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, 2019

☐ **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 (State or other jurisdiction of incorporation or organization)	04-3807511 (I.R.S. Employer Identification Number)

120 Broadway, Suite 200
Santa Monica, California 90401
(800) 200-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 and post 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 ☐ (Do not check if a smaller reporting company)	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 ☒

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

As of May 2, 2019, 105,289,373 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 grow revenue, scale our business, generate cash flow, fulfill our mission and achieve and maintain future profitability;
- our relationship with key industry participants, including car dealers and automobile manufacturers;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate;
- our ability to anticipate market needs and develop new and enhanced products and services to meet those needs and our ability to successfully monetize those products and services;
- maintaining and expanding our customer base in key geographies, including our ability to increase the number of high-volume brand dealers in our network generally and in key geographies;
- our reliance on our third-party service providers;
- the impact of competition in our industry and innovation by our competitors;
- our anticipated growth and growth strategies, including our ability to increase close rates and the rate at which site visitors prospect with a TrueCar certified dealer;
- our ability to successfully increase dealer subscription rates, and manage dealer churn, as the number of dealers on subscription billing arrangements increases relative to those on a pay-per-sale billing model;
- our ability to attract significant automobile manufacturers to participate, and remain participants, in our incentive programs;
- our ability to increase the number of dealers participating in our automotive trade-in program, expand its geographic coverage and successfully monetize the TrueCar Trade product;
- our ability to anticipate or adapt to future changes in our industry;
- the impact on our business of seasonality, cyclical trends affecting the overall economy and actual or threatened severe weather events;
- our ability to hire and retain necessary qualified employees, including anticipated additions to our dealer, product and technology teams;
- our ability to hire and retain a chief financial officer and integrate him or her and other recent and future additions to our management team;
- our continuing ability to provide customers access to our products;
- our ability to maintain and scale our technical infrastructure and leverage the completion of our technology replatforming project to enhance our customer experience and launch new product offerings;
- the evolution of technology affecting our products, services and markets;
- our ability to adequately protect our intellectual property;
- the effect on our business of litigation to which we are a party;
- our ability to navigate changes in domestic or international economic, political or business conditions, including changes in interest rates, consumer demand and import tariffs;
- our ability to stay abreast of, and in compliance with, new or modified laws and regulations that currently apply or become applicable to our business, including newly-enacted and rapidly-changing data protection and net neutrality laws and regulations and changes in applicable tax laws and regulations;
- the continued expense and administrative workload associated with being a public company;
- failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud;
- our liquidity and working capital requirements;
- the estimates and estimate methodologies used in preparing our consolidated financial statements;
- the future trading prices of our common stock and the impact of securities analysts' reports on these prices;
- our plans to invest in new businesses, products, services and technologies, systems and infrastructure, including potential investments and acquisitions;

- our ability to effectively and timely integrate our operations with those of any business we acquire, including DealerScience, and related factors, including the difficulties associated with such integration (such as the difficulties, challenges and costs associated with managing and integrating new facilities, assets and employees) and the achievement of the anticipated benefits of such integration;
- the preceding and other factors discussed in Part II, Item 1A, "Risk Factors," and in other reports we may file with the Securities and Exchange Commission from time to time; and
- the factors set forth in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

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

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 179,898	$ 196,128
Accounts receivable, net of allowances of $4,448 and $3,382 at March 31, 2019 and December 31, 2018, respectively (includes related party receivables of $195 and $349 at March 31, 2019 and December 31, 2018, respectively)	38,368	47,760
Prepaid expenses	7,084	7,468
Other current assets	7,777	4,103
Total current assets	233,127	255,459
Property and equipment, net	34,427	61,511
Operating lease right-of-use assets	40,545	—
Goodwill	73,311	73,311
Intangible assets, net	21,901	23,451
Equity method investment	23,174	—
Other assets	7,112	7,228
Total assets	$ 433,597	$ 420,960
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable (includes related party payables of $3,382 and $5,039 at March 31, 2019 and December 31, 2018, respectively)	$ 20,609	$ 26,305
Accrued employee expenses	4,652	4,349
Operating lease liabilities, current	6,849	—
Accrued expenses and other current liabilities (includes related party accrued expenses of $1,284 and $218 at March 31, 2019 and December 31, 2018, respectively)	13,724	10,908
Total current liabilities	45,834	41,562
Deferred tax liabilities	640	568
Lease financing obligations, net of current portion	—	22,987
Operating lease liabilities, net of current portion	41,601	—
Other liabilities	5,655	9,290
Total liabilities	93,730	74,407
Commitments and contingencies (Note 7)		
Stockholders' Equity		
Preferred stock — $0.0001 par value; 20,000,000 shares authorized at March 31, 2019 and December 31, 2018, respectively; no shares issued and outstanding at March 31, 2019 and December 31, 2018	—	—
Common stock — $0.0001 par value; 1,000,000,000 shares authorized at March 31, 2019 and December 31, 2018; 105,119,046 and 104,337,508 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	10	10
Additional paid-in capital	731,394	720,025
Accumulated deficit	(391,537)	(373,482)
Total stockholders' equity	339,867	346,553
Total liabilities and stockholders' equity	$ 433,597	$ 420,960

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2019	**2018**
Revenues (includes related party contra revenue of $163 and $0 for the three months ended March 31, 2019 and 2018, respectively)	$ 85,582	$ 81,061
Costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization presented separately below; includes related party cost of revenue of $134 and $0 for the three months ended March 31, 2019 and 2018, respectively)	8,936	7,452
Sales and marketing (includes related party expenses of $5,473 and $4,541 for the three months ended March 31, 2019 and 2018, respectively)	54,738	48,418
Technology and development	15,654	15,594
General and administrative	15,104	13,481
Depreciation and amortization	6,415	5,175
Total costs and operating expenses	100,847	90,120
Loss from operations	(15,265)	(9,059)
Interest income	1,001	604
Interest expense	—	(661)
Loss before income taxes	(14,264)	(9,116)
Provision for (benefit from) income taxes	101	(61)
Net loss	$ (14,365)	$ (9,055)
Net loss per share, basic and diluted	$ (0.14)	$ (0.09)
Weighted average common shares outstanding, basic and diluted	104,788	100,571
Other comprehensive loss:		
Comprehensive loss	$ (14,365)	$ (9,055)

See accompanying notes to condensed consolidated financial statements.

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

	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

	Three Months Ended March 31, 2018				
	Common Stock				
	Shares	Amount	APIC	Accumulated Deficit	Stockholders' Equity
Balance at December 31, 2017	100,428,656	$ 10	$ 664,192	$ (351,084)	$ 313,118
Cumulative-effect of accounting change adopted as of January 1, 2018	—	—	—	5,923	5,923
Net loss	—	—	—	(9,055)	(9,055)
Stock-based compensation	—	—	9,431	—	9,431
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	468,809	—	(166)	—	(166)
Balance at March 31, 2018	100,897,465	$ 10	$ 673,457	$ (354,216)	$ 319,251

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operating activities		
Net loss	$ (14,365)	$ (9,055)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,415	5,169
Deferred income taxes	72	(73)
Bad debt expense and other reserves	348	335
Stock-based compensation	8,635	9,097
Increase in the fair value of contingent consideration liability	75	—
Amortization of lease right-of-use assets	1,465	—
Non-cash interest expense on lease financing obligation	—	173
Write-off and loss on disposal of fixed assets	—	5
Changes in operating assets and liabilities:		
Accounts receivable	9,044	1,502
Prepaid expenses	384	(157)
Other current assets	(3,493)	(347)
Other assets	263	(151)
Accounts payable	(5,578)	(1,128)
Accrued employee expenses	275	(3,114)
Operating lease liabilities	(1,398)	—
Accrued expenses and other liabilities	5,498	917
Other liabilities	(59)	270
Net cash provided by operating activities	7,581	3,443
Cash flows from investing activities		
Purchase of property and equipment	(2,905)	(5,332)
Cash paid for equity method investment	(23,174)	—
Net cash used in investing activities	(26,079)	(5,332)
Cash flows from financing activities		
Proceeds from exercise of common stock options	2,811	681
Taxes paid related to net share settlement of equity awards	(543)	(732)
Net cash provided by (used in) financing activities	2,268	(51)
Net decrease in cash and cash equivalents	(16,230)	(1,940)
Cash and cash equivalents at beginning of period	196,128	197,762
Cash and cash equivalents at end of period	$ 179,898	$ 195,822
Supplemental disclosures of non-cash activities		
Stock-based compensation capitalized for software development	473	334
Capitalized assets included in accounts payable, accrued employee expenses and other accrued expenses	176	918
Proceeds receivable from exercise of stock options included in other current assets	—	2
Taxes payable related to net share settlement of equity awards included in accrued employee expenses	—	111

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. In addition, through TCDS, the Company acts as an agent for DealerSync, Inc. ("DealerSync") and in that capacity offer dealers its products and services, including a dealer website creation and management service and a software platform that assists dealers in managing, marketing and growing their business.

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

Principles of Consolidation

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

Use of Estimates

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

Segments

The Company has one operating segment. During the first quarter of 2019, the Company's chief operating decision maker ("CODM") was the President and Chief Executive Officer and the Interim Chief Financial Officer and Chief Accounting Officer, who managed the Company's operations based on consolidated financial information for purposes of evaluating financial performance and allocating resources. On March 18, 2019, the Company's Interim Chief Financial Officer and Chief Accounting Officer notified the Company that he was resigning from his positions effective April 1, 2019. Beginning in April 2019, the Company's CODM is solely comprised of the President and Chief Executive Officer.

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

Equity Method Investment

On February 8, 2019, the Company acquired 20% of the outstanding equity interests of Accu-Trade, LLC, a Delaware limited liability company ("Accu-Trade"), from R.M. Hollenshead Auto Sales & Leasing, Inc., a Florida corporation ("RHAS"), Robert M. Hollenshead ("Hollenshead") and Jeffrey J. Zamora ("Zamora" and, together with RMHS and Hollenshead, the "Sellers"), pursuant to a Membership Interest Purchase Agreement, dated as of February 8, 2019 (the "Purchase Agreement"), by and among Accu-Trade, RMHS, Hollenshead, Zamora and the Company. Pursuant to the Purchase Agreement, and upon the terms and subject to the conditions thereof, the Company paid the Sellers $17.9 million in cash consideration and made a $5 million capital contribution to Accu-Trade. As the Company's share of the income or loss from the equity method investment will be recognized on a one-quarter lag, no gain or loss from equity activity was recorded in the consolidated statement of operations for the quarter ended March 31, 2019.

