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

FORM 10-Q

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

For the quarterly period ended March 31, 2020

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

Commission File Number: 001-36449

TRUECAR, INC.
(Exact name of registrant as specified in its charter)

Delaware	**04-3807511**
(State or other jurisdiction of incorporation or organization)	(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)

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 May 1, 2020, 107,270,091 shares of the registrant's common stock were outstanding.

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 maintain or grow revenue, scale our business, generate cash flow, fulfill our mission and achieve and maintain future profitability, in particular in light of the existing impacts of and continued uncertainty occasioned by the coronavirus pandemic;
- our ability to forecast our financial performance;
- our relationship with key industry participants, including car dealers and automobile manufacturers;
- anticipated trends, demand 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;
- the effect of the coronavirus pandemic, and governments’, organizations’ and consumers’ responses to it, on the wider economy, the automotive industry, the demand for cars, dealers’ ability to sell cars, dealers’ and automobile manufacturers’ third-party marketing budgets and our business;
- our ability to mitigate the short- and long-term effects of the coronavirus pandemic on our business and employees, and the success of initiatives that we take to do so, including transitioning employees to work-from-home status and efforts to improve or retool our existing products and services, innovate new products and services, cut costs and preserve our dealer network;
- our ability to wind down our partnership with USAA Federal Savings Bank in a manner that minimizes disruption to our business, and our ability to mitigate the long-term financial effect of the termination of that partnership;
- our ability to maintain and grow our existing additional affinity partner relationships, and to attract new affinity partners to offer our services to their members;
- 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 or maintain dealer subscription rates, manage dealer churn and return to active status dealers who suspended their participation in our auto-buying program as a result of the coronavirus pandemic;
- 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 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 necessary qualified employees;
- our continuing ability to provide customers access to our products;
- our ability to maintain and scale our technical infrastructure and leverage our technology platform 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;
- our ability to navigate changes in domestic or international economic, political or business conditions, including changes in interest rates, consumer demand and import tariffs and responses to the coronavirus pandemic;

- 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 privacy, 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 pursue acquisitions, divestitures, investments and other similar transactions;
- 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)

	March 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 182,855	$ 181,534
Accounts receivable, net of allowances of $8,054 and $6,759 at March 31, 2020 and December 31, 2019, respectively (includes related party receivables of $2,856 and $209 at March 31, 2020 and December 31, 2019, respectively)	40,126	44,888
Prepaid expenses	6,365	7,215
Other current assets	4,119	6,104
Total current assets	233,465	239,741
Property and equipment, net	28,704	29,797
Operating lease right-of-use assets	34,548	36,064
Goodwill	63,124	73,311
Intangible assets, net	15,713	17,260
Equity method investment	21,512	21,894
Other assets	3,691	3,620
Total assets	$ 400,757	$ 421,687
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable (includes related party payables of $4,981 and $6,439 at March 31, 2020 and December 31, 2019, respectively)	$ 17,687	$ 21,336
Accrued employee expenses	2,460	5,969
Operating lease liabilities, current	5,089	5,875
Accrued expenses and other current liabilities (includes related party accrued expenses of $0 and $1,299 at March 31, 2020 and December 31, 2019, respectively)	14,460	20,990
Total current liabilities	39,696	54,170
Deferred tax liabilities	344	783
Operating lease liabilities, net of current portion	35,913	37,127
Other liabilities	2,367	2,336
Total liabilities	78,320	94,416
Commitments and contingencies (Note 7)		
Stockholders' Equity		
Preferred stock — $0.0001 par value; 20,000,000 shares authorized at March 31, 2020 and December 31, 2019; no shares issued and outstanding at March 31, 2020 and December 31, 2019	—	—
Common stock — $0.0001 par value; 1,000,000,000 shares authorized at March 31, 2020 and December 31, 2019; 107,183,633 and 106,865,830 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	11	11
Additional paid-in capital	765,157	759,322
Accumulated deficit	(442,731)	(432,062)
Total stockholders' equity	322,437	327,271
Total liabilities and stockholders' equity	$ 400,757	$ 421,687

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 March 31,	
	2020	**2019**
Revenues (includes related party revenue of $1,247 and $163 for the three months ended March 31, 2020 and 2019, respectively)	$ 83,526	$ 85,582
Costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization presented separately below; includes related party cost of revenue of $285 and $134 for the three months ended March 31, 2020 and 2019, respectively)	7,221	8,936
Sales and marketing (includes related party expenses of $1,959 and $5,473 for the three months ended March 31, 2020 and 2019, respectively)	46,575	54,738
Technology and development	12,216	15,654
General and administrative	12,312	15,104
Depreciation and amortization	6,271	6,415
Goodwill impairment	10,187	—
Total costs and operating expenses	94,782	100,847
Loss from operations	(11,256)	(15,265)
Interest income	533	1,001
Loss from equity method investment	(382)	—
Loss before income taxes	(11,105)	(14,264)
(Benefit from) provision for income taxes	(436)	101
Net loss	$ (10,669)	$ (14,365)
Net loss per share, basic and diluted	$ (0.10)	$ (0.14)
Weighted average common shares outstanding, basic and diluted	107,024	104,788
Other comprehensive loss:		
Comprehensive loss	$ (10,669)	$ (14,365)

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2020				
	Common Stock				
	Shares	Amount	APIC	Accumulated Deficit	Stockholders' Equity
Balance at December 31, 2019	106,865,830	$ 11	$ 759,322	$ (432,062)	$ 327,271
Net loss	—	—	—	(10,669)	(10,669)
Stock-based compensation	—	—	6,559	—	6,559
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	317,803	—	(724)	—	(724)
Balance at March 31, 2020	107,183,633	$ 11	$ 765,157	$ (442,731)	$ 322,437

	Three Months Ended March 31, 2019				
	Common Stock				
	Shares	Amount	APIC	Accumulated Deficit	Stockholders' Equity
Balance at December 31, 2018	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
Balance at March 31, 2019	105,119,046	$ 10	$ 731,394	$ (391,537)	$ 339,867

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2020	**2019**
Cash flows from operating activities		
Net loss	$ (10,669)	$ (14,365)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,271	6,415
Goodwill impairment	10,187	—
Deferred income taxes	(439)	72
Bad debt expense and other reserves	2,225	348
Stock-based compensation	6,177	8,635
Increase in the fair value of contingent consideration liability	75	75
Amortization of lease right-of-use assets	1,516	1,465
Loss from equity method investment	382	—
Write-off and loss on disposal of fixed assets	41	—
Changes in operating assets and liabilities:		
Accounts receivable	2,537	9,044
Prepaid expenses	850	384
Other current assets	1,985	(3,493)
Other assets	(71)	263
Accounts payable	(3,698)	(5,578)
Accrued employee expenses	(3,245)	275
Operating lease liabilities	(2,000)	(1,398)
Accrued expenses and other liabilities	(6,530)	5,498
Other liabilities	(44)	(59)
Net cash provided by operating activities	5,550	7,581
Cash flows from investing activities		
Purchase of property and equipment	(3,505)	(2,905)
Cash paid for equity method investment	—	(23,174)
Net cash used in investing activities	(3,505)	(26,079)
Cash flows from financing activities		
Proceeds from exercise of common stock options	3	2,811
Taxes paid related to net share settlement of equity awards	(727)	(543)
Net cash (used in) provided by financing activities	(724)	2,268
Net increase (decrease) in cash and cash equivalents	1,321	(16,230)
Cash and cash equivalents at beginning of period	181,534	196,128
Cash and cash equivalents at end of period	$ 182,855	$ 179,898
Supplemental disclosures of non-cash activities		
Stock-based compensation capitalized for software development	382	473
Capitalized assets included in accounts payable, accrued employee expenses and other accrued expenses	148	176

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, 2019, 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, 2019 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 February 28, 2020.

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 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, 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 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.

Risks and Uncertainties

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a pandemic, as a result of which the Company is subject to additional risks and uncertainties. In response to the pandemic, governments and organizations have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the Company's business has been negatively affected in a number of ways. Most directly, a number of states and local governments have taken steps that have prohibited or curtailed the sale of automobiles during the pandemic. In some jurisdictions, shelter-at-home orders, or other orders related to the pandemic, impede car sales. On top of these legal restrictions, the economic uncertainty and rapidly increasing number of consumers who are unemployed, as well as the decrease in consumers' willingness to make discretionary trips outside of the home, have decreased the demand for cars. The severity of the impact of COVID-19 on the Company's business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Company's customers, all of which are uncertain and cannot be predicted. The Company's future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms. Given the dynamic nature of this situation, the Company cannot predict with absolute certainty, the impact of COVID-19 on its financial condition, results of operations or cash flows.

Segments

The Company has one operating segment. The Company's chief operating decision maker ("CODM") is the President and Chief Executive Officer and the Chief Financial Officer and Chief Accounting Officer, who manage the Company's operations based on consolidated financial information for purposes of evaluating financial performance and allocating resources.

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.

Allowance for Doubtful Accounts

On January 1, 2020, the Company adopted the new accounting guidance on measuring credit losses on its trade accounts receivable. The new credit loss guidance replaces the old model for measuring the allowance for credit losses with a model that is based on the expected losses rather than incurred losses. Under the new credit loss model, lifetime expected credit losses are measured and recognized at each reporting date based on historical, current and forecast information.

The Company determines its allowance for doubtful accounts based on historical write-off experience and specific circumstances that make it likely that recovery will not occur. The Company reviews the allowance for doubtful accounts periodically and assesses the aging of account balances, with an emphasis on those that are past due over ninety days. Account balances are charged off against the allowance when the Company determines that it is probable the receivable will not be recovered.

Under the new guidance, the Company considers the need to adjust historical information to reflect the extent to which the Company expects current conditions and reasonable and supportable forecasts to differ from the conditions that existed for the period over which historical information was evaluated. The primary current and future economic indicators the Company uses to develop its current estimate of expected credit losses include the current and forecast U.S. Gross Domestic Product (GDP).

The Company calculates the expected credit losses on a pool basis for those trade receivables that have similar risk characteristics. For those trade receivables that do not share similar risk characteristics, the allowance for doubtful accounts is calculated on an individual basis. Risk characteristics relevant to the Company's accounts receivable include revenue billing model and aging status.

The following table summarizes the changes in the allowance for doubtful accounts and sales allowances (in thousands):

	Three Months Ended March 31, 2020
Allowances, at beginning of period	$ 6,759
Charged as a reduction of revenue	2,408
Charged to bad debt expense in general and administrative expenses	2,225
Write-offs, net of recoveries	(3,338)
Allowances, at end of period	$ 8,054

For the three months ended March 31, 2020, the Company's assessment considered business and market disruptions caused by COVID-19 and estimates of expected emerging credit and collectability trends. The continued volatility in market conditions and evolving shifts in credit trends are difficult to predict causing variability and volatility that may have a material impact on our allowance for credit losses in future periods.

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued new guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles in Accounting Standards Codification Topic 740, Income Taxes. This standard is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual reporting periods. The Company is currently evaluating the impact of this guidance but the adoption is not expected to have a material impact on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued new guidance that modifies the disclosure requirements in fair value measurements by removing, modifying and adding certain disclosures. The Company adopted this guidance on January 1, 2020 using the prospective transition method. The adoption of this guidance did not have a material impact on the Company's condensed 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). The Company adopted this guidance on January 1, 2020 using the prospective transition method. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In June 2016, the FASB issued new guidance that replaces the then-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. The amendments in this new guidance are applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company adopted this guidance on January 1, 2020. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

3. 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 March 31, 2020 and December 31, 2019 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 March 31, 2020				At December 31, 2019			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Cash equivalents	$ 174,571	$ —	$ —	$ 174,571	$ 174,429	$ —	$ —	$ 174,429
Total assets	$ 174,571	$ —	$ —	$ 174,571	$ 174,429	$ —	$ —	$ 174,429
Liabilities:								
Contingent consideration, current	$ —	$ —	$ 2,500	$ 2,500	$ —	$ —	$ 2,441	$ 2,441
Contingent consideration, non-current	—	—	2,352	2,352	—	—	2,336	2,336
Total liabilities	$ —	$ —	$ 4,852	$ 4,852	$ —	$ —	$ 4,777	$ 4,777

Contingent Consideration Obligations

The following table summarizes the changes in the fair value of the contingent consideration obligation (in thousands):

	Three Months Ended March 31,	
	2020	2019
Fair value, beginning of period	$ 4,777	$ 4,477
Changes in fair value	75	75
Fair value, end of period	$ 4,852	$ 4,552

The following table summarizes the significant unobservable inputs and valuation technique in the fair value measurement of Level 3 financial liabilities used to measure the contingent consideration liability at March 31, 2020:

Valuation Technique	Unobservable Input	Range (Weighted Average)
Discounted cash flow	Probability of achievement	98.9% - 100.0% (99.5%)
	Discount rate	4.9%

4. Goodwill

The following table summarizes the changes in goodwill for the three months ended March 31, 2020 (in thousands):

	Goodwill
Balance at December 31, 2019	$ 73,311
Impairment	(10,187)
Balance at March 31, 2020	$ 63,124

The Company assesses 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. Throughout the second half of 2019 and through the first quarter of 2020, the Company's stock price experienced high volatility, causing a decline in its enterprise market capitalization. During the first quarter of 2020, as a result of the recent global economic disruption and uncertainty due to the COVID-19 pandemic, along with the Company's announcement that it had entered into a short-term agreement to extend its partnership with USAA Federal Savings Bank to continue to power the USAA Car Buying Service through September 30, 2020, the Company concluded a triggering event had occurred. In light of these two factors, the Company performed an interim quantitative impairment test as of March 31, 2020, in which the Company estimated the fair value of its single reporting unit by utilizing an income approach which uses a discounted cash flow ("DCF") analysis. The Company has previously used an implied market value approach. Given the current high degree of market volatility and lack of reliable market data as of March 31, 2020, the Company determined that a discounted cash flow model (income approach) provided the best approximation of fair value. Determining fair value requires the exercise of significant assumptions and judgments, which are considered Level 3 inputs under the fair value hierarchy, including the amount and timing of expected future cash flows, long-term growth rates and the discount rate. Based on the results of the interim impairment test, the Company concluded that the carrying value of its reporting unit is greater than the fair value and, accordingly, recognized a non-cash impairment charge of $10.2 million for the three months ended March 31, 2020. If the pandemic's economic impact is more severe, or if the economic recovery takes longer to materialize or does not materialize as strongly as anticipated, this could result in further goodwill impairment charges.

