the Effective Date, Company shall directly pay to Employee’s lawyer, [\*\*\*], an amount up to but not to exceed Twenty-Five Thousand Dollars (\$25,000) which amount shall represent the number of hours worked on behalf of Employee; provided that [\*\*\*] promptly provide a summary of total hours worked on behalf of Employee following the execution of this Agreement.

e. Acknowledgement. Employee acknowledges that without this Agreement, he is otherwise not entitled to the consideration listed in this Section 1. Employee acknowledges that the consideration listed in Section 1.a. through 1.c. represents full and complete satisfaction of any severance obligations of the Company to Employee under the Employment Agreement.

2. Equity. The Parties agree that for purposes of determining the number of shares of the Company’s common stock that Employee is entitled to purchase from the Company, pursuant to the exercise of the outstanding Options, or that Employee has vested in pursuant to the RSU Awards, Employee will be considered to have vested only up to the Termination Date, including, if applicable, in accordance with the Severance Acceleration, and no more, except that the PSU Award will remain eligible to vest to the extent provided under, and in accordance with, the terms of the applicable Stock Agreements under which it was granted (which terms, for the avoidance of doubt, include the execution and effectiveness of this Agreement). Employee acknowledges that as of the Termination Date and after the application of the Severance Acceleration, Employee will have vested in the number of shares subject to the Options and the RSU Awards as listed on Exhibit A hereto and no more, provided that, as noted above, the PSU Award will remain eligible to vest to the extent provided under, and in accordance with, the terms of the applicable Stock Agreements under which it was granted. Employee acknowledges that, as noted in Exhibit A, if the Severance Acceleration does not become effective (due to this Agreement not timely becoming effective and irrevocable), the number of shares subject to the Options that will have vested as of the actual Termination Date and the number of shares subject to the RSU Awards that will have vested as of the actual Termination Date may differ from the numbers shown on Exhibit A. Except as provided herein, the exercise of Employee’s vested Options, the shares purchased thereunder and Employee’s RSU Awards shall continue to be governed by the terms and conditions of the applicable Stock Agreements.

3. Benefits. Employee’s health insurance benefits shall cease on the last day of the month of his Termination Date, subject to Employee’s right to continue his health insurance under COBRA. Employee’s participation in all benefits and incidents of employment, including, but not limited to, vesting in equity awards (other than pursuant to any applicable Severance Acceleration), the accrual of bonuses, vacation, and paid time off, ceased as of the Termination Date.

4. Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than the consideration set forth in this Agreement, the Company has paid or provided all salary, wages, bonuses, premiums, leaves, vacation/

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paid time off, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, restricted stock units and other equity awards, vesting, and any and all other benefits and compensation due to Employee.

5. Release of Claims. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Company and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, "Releasees"). Employee, on his own behalf and on behalf of his respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Employee may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the date Employee signs this Agreement, including, without limitation:

a. any and all claims relating to or arising from Employee's employment relationship with the Company and the termination of that relationship, including claims under the Employment Agreement or other agreement with the Company;

b. any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

c. any and all claims for wrongful discharge of employment; constructive discharge; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

d. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Sarbanes-Oxley Act of 2002; the Immigration Reform and Control Act; the National Labor Relations Act; the California Family Rights Act; the California Labor Code; the California Workers' Compensation Act; the California Fair Employment and Housing Act; the Unruh Civil Rights Act; the California Equal Pay Law; the California Unfair Business Practices Act; and the California Worker Adjustment and Retraining Notification Act;

e. any and all claims for violation of the federal or any state constitution;

f. any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

g. any claim for any loss, cost, damage, or expense arising out of any dispute over the nonwithholding or other tax treatment of any of the proceeds received by Employee as a result of this Agreement; and

h. any and all claims for attorneys' fees and costs.

Employee agrees that the release set forth in this Section shall be and remain in effect in all respects as a complete general release as to the matters released.