Recent Accounting Pronouncements

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

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

3. Leases

Adoption of the New Lease Accounting Standard

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

New Lease Accounting Policies

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

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

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

Adoption Impact

As a result of adoption, the Company recorded a material impact as ROU assets and lease liabilities are recognized on the consolidated balance sheet related to office facility leases. The ROU assets and lease liabilities were valued using the incremental borrowing rate as of the adoption date. Additionally, the Company expects to recognize greater rent expense in operating expenses and less interest expense as the Company's prior build-to-suit leases are now classified as operating leases.

Additionally, the change related to build-to-suit leases resulted in the removal of build-to-suit assets from the consolidated balance sheet, which reduced property and equipment, net by $28.3 million and eliminated the lease financing obligation of $1.8 million within accrued expenses and other liabilities and $23.0 million within lease financing obligation, net of current portion. See Note 5 for further details.

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

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

Lease Costs

For the three months ended March 31, 2019, the Company recorded operating lease costs, excluding subleases, that were included in the statement of operations as follows:

Operating lease costs recorded within:	Three Months Ended March 31, 2019
Cost of revenue	$ 200
Sales and marketing	439
Technology and development	871
General and administrative	634
Total operating lease costs	$ 2,144

The Company did not include short term or variable lease costs in the table above as these amounts were immaterial. For the three months ended March 31, 2018, the Company recorded lease costs, excluding subleases, of $1.7 million. The Company made cash payments for operating leases of $2.3 million and $2.5 million for the three months ended March 31, 2019 and 2018, respectively, all of which were included in cash flow from operating activities within the consolidated statements of cash flows. The Company's operating leases have a weighted average remaining lease term of 7.4 years and weighted average discount rate of 5.6%. For its subleases, the Company recorded contra rent expense of $0.5 million for the three months ended March 31, 2019 and 2018.

Lease Commitments

Future undiscounted lease payments for the Company's operating lease liabilities, a reconciliation of these payments to its operating lease liabilities, and related sublease income at March 31, 2019 are as follows (in thousands):

Nine months ended December 31, 2019 and years ended December 31,		
2019	$	6,282
2020		8,523
2021		7,152
2022		7,369
2023		7,628
Thereafter		22,561
Total lease payments	$	59,515
Less: imputed interest		(11,065)
Total lease liabilities (discounted)	$	48,450

Nine months ended December 31, 2019 and year ended December 31,		Sublease Income
2019	$	(1,640)
2020		(1,299)
Total sublease income	$	(2,939)

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

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

4. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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

- Level 1 — Quoted prices in active markets for identical assets, liabilities, or funds.
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

	At March 31, 2019				At December 31, 2018			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Cash equivalents	$ 175,409	$ —	$ —	$ 175,409	$ 192,207	$ —	$ —	$ 192,207
Total Assets	$ 175,409	$ —	$ —	$ 175,409	$ 192,207	$ —	$ —	$ 192,207
Liabilities:								
Contingent consideration, non-current	$ —	$ —	$ 4,552	$ 4,552	$ —	$ —	$ 4,477	$ 4,477
Total Liabilities	$ —	$ —	$ 4,552	$ 4,552	$ —	$ —	$ 4,477	$ 4,477

5. Property and Equipment, net

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

	March 31, 2019	December 31, 2018
Computer equipment, software, and internally developed software	$ 102,364	$ 99,204
Furniture and fixtures	4,758	4,758
Leasehold improvements	15,838	8,602
Capitalized facility leases	—	30,632
	122,960	143,196
Less: Accumulated depreciation	(88,533)	(81,685)
Total property and equipment, net	$ 34,427	$ 61,511

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

Included in the table above are property and equipment of $1.2 million and $1.1 million at March 31, 2019 and December 31, 2018, respectively, which are capitalizable but had not yet been placed in service. These balances were comprised primarily of capitalized software not ready for its intended use.

Total depreciation and amortization expense of property and equipment was $4.9 million and $4.2 million for the three months ended March 31, 2019 and 2018.

Amortization of internal use capitalized software development costs was $3.4 million and $2.9 million for the three months ended March 31, 2019 and 2018, respectively.

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 contained 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, 2019, the Company was in compliance with the Credit Facility's financial covenants.

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

At March 31, 2019, the Company had no outstanding amounts under the Credit Facility and the amount available was $31.0 million, reduced for the letters of credit issued and outstanding under the subfacility of $4.0 million.

7. Commitments and Contingencies

Lease Exit Costs

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

Reorganization

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

The following table presents a roll forward of the severance liability for the three months ended March 31, 2019 (in thousands):

	Reorganization Liability
Accrual at December 31, 2018	$ —
Expense	3,280
Cash Payments	(3,093)
Accrual at March 31, 2019	$ 187

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.

On March 9, 2015, the Company was named as a defendant in a lawsuit filed in the U.S. District Court for the Southern District of New York (the "NY Lanham Act Litigation"). The complaint in the NY Lanham Act Litigation, purportedly filed on behalf of numerous automotive dealers who are not participating on the TrueCar platform, alleges that the Company violated the Lanham Act as well as various state laws prohibiting unfair competition and deceptive acts or practices related to the Company's advertising and promotional activities. The complaint seeks injunctive relief in addition to over $250 million in damages as a result of the alleged diversion of customers from the plaintiffs' dealerships to TrueCar Certified Dealers. On April 7, 2015, the Company filed an answer to the complaint. Thereafter, the plaintiffs amended their complaint, and on July 13, 2015, the Company filed a motion to dismiss the amended complaint. On January 6, 2016, the court granted in part and denied in part the Company's motion to dismiss with respect to some, but not all, of the advertising and promotional activities challenged in the amended complaint. Discovery in this matter has been completed. On January 19, 2018, the Company filed a motion to exclude testimony from the plaintiffs' damages expert. On April 10 and April 11, 2018, the court held an evidentiary hearing on that motion. On May 9, 2018, the court granted the Company's motion to exclude testimony from the plaintiffs' damages expert. On July 2, 2018, the Company filed a motion for summary judgment seeking dismissal of the amended complaint in its entirety. On March 27, 2019, the court granted in part and denied in part the Company's motion, allowing the plaintiffs to pursue disgorgement of the Company's profits on a deterrence theory but granting summary judgment to the Company on the other aspects of the plaintiffs' claims. On April 9, 2019, the Company filed a motion for reconsideration of the court's ruling. The court has not yet ruled on that motion. The Company believes that the portions of the amended complaint that survived the Company's motion to dismiss and motion for summary judgment are without merit, and it intends to vigorously defend itself in this matter. The Company has not recorded an accrual related to this matter as of March 31, 2019, as it does not believe a loss is probable or reasonably estimable.

On May 20, 2015, the Company was named as a defendant in a lawsuit filed by the California New Car Dealers Association in the California Superior Court for the County of Los Angeles (the "CNCDA Litigation"). The complaint sought declaratory and injunctive relief based on allegations that the Company was operating in the State of California as an unlicensed automobile dealer and autobroker. The complaint did not seek monetary relief. On July 20, 2015, the Company filed a "demurrer" to the complaint, which is a pleading that requests that the court dismiss the case. Thereafter, the plaintiffs amended their complaint, and on September 11, 2015, the Company filed a demurrer to the amended complaint. On December 7, 2015, the court granted the Company's demurrer in its entirety, but afforded the CNCDA the opportunity to file a second amended complaint. The CNCDA filed a second amended complaint on January 4, 2016. The second amended complaint reiterated the claims in the prior complaints and added claims under theories based on the federal Lanham Act and California unfair competition law. On February 3, 2016, the Company filed a demurrer to the second amended complaint. On March 30, 2016, the court granted in part and denied in part the Company's demurrer to the second amended complaint, dismissing the Lanham Act claim but declining to dismiss the balance of the claims at the demurrer stage of the litigation. On May 31, 2016, based on certain intervening developments in state law, the court announced that it would reconsider its March 30, 2016 order, and it invited the parties to file new briefs on the demurrer issues. On July 15, 2016, the court heard oral argument on reconsideration of the demurrer issues. On July 25, 2016, the court granted in part and denied in part the Company's demurrer to the second amended complaint, just as it had done in its March 30, 2016 order. The litigation was previously scheduled for trial in August 2017. On April 3, 2017, the court indicated that the trial date would be postponed to a future date. On May 17, 2017, the court scheduled trial to begin on December 11, 2017. Prior to the commencement of trial, the parties entered into settlement negotiations, and on December 14, 2017, the parties entered into a binding Settlement Agreement and Release (the "CNCDA Settlement Agreement") to fully resolve the litigation. Pursuant to the CNCDA Settlement Agreement, the litigation was dismissed with prejudice on December 21, 2017. In light of the full resolution of this matter pursuant to the CNCDA Settlement Agreement, the Company does not believe that an additional loss is probable.