5. Property and Equipment, net

Property and equipment consisted of the following at March 31, 2020 and December 31, 2019 (in thousands):

	March 31, 2020	December 31, 2019
Computer equipment, software, and internally developed software	$ 63,400	$ 60,049
Furniture and fixtures	5,022	4,927
Leasehold improvements	15,560	15,839
	83,982	80,815
Less: Accumulated depreciation	(55,278)	(51,018)
Total property and equipment, net	$ 28,704	$ 29,797

Included in the table above are property and equipment of $1.5 million and $1.4 million at March 31, 2020 and December 31, 2019, 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 $4.7 million and $4.9 million for the three months ended March 31, 2020 and 2019, respectively.

Amortization of internal use capitalized software development costs was $3.4 million for each of the three months ended March 31, 2020 and 2019.

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 1.75% 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 March 31, 2020, 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 March 31, 2020, the Company had no outstanding amounts under the Credit Facility and the amount available was $31.9 million, reduced for the letters of credit issued and outstanding under the subfacility of $3.1 million.

7. Commitments and Contingencies

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 was paid by the Company's directors' and officers' liability insurance. On October 15, 2019, the court granted preliminary approval of the proposed settlement, and on January 27, 2020, the court issued a minute order granting final approval to the settlement. As a result, the Milbeck Federal Securities Litigation is resolved. Because the settlement was fully funded by the Company's directors' and officers' liability insurance, the Company removed the settlement liability and offsetting insurance receivable of $28.25 million from its consolidated balance sheet at December 31, 2019.

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. On November 18, 2019, the court entered judgment in favor of the defendants and against the plaintiff, and on December 13, 2019, the plaintiff appealed that judgment. The Company believes that the appeal 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 March 31, 2020 as the Company does not believe a loss is probable or reasonably estimable.

Delaware Consolidated 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 Consolidated 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. On December 19, 2019, the defendants filed motions to dismiss for failure to make a pre-suit demand. 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 March 31, 2020 as the Company does not believe a loss is probable or reasonably estimable.

Lee Derivative Litigation

In December 2019, Sulgi Lee, a purported stockholder, filed a derivative action in the Delaware Court of Chancery 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 complaint named the Company, certain of its then-current and former directors and officers and USAA as defendants. The plaintiff seeks an award of damages against the defendants on the Company's behalf and various alleged corporate governance reforms. On May 5, 2020, the court entered the parties' stipulation to stay this litigation pending the outcome of the motions to dismiss in the Delaware Consolidated Derivative Litigation. 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 March 31, 2020 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 March 31, 2020 as the Company does not believe a loss is probable.

Trademark Litigation

On April 9, 2020, the Company was named as a defendant in a lawsuit filed by Six Star, Inc. ("Six Star") in the U.S. District Court for the Middle District of Florida (the "Trademark Litigation"). The complaint in the Trademark Litigation alleges that the Company's new "BUY SMARTER DRIVE HAPPIER" slogan infringed and diluted Six Star's "BUY SMART BE HAPPY" trademark and included claims of false advertising and deceptive and unfair trade practices. The complaint seeks injunctive relief in addition to certain monetary awards. The Company believes that the complaint is without merit, and intends to vigorously defend itself in this matter. The Company did not record an accrual related to this matter as of March 31, 2020, as the Trademark Litigation was filed after that date.

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 three months ended March 31, 2020 is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
			(in years)
Outstanding at December 31, 2019	10,625,980	$ 11.22	5.2
Granted	1,713,111	2.66	
Exercised	(3,166)	0.83	
Forfeited/expired	(284,405)	12.04	
Outstanding at March 31, 2020	12,051,520	$ 9.99	5.6

At March 31, 2020, total remaining stock-based compensation expense for unvested stock option awards was $12.5 million, which is expected to be recognized over a weighted-average period of 2.4 years. For the three months ended March 31, 2020 and 2019, the Company recorded stock-based compensation expense for stock option awards of $1.6 million and $3.1 million, respectively.

Restricted Stock Units

Activity in connection with restricted stock units is as follows for the three months ended March 31, 2020:

	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested — December 31, 2019	5,890,992	$ 7.96
Granted	5,158,799	2.79
Vested	(523,484)	8.76
Forfeited	(343,173)	8.17
Non-vested — March 31, 2020	10,183,134	$ 5.30

At March 31, 2020, total remaining stock-based compensation expense for non-vested restricted stock units was $50.5 million, which is expected to be recognized over a weighted-average period of 2.6 years. The Company recorded $4.6 million and $5.5 million in stock-based compensation expense for restricted stock units for the three months ended March 31, 2020 and 2019, 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 March 31,	
	2020	2019
Cost of revenue	$ 399	$ 499
Sales and marketing	2,256	3,472
Technology and development	1,280	1,946
General and administrative	2,242	2,718
Total stock-based compensation expense	6,177	8,635
Amount capitalized to internal software use	382	473
Total stock-based compensation cost	$ 6,559	$ 9,108

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 an income tax benefit of $0.4 million and income tax expense of $0.1 million for the three months ended March 31, 2020 and 2019, respectively. For the three months ended March 31, 2020, the $0.4 million tax benefit arose in connection with the impairment of goodwill, resulting in reduction of indefinite-lived deferred tax liabilities.

There were no material changes to the Company's unrecognized tax benefits in the three months ended March 31, 2020, 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.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into U.S. law to provide economic relief to individuals and businesses facing economic hardship as a result of the COVID-19 public health emergency. The CARES Act includes, among other things, provisions relating to payroll tax credits and deferrals, net operating loss carryback periods, alternative minimum tax credits refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act did not impact the Company's results of operations for the three months ended March 31, 2020. The Company will continue to monitor possible future impact of the CARES Act.

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 March 31,	
	2020	**2019**
Net loss	$ (10,669)	$ (14,365)
Weighted-average common shares outstanding	107,024	104,788
Net loss per share - basic and diluted	$ (0.10)	$ (0.14)

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net loss per share at March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,	
	2020	**2019**
Options to purchase common stock	12,052	13,965
Common stock warrants	1,459	1,459
Non-vested restricted stock unit awards	10,183	7,609
Total shares excluded from net loss per share	23,694	23,033

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. In February 2020, the Company entered into a short-term agreement to extend its partnership with USAA Federal Savings Bank ("USAA FSB") to continue to power the USAA Car Buying Service through September 30, 2020. USAA FSB will pay the Company a $20 million transition services fee that will be earned over the term of the agreement. Revenue share from USAA FSB to the Company will remain the same as it was under the previous agreement except that amounts earned after March 1, 2020 will be settled net of the transaction service fee.

The Company had amounts due from USAA included in accounts receivable at March 31, 2020 and December 31, 2019 of $2.9 million and $0.2 million, respectively. In addition, the Company had an amount due to USAA included in accounts payable at March 31, 2020 of $4.5 million. At December 31, 2019, the Company had an amount due to USAA of $7.3 million, of which $6.0 million was included in accounts payable and $1.3 million was included in accrued expenses and other current liabilities. The Company recognized revenue of $1.7 million for the three months ended March 31, 2020 and recorded sales and marketing expense of $2.0 million and $5.5 million for the three months ended March 31, 2020 and 2019, respectively, related to service arrangements entered into with USAA.

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 included in accounts payable at March 31, 2020 and December 31, 2019 of $0.5 million and $0.4 million, respectively. The Company recognized contra-revenue of $0.4 million and $0.2 million and cost of revenue of $0.3 million and $0.1 million for the three months ended March 31, 2020 and 2019, respectively, related to a software and data licensing agreement entered into with Accu-Trade.

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 March 31,	
	2020	2019
Dealer revenue	$ 73,798	$ 76,814
OEM incentives revenue	3,523	4,201
Forecasts, consulting and other revenue	6,205	4,567
Total revenues	$ 83,526	$ 85,582

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 $2.8 million at December 31, 2019 were transferred to accounts receivable during the three months ended March 31, 2020 as vehicle sales occurred, with no significant changes in the estimate. A contract asset of $1.0 million and $2.8 million was recorded as of March 31, 2020 and December 31, 2019, respectively, 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

TrueCar is a leading automotive digital marketplace that enables car buyers to connect to our network of Certified Dealers. We are building the industry’s most personalized and efficient car buying experience as we seek to bring more of the purchasing process online.

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 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 March 31, 2020, we generated revenues of $83.5 million and recorded a net loss of $10.7 million. During the three months ended March 31, 2019, we generated revenues of $85.6 million and recorded a net loss of $14.4 million.

COVID-19 Pandemic

In March 2020, the World Health Organization declared COVID-19, a novel strain of coronavirus, a pandemic, which continues to spread throughout the United States and the world. This has resulted in authorities implementing numerous measures to contain the virus, including quarantines, “shelter-in-place” and “stay-at-home” orders, travel restrictions, and temporary closures of non-essential businesses. We have taken proactive measures to protect the health and safety of our employees and customers by closing our offices, requiring employees to work from home and suspending travel, in-person meetings and visits with our customers. We expect to continue these measures until the pandemic is adequately contained as determined by authorities.

We are monitoring the impact of the pandemic on our business and implementing plans to take appropriate actions to adapt to changing circumstances arising from the pandemic. Specifically, we have launched “Buy from Home” badging as an immediate solution designed to help consumers and dealers safely and remotely navigate car buying in response to social distancing guidelines during COVID-19. Dealers badged with “Buy from Home” on the TrueCar platform offer the following features:

- Remote paperwork processing
- Home vehicle delivery
- Verified vehicle sanitization

Additionally, we are accelerating our investment in digital automotive retailing as we seek to bring more of the purchasing process online to further support the needs of our dealers and consumers during this challenging and changing environment.

Although we have experienced significant disruptions since the outbreak was declared a pandemic, and expect the impact to adversely affect our revenues, we are unable to accurately forecast the impact that COVID-19 will have on our business, results of operations, financial condition and cash flows due to numerous uncertainties, including the severity and duration of the outbreak, actions taken by government authorities, economic uncertainty and the rapidly increasing number of consumers who are unemployed. Refer to Part II, Item 1A, Risk Factors, for additional disclosures of risks related to COVID-19.

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 March 31,	
	2020	2019
Average Monthly Unique Visitors	7,751,696	7,098,849
Units (1)	197,002	232,781
Monetization	$ 392	$ 348
Franchise Dealer Count	11,356	12,675
Independent Dealer Count	4,193	3,854

(1) We issued full credits of the amount originally invoiced with respect to 5,513 and 5,693 units during the three months ended March 31, 2020 and March 31, 2019, 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 increased 9.2% to approximately 7.8 million in the three months ended March 31, 2020 from approximately 7.1 million in the same period of 2019. The increase was primarily due to improvements to our search engine optimization strategy.

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 months ended March 31, 2020 as compared to March 31, 2019, the number of units decreased 15.4% to 197,002 units in the three months ended March 31, 2020 from 232,781 units in the three months ended March 31, 2019. The unit decrease is primarily due to COVID-19, which was declared by the World Health Organization as a pandemic on March 11, 2020. As a result, social distancing was encouraged with many government authorities issuing “shelter-in-place” or “stay-at-home” orders and the closing of non-essential businesses. Until these orders are lifted and unemployment rates decline, we expect total units to continue to decline in the foreseeable future.

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 increased by 12.6% to $392 during the three months ended March 31, 2020 from $348 for the same period of 2019, primarily due to a decline in units as a result of the COVID-19 pandemic prior to concessions provided to certain subscription arrangements that began in April and increases within newer revenue streams. 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. We expect that the effects of the COVID-19 pandemic could impact monetization in the second quarter of 2020 to the extent that the proportional rate concessions we provide to dealers differ from proportional changes in unit volumes during the affected time periods..

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 11,356 at March 31, 2020, a decrease from 12,675 at March 31, 2019, and 12,565 at December 31, 2019. The decline in franchise dealer count was primarily due to the impact of the COVID-19 pandemic as a number of dealers are opting to suspend their marketing spend until stronger consumer demand returns to the market.

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 4,193 at March 31, 2020, an increase from 3,854 at March 31, 2019, and a decrease from 4,395 at December 31, 2019.

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, depreciation and amortization, stock-based compensation, income (loss) from equity method investment, certain litigation costs, certain restructuring costs, certain transaction costs, changes in the fair value of contingent consideration, goodwill impairment 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, changes in the fair value of contingent consideration and goodwill impairment. 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 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 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 non 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 March 31,	
	2020	2019
	(in thousands)	
Reconciliation of Net Loss to Adjusted EBITDA:		
Net loss	$ (10,669)	(14,365)
Non-GAAP adjustments:		
Interest income	(533)	(1,001)
Depreciation and amortization	6,271	6,415
Stock-based compensation	6,177	8,635
Share of net loss of equity method investment	382	—
Certain litigation costs (1)	(1,939)	928
Restructuring charges (2)	—	3,280
Transaction costs (3)	—	1,094
Change in fair value of contingent consideration	75	—
Goodwill impairment (4)	10,187	—
(Benefit from) provision for income taxes	(436)	101
Adjusted EBITDA	$ 9,515	$ 5,087

(1) The excluded amounts relate to legal costs incurred in connection with complaints filed by non-TrueCar dealers against TrueCar and consumer class action lawsuits. For the three months ended March 31, 2020, the excluded amount also includes a $2.0 million payment received from one of our insurance carriers in settlement of a lawsuit we brought in the fourth quarter of 2017 to recover insured legal fees. We believe the exclusion of these costs and recovery 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.

(2) The excluded amounts represent charges associated with a restructuring plan undertaken 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.

(3) 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.

(4) The excluded amount represents a non-cash impairment charge we recognized on our goodwill during the first quarter of 2020.

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

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Reconciliation of Net Loss to Non-GAAP net income (loss):		
Net loss	$ (10,669)	$ (14,365)
Non-GAAP adjustments:		
Stock-based compensation	6,177	8,635
Loss from equity method investment	382	—
Certain litigation costs (1)	(1,939)	928
Restructuring charges (2)	—	3,280
Transaction costs (3)	—	1,094
Change in the fair value of contingent consideration	75	—
Goodwill impairment (4)	10,187	—
Non-GAAP net income (loss) (5)	$ 4,213	$ (428)

(1) The excluded amounts relate to legal costs incurred in connection with complaints filed by non-TrueCar dealers against TrueCar and consumer class action lawsuits. For the three months ended March 31, 2020, the excluded amount also includes a $2.0 million payment received from one of our insurance carriers in settlement of a lawsuit we brought in the fourth quarter of 2017 to recover insured legal fees. We believe the exclusion of these costs and recovery 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.

(2) The excluded amounts represent charges associated with a restructuring plan undertaken 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.

(3) 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 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.

(4) The excluded amount represents a non-cash impairment charge we recognized on our goodwill during the first quarter of 2020.

(5) 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 March 31, 2020 and 2019.

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, 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.

(Benefit from) Provision for 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 March 31, 2020 and December 31, 2019, 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 expense is significantly less than the federal statutory rate of 21%.