Notwithstanding any other provision of this Agreement, this release does not extend to (i) any obligations incurred under this Agreement; (ii) health, disability or life insurance benefits payable in accordance with the Company's employee benefit plans; (iii) any rights with respect to director and officer indemnification pursuant to the Articles of Incorporation and/or bylaws of the Company and all written agreements for indemnification, exculpation of liability or advancement of expenses, in effect as of the Effective Date between the Company and any of its current or former directors and officers, as well as any indemnification or contribution rights afforded to Employee under applicable state or federal law, including without limitation all such claims arising out of *Milbeck v. TrueCar et al.* (C.D. Cal.) and *Drulias v. Guthrie et al.* (C.D. Cal.), and any subsequently-filed cases alleging similar claims in any state or federal court; or (iv) claims that cannot be released as a matter of law, including any Protected Activity

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(as defined below). Employee represents that he has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section.

6. Acknowledgment of Waiver of Claims under ADEA. Employee acknowledges that he is waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 (“ADEA”), and that this waiver and release is knowing and voluntary. Employee agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that he has been advised by this writing that: (a) he should consult with an attorney prior to executing this Agreement; (b) he has twenty-one (21) days within which to consider this Agreement; (c) he has seven (7) days following his execution of this Agreement to revoke this Agreement; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Employee from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Employee signs this Agreement and returns it to the Company in less than the twenty-one (21)-day period identified above, Employee hereby acknowledges that he has freely and voluntarily chosen to waive the time period allotted for considering this Agreement. Employee acknowledges and understands that revocation must be accomplished by a written notification to the person executing this Agreement on the Company’s behalf that is received prior to the Effective Date. The Parties agree that changes, whether material or immaterial do not restart the running of the twenty-one (21)-day period

7. California Civil Code Section 1542. Employee acknowledges that he has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER , WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Employee, being aware of said code section, agrees to expressly waive any rights he may have thereunder, as well as under any other statute or common law principles of similar effect, except as provided in Section 5.

8. No Pending or Future Lawsuits. Employee represents that he has no lawsuits, claims, or actions pending in his name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Employee also represents that he does not intend to bring any claims on his own behalf or on behalf of any other person or entity against the Company or any of the other Releasees with respect to the claims herein released.

9 . Confidentiality. Subject to Section 28 governing Protected Activity, Employee agrees to maintain in complete confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (hereinafter collectively referred to as “Separation Information”). Except as required by law, Employee may disclose Separation Information only to his immediate family members, the Court in any proceedings to enforce the terms of this Agreement, Employee’s attorney(s), and Employee’s accountant and any professional tax advisor to the extent that they need to know the Separation Information in order to provide advice on tax treatment or to prepare tax returns, and must prevent disclosure of any Separation Information to all other third parties. Employee agrees that he will not publicize, directly or indirectly, any Separation Information.

10. Trade Secrets and Confidential Information/Company Property. Subject to Section 28 governing Protected Activity, Employee reaffirms and agrees to observe and abide by the terms of the Confidentiality Agreement, specifically including the provisions therein regarding nondisclosure of the Company’s trade secrets and confidential and proprietary information, and nonsolicitation of Company employees. No later than the Termination Date, Employee will return all documents and other items provided to Employee by the Company, developed or obtained by Employee in connection with his employment with the Company, or otherwise belonging to the Company (with the exception of a copy of the Employee Handbook and personnel documents specifically relating to Employee).

11. No Cooperation. Subject to Section 28 governing Protected Activity, Employee agrees that he will not knowingly encourage, advise, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so or upon written request from an administrative agency or the legislature or as related directly to the ADEA waiver in this Agreement. Employee agrees both to immediately notify the Company upon receipt of any such subpoena or court order or written request from an administrative agency or the legislature, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order or written request from an administrative agency or the legislature. If approached by anyone

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for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee shall state no more than that he cannot provide counsel or assistance.

12. Cooperation with the Company. Employee agrees that Employee will assist and cooperate with the Company in connection with the defense or prosecution of any claim that may be made against or by the Company or any Releasees, or in connection with any ongoing or future investigation or dispute or claim of any kind involving the Company, including meeting with the Company's counsel, any proceeding before any arbitral, administrative, judicial, legislative, or other body or agency, including testifying in any proceeding to the extent such claims, investigations or proceedings relate to services performed or required to be performed by Employee, pertinent knowledge possessed by Employee, or any act or omission by Employee. Employee further agrees to perform all acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this paragraph.