On December 23, 2015, the Company was named as a defendant in a putative class action lawsuit filed by Gordon Rose in the California Superior Court for the County of Los Angeles. The complaint asserted claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code, based principally on factual allegations similar to those asserted in the NY Lanham Act Litigation and the CNCDA Litigation. The complaint sought an award of unspecified damages, interest, disgorgement, injunctive relief and attorney's fees. In the complaint, the plaintiff sought to represent a class of California consumers defined as "[a]ll California consumers who purchased an automobile by using TrueCar, Inc.'s price certificate during the applicable statute of limitations." On January 12, 2016, the court entered an order staying all proceedings in the case pending an initial status conference, which was scheduled for April 13, 2016. On March 16, 2016, the case was reassigned to a different judge. As a result of that reassignment, the initial status conference was rescheduled for and held on May 26, 2016. By stipulation, the stay of discovery was continued until a second status conference, which was scheduled for October 12, 2016. On July 13, 2016, the plaintiff amended his complaint. The amended complaint continues to assert claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code. The amended complaint retains the same proposed class definition as the initial complaint. Like the initial complaint, the amended complaint seeks an award of unspecified damages, punitive and exemplary damages, interest, disgorgement, injunctive relief and attorney's fees. On September 12, 2016, the Company filed a demurrer to the amended complaint. On October 12, 2016, the court heard oral argument on the demurrer. On October 13, 2016, the court granted in part and denied in part the Company's demurrer to the amended complaint, dismissing the unjust enrichment claim but declining to dismiss the balance of the claims at the demurrer stage of the litigation. At a status conference held on January 26, 2017, the court ruled that discovery could then proceed regarding matters related to class certification only. At a status conference held on July 25, 2017, the court set a deadline of January 8, 2018 for the filing of the plaintiff's motion for class certification and provided that discovery could continue to proceed regarding matters related to class certification only at that time. Subsequently, the court extended to February 7, 2018 the deadline for the filing of plaintiff's motion for class certification and for the completion of related discovery. On February 7, 2018, the plaintiff filed a motion for class certification. The court held a hearing on the plaintiff's class certification motion on July 12, 2018 and denied the motion on July 27, 2018. On September 26, 2018, the plaintiff filed a notice of appeal and proceedings in the trial court have been stayed pending the resolution of the appeal. The Company believes that the amended complaint is without merit, and it intends to vigorously defend itself in this matter. The Company has not recorded an accrual related to this matter as of March 31, 2019 as the Company does not believe a loss is probable or reasonably estimable.

On June 30, 2017, the Company was named as a defendant in a putative class action lawsuit filed by Kip Haas in the U.S. District Court for the Central District of California. 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 the complaint, the plaintiff sought to represent a class of consumers defined as "[a]ll consumers, who, between the applicable statute of limitations and the present, obtained a TrueCar 'guaranteed' price" and "[a]ll consumers, who, between the applicable statute of limitations and the present, obtained a TrueCar 'guaranteed' price pertaining to a vehicle located at Riverside Mazda." On or around October 23, 2017, the parties reached an agreement in principle to settle this matter on an individual (non-classwide) basis in exchange for the payment of an immaterial amount to Mr. Haas. On November 27, 2017, the parties entered into a binding Confidential Settlement Agreement and Mutual Release (the "Haas Settlement Agreement") on the same financial terms agreed to in principle on or around October 23, 2017. Thereafter, the Company fully satisfied the financial terms of the Haas Settlement Agreement, and pursuant to the Haas Settlement Agreement, the litigation was dismissed with prejudice on December 1, 2017. In light of the full resolution of this matter pursuant to the Haas Settlement Agreement, and the Company does not believe that an additional loss beyond the above-noted immaterial payment is probable.

On October 18, 2017, the Company was named as a defendant in a lawsuit filed by Cox Automotive, Inc. ("Cox Automotive") in the Supreme Court of the State of New York in the County of Nassau. As it relates to the Company, the complaint sought an award of unspecified damages, disgorgement, return of property taken or retained, injunctive relief and attorney's fees. The complaint alleged that the Company engaged in tortious interference with a contractual relationship between Cox Automotive and one of its former employees, among other claims against the former Cox Automotive employee, who is also named as a defendant in the lawsuit. On October 20, 2017, the court granted a temporary restraining order prohibiting the Company from employing the former Cox Automotive employee pending the court's ruling on Cox Automotive's request for the entry of a preliminary injunction. On November 13, 2017, oral argument was held on Cox Automotive's request for the entry of a preliminary injunction. On January 23, 2018, the court dissolved the temporary restraining order and denied the request by Cox Automotive for the entry of a preliminary injunction. On February 27, 2018, the parties filed a "stipulation of discontinuance," which terminated the case. The Company was not required to make any monetary payment or provide any other consideration in exchange for the stipulation of discontinuance. 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, 2019, as the Company does not believe a loss is probable.

On March 30, 2018, the Company and one of its former officers were named as defendants in a putative securities class action filed by Leon Milbeck in the U.S. District Court for the Central District of California (the "Milbeck Federal Securities Litigation"). The 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. On June 27, 2018, the court appointed the Oklahoma Police Pension and Retirement Fund as lead plaintiff. The plaintiff filed an amended complaint on August 24, 2018. The amended complaint reiterated the claims in the prior complaint and added claims under Section 11 of the Exchange Act. The amended complaint also added our chief executive officer Chip Perry, our former interim chief financial officer John Pierantoni, our former chief financial officer Michael Guthrie and our underwriters and directors who signed the registration statement for our secondary offering that occurred during the class period (the "2017 Registration Statement") 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 lead plaintiff's motion for class certification and scheduled trial to begin on November 5, 2019. The Company believes that the amended 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, 2019 as the Company does not believe a loss is probable or reasonably estimable.

On March 6, 2019, the Company, its chief executive officer Chip Perry, its former chief financial officer Michael Guthrie, its former interim chief financial officer John Pierantoni, its directors who signed the 2017 Registration Statement 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 complaint alleges breach of fiduciary duties and unjust enrichment and seeks 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 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, 2019 as the Company does not believe a loss is probable or reasonably estimable.

On April 1 and April 3, 2019, respectively, the Company, its chief executive officer Chip Perry, its former chief financial officer Michael Guthrie, its former interim chief financial officer John Pierantoni, its directors who signed the 2017 Registration Statement and USAA were named as defendants in derivative actions filed by Ara Afarian and Shelley Niemi nominally on behalf of the Company in the U.S. District Court for the District of Delaware. The complaints allege breach of Section 29(b) of the Exchange Act as well as breach of fiduciary duties and unjust enrichment and seek 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 seeks rescission of certain contracts. On April 17, 2019, the two cases, and all similar cases originating in or transferred to the U.S. District Court for the District of Delaware, were consolidated into a single action bearing the caption In re TrueCar, Inc. Shareholder Derivative Litigation. The Company believes that the complaints are 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, 2019 as the Company does not believe a loss is probable or reasonably estimable.

Employment Contracts

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

Indemnifications

In the ordinary course of business, the Company may provide indemnities of varying scope and terms to customers, vendors, lessors, investors, directors, officers, employees and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or intellectual property infringement claims made by third parties. These indemnities may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss provisions. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminable. To date, there has not been a material claim paid by the Company, nor has the Company been sued in connection with these indemnification arrangements. At March 31, 2019 and December 31, 2018, the Company has not accrued a liability for these guarantees, because the likelihood of incurring a payment obligation, if any, in connection with these guarantees is not probable or reasonably estimable.

8. Stock-based Awards

Stock Options

A summary of the Company's stock option activity for thethree months ended March 31, 2019is as follows:

	Number of Options	Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Life
				(in years)
Outstanding at December 31, 2018	14,114,651	$	12.32	7.0
Granted	1,307,779		7.61	
Exercised	(345,913)		8.11	
Forfeited/expired	(1,111,221)		13.30	
Outstanding at March 31, 2019	13,965,296	$	11.91	7.0

At March 31, 2019, total remaining stock-based compensation expense for unvested stock option awards was$32.1 million, which is expected to be recognized over a weighted-average period of 2.5 years. For the three months ended March 31, 2019and 2018, the Company recorded stock-based compensation expense for stock option awards of $3.1 million and $4.6 million, respectively.

Restricted Stock Units

Activity in connection with restricted stock units is as follows for thethree months ended March 31, 2019:

	Number of Shares	Weighted- Average Grant Date Fair Value	
Non-vested — December 31, 2018	5,375,963	$	11.01
Granted	3,361,668		7.10
Vested	(505,104)		10.48
Forfeited	(623,122)		10.84
Non-vested — March 31, 2019	7,609,405	$	9.33

At March 31, 2019, total remaining stock-based compensation expense for non-vested restricted stock units is$68.2 million, which is expected to be recognized over a weighted-average period of 2.8 years. The Company recorded $5.5 million and $4.4 million in stock-based compensation expense for restricted stock units for the three months ended March 31, 2019and 2018, respectively.

Stock-based Compensation Cost

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cost of revenue	$ 499	$ 298
Sales and marketing	3,472	3,127
Technology and development	1,946	2,353
General and administrative	2,718	3,319
Total stock-based compensation expense	8,635	9,097
Amount capitalized to internal software use	473	334
Total stock-based compensation cost	$ 9,108	$ 9,431

9. Income Taxes

In determining quarterly provisions for income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date loss. The Company's annual estimated effective tax rate differs from the statutory rate primarily as a result of state taxes, tax amortization of goodwill and changes in the Company's valuation allowance. The Company recorded income tax expense of $0.1 million for the three months ended March 31, 2019 and an income tax benefit of $0.1 million for the three months ended March 31, 2018.

There were no material changes to the Company's unrecognized tax benefits in the three months ended March 31, 2019, and the Company does not expect to have any significant changes to unrecognized tax benefits through the end of the fiscal year. Due to the presence of NOL carryforwards, all income tax years remain open for examination by the IRS and various state taxing authorities.