For the three months ended March 31, 2020, the $0.4 million tax benefit arose in connection with the impairment of book goodwill, resulting in reduction of indefinite-lived deferred tax liabilities. Our provision for income taxes for three months ended March 31, 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.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into U.S. law to provide economic relief to individuals and businesses facing economic hardship as a result of the COVID-19 public health emergency. The CARES Act includes, among other things, provisions relating to payroll tax credits and deferrals, net operating loss carryback periods, alternative minimum tax credits refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act did not impact our results of operations for the three months ended March 31, 2020. We will continue to the monitor possible future impact of the CARES Act.

Results of Operations

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

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Consolidated Statements of Operations Data:		
Revenues	$ 83,526	$ 85,582
Costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization presented separately below)	7,221	8,936
Sales and marketing	46,575	54,738
Technology and development	12,216	15,654
General and administrative	12,312	15,104
Depreciation and amortization	6,271	6,415
Goodwill impairment	10,187	—
Total costs and operating expenses	94,782	100,847
Loss from operations	(11,256)	(15,265)
Interest income	533	1,001
Loss from equity method investment	(382)	—
Loss before income taxes	(11,105)	(14,264)
(Benefit from) provision for income taxes	(436)	101
Net loss	$ (10,669)	$ (14,365)
Other Non-GAAP Financial Information:		
Adjusted EBITDA	$ 9,515	$ 5,087
Non-GAAP net income (loss)	$ 4,213	$ (428)

Comparison of the Three Months Ended March 31, 2020 and 2019

Revenues

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Dealer revenue	$ 73,798	$ 76,814
OEM incentives revenue	3,523	4,201
Forecasts, consulting and other revenue	6,205	4,567
Total revenues	$ 83,526	$ 85,582

Three months ended March 31, 2020 compared to three months ended March 31, 2019. The decrease in our revenues of $2.1 million, or 2.4%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 reflected a decrease in our dealer revenue and OEM incentives revenue, offset by an increase in forecast, consulting and other revenue. Dealer revenue, OEM incentives revenue, and forecasts, consulting and other revenue comprised 88.4%, 4.2%, and 7.4%, respectively, of revenues for the three months ended March 31, 2020 as compared to 89.8%, 4.9%, and 5.3%, respectively, for the same period in 2019. The decrease of $3.0 million in dealer revenue for the three months ended March 31, 2020 reflected a decrease to our core dealer revenue of $4.7 million primarily due to the impact of the recent outbreak of COVID-19, offset by increases within newer revenue streams of $1.7 million including our Trade product. The decrease of $0.7 million in OEM incentives revenue was primarily due to softness in our existing clients for the three months ended March 31, 2020. These decreases were offset by an increase of $1.6 million in forecasts, consulting and other revenue primarily driven by fees earned related to the USAA transition services agreement for the three months ended March 31, 2020. We expect revenues to be impacted by COVID-19 and will follow similar declining trends in projected automobile sales in the current year. Additionally, any further dealer rate concessions beyond April and May, for subscription arrangements where pay-per-sale or performance-based billing arrangements are not currently available, may further suppress our revenue growth.

Costs and Operating Expenses

Cost of Revenue (exclusive of depreciation and amortization)

	Three Months Ended March 31,	
	2020	2019
	(dollars in thousands)	
Cost of revenue (exclusive of depreciation and amortization)	$ 7,221	$ 8,936
Cost of revenue (exclusive of depreciation and amortization) as a percentage of revenues	8.6 %	10.4 %

Three months ended March 31, 2020 compared to three months ended March 31, 2019. Cost of revenue decreased $1.7 million, or 19.2%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 primarily due to a $0.9 million decrease in salaries and employee-related expenses primarily due to decreased headcount and employee bonuses, a $0.3 million decrease in hosting fees, a $0.2 million decrease in other marketing, a $0.1 million decrease in data and licensing costs, and a $0.1 million decrease in stock-based compensation.

Sales and Marketing Expenses

	Three Months Ended March 31,	
	2020	**2019**
	(dollars in thousands)	
Sales and marketing expenses	$ 46,575	$ 54,738
Sales and marketing expenses as a percentage of revenues	55.8 %	64.0 %

Three months ended March 31, 2020 compared to three months ended March 31, 2019. Sales and marketing expenses decreased $8.2 million, or 14.9%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019. The decrease primarily reflected a $4.0 million decrease in revenue share paid to affinity marketing partners, a $2.3 million decrease in employee-related expenses primarily due to decreased headcount and employee bonuses, a $2.3 million decrease in branded media spend, a $1.2 million decrease in stock-based compensation, and a $0.8 million decrease in travel-related expenses, offset by a $1.2 million increase in creative production costs associated with our company rebrand and a $1.2 million increase in other professional services. For the remainder of 2020, we expect sales and marketing expense to decline year over year as we monitor the impacts of COVID-19 and adjust our sales and marketing spend to efficiently support our business.

Technology and Development Expenses

	Three Months Ended March 31,	
	2020	**2019**
	(dollars in thousands)	
Technology and development expenses	$ 12,216	$ 15,654
Technology and development expenses as a percentage of revenues	14.6 %	18.3 %
Capitalized software costs	$ 3,121	$ 3,097

Three months ended March 31, 2020 compared to three months ended March 31, 2019. Technology and development expenses decreased $3.4 million, or 22.0%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019. The decrease was primarily due to a decrease in employee-related expenses of $2.7 million primarily due to decreased headcount and employee bonuses, and a decrease in stock-based compensation of $0.7 million. For the remainder of 2020, we expect technology and development expenses to decline year over year as we monitor the impacts of COVID-19 and adjust our spending to efficiently support our business.

Capitalized software costs remained flat, primarily due to an increase of $0.1 million in third-party software costs offset by a $0.1 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.

General and Administrative Expenses

	Three Months Ended March 31,	
	2020	2019
	(dollars in thousands)	
General and administrative expenses	$ 12,312	$ 15,104
General and administrative expenses as a percentage of revenues	14.7 %	17.6 %

Three months ended March 31, 2020 compared to three months ended March 31, 2019. General and administrative expenses decreased $2.8 million, or 18.5%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019. The decrease was primarily due to a $3.4 million decrease in legal fees primarily as a result of a $2.0 million payment received from one of our insurance carriers in settlement of a lawsuit we brought during the fourth quarter of 2017 to recover insured legal fees, a $0.5 million decrease in stock-based compensation and a $0.6 million decrease in other professional fees, offset by a $1.9 million increase in bad debt expense driven by an increase in our allowance for doubtful accounts due in part to the impact of COVID-19, and 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. For the remainder of 2020, we expect general and administrative expenses to decline year over year as we monitor the impacts of COVID-19 and control costs and expenses to efficiently support our business.

Depreciation and Amortization Expenses

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Depreciation and amortization expenses	$ 6,271	$ 6,415

Three months ended March 31, 2020 compared to three months ended March 31, 2019. Depreciation and amortization expenses decreased $0.1 million, or 2.2%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 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.

Goodwill Impairment

For the three months ended March 31, 2020, we recognized a non-cash goodwill impairment charge in the amount of $10.2 million, which represents the amount that the carrying value of our single reporting unit was in excess of its estimated fair value at March 31, 2020. For further details, see Note 4 to our condensed consolidated financial statements included herein.

(Benefit from) Provision for Income Taxes

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
(Benefit from) provision for income taxes	$ (436)	$ 101

Our benefit from income taxes for the three months ended March 31, 2020 arose in connection with the impairment of goodwill, resulting in reduction of indefinite-lived deferred tax liabilities. Our provision for income taxes for the three months ended March 31, 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.

Liquidity and Capital Resources

At March 31, 2020, our principal sources of liquidity were cash and cash equivalents totaling $182.9 million.

We have incurred cumulative losses of $442.7 million from our operations through March 31, 2020, and expect to incur additional losses in the future. We are continuously monitoring our liquidity and anticipated capital requirements in light of the significant uncertainty created by the COVID-19 pandemic. 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 timing and extent of our spending to support our technology and development efforts, costs related to potential acquisitions to further expand our business and product offerings, collection of accounts receivable, macroeconomic activity, and the length and severity of business disruptions associated with the COVID-19 pandemic. 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 March 31, 2020. The amount available under the amended credit facility at March 31, 2020 was $31.9 million, reduced for the letters of credit issued and outstanding under the subfacility of $3.1 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:

	Three Months Ended March 31,	
	2020	**2019**
Consolidated Cash Flow Data:	**(in thousands)**	
Net cash provided by operating activities	$ 5,550	$ 7,581
Net cash used in investing activities	(3,505)	(26,079)
Net cash (used in) provided by financing activities	(724)	2,268
Net increase (decrease) in cash and cash equivalents	$ 1,321	$ (16,230)

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 three months ended March 31, 2020 was $5.6 million. This was primarily due to our net loss of $10.7 million, adjusted for non-cash items, including goodwill impairment of $10.2 million, depreciation and amortization expense of $6.3 million, stock-based compensation expense of $6.2 million, amortization of lease right-of-use assets of $1.5 million, loss from equity method investment of $0.4 million, deferred income taxes of $0.4 million, increase in fair value of contingent consideration liability of $0.1 million and bad debt expense of $2.2 million, and a decrease of $10.2 million related to changes in operating assets and liabilities.

The $10.2 million decrease related to changes in operating assets and liabilities primarily reflected a decrease in accrued expenses and other current liabilities of $6.5 million and a decrease in accounts payable of $3.7 million, both primarily related to decreased accrued marketing spend and marketing fees payable to our affinity group partners and advertisers, a decrease in accrued employee expenses of $3.2 million primarily due to a decrease in accrued bonus, and a decrease in operating lease liabilities of $2.0 million. These uses of cash were partially offset by a decrease in accounts receivable of $2.5 million, a decrease in other current assets of $2.0 million mainly due to a decrease in contract assets, and a decrease in prepaid expenses of $0.9 million primarily related to insurance and marketing fees.

Cash provided by operating activities for the three months ended March 31, 2019 was $7.6 million. This was primarily due to our net loss of $14.4 million, adjusted for non-cash items, including stock-based compensation expense of $8.6 million, depreciation and amortization expense of $6.4 million, amortization of lease right-of-use assets of $1.5 million, bad debt expense of $0.4 million, deferred income taxes of $0.1 million and an increase in fair value contingent consideration of $0.1 million, and an increase of $4.9 million related to changes in operating assets and liabilities.

The $4.9 million increase related to changes in operating assets and liabilities primarily reflected a decrease in accounts receivable of $9.0 million primarily related to the timing of billings to and payments from OEMs and an increase in accrued expenses and other current liabilities of $5.5 million primarily related to increased accrued marketing fees and outsourced services. These sources of cash were partially offset by a decrease in accounts payable of $5.6 million primarily related to decreased accrued marketing spend and marketing fees payable to our affinity group partners and advertisers, an increase in other current assets of $3.5 million primarily related to an increase in insurance-related receivables, and a decrease in operating lease liabilities of $1.4 million.

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 $3.5 million for the three months ended March 31, 2020 resulted primarily from $3.1 million of investments in software and $0.4 million of investments in computer hardware.

Cash used in investing activities of $26.1 million for the three months ended March 31, 2019 resulted from a $23.2 million equity method investment as well as $2.7 million of investments in software and $0.2 million of investments in computer hardware.

Financing Activities

Cash used in financing activities of $0.7 million for the three months ended March 31, 2020 was primarily due to taxes paid for the net share settlement of certain equity awards.

Cash provided by financing activities of $2.3 million for the three months ended March 31, 2019 reflects $2.8 million of proceeds from the exercise of stock options reduced by taxes paid for the net share settlement of certain equity awards of $0.5 million.

Contractual Obligations and Known Future Cash Requirements

There were no significant changes to our contractual obligations and known future cash requirements for the three months ended March 31, 2020.

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 February 28, 2020.

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. Throughout the second half of 2019 and through the first quarter of 2020, our stock price experienced high volatility, causing a decline in our enterprise market capitalization. During the first quarter of 2020, as a result of the recent global economic disruption and uncertainty due to the COVID-19 pandemic, along with our announcement that we had entered into a short-term agreement to extend our partnership with USAA Federal Savings Bank to continue to power the USAA Car Buying Service through September 30, 2020, we concluded a triggering event had occurred. In light of these two factors, we performed an interim impairment test as of March 31, 2020, in which we estimated the fair value of our single reporting unit by utilizing an income approach which uses a discounted cash flow ("DCF") analysis. We have previously used an implied market value approach. Given the current high degree of market volatility and lack of reliable market data as of March 31, 2020, we determined that a DCF model (income approach) provided the best approximation of fair value. Determining fair value requires the exercise of significant assumptions and judgments, including the amount and timing of expected future cash flows, long-term growth rates and the discount rate. Based on the results of the interim impairment test, we concluded that the carrying value of our reporting unit is greater than the fair value and, accordingly, recognized a non-cash impairment charge of $10.2 million for the three months ended March 31, 2020. If the pandemic's economic impact is more severe, or if the economic recovery takes longer to materialize or does not materialize as strongly as anticipated, this could result in further goodwill impairment charges.

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 $182.9 million at March 31, 2020, 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 March 31, 2020, 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 March 31, 2020. 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 March 31, 2020, 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.

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 the Coronavirus Pandemic

The ongoing coronavirus pandemic and the responses to it by governments, organizations and individuals have disrupted all facets of daily life around the globe in unprecedented ways that have materially negatively affected our business. We cannot predict how long or how severely our business will be disrupted by the pandemic or by its lingering effects.

In late 2019, a novel strain of the coronavirus surfaced and quickly began to spread across the globe. On March 11, 2020, the World Health Organization declared the outbreak to be a pandemic. Beginning in January 2020 and accelerating throughout the first quarter, governments around the world began taking extraordinary and unprecedented measures to slow the spread of the virus. These measures have included, among other things, orders requiring so-called “non-essential” businesses to close and individuals to “shelter at home.” Even where not required by applicable governmental authorities, individuals and organizations have been voluntarily canceling and scaling down social and commercial activities to protect themselves and their members from infection.

These responses to the pandemic have caused unparalleled damage to the global economy and have negatively affected, and continue to negatively affect, our business, growth, financial condition, results of operations and cash flows in a number of ways. Most directly, a number of states and local governments have taken steps that have prohibited or curtailed the sale of automobiles during the pandemic. In some jurisdictions, shelter-at-home orders, or other orders related to the pandemic, impede car sales. On top of these legal restrictions, the economic uncertainty and the rapidly increasing number of consumers who are unemployed, as well as the decrease in consumers’ willingness to make discretionary trips outside of the home, have decreased the demand for cars.