13. Nondisparagement. Employee agrees to refrain from any disparagement, defamation, libel, or slander of any of the Releasees, and agrees to refrain from any tortious interference with the contracts and relationships of any of the Releasees. Employee shall direct any inquiries by potential future employers to the Company's human resources department.

14. Breach. In addition to the rights provided in the "Attorneys' Fees" section below, Employee acknowledges and agrees that any material breach of this Agreement, unless such breach constitutes a legal action by Employee challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, or of any provision of the Confidentiality Agreement shall entitle the Company immediately to recover and/or cease providing the consideration provided to Employee under this Agreement and to obtain damages, except as provided by law.

15. No Admission of Liability. Employee understands and acknowledges that with respect to all claims released herein, this Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by Employee unless such claims were explicitly not released by the release in this Agreement. No action taken by the Company hereto, either previously or in connection with this Agreement, shall be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to Employee or to any third party.

16. Nonsolicitation. Employee agrees that for a period of twelve (12) months immediately following the Effective Date of this Agreement, Employee shall not directly or indirectly solicit any of the Company's employees to leave their employment at the Company.

17. Costs. Except as provided in Section 1.d. above, the Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement.

18. Taxes; Section 409A; Limitations on Payments.

a. Taxes; Section 409A. Employee agrees and understands that he is responsible for payment, if any, of personal local, personal state, and/or personal federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon, and all amounts payable hereunder are subject to applicable tax withholdings. It is intended that none of the payments or benefits under this Agreement will constitute deferred compensation under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), any final regulations and guidance under that statute, and any applicable state law equivalent, as each may be amended or promulgated from time to time (together, "Section 409 A"), but rather such payments and benefits will be exempt from, or if not exempt from will comply with, Section 409A so that none of the payments to be provided under this Agreement will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms will be interpreted in such manner. Each payment, installment and benefit payable under this Agreement or otherwise is intended to constitute a separate payment under Treasury Regulation Section 1.409A-2(b)(2). Notwithstanding the foregoing, if and to the extent necessary to avoid subjecting Employee to an additional tax under Section 409A, any payments or benefits deemed to be separation-related deferred compensation (within the meaning of Section 409A), whether under this Agreement or any other arrangement, payable to Employee will be delayed until the date that is six (6) months and one (1) day following Employee's separation from service (within the meaning of Section 409A), except that in the event of Employee's death, any such delayed payments will be paid as soon as practicable after the date of Employee's death and in each case all subsequent payments and benefits will be payable in accordance with the payment schedule applicable to such payment or benefit. In no event will the Company reimburse or indemnify Employee for any taxes or costs that may be imposed on Employee as a result of Section 409A. In no event will Employee have discretion to determine the taxable year of payment of any separation-related payments.

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b. Limitation on Payments. In the event that any payment or benefits provided for in this Agreement or otherwise payable to Employee (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 18.b, would be subject to the excise tax imposed by Section 4999 of the Code, then such payments or benefits will be either:

i. delivered in full, or

ii. delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code,

whichever of the foregoing amounts, taking into account the applicable federal state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Employee on an after-tax basis, of the greatest amount of severance or change in control-related or other payments or benefits, notwithstanding that all or some portion of such payments or benefits may be taxable under Section 4999 of the Code. If a reduction in payments or benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (i) reduction of cash payments, which will occur in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such excise tax will be the first cash payment to be reduced; (ii) reduction of acceleration of vesting of equity awards, which will occur in the reverse order of the date of grant for such stock awards (i.e., the vesting of the most recently granted stock awards will be reduced first); and (iii) reduction of other benefits paid or provided to the Employee which will occur in reverse chronological order such that the benefit owed on the latest date following the occurrence of the event triggering such excise tax will be the first benefit to be reduced. If more than one equity award was made to the Employee on the same date of grant all such awards will have their acceleration of vesting reduced pro rata. In no event will Employee have any discretion with respect to the ordering of payment reductions.

Unless the Company and Employee otherwise agree in writing, any determination required under this Section 18.b will be made in writing by a nationally recognized firm of independent public accountants selected by the Company (the “Accountants”), whose determination will be conclusive and binding upon Employee and the Company for all purposes. For purposes of making the calculations required by this Section 18.b, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Employee will furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company will bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 18.b.

19. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that he has the capacity to act on his own behalf and on behalf of all who might claim through him to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

20. No Representations. Employee represents that he has had an opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

21. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

22. Attorneys’ Fees. Except with regard to a legal action challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, in the event that either Party brings an action to enforce or affect its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys’ fees incurred in connection with such an action.

23. Entire Agreement. Except as provided in Section 5, this Agreement represents the entire agreement and understanding between the Company and Employee concerning the subject matter of this Agreement and Employee’s employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Employee’s relationship with the Company, including, but not limited to, the Employment Agreement, with the exception of the Confidentiality Agreement (other than as specified in Section 28) and the Stock Agreements.

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24. No Oral Modification. This Agreement may only be amended in a writing signed by Employee and an authorized officer of the Company

25. Governing Law. This Agreement shall be governed by the laws of the State of California, without regard for choice of law provisions. Employee consents to personal and exclusive jurisdiction and venue in the applicable state or federal courts in Los Angeles County, California.

26. Effective Date. Employee understands that this Agreement shall be null and void if not executed by him within twenty-one (21) days from the date this Agreement is presented. Each Party has seven (7) days after that Party signs this Agreement to revoke it. This Agreement will become effective on the eighth (8th) day after Employee signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (“Effective Date”).

27. Counterparts. This Agreement may be executed in counterparts and by facsimile, and each counterpart and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

28. Protected Activity Not Prohibited. Employee understands that nothing in this Agreement shall in any way limit or prohibit Employee from engaging for a lawful purpose in any Protected Activity. For purposes of this Agreement, “Protected Activity” shall mean filing a charge or complaint, or otherwise communicating, cooperating, or participating with, any state, federal, or other governmental agency, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, and the National Labor Relations Board (“Government Agencies”). Employee understands that in connection with such Protected Activity, Employee is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Employee agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company confidential information under the Confidentiality Agreement to any parties other than the Government Agencies. Employee further understands that “Protected Activity” does not include the disclosure of any Company attorney-client privileged communications, and that any such disclosure without the Company’s written consent shall constitute a material breach of this Agreement. Any language in the Confidentiality Agreement regarding Employee’s right to engage in Protected Activity that conflicts with, or is contrary to, this paragraph is superseded by this Agreement. In addition, pursuant to the Defend Trade Secrets Act of 2016, Employee is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual’s attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

29. Voluntary Execution of Agreement. Employee understands and agrees that he executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of his claims against the Company and any of the other Releasees. Employee acknowledges that:

- (a) he has read this Agreement;
- (b) he has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of his own choice or has elected not to retain legal counsel;
- (c) he understands the terms and consequences of this Agreement and of the releases it contains; and
- (d) he is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

AGREED AND ACCEPTED :

Neeraj Gunsagar, an individual

Dated: 8/17, 2019

/s/ Neeraj Gunsagar

Neeraj Gunsagar

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TRUECAR, INC.