10. Net Loss Per Share

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net loss	$ (14,365)	$ (9,055)
Weighted-average common shares outstanding	104,788	100,571
Net loss per share - basic and diluted	$ (0.14)	$ (0.09)

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net loss per share at March 31, 2019 and 2018 (in thousands):

	March 31, 2019	March 31, 2018
Options to purchase common stock	13,965	16,456
Common stock warrants	1,459	1,459
Non-vested restricted stock unit awards	7,609	3,727
Total shares excluded from net loss per share	23,033	21,642

11. Related Party Transactions

Transactions with USAA

USAA is a large stockholder in the Company and the Company's most significant affinity marketing partner. The Company has entered into arrangements with USAA to operate its Auto Buying Program. At the time that the Company entered into these arrangements, USAA met the definition of a related party. The Company had amounts due from USAA at March 31, 2019 and December 31, 2018 of 0.2 million and $0.3 million, respectively. In addition, the Company had amounts due to USAA at March 31, 2019 and December 31, 2018 of 4.5 million and $5.3 million, respectively. The Company recorded sales and marketing expense of $5.5 million and $4.5 million for the three months ended March 31, 2019 and 2018, 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 at March 31, 2019 of 0.2 million. The Company recognized contra-revenue of $0.2 million and cost of revenue of $0.1 million during the period from February 8, 2019 through March 31, 2019 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,	
	2019	**2018**
Dealer revenue	$ 76,814	$ 72,337
OEM incentives revenue	4,201	4,421
Forecasts, consulting and other revenue	4,567	4,303
Total revenues	$ 85,582	$ 81,061

Contract Balances

The Company's contract asset balance for estimated variable consideration to be received upon the occurrence of subsequent vehicle sales is included within other current assets and is distinguished from accounts receivable in that these amounts are conditional upon subsequent sales and not only upon the passage of time. Substantially all of the contract asset balances of $3.3 million at December 31, 2018 were transferred to accounts receivable during the three months ended March 31, 2019 as vehicle sales occurred, with no significant changes in the estimate. A contract asset of $3.7 million was recorded as of March 31, 2019 for leads delivered where consideration to be received was still conditional upon subsequent vehicle sales.

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

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

Overview

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

We have established a diverse software ecosystem on a common technology infrastructure, powered by proprietary data and analytics. Our company-branded platform is available on our TrueCar website and mobile applications. In addition, we customize and operate our platform on a co-branded basis for our many affinity group marketing partners, including financial institutions like USAA, Chase, 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 guaranteed savings off the manufacturer's suggested retail price, or MSRP, for that make, model and trim, as well as, in most instances, price offers on actual vehicle inventory, which we refer to as VIN-based offers, from our network of TrueCar Certified Dealers. Guaranteed savings off MSRP are reflected in a Guaranteed Savings Certificate which the consumer may then take to the dealer and apply toward the purchase of the specified make, model and trim of car. VIN-based offers provide consumers with price offers for specific vehicles from specific dealers. We benefit our network of TrueCar Certified Dealers by enabling them to attract these informed, in-market consumers in a cost-effective, accountable manner, which we believe helps them to sell more cars profitably. We benefit OEMs by allowing them to more effectively target their incentive spending at deep-in-market consumers during their purchase process.

Our network of over 16,000 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. In addition, through TCDS, we act as an agent and in such capacity offer products and services developed by DealerSync, including a dealer website creation and management service and a software platform that assists dealers in managing, marketing and growing their business.

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, 2019, we generated revenues of $85.6 million and recorded a net loss of $14.4 million.

Key Metrics

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

	Three Months Ended March 31,			
	2019		2018	
Average Monthly Unique Visitors		7,098,849		7,805,207
Units(1)		232,781		229,717
Monetization	$	348	$	334
Franchise Dealer Count		12,675		12,205
Independent Dealer Count		3,854		3,006

(1) We issued full credits of the amount originally invoiced with respect to 5,693 and 5,134 units during thethree months ended March 31, 2019 and 2018, respectively. The number of units has not been adjusted downwards related to units credited as discussed in the description of the unit metric below.

Average Monthly Unique Visitors

We define a monthly unique visitor as an individual who has visited our website, our landing page on our affinity group marketing partner sites, or our mobile applications within a calendar month. We identify unique visitors through cookies for browser-based visits on either a desktop computer or mobile device and through device IDs for mobile application visits. In addition, if a TrueCar.com user logs in, we supplement their identification with their log-in credentials to attempt to avoid double counting on TrueCar.com across devices, browsers and mobile applications. If an individual accesses our service using different devices or different browsers on the same device within a given month, the first access through each such device or browser is counted as a separate monthly unique visitor, except where adjusted based upon TrueCar.com log-in information. We calculate average monthly unique visitors as the sum of the monthly unique visitors in a given period, divided by the number of months in that 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 decreased9.0% to approximately 7.1 million in the three months ended March 31, 2019 from approximately 7.8 million in the same period of 2018. The decrease was primarily due to changes in the search algorithms used by popular search engines reducing our organic traffic that started in the fourth quarter of 2018 and have continued into 2019.

Units

We define units as the number of automobiles purchased from TrueCar Certified Dealers that are matched to users of TrueCar.com, our TrueCar branded mobile applications or the car-buying sites 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.

The number of units increased 1.3% to 232,781 in the three months ended March 31, 2019 from 229,717 in the three months ended March 31, 2018. We attribute this growth in units to the effectiveness of our marketing activities with our affinity group marketing partners, product enhancements, and the growing number and geographic coverage of TrueCar Certified Dealers in our network.

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 4.2% to $348 during the three months ended March 31, 2019 from $334 for the same period in 2018, primarily as a result of growth in our Trade and DealerScience products. We expect our monetization to be affected in the future by changes in our pricing structure, the unit mix between new and used cars, with used cars providing higher monetization, and the introduction of new products and services, including new OEM incentive programs.

Franchise Dealer Count

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

Our franchise dealer count was 12,675 at March 31, 2019, an increase from 12,205 at March 31, 2018, and an increase from 12,674 at December 31, 2018. Note that our franchise dealer count excludes Genesis franchises on our program due to Hyundai's transition of Genesis to a stand-alone brand. In order to facilitate period over period comparisons, we have continued to count each Hyundai franchise that also has a Genesis franchise as one franchise dealer rather than two. We intend to increase the number of dealers representing high-volume brands in our dealer network, generally, and in key geographies, by investing to improve the dealer experience and increasing dealer satisfaction.

Independent Dealer Count

We define independent dealer count as the number of independent 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 individually, and includes both single-location proprietorships as well as large consolidated dealer groups. Our independent dealer count was 3,854 at March 31, 2019, an increase from 3,006 at March 31, 2018, and an increase from 3,655 at December 31, 2018.

Non-GAAP Financial Measures

Adjusted EBITDA and Non-GAAP net (loss) income are financial measures that are not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. We define Adjusted EBITDA as net loss adjusted to exclude interest income, interest expense, depreciation and amortization, stock-based compensation, certain litigation costs, certain severance costs, certain transaction costs, and income taxes. We define Non-GAAP net (loss) income as net loss adjusted to exclude stock-based compensation, certain litigation costs, certain severance costs, and certain transaction costs. We have provided below a reconciliation of each of Adjusted EBITDA and Non-GAAP net (loss) income to net loss, the most directly comparable GAAP financial measure. Neither Adjusted EBITDA nor Non-GAAP net (loss) income 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 (loss) income measures may not be comparable to similarly titled measures of other organizations as they may not calculate Adjusted EBITDA or Non-GAAP net (loss) income in the same manner as we calculate these measures.

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

- Adjusted EBITDA does not reflect the payment or receipt of interest or the payment of income taxes;
- neither Adjusted EBITDA nor Non-GAAP net (loss) income 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 (loss) income 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 (loss) income 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 (loss) income 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 (loss) income 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 (loss) income differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA and Non-GAAP net (loss) income 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 (loss) income 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 (loss) income, and you should not infer from our presentation of Adjusted EBITDA and Non-GAAP net (loss) income 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,	
	2019	**2018**
	(in thousands)	
Reconciliation of Net Loss to Adjusted EBITDA:		
Net loss	$ (14,365)	$ (9,055)
Non-GAAP adjustments:		
Interest income	(1,001)	(604)
Interest expense	—	661
Depreciation and amortization	6,415	5,175
Stock-based compensation	8,635	9,097
Certain litigation costs (1)	928	799
Severance charges (2)	3,280	—
Transaction costs (3)	1,094	—
Provision for (benefit from) income taxes	101	(61)
Adjusted EBITDA	$ 5,087	$ 6,012

(1) The excluded amounts relate to legal costs incurred in connection with complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar and consumer class action lawsuits. We believe the exclusion of these costs is appropriate to facilitate comparisons of our core operating performance on a period-to-period basis. Based on the nature of the specific claims underlying the excluded litigation matters, once these matters are resolved, we do not believe our operations are likely to entail defending against the types of claims raised by these matters. We expect the cost of defending these claims to continue to be significant pending that resolution.

(2) The excluded amounts represent severance charges associated with a restructuring plan initiated and completed in the first quarter of 2019 to improve efficiency and reduce expenses. We believe excluding the impact of these terminations 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 incurred by the Company 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. We also incurred $0.6 million of such transaction expenses in the three months ended December 31, 2018 and will recast our prior-period Adjusted EBITDA presented in previous filings to reflect the exclusion of such expenses in future filings that present Adjusted EBITDA figures for such three-month period.

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

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Reconciliation of Net Loss to Non-GAAP net (loss) income:		
Net loss	$ (14,365)	$ (9,055)
Non-GAAP adjustments:		
Stock-based compensation	8,635	9,097
Certain litigation costs (1)	928	799
Severance charges (2)	3,280	—
Transaction costs (3)	1,094	—
Non-GAAP net (loss) income (4)	$ (428)	$ 841

(1) The excluded amounts relate to legal costs incurred in connection with complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar and consumer class action lawsuits. We believe the exclusion of these costs is appropriate to facilitate comparisons of our core operating performance on a period-to-period basis. Based on the nature of the specific claims underlying the excluded litigation matters, once these matters are resolved, we do not believe our operations are likely to entail defending against the types of claims raised by these matters. We expect the cost of defending these claims to continue to be significant pending that resolution.

(2) The excluded amounts represent severance charges associated with a restructuring plan initiated and completed in the first quarter of 2019 to improve efficiency and reduce expenses. We believe excluding the impact of these terminations 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 incurred by the Company 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. We also incurred $0.6 million of such transaction expenses in the three months ended December 31, 2018 and will recast our prior-period Non-GAAP net (loss) income presented in previous filings to reflect the exclusion of such expenses in future filings that present Non-GAAP net (loss) income figures for such three-month period.

(4) There is no income tax impact related to the adjustments made to calculate Non-GAAP net (loss) income because of our available net operating loss carryforwards and the full valuation allowance recorded against our net deferred tax assets at March 31, 2019 and March 31, 2018.