Cumulatively, these factors have resulted in a drastic reduction in the number of cars bought by our users from our dealers. In the first quarter of 2020, for example, our units declined by 15% over the same period in 2019. This has had a number of negative effects. First, the reduction in units directly translates into lowered revenue from our pay-per-sale dealers. Second, we have taken costly steps to support our subscription dealers, including by allowing some of them to switch to pay-per-sale dealers (which generally reduces our fees from the prenegotiated subscription rate during pandemic conditions), and halving the subscription rates on our April and May invoices for other subscription dealers. Third, the nationwide decline in car sales has caused many dealers to suspend or cancel their participation in our network. Through March 31, 2020, we processed approximately 1,100 suspensions or cancellations that we believe to be primarily attributable to the pandemic. Finally, the combination of the pandemic-related deterioration in our dealers’ financial condition and our efforts to support them in these difficult times has caused a material reduction in our ability to collect accounts receivable in a timely manner that could persist for the duration of the pandemic.

Although we have taken steps to protect the viability of our business in these difficult times, including by reducing employee-related expenses, canceling much of our discretionary marketing spending and launching a “buy from home” program to promote our dealers who adhere to certain criteria, we cannot assure you that these steps, or other steps that we take in the future, will be sufficient to preserve our business if the pandemic and aggressive governmental measures to combat its spread continue.

The coronavirus pandemic could result in long-lasting changes to consumer and dealer behavior and the macroeconomic environment that persist even after its conclusion, and any of those changes could harm our business.

Considerable uncertainty surrounds the governmental, economic and societal conditions that will prevail when the coronavirus pandemic abates. We cannot predict or prepare for every eventuality, and our business could suffer if consumer or dealer behavior or the macroeconomic environment do not return to pre-pandemic conditions. For example, if the economy remains weak and consumer demand for cars remains low after the pandemic, our revenues and results of operations would remain negatively affected. Further, if dealers continue to demand the lower third-party marketing expenses that currently prevail during the pandemic, we could have difficulty raising our revenue per dealer to earlier levels and our revenues and results of operations would similarly be negatively affected. Likewise, if dealers who suspended or canceled their participation in our network during the pandemic decline to return to the network afterward, our business would be negatively affected.

Finally, we may be unable to offer new products and services, or retool or otherwise update our existing products and services, in a way that responds to consumers' and dealers' changing preferences and expectations. For example, if consumers become accustomed to contactless purchases and we are not able to successfully support and expand our "buy from home" program or similar programs, we may not be able to return our units and revenues to unaffected levels and our business would be harmed.

The loss of a critical mass of dealers, either nationally or in any given geographic area, could deprive us of the data we need to populate our TrueCar Curve and used-car inventory count, either of which could negatively affect our business.

Financial hardship arising from the coronavirus pandemic has resulted in many of our dealers canceling or suspending their participation in our network. As the pandemic continues to cause disruption, additional dealers may cancel or suspend their participation in our network. As discussed in more detail under the risk factor below: "*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*," we depend on data provided by our dealers to populate our TrueCar Curve, among other aspects of our user experience. If a critical mass of dealers nationally, or in any given geographic area, cancels or suspends their participation in our network, we may be unable to provide the TrueCar Curve, or other aspects of our user experience, to users in the affected areas, or the quality of the information or user experience could deteriorate in those areas.

Additionally, because the majority of our organic traffic from search engines originates from used-car-related search terms, and our ranking for those terms is heavily influenced by inventory levels, the loss of a critical mass of dealers in any given geographic area could also cause a loss of used-car inventory that diminishes our organic search traffic and therefore our monthly unique visitors. For example, a decrease in relevant inventory would result in a decrease in pages that are available for search-engine indexation and a greater probability that a user leaves our pages early, which is generally a negative signal for ranking algorithms. For more information on the reliance of our business on search-engine results, refer to the risk factor below: "*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*."

While we do not believe that we have to date lost a critical mass of dealers in any geographic area as a result of the coronavirus pandemic, dealer cancellations and suspensions to date have been disproportionately concentrated in California and the Northeastern United States. If we do lose a critical mass of dealers nationally or in any geographic area, our business, reputation and results of operations would be negatively affected.

We have transitioned all of our employees to work-from-home status for the duration of the coronavirus pandemic, which has made it more difficult to provide services to our dealers and could result in decreased employee productivity and increased cybersecurity risk.

In mid-March 2020, we transitioned all of our employees to mandatory work-from-home status to reduce the risk of transmission of the coronavirus in accordance with the recommendations of relevant governmental authorities. Although the majority of our employees are capable of performing their duties remotely, the nature of certain of our employees' roles prevents or hinders them from doing so. In particular, many members of our dealer sales and service team have had their ability to perform their responsibilities sharply curtailed by the remote-working requirement, which may negatively affect dealers' experience on our platform. It is too early to assess the impact of this development, but if we are not able to mitigate the resulting reduction in productivity, it is likely to negatively affect our results of operations.

Further, our new remote-working policy could pose other, unknown risks. For example, even though most of our employees are capable of working from home, we cannot assure you that overall productivity will not suffer as a result of the new arrangement, and remote working carries additional potential cybersecurity risks. These risks include the heightened potential for hacking and other security beaches of telecommunications services in light of the increased use of those services, including services provided by Zoom Video Communications, Inc., which is one of our video conferencing providers. Further, greater reliance on remote communication methods and the inability to communicate in person with our information technology professionals could increase the incidence, or likelihood of success, of phishing attacks and other related cybersecurity incidents. If these or any other risks associated with remote working come to pass, our business would be negatively affected.

The coronavirus pandemic has disrupted our marketing strategy in a number of ways, and if we are unable to mitigate the effects of this disruption, our business would be harmed.

As discussed in greater detail earlier in this Risk Factors section, many states, including California, have issued orders requiring the closure of non-essential businesses, and we have required all of our employees to work remotely. As a result, we have not been able to film video assets for our advertising materials and expect to continue to be unable to do so for the duration of the coronavirus pandemic, which could reduce the quality of our future marketing campaigns. Moreover, our inability to predict the extent or duration of the pandemic or what the world will look like upon its conclusion heightens the difficulty inherent in planning long-term marketing campaigns

Similarly, we cannot predict whether, and if so, how, the ideal mix of marketing channels will change during and after the pandemic. For example, if we shift too much television spend toward social-media spend, our brand awareness and organic traffic could be negatively affected. We have also experienced increased consumer sensitivity to our marketing, including criticism that we should not encourage or facilitate the purchase of cars during the pandemic. If our marketing does not strike the right tone and consumers perceive it as insensitive or opportunistic, our brand could likewise suffer.

In light of the many uncertainties during the pandemic, and given the need for rapid flexibility in our business and its product and services offerings, we may be unable to devote as much time as we have in the past to researching and testing our marketing campaigns. This factor, and any of the others described above, could make our marketing costlier and less effective, which could harm our brand and negatively affect our business and our cash flows and results of operations.

The coronavirus pandemic could result in the adoption of laws or regulations that adversely affect U.S. businesses in general or our business in particular.

The global economic and societal disruption caused by the coronavirus pandemic have prompted sweeping governmental responses worldwide. For example, on March 27, 2020, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act, also referred to as the CARES Act. This legislation, which provided for over $2 trillion of emergency spending, was unprecedented in size and the rapidity with which it passed through the legislative process. Shortly thereafter, the Federal Reserve announced an emergency lending package of approximately $2.3 trillion. Similarly, foreign nations and the states have been swiftly passing emergency measures, through executive orders, legislation and court decisions. Further, as the damage caused by the pandemic unfolds, governmental entities, including Congress, continue to debate taking further legislative, regulatory and other actions.

Although we did not materially benefit from the provisions of the CARES Act or the Federal Reserve’s emergency lending facilities, we cannot predict the content or timing of future governmental actions prompted by the pandemic and therefore cannot guarantee you that they will not harm our business, either directly or indirectly by adversely affecting the economic environment. In addition, it is possible that future legislation or other governmental action could impose restrictions on us or expand the eligibility for existing programs in a manner that enables us to benefit from them, subject to restrictions that could limit our ability to run our business in the best interests of our stockholders. Further, any such future legislation or other action could contain other provisions, for example relating to taxation or privacy, that adversely affect our business or impose additional compliance costs. Finally, increased budget deficits resulting from the emergency legislation could result in higher taxes (or the elimination of tax benefits) that would negatively affect our business.

Given the unprecedented nature of the coronavirus pandemic and the extraordinary uncertainty that it occasions, we have had difficulty and may continue to have difficulty forecasting our operational and financial performance, which could negatively affect our business.

As noted earlier in this “Risk Factors” section, the coronavirus pandemic is unparalleled in modern history and has occasioned considerable uncertainty. Neither the pandemic, nor the governmental, societal and individual responses thereto, have any precedents to guide our expectations and forecasts about their future course. As a result, we have had, and expect during the duration of the pandemic, if not longer, to continue to have, increased difficulty in forecasting our operational and financial performance and the effect of macroeconomic conditions on our business. For example, in March 2020, we withdrew our full-year 2020 financial guidance as a result of this uncertainty and do not intend to provide further guidance until the effects of the pandemic abate or become more predictable. In addition to heightening the uncertainty surrounding any financial guidance that we do provide, this increased difficulty forecasting could also negatively affect our ability to prioritize and execute operational and strategic initiatives, plan appropriately for the financial and operational needs of our business and participate in financial or strategic transactions. Any of these factors could negatively affect our business.

If a member of our management team or our board of directors contracts the coronavirus, he or she could be temporarily or permanently unable to continue contributing to us and our business could be adversely affected.

The novel coronavirus is highly infectious and sometimes causes a dangerous respiratory disease referred to as COVID-19, which has a substantial morbidity rate, particularly among older patients and those with preexisting medical conditions. If any member of our management team or our board of directors contracts COVID-19, he or she could be temporarily or permanently unable to continue performing his or her duties. In many cases, the executive’s or the director’s experience would be difficult to replace, particularly on short notice. Given the abnormally challenging conditions that the pandemic creates, even a temporary disruption in our executives’ or directors’ ability to focus their efforts on our business could harm our business.

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, 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. Additionally, as noted earlier in this “Risk Factors” section, many of our dealers have canceled or suspended their participation in our network as a result of the coronavirus pandemic. 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 2019, approximately 34% 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 increases 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 March 31, 2020 our franchise dealer count was 11,356.

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, or CNCDA, 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 subject to 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, including in response to the coronavirus pandemic and associated changes in consumer and dealer behavior and preferences;
- 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 vehicle and 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 or quantity 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 a fee per vehicle sold to our users introduced to them through our platform. The quality and quantity of these leads are important variables in the success of our business and depend on many factors, including the attractiveness of our car-buying experience, the efficiency of the algorithm that matches our users with TrueCar Certified Dealers and consumers' loyalty to our brand or to that of the partner through which they were introduced to the Auto Buying Program, among others. If our lead quality or quantity decline, 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 or quantity 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. Further, the wind-down and subsequent termination of our affinity partnership with USAA is likely to materially decrease our lead quantity and could adversely affect our aggregate lead quality. Moreover, we cannot predict how the coronavirus pandemic will affect our lead quantity and quality. Negative developments in these metrics, 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.

The wind-down and termination of our partnership with the United Services Automobile Association, or USAA, is likely to adversely affect our business.

The largest source of user traffic and unit sales from our affinity group marketing partners in 2019 came from the site we maintain for USAA. In 2019, 293,142 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 maintained for USAA (before responsibility for the partnership was transferred from USAA to its banking subsidiary, USAA Federal Savings Bank, or USAA FSB, in February 2020). As such, the number of units purchased using the USAA car-buying site has a significant influence on our operating results. We define units as the number of cars 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. USAA is also a large stockholder, and as of March 31, 2020, USAA beneficially owned 9,042,992 shares, which represented 8.4% of our outstanding common stock.

Our affinity group marketing agreement with USAA reached the end of its term on February 13, 2020, and in February 2020, USAA notified us that it intended to end our affinity partnership. Effective February 14, 2020, we entered into a transition services agreement with USAA pursuant to which it will continue offering its members an auto-buying program through September 30, 2020, after which there will be a subsequent 120-day wind-down period to permit us to continue to serve USAA members who already began the car-buying process through USAA FSB's auto-buying program up to then. Although the transition services agreement does not increase the revenue share amounts that we pay USAA FSB, and requires USAA FSB to pay us an aggregate transition services fee of $20 million, the termination of our affinity partnership with USAA FSB is likely to have a material adverse effect on our business, revenue, operating results and prospects. Additionally, USAA FSB has terminated all paid advertising of its auto-buying program, which has negatively affected the traffic to our USAA channel, and recently implemented site changes that make it clearer to most of its members who interact with its auto-buying program that they are interacting with a third-party website operated by us. Those changes, and any future changes before or during the wind-down period, could further adversely affect the volume of user traffic we receive from USAA FSB.

The transition services agreement provides us with a seven and one-half month period to continue operating the auto-buying program for USAA FSB. We cannot assure you that we will be able to wind down our partnership with USAA FSB during this period in a manner that minimizes disruption to our business and to our users. Further, we could be unable to effectively mitigate the long-term negative financial effect of the termination of that partnership. Additionally, while USAA FSB is required to use commercially reasonable efforts to support its auto-buying program in a manner materially consistent with the manner in which it did so before the transition, this obligation is subject to the parties' wind-down negotiations and to whether USAA determines that those efforts violate laws applicable to it or are contrary to instructions from its regulators. Changes in how USAA FSB supports our platform, subvenes its members' borrowing costs, mitigates banking or insurance regulatory risk or modifies its auto-buying site and its user experience could further adversely affect the volume of user traffic we receive from USAA FSB and the close rate of that traffic.

If we are unable to timely mitigate the adverse effects of the transition and eventual termination of our relationship with USAA FSB, our business, revenues, results of operations and cash flows could be materially negatively affected.

We recently allowed our users to require dealers who wish to communicate with them other than by email to communicate by text message rather than by calling. If consumers or dealers do not see value in this new functionality, or if it results in privacy concerns, our business could be negatively affected.

In April 2020, we began to allow our users to choose how dealers contact them other than by email, whether both by telephone and by text message or only by text message. We believe that this change will be beneficial to both consumers and dealers, but we cannot assure you that consumers and dealers will perceive this to be the case. For the reasons discussed earlier in this "Risk Factors" section, if dealers perceive text-message connections to be less valuable, or if the introduction of this new option results in dealers selling fewer cars to our users, our business, results of operations and cash flows could be negatively affected.