Dated: 8/19, 2019

By /s/ Jeffrey J. Swart

Jeffrey J. Swart  
EVP & General Counsel

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EXHIBIT A

EMPLOYEE'S OPTIONS AND RSUs AS OF TERMINATION DATE, INCLUDING SEVERANCE ACCELERATION\*

EMPLOYEE'S OPTIONS

<b>Date of Grant</b>	<b>Plan Under Which Option Was Granted</b>	<b>Number of Shares Granted under Option</b>	<b>Number of Shares Vested as of Termination Date</b>
02/14/2012	2005 Stock Plan	16,666	16,666
02/14/2012	2005 Stock Plan	10,000	10,000
08/31/2012	2005 Stock Plan	7,083	7,083
08/31/2012	2005 Stock Plan	2,916	2,916
02/22/2013	2005 Stock Plan	9,666	9,666
02/22/2013	2005 Stock Plan	1,933	1,933
05/02/2013	2005 Stock Plan	2,447	2,447
05/02/2013	2005 Stock Plan	349	349
06/06/2013	2005 Stock Plan	42,286	42,286
06/06/2013	2005 Stock Plan	4,917	4,917
11/21/2013	2005 Stock Plan	44,968	44,968
11/21/2013	2005 Stock Plan	71,698	71,698
02/28/2014	2005 Stock Plan	25	25
02/28/2014	2005 Stock Plan	584	584
05/15/2014	2005 Stock Plan	11,468	10,150
05/15/2014	2005 Stock Plan	76,873	68,032
10/06/2014	2014 Equity Incentive Plan	15,000	15,000
10/06/2014	2014 Equity Incentive Plan	135,000	135,000
04/23/2015	2014 Equity Incentive Plan	75,000	75,000
08/11/2016	2014 Equity Incentive Plan	500,000	489,583
06/10/2017	2014 Equity Incentive Plan	56,736	42,552
06/10/2017	2014 Equity Incentive Plan	123,000	73,800
08/16/2017	2014 Equity Incentive Plan	12,500	7,500
05/12/2018	2014 Equity Incentive Plan	78,337	42,432
03/15/2019	2014 Equity Incentive Plan	54,432	17,010
	<b>Total:</b>		<b>1,191,597</b>

EMPLOYEE'S RSUs

<b>Date of Grant</b>	<b>Plan Under Which RSU Was Granted</b>	<b>Number of Shares Granted</b>	<b>Number of Shares Vested as of Termination Date</b>
05/21/2014	2014 Equity Incentive Plan	13,264	11,739
10/06/2014	2014 Equity Incentive Plan	7,000	7,000
10/06/2014	2014 Equity Incentive Plan	63,000	63,000
03/12/2015	2014 Equity Incentive Plan	2,741	2,741
04/23/2015	2014 Equity Incentive Plan	25,000	25,000
10/01/2015	2014 Equity Incentive Plan	153,034	153,034
01/27/2016	2014 Equity Incentive Plan	71,416	71,416
07/01/2016	2014 Equity Incentive Plan	125,000	125,000
06/10/2017	2014 Equity Incentive Plan	34,440	25,830
07/28/2017	2014 Equity Incentive Plan	2,556	2,556
05/12/2018	2014 Equity Incentive Plan	24,545	12,272
11/27/2018	2014 Equity Incentive Plan	5,722	5,722
**03/15/2019	2014 Equity Incentive Plan	11,864	0
03/15/2019	2014 Equity Incentive Plan	26,127	8,164
03/15/2019	2014 Equity Incentive Plan	3,826	3,826
	<b>Total:</b>		<b>517,300</b>

\* This assumes the Severance Acceleration applies. If the Severance Acceleration does not become effective, the number of shares subject to the Options and RSU Awards that will have vested as of the Termination Date may differ from the numbers shown in this table. Similarly, if options are exercised on or prior to such date, the shares outstanding as of such date may differ from the numbers shown in this table.

\*\*This PSU Award will remain eligible to vest to the extent provided under, and in accordance with, the terms of the applicable Stock Agreements under which it was granted.

**Certification of Principal Executive Officer  
Pursuant to  
Securities Exchange Act Rules 13a-14(a) and 15d-14(a),  
As Adopted Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael Darrow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TrueCar, 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 fiscal 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.

Date: November 7, 2019

/s/ Michael Darrow

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Michael Darrow

*Interim President & Chief Executive Officer  
(Principal Executive Officer)*

**Certification of Principal Financial Officer  
Pursuant to  
Securities Exchange Act Rules 13a-14(a) and 15d-14(a),  
As Adopted Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Noel B. Watson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TrueCar, 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 fiscal 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.

Date: November 7, 2019

/s/ Noel B. Watson

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Noel B. Watson

*Chief Financial Officer & Chief Accounting Officer*

*(Principal Financial Officer & Principal Accounting Officer)*

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER  
AND PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of TrueCar, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), Michael Darrow, as Interim Chief Executive Officer, and Noel B. Watson, as Chief Financial Officer, of the Company, each hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), to his knowledge:

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

Date: November 7, 2019

By: /s/ Michael Darrow

Michael Darrow  
*Interim President & Chief Executive Officer*  
*(Principal Executive Officer)*

Date: November 7, 2019

By: /s/ Noel B. Watson

Noel B. Watson  
*Chief Financial Officer & Chief Accounting Officer*  
*(Principal Financial Officer & Principal Accounting Officer)*