Components of Operating Results

Revenues

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

Costs and Operating Expenses

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

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

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

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

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

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

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

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

Results of Operations

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

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Consolidated Statements of Operations Data:		
Revenues	$ 85,582	$ 81,061
Costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization presented separately below)	8,936	7,452
Sales and marketing	54,738	48,418
Technology and development	15,654	15,594
General and administrative	15,104	13,481
Depreciation and amortization	6,415	5,175
Total costs and operating expenses	100,847	90,120
Loss from operations	(15,265)	(9,059)
Interest income	1,001	604
Interest expense	—	(661)
Loss before income taxes	(14,264)	(9,116)
Provision for (benefit from) income taxes	101	(61)
Net loss	$ (14,365)	$ (9,055)
Other Non-GAAP Financial Information:		
Adjusted EBITDA	$ 5,087	$ 6,012
Non-GAAP net income	$ (428)	$ 841

Comparison of the Three Months Ended March 31, 2019 and 2018

Revenues

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Dealer revenue	$ 76,814	$ 72,337
OEM incentives revenue	4,201	4,421
Forecasts, consulting and other revenue	4,567	4,303
Revenues	$ 85,582	$ 81,061

Three months ended March 31, 2019 compared to three months ended March 31, 2018. The increase in our revenues of $4.5 million or 5.6% for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 primarily reflected the increase in our dealer revenue. Dealer revenue, OEM incentives revenue, and forecasts, consulting and other revenue comprised 89.8%, 4.9%, and 5.3%, respectively, of revenues for the three months ended March 31, 2019 as compared to 89.2%, 5.5%, and 5.3%, respectively, for the same period in 2018. The increase of $4.5 million in dealer revenue for the three months ended March 31, 2019 primarily reflected a 1.3% increase in units and a 4.2% increase in monetization, along with increases within newer revenue streams of $2.2 million due to our Trade and DealerScience products. OEM incentives revenue and forecasts, consulting and other revenue for the three months ended March 31, 2019 remained materially consistent with the same period in 2018. For 2019, we expect our annual revenue to modestly improve compared to the prior year due primarily to increases in our dealer revenue and our OEM incentives revenue.

Costs and Operating Expenses

Cost of Revenue (exclusive of depreciation and amortization)

	Three Months Ended March 31,	
	2019	**2018**
	(dollars in thousands)	
Cost of revenue (exclusive of depreciation and amortization)	$ 8,936	$ 7,452
Cost of revenue (exclusive of depreciation and amortization) as a percentage of revenues	10.4%	9.2%

Three months ended March 31, 2019 compared to three months ended March 31, 2018. Cost of revenue increased $1.5 million or 19.9% for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 primarily due to a $0.9 million increase in employee related expenses, which includes $0.4 million in severance related costs, and a $0.7 million increase in data and licensing costs. Although we expect our cost of revenue to increase in dollar amount, we believe that the nature of our cost structure will enable us to realize operating leverage in our business over time.

Sales and Marketing Expenses

	Three Months Ended March 31,	
	2019	**2018**
	(dollars in thousands)	
Sales and marketing expenses	$ 54,738	$ 48,418
Sales and marketing expenses as a percentage of revenues	64.0%	59.7%

Three months ended March 31, 2019 compared to three months ended March 31, 2018. Sales and marketing expenses increased $6.3 million or 13.1% for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. The increase primarily reflected a $3.9 million increase in employee related expenses, which were driven by an increase in headcount as well as $1.2 million in severance related costs, a $1.2 million increase in partner marketing and revenue share paid to affinity marketing partners, and a $0.8 million increase in branded media spend. We expect the dollar amount of sales and marketing expenses to continue to increase due to increased media production costs, television and radio advertising, digital customer acquisition costs, affinity group marketing partner fees, and marketing programs as we grow our business and expand our product offerings.

Technology and Development Expenses

	Three Months Ended March 31,	
	2019	**2018**
	(dollars in thousands)	
Technology and development expenses	$ 15,654	$ 15,594
Technology and development expenses as a percentage of revenues	18.3%	19.2%
Capitalized software costs	$ 3,097	$ 3,511

Three months ended March 31, 2019 compared to three months ended March 31, 2018. Technology and development expenses increased $0.1 million or 0.4% for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. The increase was primarily due to an increase in employee related expenses of $0.7 million, which includes $1.7 million in severance related costs being offset by a reduced headcount. This increase was partially offset by a decrease in stock-based compensation of $0.4 million.

Capitalized software costs decreased $0.4 million primarily due to a decrease of $0.6 million in third-party software costs, partially offset by a $0.2 million increase in internal capitalized software costs.

We expect our technology and development expenses to increase in dollar amount as we continue to increase our developer headcount to invest in our products, expand the functionality of our platform and provide new product offerings. We also 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,	
	2019	2018
	(dollars in thousands)	
General and administrative expenses	$ 15,104	$ 13,481
General and administrative expenses as a percentage of revenues	17.6%	16.6%

Three months ended March 31, 2019 compared to three months ended March 31, 2018. General and administrative expenses increased $1.6 million or 12.0% for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. The increase was primarily due to an increase in outsourced services of $1.7 million, partially offset by a decrease in stock-based compensation of $0.6 million. 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.

Depreciation and Amortization Expenses

	Three Months Ended March 31,	
	2019	2018
	(dollars in thousands)	
Depreciation and amortization expenses	$ 6,415	$ 5,175

Three months ended March 31, 2019 compared to three months ended March 31, 2018. Depreciation and amortization expenses increased $1.2 million or 24.0% for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. 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.

Interest Expense

	Three Months Ended March 31,	
	2019	2018
	(dollars in thousands)	
Interest expense	$ —	$ 661

Three months ended March 31, 2019 compared to three months ended March 31, 2018. Historically our interest expense primarily related to interest incurred on our lease financing obligation for our leased office spaces under build-to-suit lease accounting. Under the new leasing guidance adopted as of January 1, 2019, the build-to-suit leases are now classified as operating leases. As a result, we had no interest expense for the three months ended March 31, 2019 as compared to $0.7 million in the three months ended March 31, 2018. We do not expect to incur interest expense in the remaining quarters of 2019, unless we draw down on our credit facility or incur other forms of debt financing.

Benefit from / Provision for Income Taxes

	Three Months Ended March 31,	
	2019	2018
	(dollars in thousands)	
Provision for (benefit from) income taxes	$ 101	$ (61)

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. Our benefit from income taxes for the three months ended March 31, 2018 primarily reflects a decrease in valuation allowance associated with the recognition of our tax-deductible goodwill amortization as an available source of income to realize deferred tax assets.

Liquidity and Capital Resources

At March 31, 2019, our principal sources of liquidity were cash and cash equivalents totaling $179.9 million.

We have incurred cumulative losses of $391.5 million from our operations through March 31, 2019, and expect to incur additional losses in the future. We believe that our existing sources of liquidity will be sufficient to fund our operations for at least the next 12 months. However, our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of our spending to support our technology and development efforts, and costs related to potential acquisitions to further expand our business and product offerings. To the extent that existing cash and cash equivalents, and cash from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Credit Facility

We are party to a credit facility with Silicon Valley Bank that provides for advances of up to $35.0 million. This credit facility provides a $10.0 million subfacility for the issuance of letters of credit and contains an increase option permitting us, subject to the lender's consent, to increase the revolving credit facility by up to $15.0 million, to an aggregate maximum of $50.0 million. The credit facility has a three-year term and matures on February 18, 2021. No amounts were outstanding at March 31, 2019. The amount available under the amended credit facility at March 31, 2019 was $31.0 million, reduced for the letters of credit issued and outstanding under the subfacility of $4.0 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,	
	2019	2018
Consolidated Cash Flow Data:	(in thousands)	
Net cash provided by operating activities	$ 7,581	$ 3,443
Net cash used in investing activities	(26,079)	(5,332)
Net cash provided by financing activities	2,268	(51)
Net increase in cash and cash equivalents	$ (16,230)	$ (1,940)

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, 2019 was $7.6 million. This was primarily due to our net loss of $14.4 million, which, adjusted for non-cash items, including stock-based compensation expense of $8.6

million, depreciation and amortization expense of $6.4 million, and amortization of lease right-of-use assets of $1.5 million resulted in $2.6 million in cash provided by operations. Net cash provided by operations also reflected 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.

Cash provided by operating activities for the three months ended March 31, 2018 was $3.4 million. This was primarily due to our net loss of $9.1 million, which, adjusted for non-cash items, including stock-based compensation expense of $9.1 million and depreciation and amortization expense of $5.2 million, resulted in $5.7 million in cash provided by operations. Net cash provided by operations also reflected a decrease of $2.2 million related to changes in operating assets and liabilities.

The $2.2 million decrease related to changes in operating assets and liabilities primarily reflected a decrease in accrued employee expenses of $3.1 million primarily due to a decrease in accrued bonus and a decrease in accounts payable of $1.1 million primarily due to a decrease in revenue share payable to affinity marketing partners. These uses of cash were partially offset by a decrease in accounts receivable of $1.5 million primarily related to a decrease in OEM incentives revenue and an increase in accrued expenses and other liabilities of $0.9 million primarily due to increased accrued marketing fees.

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 $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.

Cash used in investing activities of $5.3 million for the three months ended March 31, 2018 resulted from $3.3 million of investments in software, $1.5 million of investments in furniture, leasehold, and facility improvements, and $0.5 million of investments in computer hardware.

Financing Activities

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.

Cash used in financing activities of $0.1 million for the three months ended March 31, 2018 reflects taxes paid for the net share settlement of certain equity awards, net of proceeds from the exercise of stock options.

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, 2019.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

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 $179.9 million at March 31, 2019, which consist entirely of bank deposits and short-term money market funds. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant.

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

To the extent we borrow funds under our credit facility, we would be subject to fluctuations in interest rates. See Note 6 to the condensed consolidated financial statements herein. As of March 31, 2019, we had no borrowings under the credit facility.