Additionally, we use a third-party vendor to facilitate text message communications between our users and dealers, and we have access to those communications. If our company, or our third-party vendor, is perceived to violate our dealers' or users' privacy in connection with those communications, or any law or regulation that applies to those communications, our reputation and business could be harmed. For more information on this type of risk, 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.*"

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 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 service, and in March 2020, after nine months of service as in an interim capacity, the Board appointed Michael Darrow as our chief executive officer. As a result of this turnover, our remaining management team took on increased responsibilities, which could divert attention from key business areas, and certain 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 attention from the board and management needed to fill the vacant roles could disrupt our business. If we are unable to successfully identify and attract adequate replacements for vacancies in our management roles in a timely manner, 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 has resulted, and may continue 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. Our stock price has recently experienced substantial volatility, which has negatively affected the value of our stock-based incentive awards and may impact the extent to which our stock-based compensation is viewed as a valuable benefit. Moreover, in response to the financial disruption caused by the coronavirus pandemic, we have reduced executive base salaries, eliminated employee bonuses for the first half of 2020 and imposed a company-wide moratorium on raises and promotions, and may be required to take additional actions to reduce headcount cost before the pandemic abates. If we are not able to mitigate the impact of these adverse effects on our compensation program, or if our total compensation packages are not considered competitive, our ability to attract, retain and motivate executives and key employees could be weakened. 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 $353.9 million in 2019. However, our rate of revenue growth declined from 2017 to 2018 and, in light of the effects of the coronavirus pandemic and the winding down of our partnership with USAA, is likely in the near future to 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 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 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.

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 a 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 $442.7 million at March 31, 2020 and we experienced a net loss of $10.7 million in the three months ended March 31, 2020. 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 and 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 cannot predict whether we will be able to maintain or grow our business. 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, 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 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 cars 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 cars purchased by our users have historically been 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 car-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.

For example, in February 2020, USAA notified us that it intended to end our affinity partnership, and we entered into a transition services agreement with USAA pursuant to which it will cease offering its members an automobile buying program effective October 1, 2020. USAA accounted for a material share of our units and revenues and this termination is likely to have a materially adverse effect on our business, operating results and prospects. For more information on the wind-down and termination of our affinity partnership with USAA, refer to the risk factor above: "*The wind-down and termination of our partnership with the United Services Automobile Association, or USAA, is likely to adversely affect our business*."

Additional such 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 that 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.*"

Further, the disruption occasioned by the coronavirus pandemic could cause our average net monetization per unit to fall if the proportional discounts we provide to dealers on subscription-based billing arrangements on average exceed the proportional decrease in their units, or if dealers insist on lower subscription rates. For more information on the impact of the coronavirus pandemic on our business, refer to the risk factor above: "*The coronavirus pandemic and governments', organizations and individuals' responses to it have disrupted all facets of daily life around the globe in unprecedented ways that have materially negatively affected our business. We cannot predict the amount of time that it will take for the pandemic to run its course or the extent to which our business will be disrupted before it does*." Because our revenue sharing arrangements with our affinity partners are typically tied to our average net monetization, a decrease in this metric would negatively affect the per-unit revenues that those partners receive from their partnership with us. As a result, a material decrease in our average net monetization could result in any of the adverse actions by affinity partners referred to above.

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 it 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.

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 three months ended March 31, 2020 and 2019, respectively, we derived approximately 4.2% and 4.9% 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 potential 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, 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 entered into a 10-year commercial partnership with Accu-Trade in 2019. 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. For example, as a result of the closures of departments of motor vehicles across the United States and other disruptions caused by the coronavirus pandemic, Accu-Trade has in the past temporarily stopped guaranteeing its vehicle valuations, during which time we converted our "True Cash Offers" to "True Cash Estimates," and we cannot assure you that it will not do so again.

Further, the TrueCar Trade product is a relatively new offering. If we are not able to increase the number of dealers who offer the TrueCar Trade product, 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, and we expect to continue to advertise in support of our rebranding initiative. For more information on this initiative, see the risk factor below: "*If consumers and dealers do not accept our new branding, our financial performance and our ability to grow unique visitor traffic and expand our dealer network could be negatively affected*." We incurred expenses of $46.6 million and $54.7 million on sales and marketing during the three months ended March 31, 2020 and 2019, respectively.

Our business model relies on our ability to continue 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, when we discontinue our broad marketing campaigns or elect to reduce our sales and marketing costs to decrease our losses, as we have done in response to the coronavirus pandemic, our ability to acquire consumers and dealers and grow our revenues is adversely affected. 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. Changes in how USAA FSB promotes and markets the car-buying site we maintain for it 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, and USAA recently discontinued paid advertising of our platform, which adversely affected the volume of traffic to the platform. Should one or more of our 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 maintain or 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, and may not be sufficient to replace the revenue that we have historically derived from our partnership with USAA during or after its wind down. Furthermore, these investments may not decrease as a percentage of revenue if our business grows. In particular, we may continue to make substantial 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 have the effect of maintaining or increasing 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 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 asserted 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. After the trial and appellate courts rejected the plaintiff's motion for class certification, he voluntarily dismissed the remainder of his case, meaning that the California Consumer Class Action is currently resolved.

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.

State Insurance Regulatory Laws

In addition, the advertising and sale of automobile insurance is highly regulated by the states in which we do business. Although we do not sell insurance, certain of our affinity partners may sell insurance to the public in general, and to our users in particular. Further, we may from time to time enter into arrangements with other partners pursuant to which we receive fees based in whole or in part on the volume of our users who choose to interact with those partners. We cannot guarantee you that state regulatory authorities or third parties will not take the position that some of the regulations applicable to insurance brokers or to the manner in which insurance products are advertised or sold generally apply to our platforms or business. If our products or services are determined to fall within the scope of those laws or regulations, we or our partners may be forced to implement new measures, which could be costly, to reduce our or their exposure to those obligations, including the discontinuation of certain products or services in affected jurisdictions. Additionally, if our products or services are determined not to comply with relevant regulatory requirements, we or our partners 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. Even without a determination that our products or services fall within the scope of those laws or regulations or do not comply their requirements, if any of our current or prospective affinity or other partners is uncertain about the applicability of those laws and regulations to our business, those partners may terminate or curtail their business with us, or we could have difficulty attracting new partners, which would adversely affect our future growth. Any or all of these adverse effects could result in substantial negative publicity, 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. 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.

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.

Federal and State Privacy Laws

We are subject to a variety of federal and state laws and regulations that relate to privacy, data protection and personal information, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation and enforcement of these laws and regulations are often uncertain, and may be interpreted and applied inconsistently from jurisdiction to jurisdiction and inconsistently with our current practices and policies. For example, legislative or regulatory actions affecting the manner in which we display content to our users, use or share information or obtain consent to use or share information could adversely affect the manner in which we provide our services or adversely affect our financial results. For more information concerning these and other similar potential actions, 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*."

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 on January 27, 2020, the court issued a minute order granting final approval to the settlement. As a result, the Milbeck Federal Securities Litigation is currently resolved and we do not anticipate a loss related to this matter, because the settlement was covered by our directors' and officers' liability insurance. 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 or adverse changes in our dealer network, 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. On November 18, 2019, the court entered judgment in favor of the defendants and against the plaintiff, and on December 13, 2019, the plaintiff appealed that judgment. We believe that the appeal 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 Consolidated 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 Consolidated 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. On December 19, 2019, we filed motions to dismiss for failure to make a pre-suit demand and failure to state a claim. 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.

Lee Derivative Litigation

In December 2019, Sulgi Lee, a purported stockholder, filed a derivative action in the Delaware Court of Chancery 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, which we refer to as the Lee Derivative Litigation. The complaint named us, certain of our then-current and former directors and officers and USAA as defendants. The plaintiff seeks an award of damages against the defendants on our behalf and various alleged corporate governance reforms. On May 5, 2020, the court entered the parties' stipulation to stay the Lee Derivative Litigation pending the outcome of the motions to dismiss in the Delaware Consolidated Derivative Litigation. 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, the Lee 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.

Trademark Litigation

In April 2020, we were named as a defendant in a lawsuit filed by Six Star, Inc. in the U.S. District Court for the Middle District of Florida. The complaint alleges that our new "BUY SMARTER DRIVE HAPPIER" slogan infringed and diluted Six Star's "BUY SMART BE HAPPY" trademark and included claims of false advertising and deceptive and unfair trade practices. The complaint seeks injunctive relief in addition to certain monetary awards. 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.

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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;
- online automobile retailers such as Carvana and Vroom;
- 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. Moreover, 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. Further, 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 have in the past undertaken and may in the future pursue acquisitions, divestitures, investments and other similar transactions, 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 if we do not manage them successfully or if acquired entities or investments fail to perform as expected, our financial results, business and prospects could be harmed.

In pursuing our business strategy, we routinely discuss and evaluate potential acquisitions, divestitures, investments and other similar transactions. For example, we may seek to expand or complement our existing products and services through the acquisition of or investment in attractive businesses and technologies rather than through internal development, such as our acquisition of DealerScience in 2018 and our investment in Accu-Trade in 2019. Similarly, from time to time we evaluate whether a divestiture or other transaction would be in the best interests of our stockholders.

These transactions require significant management time and resources and have the potential to divert our attention from our ongoing business, and we may not manage them successfully. Our ability to do so is unproven. We may be required to make substantial investments of resources to support these transactions, and we cannot assure you that they 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 these transactions include:

- diversion of management time and focus from operating our business;
- additional operating losses and expenses of other businesses;
- integration of acquisitions, including coordination of technology, research and development and sales and marketing functions;
- transition of the other business's users to our website and mobile applications;
- retention of employees from an acquired business, or separation of employees from a divested business;
- cultural and other challenges associated with integrating employees from an acquired business into our organization;
- integration of an acquired business's accounting, management information, human resources, legal and other administrative systems, or extrication of such systems from a divested business;
- the need to implement or improve controls, procedures and policies at a business that prior to the transaction may have lacked effective controls, procedures and policies;
- potential write-offs of intangibles or other assets acquired in acquisitions or similar transactions, or write-downs of investments, that may have an adverse effect our operating results in a given period;
- the risks associated with the businesses, products or technologies in question, which may differ from or be more significant than the risks our business faces;
- the risks associated with obtaining necessary regulatory approval for a transaction;
- liability for the activities, products or services of the business, 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 in question, 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 transactions could cause us to fail to realize the anticipated benefits of those transactions, cause us to incur unanticipated liabilities and harm our business generally. Future transactions 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 transaction 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, and remanded to the FCC for further action. The FCC has not yet taken formal action in response to the court's remand. 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.

If consumers and dealers do not accept our new branding, our financial performance and our ability to grow unique visitor traffic and expand our dealer network could be negatively affected.

In January 2020, we launched a rebranding campaign that included a change in our logo and extensive advertising and promotional activity. We expect to invest substantial amounts in advertising, supplies and capital, and changed exterior and interior signing. We also cannot be certain that we will recover the costs we will incur in the course of the rebranding campaign or that it will improve our brand recognition. If consumers and dealers do not accept our new branding, our sales, performance and consumer and dealer relationships could be adversely affected.

Moreover, following our rebranding, 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, even if the rebranding initiative is successful.

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 and our TrueCar Trade, TrueCar Reach and Sponsored Listings products, 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 $8.4 million in license fees and revenue share costs. We incurred $0.8 million in such license fees and revenue share costs in the three months ended March 31, 2020.

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.

Further, 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 currently 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 completed a long-term replatforming of our technology platform in 2018 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, in January 2020, we introduced a new consumer experience that allows our users more control over the dealers to which their contact information is provided and the specific information so provided. 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, and we expect the coronavirus pandemic to have a similarly negative effect. For more information on the effect of the coronavirus pandemic on the macroeconomic environment and, as a result, on our business, refer to the section above entitled “Risks Related to the Coronavirus Pandemic.”

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.

Additionally, we are not able to monetize a transaction in which a manufacturer sells an automobile directly to a consumer without the involvement of a TrueCar Certified Dealer, as Tesla does. If this practice becomes more widespread and we are not able to adjust, including in response to changing consumer demands during and after the coronavirus pandemic, our business, growth, operating results, financial condition and prospects could be adversely affected.

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 reflect 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 the overall growth of our business, but we expect that in the future our revenues may be affected more by these seasonal trends, except to the extent that they are disrupted by greater macroeconomic events, such as those caused by the coronavirus pandemic. 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, including increased volatility due to the economic disruption caused by the coronavirus pandemic, 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 enacted, data protection legislation. For example, California recently enacted the California Consumer Privacy Act of 2018, which we refer to as the California Privacy Act. The California Privacy Act, which took effect on January 1, 2020 but contains a "lookback" to January 1, 2019, imposes 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 it further amended on February 9, 2020 and March 11, 2020. The California Privacy Act provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The California Privacy Act and regulations promulgated thereunder may increase our compliance costs and potential liability. Modifications to our data processing practices and policies, products and consumer experience that we have made to comply with the California Privacy Act and similar legislation, or that we may be required to make in the future as a result of the continuing changes to the requirements under that legislation or similar future legislation, may materially negatively impact 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, the CAN-SPAM Act of 2003 and the Pallone-Thune Telephone Robocall Abuse Criminal Enforcement and Deterrence Act of 2019, 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. 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 grow, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to satisfy consumers' and dealers' needs. It is possible that we may not effectively scale and grow our technical infrastructure to accommodate any 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, dealers, partners and revenue. The level of service provided by Amazon Web Services or similar providers may also impact our customers', 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.

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.

From time to time, we 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. For example, in April 2020, a Florida dealer sued us claiming that our new "BUY SMARTER DRIVE HAPPIER" slogan, which is featured in the majority of our marketing materials, infringed its "BUY SMART BE HAPPY" trademark. If this litigation is decided adversely to us, we could be required to change our slogan and replace the marketing materials in which it is featured, which would be costly and could damage our brand. For more information on this litigation, refer to the risk factor above: "*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.*"

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 other laws 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.

The impairment of our goodwill, intangible or other long-lived assets or investments would require us to record a non-cash charge to earnings, which could materially and adversely affect our results of operations.

We had goodwill and intangible assets of $63.1 million at March 31, 2020. 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. For example, in the first quarter of 2020, in light of the recent global economic disruption and uncertainty surrounding the COVID-19 pandemic and the announcement of the upcoming termination of our affinity partnership with USAA FSB, we performed an interim quantitative impairment test as of March 31, 2020, which concluded that the carrying value of our single reporting unit was greater than its fair value. Accordingly, we recognized a non-cash impairment charge of $10.2 million for the three months ended March 31, 2020.

We cannot guarantee you that in future periods we will not be required to recognize additional impairment charges, whether in our goodwill or other intangible assets, nor that we will be able to avoid a significant charge to earnings in our consolidated financial statements during the period in which an impairment is determined to exist. As a result, 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 intangible assets. 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.

Further, 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 $415.1 million and state net operating loss carryforwards of approximately $242.5 million at December 31, 2019. These federal and state net operating loss carryforwards begin to expire in the years ending December 31, 2025 and 2020, 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, 2019, 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. We experienced a cumulative ownership change in 2019. This ownership change could have materially impaired the Company’s ability to utilize its net operating losses and tax credits. Upon receipt of certain additional information from investors, the Company will determine the amount of potential limitation. Any decrease in deferred tax assets associated with these tax attributes would be fully offset by a corresponding decrease in our valuation allowance, with no net tax provision impact.

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 decided *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 the *Wayfair* decision has not had 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.

Natural disasters, public health crises, political crises and other catastrophic events or other events outside of our control could damage our facilities or the facilities of third parties on which we depend, and could impact consumer spending.

Our corporate headquarters, a majority of our employees and many of our essential business operations are located in the Los Angeles area, near major geologic faults that have experienced earthquakes in the past. An earthquake or other natural disaster or power shortage or outage could disrupt operations or impair critical systems. Any of these disruptions or other events outside of our control could affect our business negatively, harming our operating results. In addition, if any of our facilities or the facilities of our third-party service providers, dealers or partners is affected by natural disasters, such as earthquakes, tsunamis, wildfires, power shortages, floods, public health crises (such as pandemics and epidemics), political crises (such as terrorism, war, political instability or other conflict) or other events outside our control, including a cyberattack, our critical business or IT systems could be destroyed or disrupted and our ability to conduct normal business operations and our revenues and operating results could be adversely affected. Moreover, these types of events could negatively impact consumer spending in the impacted regions or, depending upon the severity, globally, which could adversely impact our operating results. For more information on the effect of the coronavirus pandemic on our business, refer to the section above entitled “Risks Related to the Coronavirus Pandemic.”

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.

Although we have currently withdrawn our financial guidance as a result of the uncertainties precipitated by the coronavirus pandemic, we have in the past provided and may in the future provide guidance about our business and future operating results as part of our press releases, investor conference calls or otherwise. In developing any such 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 our 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 March 31, 2020, 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 60% 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 three months ended March 31, 2020, the trading price of our common stock fluctuated from a low of $2.15 per share to a high of $4.92 per share. For the fiscal year ended December 31, 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. 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, divestitures, investments or other similar transactions involving 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 macroeconomic conditions and the growth rate of our markets and the impact of the coronavirus pandemic on these conditions and 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, including those precipitated by the coronavirus pandemic, 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 March 31, 2020, approximately 107.2 million shares of our common stock were outstanding. In addition, as of March 31, 2020, there were 12.1 million shares underlying options and 10.2 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.

Although the 2017 Registration Statement has expired and we have deregistered the unsold shares thereunder, we may file a subsequent registration statement with the SEC, after which 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. If we do so, 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 March 31, 2020 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, for example because we have withdrawn and temporarily ceased providing financial guidance during the coronavirus pandemic, 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	Amended and Restated Certificate of Incorporation of the Registrant.	S-1/A File No. 333-195036	3.2	5/5/2014
3.2	Amended and Restated Bylaws of the Registrant.	S-1/A File No. 333-195036	3.4	5/5/2014
10.1#	Employment Agreement, dated as of March 9, 2020, by and between the Registrant and Michael Darrow.	8-K	10.1	3/10/2020
10.2#	Form of Performance-Based Restricted Stock Unit Award Agreement.	Filed herewith		
10.3#	Form of Retention RSU Award Agreement	Filed herewith		
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
32.1(1)	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith		
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	Filed herewith		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		
104	Cover Page Interactive Data File (formatted as Inline XRBL with applicable taxonomy extension information contained in Exhibit 101)	Filed herewith		

# 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:	May 8, 2020	By:	/s/ Michael Darrow
			Michael Darrow
			President & Chief Executive Officer
			(Principal Executive Officer)
Date:	May 8, 2020	By:	/s/ Noel B. Watson
			Noel B. Watson
			Chief Financial Officer & Chief Accounting Officer
			(Principal Financial Officer & Principal Accounting Officer)

TRUECAR, INC.
2014 EQUITY INCENTIVE PLAN
PERFORMANCE UNIT AWARD AGREEMENT

NOTICE OF GRANT OF PERFORMANCE-BASED RESTRICTED STOCK UNITS
(“PERFORMANCE UNITS”)

Unless otherwise defined herein, the terms defined in the TrueCar, Inc. 2014 Equity Incentive Plan (the “***Plan***”) shall have the same defined meanings in this Performance Unit Award Agreement, including the Notice of Grant of Performance-Based Restricted Stock Units (the “***Notice of Grant***”), the Terms and Conditions of Performance Unit Grant, and any appendices and exhibits attached thereto (all together, the “***Award Agreement***”).

Name (“Participant”):
Address:

The undersigned Participant has been granted an Award of Performance-Based Restricted Stock Units, which are referred to as “Performance Units” in this Award Agreement.

Date of Grant: March 16, 2020

Target Number of Performance Units: [__]
Maximum Number of Performance Units: [__]

Vesting Schedule: The number of Performance Units subject to the Award that may vest will be determined as specified in the Performance Unit Award Determination, Vesting and Issuance Criteria attached as Attachment I to this Notice of Grant (the “***Vesting and Issuance Criteria***”). The Target Number of Performance Units represent the number of Performance Units that would vest if the Participant satisfies the service vesting conditions set forth in the Vesting and Issuance Criteria and the Company achieves exactly 100% of the Company’s target performance goal specified in the Vesting and Issuance Criteria. In no event will more than the Maximum Number of Performance Units vest. Except as provided in Section 10 of the Vesting and Issuance Criteria, the terms of this Award Agreement supersede any employment agreement, including but not limited to the Employment Agreement dated [__] by and between Participant and the Company, and any amendments thereto or restatements thereof (together, the “***Employment Agreement***”), or other individual agreement between the Participant and the Company and any generally applicable severance or change-in-control plan, policy, or practice, whether written or unwritten, of the Company to the extent that such agreement, plan, policy or practice provides for vesting acceleration of equity awards, such that the terms of the Award Agreement constitutes the entire agreement between the Company and Participant with respect to the Award. Except to the extent otherwise specified in the Vesting and Issuance Criteria, in the event Participant ceases to be a Service Provider for any or no reason before Participant vests in the Performance Units, the Performance Units and Participant’s right to acquire any Shares hereunder will immediately terminate.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award Agreement subject to all of the terms and provisions thereof, except as explicitly set forth in this Award Agreement. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of this Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT **TRUECAR, INC.**

_______ ___
Signature By

_______ John Foster
Print Name Print Name

EVP, Chief People Officer
Title

Attachment I

Performance Unit Award Determination, Vesting and Issuance Criteria

The number of Performance Units that may vest will be determined in accordance with the following criteria. Certain capitalized terms used herein have the meanings set forth in Section 11 of this Attachment I (the "***Vesting and Issuance Criteria***").

1. <u>Company Performance Criteria and Performance Period</u>:

The number of Performance Units that may vest will be determined by reference to the Company's relative total shareholder return defined as its compound annual growth rate ("***CAGR***") over a three-year performance period from March 16, 2020 through March 15, 2023 (or if March 15, 2023 is not a trading day, ending on the immediately preceding trading date) (the "***Performance Period***" and the last day of the Performance Period, the "***Performance & Service Period End Date***") as measured versus the CAGR performance of the Russell 2000 Total Return Index (RUTTR) (collectively, the "***Index Companies***" and each an "***Index Company***") during the Performance Period.

2. <u>Company Performance and Eligible Vesting Levels:</u>

The number of Performance Units, if any, that become eligible to vest will determined by reference to the Company CAGR performance level as a percentage of the CAGR of the Index Companies during the Performance Period, rounded to the nearest whole percentage, as indicated in the chart below, with linear interpolation between the designated performance levels:

Company CAGR	**% of Target Number of Performance Units Eligible to Vest**
50% or less of CAGR of Index Companies	0%
51% of CAGR of Index Companies	2%
75% of CAGR of Index Companies	50%
100% of CAGR of Index Companies	100%
125% or more of CAGR of Index Companies	150%

The maximum number of Performance Units that may vest is 150% of the Target Number of Performance Units set forth in the Notice of Grant. By way of further explanation of the above chart, if the Company's CAGR is exactly equal to 100% of the CAGR of the Index Companies during the Performance Period, 100% of the Target Number of Performance Units are eligible vest. For each percentage that the Company's CAGR exceeds the CAGR of the Index Companies during the Performance Period, rounded to the nearest whole percentage, an additional 2% of the Target Number of Performance Units are eligible to vest. (up to a maximum of 150% of the Target Number of Performance Units) For every percentage that the Company's CAGR is below the CAGR of the Index Companies during the Performance Period, rounded to the nearest whole percentage, 2% of the Target Number of Performance Units will not be eligible to vest, such that none of the Performance Units are eligible to vest if the Company's CAGR equals 50% or less of the CAGR of the Index Companies during the Performance Period.

3. CAGR Calculation Criteria:

"***CAGR***" as applied to the Company and the Index Companies means the compound annual growth in stock price from the beginning to the end of the Performance Period calculated as provided below, plus dividends and distributions made or declared (assuming such dividends or distributions are reinvested in the common stock of the Company or applicable Index Company) during the Performance Period, expressed as a percentage return. For purposes of computing CAGR, the stock price at the beginning of the Performance Period will be deemed to be equal to the average trading price during the 20 consecutive trading day period ending on and inclusive of March 16, 2020, and the stock price at the end of the Performance Period will be deemed to be equal to the average trading price during the 20 consecutive trading day period ending on and inclusive of the Performance & Service Period End Date, adjusted for stock splits or similar changes in capital structure.

4. Service Requirement. Except as specifically provided in Sections 7 and 8 below, the Participant must remain a Service Provider through the Performance & Service Period End Date in order for any Performance Units to vest.

5. Award Determination. As soon as practicable upon the Performance & Service Period End Date or within the 90-day period thereafter, the Committee will determine the applicable number of Performance Units that will vest based on the applicable percentile level of the Company's CAGR during the Performance Period as measured versus the CAGR of the Index Companies during the Performance Period, and such determination will be final and binding on the Participant. The date of the Committee's determination is the "***Determination Date***." In all instances, if a Change in Control Transaction occurs on or following the Performance & Service Period End Date, the Determination Date must occur prior to such Change in Control Transaction. Any Performance Units that are not determined to vest on the Determination Date will immediately terminate and be forfeited on the Determination Date.

6. Share Issuance. Except as specifically provided below, Shares will be issued in respect of the number of Performance Units determined to have vested on the Determination Date as soon as practicable within the 30-day period following the Determination Date, and in all cases during the 2023 calendar year. Upon any separation from service upon which Participant does not, pursuant to the terms hereof, remain eligible to vest in some or all of the Performance Units, those Performance Units in which Participant is no longer eligible to vest will immediately terminate and be forfeited.

7. Effect of Qualifying Termination and Retirement; Death or Disability; Change in Change in Control Transaction; Termination on or after Performance & Service Period End Date.

(a) Pro-Rata Vesting Upon Qualifying Termination or Retirement Preceding Performance & Service Period End Date. Subject to Section 7(b) below, in the event of a Qualifying Termination or Retirement of the Participant, in each case, prior to the Performance

& Service Period End Date and subject to the Release Requirement, the number of Performance Units that will be eligible to vest on the Determination Date will be a pro-rata portion of the number of Performance Units that would have vested had the Participant remained a Service Provider through the Performance & Service Period End Date. Such pro-rata portion will be determined by taking the number of Performance Units, if any, that would have vested based on the actual applicable percentile level of the Company's CAGR achieved during the Performance Period had the Participant remained a Service Provider through the Performance & Service Period End Date (the "***Default Number of Units***") and multiplying it by the percentage determined by taking the number of days the Participant was a Service Provider from and including the first day of the Performance Period through and including the date of such Qualifying Termination or Retirement, as applicable, and dividing such number by the total number of days in the Performance Period. The resulting number of pro-rata Performance Units, if any, will be rounded down to the nearest whole number of Performance Units. If Participant returns to Service Provider status after such Qualifying Termination or Retirement, Participant will not be credited for any days of service following the original Qualifying Termination or Retirement, as applicable, for purposes of calculating the pro-ration hereunder. Shares will be issued in respect of the pro-rata number of the Performance Units that vest on the Determination Date, if any, during the 30-day period following the Determination Date, and in all cases during 2023 calendar year. Any Performance Units that do not vest on the Determination Date will immediately terminate and be forfeited on the Determination Date.

(b) Impact of Qualifying Termination or Retirement Followed By Change in Control Transaction. Notwithstanding anything in the Plan to the contrary, the first two paragraphs of Section 14(c) of the Plan will not apply to this Award. In the event a Qualifying Termination or Retirement is followed by a Change in Control Transaction that precedes the Performance & Service Period End Date, then, subject to the Release Requirement, the number of Performance Units that will vest upon the Change in Control Transaction will be determined on a pro-rata basis as calculated in Section 7(a) above, except that the Change in Control Transaction Determined Units (as defined in Section 8(a)) will be substituted for the Default Number of Units. Any Performance Units that do not vest in connection with the Change in Control Transaction will immediately terminate and be forfeited. Shares will be issued in respect of the pro-rata number of the Performance Units that vest upon the Change in Control Transaction in accordance with this Section 7(b), if any, upon the Change in Control Transaction or during the 60-day period following the Change in Control Transaction; provided, however, that in the event the acquiring, surviving or continuing entity will not assume, continue or substitute the Award in the Change in Control Transaction, immediately prior to the Change in Control Transaction. In no event will Participant have the ability to determine the calendar year of any such issuance.

(c) Impact of Death or Disability. Upon the Participant's termination due to Participant's death or Disability that occurs prior to the Performance & Service Period End Date and prior to any Change in Control Transaction, the Award shall immediately vest with respect to the Target Number of Performance Units upon the Participant's termination due to death or Disability, and any Performance Units that do not vest upon such termination due to death or Disability will immediately terminate and be forfeited on such date. Shares will be issued in settlement of the number of Performance Units that vest pursuant to the prior sentence within sixty (60) days following the date of the Participant's death or Disability, as applicable. In no event will Participant (or the Participant's estate or beneficiaries) have the ability to determine the calendar year of any such issuance.

(d) Terminations Following the Performance & Service Period End Date. Upon the Participant's termination for any reason that occurs on or after the Performance & Service Period End Date (with no Change in Control Transaction occurring before the Performance & Service Period End Date) but before the Determination Date, the number of Performance Units that vest will be determined as provided in Section 5 and such Shares, if any, will vest on the Determination Date and will be issued to the Participant within the 30-day period following such Determination Date as provided in Section 6.

8. <u>Impact of Change in Control Transaction Preceding the Performance & Service Period End Date</u>. Notwithstanding anything in the Plan to the contrary, the first two paragraphs of Section 14(c) of the Plan will not apply to this Award.