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

Inflation Risk

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

Foreign Currency Exchange Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2019, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

Risks Related to Our Business and Industry

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

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

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

In addition, our ability to increase the number of TrueCar Certified Dealers in an optimized manner depends on strong relationships with other constituents, including car manufacturers and state dealership associations. From time to time, car manufacturers have communicated concerns about our business to the dealers in our network. For example, some car manufacturers maintain guidelines that prohibit dealers from advertising a car at a price that is below an established floor. If a TrueCar Certified Dealer submits pricing information to our users that falls below pricing guidelines established by the applicable manufacturer, 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 impedes our ability to grow our dealer network. More recently, Toyota and Nissan modified their marketing covenants to include guidelines on minimum allowable advertised pricing in January 2016 and January 2017, respectively. We have implemented certain changes designed to accommodate these guidelines; however, 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. If we are unable to successfully accommodate these guidelines without making material, unfavorable adjustments to our business practices or user experience, 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 state 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 state 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 the year ended December 31, 2018, approximately 35% of our unit volume was subject to pay-per-sale billing arrangements, with the remaining units being subject to subscription billing arrangements. If the number of TrueCar Certified Dealers on subscription billing arrangements continues to increase relative to those on a pay-per-sale billing model, the growth of our business could become more dependent on our ability to increase dealer subscription rates, as rising unit volumes at dealers on subscription billing arrangements do not automatically result in higher revenues. If we are unable to convince subscription-based dealers of our value proposition, we could be unable to increase dealer subscription rates even if our unit volume increases, which could have a material adverse effect on our business, growth, financial condition, results of operations and cash flows.

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

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

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

For example, at the end of 2011 and the beginning of 2012, due to certain regulatory and publicity-related challenges, many dealers canceled their agreements with us and our franchise dealer count fell from 5,571 at November 30, 2011 to 3,599 at February 28, 2012. In 2015, 279 franchise dealers became inactive as the result of a contractual dispute with a large dealer group, and our franchise dealer count decreased from 9,300 at June 30, 2015 to 8,702 at September 30, 2015. At March 31, 2019 our franchise dealer count was 12,675.

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 have the effect of diluting 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 would 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. In May 2015, the California New Car Dealers Association filed a lawsuit alleging that we were operating in the State of California as an unlicensed automobile dealer and autobroker. Although this litigation was ultimately settled, we cannot assure you that similar litigation will not be brought against us in the future. For more information on this lawsuit, refer to the risk factor below: “We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.” A significant number of automobile dealerships are also members of larger dealer groups, and if a group decides to leave our network, that decision would typically apply to all dealerships within the group.

Furthermore, automobile manufacturers may provide their franchise dealers with financial or other marketing support on the condition that they adhere to certain marketing guidelines, and 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 company-branded platform on the TrueCar website 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, and our failure to do so could mean that the number of transactions between our users and TrueCar Certified Dealers may decline and we would be unable to effectively monetize 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;
- compliance of the dealers within our network of TrueCar Certified Dealers with applicable laws, regulations and the rules of our platform, including honoring the TrueCar certificates submitted by our users;
- our access to a sufficient amount of data to enable us to provide relevant pricing information to consumers; and
- our ability to constantly innovate and improve our mobile application and platform to enable us to provide products and services that users want to use on the devices they prefer.

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

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

Changes to management, including turnover of our top executives, could have an adverse effect on our business.

The loss of any member of our senior management could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find an adequate replacement on a timely basis, or at all. Although we have entered 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.

For example, in the second half of 2015, we experienced increased turnover in key executive positions, including our chief executive officer and president. Additionally, on February 1, 2018, Michael Guthrie resigned as our chief financial officer and was replaced on an interim basis by John Pierantoni, our former chief accounting officer, until he resigned effective April 1, 2019. Charles Thomas, our controller, has assumed the roles of principal financial officer and principal accounting officer until we complete our search process for a chief financial officer and a chief accounting officer. We face significant competition for executives with the qualifications and experience we are seeking. We can give no assurances concerning the timing or outcome of our search for a chief financial officer and a chief accounting officer.

We cannot guarantee that we will not face similar turnover in the future. Management transition is often difficult. Our ability to execute our business strategies may be adversely affected by the uncertainty associated with any transition and the time and management attention needed to fill any vacant role could disrupt our business. Further, future executives may view the business differently than current members of management, and over time may make changes to our strategic focus, operations or business plans with corresponding changes in how we report our results of operations. We can make no assurances that we would be able to properly manage any shift in focus or that any changes to our business would ultimately prove successful. Any of these factors could negatively affect our strategy and execution, and our business, growth, financial condition, results of operations and cash flows could suffer as a result.

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 technical talent within Southern California as the “Silicon Beach” area of Los Angeles County continues to develop. We are also limited in our ability to recruit internationally by domestic immigration laws.

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

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

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

- expand our dealer network in a geographically optimized manner, including increasing dealers in our network representing high volume brands;
- increase the number of transactions between our users and TrueCar Certified Dealers;
- increase dealer subscription rates, and manage dealer churn, as the number of dealers on subscription billing arrangements increases relative to those on a pay-per-sale billing model and, as a result, our revenue and revenue growth potential become more subscription-based;
- grow the revenue we derive from car manufacturer incentive programs;
- increase the number of dealers participating in our automotive trade-in program, expand its geographic coverage and successfully monetize the TrueCar Trade product;
- maintain and grow our affinity group marketing partner relationships and increase the productivity of our current affinity group marketing partners;
- increase the number of users of our products and services, and in particular the number of unique visitors to the TrueCar website and our TrueCar branded mobile applications;
- 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, including the hiring of additional personnel in our dealer team;

- technology and product development, including the hiring of additional personnel in our product development and technical teams, harmonization of our software infrastructure, and the development of new products and new features for existing products;

- strategic partnerships, investments and acquisitions; and

- general administration, including legal, accounting and other compliance expenses related to being a public company.

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

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

We receive automobile purchase data from many third-party data providers, including our network of TrueCar Certified Dealers, dealer management system, or DMS, data feed providers, data aggregators and integrators, survey companies, purveyors of registration data and our affinity group marketing partners. In the states in which we employ a pay-per-sale billing model, we use this data to match purchases with users who obtained a Guaranteed Savings Certificate from a TrueCar Certified Dealer so that we may collect a transaction fee from those dealers and recognize revenue from the related transactions.

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 states 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 with users who obtained a Guaranteed Savings Certificate from a TrueCar Certified Dealer, thereby delaying our submission of an invoice to an automobile dealer in our network for a given transaction and delaying the timing of cash receipts from the dealer. The redundancies of data feeds received from multiple providers may not result in sufficient data to match automobile purchases with users that obtained a Guaranteed Savings Certificate from a TrueCar Certified Dealer. In the case of an interruption in our data feeds, our billing structure may transition to a subscription model for 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 collection of 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 $391.5 million at March 31, 2019 and we experienced a net loss of $14.4 million in the three months ended March 31, 2019. From time to time in the past, we have made significant investments in our operations that have not resulted in corresponding revenue growth and, as a result, increased our losses. We 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. 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 that have increased now that we are no longer an "emerging growth company." For more information on our loss of "emerging growth company" status, refer to the risk factor below: "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 devote substantial time to compliance with our public company responsibilities and corporate governance practices." As a result of these increased expenditures, we will need to generate and sustain increased revenue to achieve and maintain profitability.

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

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

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

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

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

- affinity group marketing partners might terminate their relationship with us or make the relationship non-exclusive, resulting in a reduction in the number of transactions between users of our platform and TrueCar Certified Dealers;

- affinity group marketing partners might de-emphasize the automobile buying programs within their offerings or alter the user experience for members in a way that results in a decrease in the number of transactions between their members and our TrueCar Certified Dealers; or

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

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

Any adverse change in our relationship with United Services Automobile Association, or USAA, could harm our business.

The largest source of user traffic and unit sales from our affinity group marketing partners comes from the site we maintain for USAA, which is also a large stockholder. In 2018, 271,830 units, representing 27% of all units purchased by users from TrueCar Certified Dealers during that period, were matched to users of the car-buying site we maintain for USAA. In the three months ended March 31, 2019, 66,979 units, representing 29% of all units purchased by users from TrueCar Certified Dealers during that period, were matched to users of the car-buying site we maintain for USAA. As such, the number of units purchased using USAA's car-buying site has a significant influence on our operating results. We define units as the number of automobiles purchased from TrueCar Certified Dealers that are matched to users of the TrueCar website and our branded mobile applications or the car-buying sites we maintain for our affinity group marketing partners. At March 31, 2019, USAA beneficially owned 9,042,990 shares, which represented 8.6% of our outstanding common stock.

Our affinity group marketing agreement with USAA extends through February 13, 2020, but we cannot assure you that it will be extended at the expiration of its current term on terms satisfactory to us, or at all. In addition, USAA has broad discretion in how the car-buying site we maintain for USAA is promoted and marketed on its own website and in whether, and at what level, to subsidize a portion of its members' borrowing costs for car loan products. Changes in USAA's promotion and marketing have in the past and may in the future adversely affect the volume of user traffic we receive from USAA. For example, during the third quarter of 2017, USAA made changes to the user experience for its car-buying site that we believe contributed to a decrease in the number of transactions between its members and our TrueCar Certified Dealers during the second half of 2017 and the first half of 2018. Changes in our relationship with USAA, its promotion and marketing of our platform, its subvention of its members' borrowing costs or future modifications of its car-buying site user experience could adversely affect our business and operating results in the future.

The failure to attract significant manufacturers to participate in our car manufacturer incentive programs, or to induce significant 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, 2019 and 2018, respectively, we derived approximately 4.9% and 5.5% of our revenue from our arrangements with car manufacturers to promote the sale of their vehicles through additional consumer incentives, and we believe that this revenue stream represents a substantial growth opportunity for our business. Failure to attract additional manufacturers to participate in these programs could reduce our growth and harm our operating results. Additionally, our relationships with manufacturers typically begin with a short-term pilot arrangement and, even if a relationship progresses beyond the pilot stage, it may only be for a short term and may not be renewed by the manufacturer. If we are unable to induce the manufacturers with which we currently have relationships to continue 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, scaling it to a nationwide offering and expanding its geographic coverage, providing a compelling value proposition to consumers using our TrueCar Trade product, monetizing that product or integrating it into our consumer experience, our business and prospects could be adversely affected.