(a) Measurement of Performance. In the event of a Change in Control Transaction that occurs before the Performance & Service Period End Date, the number of Performance Units that may potentially vest will be determined immediately prior to the Change in Control Transaction based upon the Company's CAGR performance as measured versus the Index Companies' CAGR performance during the portion of the Performance Period that precedes the effective date of the Change in Control Transaction (the "***CIC Achievement Level***"). For purposes of such determination, the Company's ending stock price will be the sale price of the Shares in the Change in Control Transaction and the ending stock price of the Index Companies will be the average price of a share of common stock of the Index Companies over the 20 consecutive trading days ending on and inclusive of the effective date of the Change in Control Transaction. For avoidance of doubt, this provision is intended to result in determination of a number of Performance Units that may potentially vest that will correspond to the CIC Achievement Level, without Committee determination (such CIC Achievement Level determined number of Performance Units are the "***Change in Control Transaction Determined Units***"). Any Performance Units that do not vest or become eligible to vest based upon the CIC Achievement Level will immediately terminate and be forfeited upon the Change in Control Transaction.

(b) Post-Change in Control Transaction Continued Service Condition. In the event of a Change in Control Transaction that precedes the Performance & Service Period End Date where the acquiring, surviving or continuing entity assumes, continues or substitutes the Award on substantially the same terms and conditions as in effect prior to the Change in Control Transaction, with respect to any Participant who has not terminated in a Qualifying Termination prior to the Change in Control Transaction, the Participant must remain a Service Provider through the Performance & Service Period End Date in order for the Change in Control Transaction Determined Units to vest (the "***Change in Control Transaction Continued Service Requirement***"), and the Change in Control Transaction Determined Units (less any Performance Units that have previously vested upon Participant's becoming Retirement Eligible in accordance with Section 8(d)) shall vest upon, and Shares will be issued in settlement of such Change in Control Transaction Determined Units within sixty (60) days following, the Performance & Service Period End Date. For the avoidance of doubt, in connection with any such assumption, continuation or substitution, the Change in Control Transaction Determined Units are automatically converted into a time-based vesting award and the Company CAGR performance goals shall no longer apply.

(c) Qualifying Termination Following a Change in Control Transaction. Notwithstanding the foregoing, if there is a Change in Control Transaction that precedes the Performance & Service Period End Date, then, subject to the Release Requirement, in the event of Participant's Qualifying Termination upon or following the Change in Control Transaction and prior to the Performance & Service Period End Date, the Change in Control Transaction Continued Service Requirement will be waived and the Change in Control Transaction Determined Units (less any Performance Units that previously have vested upon Participant's becoming Retirement Eligible in accordance with Section 8(d)) will immediately vest on the date of such termination. Except as provided under Section 8(f)), Shares will be issued in settlement of the Change in Control Transaction Determined Units, if any, within sixty (60) days following the date of the Participant's Qualifying Termination. In no event will Participant (or the Participant's estate or beneficiaries) have the ability to determine the calendar year of any such issuance. Any Performance Units that do not vest in connection with such Qualifying Termination will immediately terminate and be forfeited.

(d) Retirement Eligibility Following a Change in Control Transaction. Further, subject to Section 8(f) below, if there is a Change in Control Transaction that precedes the Performance & Service Period End Date, Participant is a Service Provider as of the date of the Change of Control Transaction, and (x) is Retirement Eligible as of the date of the Change in Control Transaction, or (y) first becomes Retirement Eligible following the Change in Control Transaction but prior to the Performance & Service Period End Date, the Change in Control Transaction Continued Service Requirement will be partially waived such that the "Retirement Eligibility Units" (as defined below) shall vest on, and shares will be issued in settlement thereof, within sixty (60) days following, (i) if Participant is Retirement Eligible at the time of the Change in Control Transaction, the date of the Change in Control Transaction, or (ii) if Participant first becomes Retirement Eligible following the date of the Change in Control Transaction, the date on which Participant first becomes Retirement Eligible. In no event will Participant have the ability to determine the calendar year of any such issuance. "***Retirement Eligibility Units***" means the number of Performance Units, rounded down to the nearest whole number of Performance Units, determined by taking the Change in Control Transaction Determined Units and multiplying it by (x) if Participant is Retirement Eligible at the time of the Change in Control Transaction, the percentage determined by taking the number of days the Participant was a Service Provider from and including the first day of the Performance Period through and including the date of the Change in Control Transaction, as applicable, and dividing such number by the total number of days in the Performance Period, or (y) if Participant first becomes Retirement Eligible following the date of the Change in Control Transaction, the percentage determined by taking the number of days the Participant was a Service Provider from and including the first day of the Performance Period through and including the date Participant first becomes Retirement Eligible, and dividing such number by the total number of days in the Performance Period. Any Change in Control Determined Units that do not vest upon a Change in Control Transaction or upon later Retirement Eligibility under this Section 8(d) will remain outstanding and eligible to vest under the remaining provisions of this Award Agreement and shall terminate and forfeit in accordance with such remaining provisions. In the event that Participant incurs a Qualifying Termination or terminates due to death or Disability, in either case, on the same date as the pro-rata vesting under this Section 8(d) otherwise would occur, this Section 8(d) shall not apply, and Participant shall not vest in the Retirement Eligibility Units pursuant this Section 8(d) but instead shall vest, if at all, under the applicably Qualifying Termination-related acceleration of vesting provisions herein.

(e) Impact of Death or Disability Following a Change in Control Transaction. Additionally, if the Participant terminates due to Participant's death or Disability upon or at any time following the Change in Control Transaction and prior to the Performance & Service Period End Date, the Change in Control Transaction Continued Service Requirement will be waived and the Change in Control Transaction Determined Units (less any Performance Units that previously have vested upon Participant's becoming Retirement Eligible in accordance with Section 8(d)) will immediately vest on the date of such termination. Except as provided under Section 8(f)) will immediately vest on the date of such termination and Shares will be issued in settlement of the Change in Control Transaction Determined Units, if any, within sixty (60) days following the date of the Participant's termination due to Participant's death or Disability. In no event will Participant (or the Participant's estate or beneficiaries) have the ability to determine the calendar year of any such issuance.

(f) Non-Assumption of Award by Buyer. In the event of a Change in Control Transaction where the acquiring, surviving or continuing entity will not assume, continue or substitute the Award on substantially the same terms and conditions as in effect prior to the Change in Control Transaction, and provided that Participant is a Service Provider as of immediately prior to such Change in Control Transaction, the Change in Control Transaction Determined Units will vest immediately prior to the Change in Control Transaction and the Shares will be issued in settlement of the vested Change in Control Transaction Determined Units immediately prior to the Change in Control Transaction.

9. <u>Application of Section 409A</u>. The Award is intended to be exempt from the requirements of Section 409A of the Code, or if not so exempt, to otherwise comply with the requirements of Section 409A of the Code, so that none of the Performance Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted consistent with this intent. To that end, the provisions of Section 4(c) of the "*Terms and Conditions of Performance Unit Grant*" of this Award Agreement specifically apply.

10. <u>Section 280G</u>. Notwithstanding anything herein to the contrary, the Section of the Employment Agreement entitled "Limitation on Payments" shall apply to this Award. If the Employment Agreement is amended or restated, any successor provision to the "Limitation on Payments" section shall apply.

11. <u>Definitions</u>. For purposes of this Award, the following definitions shall apply:

(a) *"**Cause**"* means: (i) Participant's failure to perform his assigned duties responsibilities as an employee (other than a failure resulting from Participant's Disability) after written notice thereof from the Company describing Participant's failure to perform such duties or responsibilities; (ii) Participant engaging in any act of dishonesty, fraud or misrepresentation with respect to the Company; (iii) Participant's violation of any federal or state law or regulation applicable to the business of the Company or its affiliates; (iv) Participant's breach of any confidentiality agreement or invention assignment agreement (including, but not limited to, the Confidential Information Agreement) between Participant and the Company (or any affiliate of the Company); or (v) Participant being convicted of, or entering a plea of nolo contendere to, any crime. For purposes of clarity, Participant's termination of employment due to death or Disability is not, by itself, deemed to be a termination by the Company other than for Cause or a resignation for Good Reason.

(b) "***Change in Control Transaction***" means a Change in Control, as such term is defined in the Plan, that occurs on or after the Date of Grant.

(c) "***Disability***" means Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Company employees. In all cases, determination of "Disability" shall be made consistent with the requirements of Section 409A.

(d) "***Good Reason***" means Participant's resignation within thirty (30) days following the expiration of any Company cure period (discussed below) following the occurrence of one or more of the following, without Participant's consent: (i) a material reduction in Participant's base salary which reduction is not applicable to a majority of the Company's senior management, provided that any material reduction in Participant's base salary for which there is a substitution with compensation and benefits that, in the aggregate, are substantially equivalent in value to the reduction in Participant's base salary, will not constitute "Good Reason"; (ii) a material reduction of Participant's authority, duties or responsibilities, unless Participant is provided with a comparable position; provided, however, that a reduction in authority, duties, or responsibilities primarily by virtue of the Company being acquired and made part of a larger entity whether as a subsidiary, business unit or otherwise (as, for example, when an officer of the Company retains such title following an acquisition where the Company becomes a wholly owned subsidiary of the acquirer, but is not made an officer of the acquiring corporation) will not constitute "Good Reason"; or (iii) a material change in the geographic location of Participant's primary work facility or location; provided, that a relocation of fifty (50) miles or less from Participant's then present location or to Participant's home as his primary work location will not be considered a material change in geographic location. In order for an event to qualify as Good Reason, Participant must not terminate employment with the Company without first providing the Company with written notice of the acts or omissions constituting the grounds for "Good Reason" within ninety (90) days of the initial existence of the grounds for "Good Reason" and a reasonable cure period of not less than thirty (30) days following the date of such notice, and such grounds must not have been cured during such time. Any resignation for Good Reason must occur within two (2) years of the initial existence of the acts or omissions constituting the grounds for "Good Reason".

(e) ***"Qualifying Termination"*** means (i) the Participant's termination by the Company without Cause, or (ii) the Participant's resignation for Good Reason.

(f) *“Release Requirement”* means the Participant’s provision to the Company following termination as a Service Provider of an executed waiver and general release of claims in a form reasonably acceptable to the Company (the “***Release***”) no later than 45 days following such termination, and such Release becoming effective in accordance with its terms no later than 54 days following such termination.

(g) *“Retirement”* means the Participant’s voluntary termination other than for Good Reason on or after becoming Retirement Eligible.

(h) *“Retirement Eligible”* means, as of a given date that occurs on or after May 15, 2022, the Participant is a current Service Provider and (i) the Participant is then at least age 65, and (ii) the Participant has continuously served as a Service Provider for not less than five years (measured back from, and inclusive of, the given date of determination).

(g) *“Separation from Service”* means the Participant’s “separation from service” for purposes of Section 409A of the Code.

TRUECAR, INC.
2014 EQUITY INCENTIVE PLAN
PERFORMANCE UNIT AWARD AGREEMENT

TERMS AND CONDITIONS OF PERFORMANCE UNIT GRANT

1. Grant of Performance Units. The Company hereby grants to the individual (the "***Participant***") named in the Notice of Grant of Performance Units of this Award Agreement (the "***Notice of Grant***") under the Plan an Award of Performance Units, subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Award Agreement, the terms and conditions of the Plan shall prevail.

2. Company's Obligation to Pay. Each Performance Unit represents the right to receive a Share on the date it vests. Unless and until the Performance Units will have vested in the manner set forth in Section 3 or 4, Participant will have no right to payment of any such Performance Units. Prior to actual payment of any vested Performance Units, such Performance Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. The Performance Units awarded by this Award Agreement will vest as specified in the Vesting and Issuance Criteria.

4. Payment after Vesting.

(a) General Rule. Subject to Section 7, any Performance Units that vest will be paid to Participant (or in the event of Participant's death, to his or her properly designated beneficiary or estate) in whole Shares. Subject to the provisions of Section 4(b) and 4(c), such vested Performance Units shall be paid in whole Shares as specified in the Vesting and Issuance Criteria. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of payment of any Performance Units payable under this Award Agreement.

(b) Acceleration.

(i) Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Performance Units at any time, subject to the terms of the Plan. If so accelerated, such Performance Units will be considered as having vested as of the date specified by the Administrator. If Participant is a U.S. taxpayer, the payment of Shares vesting pursuant to this Section 4(b) shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Award Agreement only by direct and specific reference to such sentence.

(ii) Notwithstanding anything in the Plan or this Award Agreement or any other agreement (whether entered into before, on or after the Date of Grant), if the vesting of the balance, or some lesser portion of the balance, of the Performance Units accelerates in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to Participant's death, and if (x) Participant is a U.S. taxpayer and a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Performance Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Performance Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless Participant dies following his or her termination as a Service Provider, in which case, the Performance Units will be paid in Shares to Participant's estate as soon as practicable following his or her death.

(c) Section 409A. It is the intent of this Award Agreement that it and all payments and benefits to U.S. taxpayers hereunder be exempt from the requirements of Section 409A, or if not so exempt, to otherwise comply with the requirements of Section 409A, so that none of the Performance Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms in this Award Agreement will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). To that end, and notwithstanding anything in the Award Agreement or in the Plan to the contrary, subject to Section 4(b)(ii) of these "*Terms and Conditions of Performance Unit Grant*" of this Award Agreement, payment in the form of issuance of Shares in settlement of any vested portion of the Award will be made as provided in the Vesting and Issuance Criteria of this Award Agreement and in all cases by March 15 of the calendar year following the calendar year in which occurs the first date on which the applicable Performance Units are no longer subject to a substantial risk of forfeiture for purposes of Section 409A. In no event will the Company or any Service Recipient (as defined below) have any liability or obligation to reimburse, indemnify or hold harmless Participant for any taxes or costs that may be imposed on or incurred by Participant as a result of Section 409A. Subject to Section 23 of these "*Terms and Conditions of Performance Unit Grant*" of this Award Agreement, Participant and the Company agree to work together in good faith to consider amendments to this Award Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Payment under Section 409A. For purposes of this Award Agreement, "***Section 409A***" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Tax Consequences. Participant has reviewed with his or her own tax advisors the U.S. federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Tax Obligations

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "***Employer***") or Parent or Subsidiary to which Participant is providing services (together, the Company, Employer and/or Parent or Subsidiary to which the Participant is providing services, the "***Service Recipient***"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Performance Units, including, without limitation, (a) all federal, state, and local taxes (including the Participant's Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company or the Employer or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (b) the Participant's and, to the extent required by the Company (or Service Recipient), the Company's (or Service Recipient's) fringe benefit tax liability, if any, associated with the grant, vesting, or exercise of the Performance Units or sale of Shares, and (c) any other Company (or Service Recipient) taxes the responsibility for which the Participant has, or has agreed to bear, with respect to the Performance Units (or exercise thereof or issuance of Shares thereunder) (collectively, the "***Tax Obligations***"), is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (i) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Performance Units, including, but not limited to, the grant, vesting or settlement of the Performance Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Performance Units to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the Company and/or the Service Recipient (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares.

(b) Tax Withholding. When Shares are issued as payment for vested Performance Units, Participant generally will recognize immediate U.S. taxable income if Participant is a U.S. taxpayer. If Participant is a non-U.S. taxpayer, Participant will be subject to applicable taxes in his or her jurisdiction. Pursuant to such procedures as the Administrator may specify from time to time, the Company and/or Service Recipient shall withhold the amount required to be withheld for the payment of Tax Obligations, whether arising at the time of vesting, delivery of Shares, or whenever otherwise due. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Tax Obligations, in whole or in part (without limitation), if permissible by applicable local law, by (a) paying cash, (b) electing to have the Company withhold otherwise deliverable

Shares having a Fair Market Value equal to the amount of such Tax Obligations, (c) withholding the amount of such Tax Obligations from Participant's wages or other cash compensation paid to Participant by the company and/or the Service Recipient, (d) delivering to the Company already vested and owned Shares having a Fair Market Value equal to such Tax Obligations, or (e) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount of the Tax Obligations. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Tax Obligations by reducing the number of Shares otherwise deliverable to Participant and, until determined otherwise by the Company, this will be the method by which such Tax Obligations are satisfied. Further, if Participant is subject to tax in more than one jurisdiction between the Date of Grant and a date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or the Service Recipient (and/or former employer, as applicable) may be required to withhold or account for tax in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of such Tax Obligations hereunder at the time any applicable Performance Units otherwise are scheduled to vest, Participant will permanently forfeit such Performance Units and any right to receive Shares thereunder and the Performance Units will be returned to the Company at no cost to the Company. Participant acknowledges and agrees that the Company may refuse to deliver the Shares if such Tax Obligations are not delivered at the time they are due.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Prior to the date that Shares are issued to the Participant in settlement of any vested Performance Units, the Participant does not have the right to vote such Shares that may be issued in respect of the Performance Units or receive any dividends in respect of such Shares, and no dividend equivalents will be credited to the Performance Units. After any issuance of Shares in settlement of vested Performance Units, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE PERFORMANCE UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS PERFORMANCE UNIT AWARD OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE

RECIPIENT) TO TERMINATE PARTICIPANT’S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

11. Nature of Grant. In accepting the grant, Participant acknowledges, understands and agrees that:

(a) the grant of the Performance Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Units, or benefits in lieu of Performance Units, even if Performance Units have been granted in the past;

(b) all decisions with respect to future Performance Units or other grants, if any, will be at the sole discretion of the Company;

(c) Participant is voluntarily participating in the Plan;

(d) the Performance Units and the Shares subject to the Performance Units are not intended to replace any pension rights or compensation;

(e) the Performance Units and the Shares subject to the Performance Units, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(f) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted;

(g) for purposes of the Performance Units, Participant’s status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and whether or not later to be found invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant’s employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, Participant’s right to vest in the Performance Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant’s period of service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant’s employment or service agreement, if any, unless

Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Performance Units grant (including whether Participant may still be considered to be providing services while on a leave of absence);

(h) unless otherwise provided in the Plan or by the Company in its discretion, the Performance Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Performance Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(i) the following provisions apply only if Participant is providing services outside the United States:

(i) the Performance Units and the Shares subject to the Performance Units are not part of normal or expected compensation or salary for any purpose;

(ii) Participant acknowledges and agrees that none of the Company, the Employer or any Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Performance Units or of any amounts due to Participant pursuant to the settlement of the Performance Units or the subsequent sale of any Shares acquired upon settlement; and

(iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Units resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Performance Units to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Company, any Parent or Subsidiary or the Service Recipient, waives his or her ability, if any, to bring any such claim, and releases the Company, any Parent or Subsidiary and the Service Recipient from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

12. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. Data Privacy. Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement and any other Performance Unit grant materials by and among, as applicable, the Employer, or other Service Recipient the Company and any Parent or

Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Performance Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("***Data***"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data will be transferred to a stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her status as a Service Provider and career with the Service Recipient will not be adversely affected; the only adverse consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Performance Units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

14. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at TrueCar, Inc., 120 Broadway, 2nd Floor, Santa Monica, CA 90401, or at such other address as the Company may hereafter designate in writing.

15. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Performance Units awarded under the Plan or future Performance Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

16. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

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

18. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Award Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of the Performance Units as the Administrator may establish from time to time for reasons of administrative convenience.

19. Language. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

20. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Performance Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

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

22. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Performance Units under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

23. Modifications to the Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Performance Units.

24. Governing Law; Venue; Severability. This Award Agreement and the Performance Units are governed by the internal substantive laws, but not the choice of law rules, of California. For purposes of litigating any dispute that arises under these Performance Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of Los Angeles County, California, or the federal courts for the United States for the Central District of California, and no other courts, where this Award Agreement is made and/or to be performed. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Award Agreement shall continue in full force and effect.

25. Recovery. This Award and any shares issued in settlement of this Award are subject to recoupment in accordance with the Company’s Incentive Compensation Recoupment Policy, any clawback policy adopted pursuant to the listing standards of any national securities exchange or association on which the Company’s securities are listed or is otherwise adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for “good reason” or “constructive termination” (or similar term) under any plan of or agreement, including but not limited to the Employment Agreement, with the Company.

26. Entire Agreement. The Plan is incorporated herein by reference. The Plan and this Award Agreement (including the appendices and exhibits referenced herein) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

27. Country Addendum. Notwithstanding any provisions in this Award Agreement, the Performance Unit grant shall be subject to any special terms and conditions set forth in the appendix (if any) to this Award Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Country Addendum (if any), the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Award Agreement.

[TrueCar Logo]

ATTACHMENT A: RETENTION RSU AWARD AGREEMENT

[Date]

[Employee Name]
[Address]

Dear [First Name]:

TrueCar, Inc. (the "***Company***") is pleased to announce a special retention award of restricted stock units for you, on the terms and conditions set forth in this letter (this "***Letter***").

Specifically, the Compensation and Workforce Committee of the Company's Board of Directors has approved a grant to you of [__] restricted stock units (the "***Retention RSUs***") under the Company's 2014 Equity Incentive Plan (the "***Plan***"). The Retention RSUs will vest in eight (8) approximately equal quarterly installments, with the first installment vesting on May 15, 2020, subject to your continuing to be a Service Provider (as defined in the Plan) through each vesting date.

Further, the Retention RSUs include the following acceleration of vesting provisions: If (i) the Company terminates your employment with the Company and its subsidiaries (together, the "***Company Group***") for a reason other than Cause (as defined in Appendix A), (ii) you resign from employment with the Company Group for Good Reason (as defined in Appendix A), or (iii) your employment with the Company Group terminates due to your death or Disability (as defined in Appendix A), and in each case, such termination occurs upon or after a Change in Control (as defined in the Plan), then subject to Appendix A of this Letter, 100% of your then-outstanding Retention RSUs will immediately vest in full (the "***Retention RSU Acceleration***").

In addition, any applicable acceleration of equity award vesting provisions included in the currently effective Employment Agreement between you and the Company (the "***Employment Agreement***") also will apply in accordance with the Employment Agreement terms; provided, however, that in no instance may you vest in more than 100% of the Retention RSUs. Notwithstanding anything in your Employment Agreement to the contrary, if you are entitled to the Retention RSU Acceleration under the terms of this Letter, you will not be required to execute a separation agreement or release of claims in order to receive such Retention RSU Acceleration.

All Retention RSUs will be subject to the terms and conditions of the Plan and restricted stock unit agreement provided by the Company. In order to receive the Retention RSUs, you must remain a Service Provider through the grant date of the award.

Miscellaneous. The Retention RSUs also are subject to the terms and conditions set forth in the Appendix A attached to this Letter. This Letter does not change the "at-will" nature or other terms of your employment with the Company Group, and also does not constitute a promise of future employment or of employment for any specified period with the Company Group. This Letter may be amended only by a written agreement between you and the Company and will supersede any other oral or written agreement with respect to this subject matter. For the avoidance of doubt, your Employment Agreement remains in full force and effect. This Letter will be governed by the internal substantive laws, but not the choice of law rules, of the State of California.

We appreciate all that you do for the Company, and we are very glad to be able to offer you these special retention arrangements. If you have any questions about this Letter, please contact stockadmin@truecar.com. Please acknowledge by signing below that you have read, understood and agree to the terms of this letter.

Sincerely,

/s/ John Foster
EVP, Chief People Officer
TrueCar, Inc.

ACKNOWLEDGED AND AGREED:

____
[Employee Name]

____
Date

<u>Appendix A</u>

ADDITIONAL TERMS TO LETTER

As noted in the Letter to which this Appendix A is attached, the Retention RSUs also are subject to the terms and conditions set forth in this Appendix A. Unless otherwise defined below, capitalized terms used herein will have the meanings set forth in the Letter.

1. ***Section 409A; Tax Withholding***.

(a) The provisions of this Letter and the payments and benefits hereunder are intended to be exempt from or comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"), and the final regulations and official guidance thereunder ("***Section 409A***"), so that none of the payments and benefits to be provided under the Letter will be subject to the additional tax imposed under Section 409A, and any ambiguities in this Letter (including this Appendix A) will be interpreted to be so exempt or so comply. The Company will work in good faith with you to consider amendments to this Letter and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to you under Section 409A. In no event will the Company have any liability or obligation to reimburse or indemnify you, or to hold you harmless, for any taxes or costs that may be imposed on or incurred by you as a result of Section 409A. Each payment, installment and benefit payable under this Letter is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. Notwithstanding anything to the contrary in this Letter, no Deferred Payments (as defined below), if any, payable to you pursuant to this Letter will be payable until you have a "separation from service" within the meaning of Section 409A. Similarly, no severance payments or benefits payable to you, if any, pursuant to this Letter that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until you have a "separation from service" within the meaning of Section 409A.

(b) Notwithstanding anything to the contrary in this Letter, if you are a "specified employee" within the meaning of Section 409A at the time of your separation from service (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following your separation from service, will become payable on the date six (6) months and one (1) day following the date of your separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if you die following your separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this Section 1(b) of this Appendix A will be payable in a lump sum as soon as administratively practicable after the date of your death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment, installment and benefit payable under this Letter is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(c) All payments and benefits paid or provided pursuant to this Letter will be subject to withholding of applicable taxes.

2. ***Definitions.***

(d) Cause. For purposes of this Letter, "***Cause*** " means (i) your failure to perform your assigned duties or responsibilities as an employee (other than a failure resulting from your Disability) after written notice thereof from the Company describing your failure to perform such duties or responsibilities; (ii) your engaging in any act of dishonesty, fraud or misrepresentation with respect to the Company; (iii) your violation of any federal or state law or regulation applicable to the business of the Company or its affiliates; (iv) your breach of any confidentiality agreement or invention assignment agreement between you and the Company (or any affiliate of the Company); or (v) your being convicted of, or entering a plea of nolo contendere to, any crime. For purposes of clarity, your termination of employment due to death or Disability is not, by itself, deemed to be a termination by the Company other than for Cause or a resignation for Good Reason.

(e) Deferred Payments. For purposes of this Letter, "***Deferred Payments***" means any severance pay or benefits to be paid or provided to you (or your estate or beneficiaries) pursuant to this Letter and any other severance payments or separation benefits to be paid or provided to you (or your estate or beneficiaries), that in each case, when considered together, are considered deferred compensation under Section 409A.

(f) Disability. For purposes of this Letter, "***Disability***" means you (i) are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) are, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Company employees.

(g) Good Reason. For purposes of this Letter, "***Good Reason***" means your resignation within thirty (30) days following the expiration of any Company cure period (discussed below) following the occurrence of one or more of the following, without your consent: (i) a material reduction in your annual base salary which reduction is not applicable to a majority of the Company's senior management, provided that any material reduction in your annual base salary for which there is a substitution with compensation and benefits that, in the aggregate, are substantially equivalent in value to the reduction in your annual base salary, will not constitute "Good Reason"; (ii) a material reduction of your authority, duties or responsibilities, unless you are provided with a comparable position; provided, however, that a reduction in authority, duties, or responsibilities primarily by virtue of the Company being acquired and made part of a larger entity whether as a subsidiary, business unit or otherwise (as, for example, when the Chief Executive Officer of the Company remains as such following an acquisition where the Company becomes a wholly owned subsidiary of the acquirer, but is not made the Chief Executive Officer of the acquiring corporation) will not constitute "Good Reason"; or (iii) a material change in the geographic location of your primary work facility or location; provided, that a relocation of fifty (50) miles or less from your then present location or to your home as your primary work location will not be considered a material change in geographic location. In order for an event to qualify as Good Reason, you must not terminate employment with the Company without first providing the Company with written notice of the acts or omissions constituting the grounds for “Good Reason” within ninety (90) days of the initial existence of the grounds for “Good Reason” and a cure period of thirty (30) days following the date of such notice, and such grounds must not have been cured during such time. Any resignation for Good Reason must occur within two (2) years of the initial existence of the acts or omissions constituting the grounds for “Good Reason”.

3. ***Limitation on Payments.*** In the event that the Retention RSUs provided for in this Letter or other change in control-related, severance or other payments or benefits otherwise provided for or otherwise payable to you (i) constitute “parachute payments” within the meaning of Section 280G of the Code, and (ii) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, then such payments or benefits will be either:

(a) delivered in full, or

(b) 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 you on an after-tax basis, of the greatest amount of Retention RSUs, 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 your Employment Agreement contains a Section entitled “*Limitation on Payments*” or similar Section 280G provisions, or any Company performance-based restricted stock unit agreement contains a Section entitled “*Section 280G*” or similar Section 280G provisions, and in either case, such provisions contain an ordering of reduction in payments or benefits constituting “parachute payments” that differs from the ordering contained in this Section 3 of Appendix A, such provisions of your Employment Agreement or performance-based restricted stock unit agreement, as applicable, will control. In all other instances, the ordering of reduction in payments or benefits constituting “parachute payments” in the remainder of this paragraph will apply. If a reduction in payments or benefits constituting “parachute payments” is necessary so that payments or 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 you, 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 you on the same date of grant, all such awards will have their acceleration of vesting reduced pro rata. In no event will you have any discretion with respect to the ordering of payment reductions.

Unless you and the Company otherwise agree in writing, any determination required under this Section 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 you and the Company for all purposes. For purposes of making the calculations required by this Section, 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. You and the Company 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.

Exhibit 31.1

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: May 8, 2020

/s/ Michael Darrow

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

Exhibit 31.2

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: May 8, 2020

/s/ Noel B. Watson

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

Exhibit 32.1

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 March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), Michael Darrow, as 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:	May 8, 2020	By:	/s/ Michael Darrow
			Michael Darrow *President & Chief Executive Officer* *(Principal Executive Officer)*
Date:	May 8, 2020	By:	/s/ Noel B. Watson
			Noel B. Watson *Chief Financial Officer & Chief Accounting Officer* *(Principal Financial Officer & Principal Accounting Officer)*