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

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

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

We believe that the TrueCar website and our TrueCar-branded mobile applications represent an important component of the growth of our business. Because TrueCar.com is a consumer brand, we rely heavily on marketing and advertising to increase the visibility of this brand with potential users of our products and services. We currently advertise through television and radio marketing campaigns, digital and online media, sponsorship programs and other means, the goals of which are to increase the strength and recognition of, and trust in, the TrueCar brand and to drive more unique visitors to our website and mobile applications. We incurred expenses of $54.7 million and $48.4 million on sales and marketing during the three months ended March 31, 2019 and 2018, respectively.

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

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

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

Failure to increase our revenue, or to reduce our sales and marketing expense or our technology and development expense as a percentage of revenue, would adversely affect our financial condition and profitability.

We expect to make significant future investments to support the further development and expansion of our business and these investments may not result in increased revenue or growth on a timely basis or at all. Furthermore, these investments may not decrease as a percentage of revenue if our business grows. In particular, we intend to increase expenditures to acquire or develop and launch new products and enhance our existing products and services, continue to grow and train our network of TrueCar Certified Dealers and continue to upgrade and enhance our technology infrastructure. We also intend to continue investing to increase awareness of our brand, including through television, digital and radio advertisements. There can be no assurance that these investments will increase revenue or that we will eventually be able to decrease our sales and marketing expense, or our technology and development expense, 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 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 the 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 in the California Superior Court for the County of Los Angeles, which we refer to as the CNCDA Litigation. The complaint, filed by the California New Car Dealers Association, or CNCDA, 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. For more information concerning this lawsuit, refer to the risk factor below: "*We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.*"

In July 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. For more information concerning this lawsuit, refer to the risk factor below: "*We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.*"

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

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

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

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

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

In June 2017, we were named as a defendant in a putative class action filed by Kip Haas in the U.S. District Court for the Central District of California, which we refer to as the Federal Consumer Class Action. The complaint asserted claims for violation of the California Business and Professions Code, based principally on allegations of false and misleading advertising and unfair business practices. The complaint sought an award of unspecified damages, interest, injunctive relief and attorney's fees. In November 2017, the parties entered into a binding settlement agreement, and the litigation was dismissed in December 2017. For more information concerning this lawsuit, refer to the risk factor below: "We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows."

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

Federal Advertising Regulations

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

In March 2015, we were named as a defendant in a lawsuit filed in the U.S. District Court for the Southern District of New York, which we refer to as the NY Lanham Act Litigation. The complaint, purportedly filed on behalf of numerous automotive dealers who are not on the TrueCar platform, seeks 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. For more information concerning this litigation, refer to the risk factor below: "*We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.*"

Federal Antitrust Laws

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

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

Other

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

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

In March 2015, we were named as a defendant in the NY Lanham Act Litigation. The complaint in the NY Lanham Act Litigation, purportedly filed on behalf of numerous automotive dealers who are not on the TrueCar platform, alleges that we violated the Lanham Act as well as various state laws prohibiting unfair competition and deceptive acts or practices related to our advertising and promotional activities. The complaint seeks injunctive relief in addition to over $250 million in damages as a result of the alleged diversion of customers from the plaintiffs' dealerships to TrueCar Certified Dealers. On April 7, 2015, we filed an answer to the complaint. Thereafter, the plaintiffs amended their complaint, and on July 13, 2015, we filed a motion to dismiss the amended complaint. On January 6, 2016, the court granted in part and denied in part our motion to dismiss. Discovery in this matter has been completed. On January 19, 2018, we filed a motion to exclude testimony from the plaintiffs' damages expert. On April 10 and April 11, 2018, the court held an evidentiary hearing on that motion, which it granted on May 9, 2018. On July 2, 2018, we filed a motion for summary judgment seeking dismissal of the amended complaint in its entirety. On March 27, 2019, the court granted in part and denied in part our motion, allowing the plaintiffs to pursue disgorgement of our profits on a deterrence theory but granting summary judgment to us on the other aspects of the plaintiffs' claims. On April 9, 2019, we filed a motion for reconsideration of the court's ruling. The court has not yet ruled on that motion. We believe that the portions of the amended complaint that survived our motion to dismiss and motion for summary judgment are without merit, and we intend to vigorously defend ourselves in this matter. Based on the current stage of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In May 2015, we were named as a defendant in 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. On July 20, 2015, we filed a "demurrer" to the complaint, which is a pleading that requests that the court dismiss the case. The plaintiffs subsequently amended their complaint, and on September 11, 2015, we filed a demurrer to the amended complaint. On December 7, 2015, the court granted our demurrer in its entirety, but afforded the CNCDA the opportunity to file a second amended complaint. The CNCDA filed a second amended complaint on January 4, 2016. The second amended complaint reiterated the claims in the prior complaints and added claims under theories based on the federal Lanham Act and California unfair competition law. On February 3, 2016, we filed a demurrer to the second amended complaint. On March 30, 2016, the court granted in part and denied in part our demurrer to the second amended complaint, dismissing the Lanham Act claim but declining to dismiss the balance of the claims at the demurrer stage of the litigation. On May 31, 2016, based on certain intervening developments in state law, the court announced that it would reconsider its March 30, 2016 order, and it invited the parties to file new briefs on the demurrer issues. On July 15, 2016, the court heard oral argument on reconsideration of the demurrer issues. On July 25, 2016, the court granted in part and denied in part our demurrer to the second amended complaint, just as it had done in its March 30, 2016 order. The litigation was previously scheduled for trial in August 2017. On April 3, 2017, the court indicated that the trial date would be postponed to a future date. On May 17, 2017, the court scheduled trial to begin on December 11, 2017. Prior to the commencement of trial, the parties entered into settlement negotiations, and on December 14, 2017, the parties entered into a binding settlement agreement to fully resolve the litigation. Under the settlement agreement, the litigation was dismissed with prejudice on December 21, 2017. In light of the full resolution of this matter under the settlement agreement, we do not believe that an additional loss is probable. However, if similar litigation is filed against us, we may incur significant legal fees, adverse changes in our dealer network, settlements or damage awards as a result. If any such matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs or adverse changes in our dealer network, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In May 2015, Satyabrata Mahapatra filed a putative securities class action complaint in the U.S. District Court for the Central District of California naming us and two other individuals not affiliated with us as defendants, which we refer to as the Mahapatra Federal Securities Litigation. On June 15, 2015, the plaintiff filed a notice of errata and correction purporting to name our then-chief executive officer Scott Painter and our then-chief financial officer Michael Guthrie as individual defendants in lieu of the two individual defendants named in the complaint. On October 5, 2015, the plaintiffs amended their complaint. As amended, the complaint sought an award of unspecified damages, interest and attorney's fees based on allegations that the defendants made false and/or misleading statements, and failed to disclose material adverse facts about our business, operations, prospects and performance. Specifically, the amended complaint alleged that during the putative class period, the defendants made false and/or misleading statements and/or failed to disclose that: (i) our business practices violated unfair competition and deceptive trade practice laws (i.e., the issues raised in the NY Lanham Act Litigation); (ii) we acted as a dealer and broker in car sales transactions without proper licensing, in violation of various states' laws that govern car sales (i.e., the issues raised in the CNCDA Litigation); and (iii) as a result, our registration statements, prospectuses, quarterly and annual reports, financial statements, SEC filings, press releases and other statements and documents were materially false and misleading at times relevant to the amended complaint and putative class period. The amended complaint asserted a putative class period running from May 16, 2014 to July 23, 2015. On October 19, 2015, we filed a motion to dismiss the amended complaint. On December 9, 2015, the court granted our motion to dismiss and dismissed the case in its entirety. On January 8, 2016, the plaintiff filed a notice of appeal. On June 20, 2016, the plaintiff filed a motion for voluntary dismissal of the appeal. The motion was granted by the court on June 27, 2016. As this case has been dismissed, we do not anticipate a loss related to this matter. However, if similar litigation is filed against us, we may incur significant legal fees, adverse changes in our dealer network, settlements or damage awards as a result. If any such matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs or adverse changes in our dealer network, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In July 2015, we were named as a defendant in the Participating Dealer Litigation. Both as originally filed and as subsequently amended, the complaint in the Participating Dealer Litigation 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. Neither the original nor amended complaint sought an award of money damages. On September 29, 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. If the Participating Dealer Litigation is re-filed at a later date or if similar litigation is filed against us, we may incur significant legal fees, adverse changes in our dealer network, settlements or damage awards as a result. If any such matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs or adverse changes in our dealer network, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In August 2015, we, certain of our executives and directors and the underwriters of our initial public offering and secondary offering were named as defendants in a putative class action lawsuit filed by Ning Shen and William Fitzpatrick in the California Superior Court for the County of Los Angeles under the federal securities laws, which we refer to as the California State Court Securities Litigation. The complaint alleged that our registration statements contained false or misleading statements of material facts and failed to disclose material adverse facts about our business, operations, prospects and performance. On September 2, 2015, following our removal of the action from California state court to the U.S. District Court for the Central District of California, the plaintiffs voluntarily dismissed this lawsuit "without prejudice," which means that the California State Court Securities Litigation is currently resolved, but that it could be re-filed at a later date. If the California State Court Securities Litigation is re-filed at a later date or if additional similar litigation is filed against us, we may incur significant legal fees, settlements or damage awards as a result. If any such matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In December 2015, we were named as a defendant in the California Consumer Class Action. The complaint asserted claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code, based principally on factual allegations similar to those asserted in the NY Lanham Act Litigation and the CNCDA Litigation. In the complaint, the plaintiff sought to represent a class of "[a]ll California consumers who purchased an automobile by using TrueCar, Inc.'s price certificate during the applicable statute of limitations." On January 12, 2016, the court entered an order staying all proceedings in the case pending an initial status conference, which was scheduled for April 13, 2016. On March 16, 2016, the case was reassigned to a different judge. As a result of that reassignment, the initial status conference was rescheduled for and held on May 26, 2016. By stipulation, the stay of discovery was continued until a second status conference, which was scheduled for October 12, 2016. On July 13, 2016, the plaintiff amended his complaint. The amended complaint continues to assert claims for unjust enrichment, violation of the California Consumer Legal Remedies Act and violation of the California Business and Professions Code. The amended complaint retains the same proposed class definition as the initial complaint. Like the initial complaint, the amended complaint seeks an award of unspecified damages, punitive and exemplary damages, interest, disgorgement, injunctive relief and attorney's fees. On September 12, 2016, we filed a demurrer to the amended complaint. On October 12, 2016, the court heard oral argument on the demurrer. On October 13, 2016, the court granted in part and denied in part our demurrer to the amended complaint, dismissing the unjust enrichment claim but declining to dismiss the balance of the claims at the demurrer stage of the litigation. At a status conference held on January 26, 2017, the court ruled that discovery could then proceed regarding matters related to class certification only. At a status conference held on July 25, 2017, the court set a deadline of January 8, 2018 for the filing of the plaintiff's motion for class certification and provided that discovery could continue to proceed regarding matters related to class certification only at that time. Subsequently, the court extended to February 7, 2018 the deadline for the filing of plaintiff's motion for class certification and for the completion of related discovery. On February 7, 2018, the plaintiff filed a motion for class certification. The court held a hearing on the plaintiff's class certification motion on July 12, 2018 and denied the motion on July 27, 2018. On September 26, 2018, the plaintiff filed a notice of appeal and proceedings in the trial court have been stayed pending the resolution of the appeal. We believe that the amended complaint is without merit, and we intend to vigorously defend ourselves in this matter. Based on the current stage of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In June 2017, we were named as a defendant in 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 seeks an award of unspecified damages, interest, injunctive relief and attorney's fees. In the complaint, the plaintiff seeks to represent a class of consumers defined as "[a]ll consumers, who, between the applicable statute of limitations and the present, obtained a TrueCar 'guaranteed' price" and "[a]ll consumers, who, between the applicable statute of limitations and the present, obtained a TrueCar 'guaranteed' price pertaining to a vehicle located at Riverside Mazda." On or around October 23, 2017, the parties reached an agreement in principle to settle this matter on an individual (non-classwide) basis in exchange for the payment of an immaterial amount to Mr. Haas. On November 27, 2017, the parties entered into a binding settlement agreement on the same financial terms agreed to in principle on or around October 23, 2017. Thereafter, we fully satisfied the financial terms of the settlement agreement, under which the litigation was dismissed with prejudice on December 1, 2017. In light of the full resolution of this matter under the settlement agreement, we do not believe that an additional loss beyond the above-noted immaterial payment is probable. However, if similar litigation is filed against us, we may incur significant legal fees, settlements or damage awards as a result. If any such matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In October 2017, we were named as a defendant in a lawsuit filed by Cox Automotive in the Supreme Court of the State of New York in the County of Nassau, which we refer to as the Cox Automotive Litigation. As it relates to us, the complaint sought an award of unspecified damages, disgorgement, return of property taken or retained, injunctive relief and attorney's fees. The complaint alleged that we engaged in tortious interference with a contractual relationship between Cox Automotive and one of its former employees, among other claims against the former Cox Automotive employee, who was also named as a defendant in the lawsuit. On October 20, 2017, the court granted a temporary restraining order prohibiting us from employing the former Cox Automotive employee pending the court's ruling on the request by Cox Automotive for the entry of a preliminary injunction. On November 13, 2017, oral argument was held on Cox Automotive's request for the entry of a preliminary injunction. On January 23, 2018, the court dissolved the temporary restraining order and denied Cox Automotive's request for the entry of a preliminary injunction. On February 27, 2018, the parties filed a "stipulation of discontinuance," which terminated the case. We were not required to make any monetary payment or provide any other consideration in exchange for the stipulation of discontinuance. In light of the termination of the litigation on this basis, we do not believe a loss is probable. However, if similar litigation is filed against us, we may incur significant legal fees, settlements or damage awards as a result. If any such matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In March 2018, Leon Milbeck filed a putative securities class action complaint in the U.S. District Court for the Central District of California naming us and one of our former officers as defendants, which we refer to as the Milbeck Federal Securities Litigation. The 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 Securities Exchange Act and Rule 10b-5 promulgated thereunder. On June 27, 2018, the court appointed the Oklahoma Police Pension and Retirement Fund as lead plaintiff. The plaintiff filed an amended complaint on August 24, 2018. The amended complaint reiterated the claims in the prior complaint and added claims under Section 11 of the Securities Exchange Act. The amended complaint also added our chief executive officer Chip Perry, our interim chief financial officer John Pierantoni, our former chief financial officer Michael Guthrie and our underwriters and directors who signed the registration statement for our secondary offering that occurred during the class period, which we refer to as the 2017 Registration Statement, 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, we filed a motion to dismiss the amended complaint, which the court denied on February 5, 2019. On May 9, 2019, the court granted lead plaintiff's motion for class certification and scheduled trial to begin on November 5, 2019. We believe that the amended 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 damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In March 2019, Dean Drulias filed a derivative action complaint nominally on behalf of the Company in the U.S. District Court for the Central District of California naming our chief executive officer Chip Perry, our former chief financial officer Michael Guthrie, our former interim chief financial officer John Pierantoni, our directors who signed the 2017 Registration Statement and USAA as defendants. The complaint alleges breach of fiduciary duties and unjust enrichment and seeks 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. We believe that the complaint is without merit and intend to vigorously defend ourselves in this matter. Based on the current stage of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damages awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In April 2019, each of Ara Afarian and Shelley Niemi filed a derivative action complaint nominally on behalf of the Company in the U.S. District Court for the District of Delaware naming our chief executive officer Chip Perry, our former chief financial officer Michael Guthrie, our former interim chief financial officer John Pierantoni, our directors who signed the 2017 Registration Statement and USAA as defendants. Each complaint alleges breach of Section 29(b) of the Exchange Act as well as breach of fiduciary duties and unjust enrichment and seeks 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 seeks rescission of certain contracts. On April 17, 2019, the two cases, and all similar cases originating in or transferred to the U.S. District Court for the District of Delaware, were consolidated into a single action bearing the caption In re TrueCar, Inc.

Shareholder Derivative Litigation. We believe that the complaints are 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.

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 related derivative lawsuits, the Mahapatra Federal Securities Litigation and the California State Court Securities Litigation. 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 and the related derivative lawsuits, the Mahapatra Federal Securities Litigation or the California State Court Securities 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 will incur significant legal fees in our defense of the NY Lanham Act Litigation, the California Consumer Class Action and the Milbeck Federal Securities Litigation and the related derivative lawsuits and we may incur fees associated with additional lawsuits that may be filed against us or one or more of our officers or directors hereafter. The legal fees arising from any or all of these matters 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 listings, information, lead generation, and car-buying services designed to reach consumers and enable dealers to reach these consumers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In December 2010, the FCC adopted so-called "net neutrality" rules barring Internet providers from blocking or slowing down access to online content, protecting services like ours from this type of interference, which we refer to as the Federal Net Neutrality Regulations. Effective June 11, 2018, however, the FCC repealed the Federal Net Neutrality Regulations, and considerable uncertainty currently surrounds the regulatory environment in this field. For example, on September 30, 2018, California enacted the California Internet Consumer Protection and Net Neutrality Act of 2018, or the California Net Neutrality Act. Among other things, the California Net Neutrality Act, which took effect on January 1, 2019, imposes net neutrality requirements similar to the Federal Net Neutrality Regulations. On the day of its enactment, the federal government sued California, claiming that the California Net Neutrality Act is preempted by federal law, and the State of California subsequently agreed not to enforce the California Net Neutrality Act pending the resolution of ongoing legal challenges. 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 outcome of those challenges or whether other states or governmental entities will respond to the FCC's decision or the enactment of the California Net Neutrality Act. Within this regulatory environment, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business.

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

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

Complaints or negative publicity about our business practices, our marketing and advertising campaigns, our compliance with applicable laws and regulations, the integrity of the data that we provide to users, 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 product, or enhance existing products and services on our platform, we may incur losses or otherwise fail to enter these markets successfully. Our expansion into these markets may place us in competitive and regulatory environments with which we are unfamiliar and involves various risks, including the need to invest significant resources and the possibility that returns on these investments will not be achieved for several years, if at all.

In attempting to 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 $5.6 million in license fees and revenue share costs. We incurred $0.6 million in such license fees and revenue share costs in the three months ended March 31, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There are numerous federal, state, local and foreign laws regarding privacy and the collection, processing, storage, sharing, disclosure, use or protection of personal information and other data. The scope of these laws is changing, they are subject to differing interpretations and they may be costly to comply with and may be inconsistent between countries and jurisdictions or conflict with other rules. Numerous jurisdictions are currently considering, or have recently enacted, data protection legislation. For example, a new data protection law took effect in Colorado on September 1, 2018, and on June 28, 2018, California enacted the California Consumer Privacy Act of 2018, which we refer to as the California Act. The California Act, which takes effect on January 1, 2020 but contains a "lookback" to January 1, 2019, will impose sweeping data protection obligations on many companies doing business in California and provides for substantial fines for non-compliance and, in some cases, a private right of action to consumers who are victims of data breaches involving their unencrypted personal information. The potential effects of this legislation are far-reaching and may require us to modify our data processing practices and policies and 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 state-level enactments.

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 Act, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which may include personally identifiable information or other user data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others. Any of these consequences could cause consumers and automobile dealers to lose trust in us, which could have a material adverse effect on our business and prospects. Additionally, if vendors, developers or other third parties that we work with violate applicable laws or our policies, such violations may also put consumer or dealer information at risk and could in turn harm our reputation, business and operating results.

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

Our products and internal systems rely on software, including software developed or maintained internally or by third parties, that is highly technical and complex. In addition, our products and internal systems depend on the ability of that software to store, retrieve, process and manage substantial amounts of data. The software on which we rely has contained, and may in the future contain, undetected errors, bugs or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors, vulnerabilities or other design defects within the software on which we rely have in the past, and may in the future, result in a negative experience for consumers, dealers and partners who use our products, delay product introductions or enhancements, result in targeting, measurement or billing errors, compromise our ability to protect the data of consumers, dealers and partners 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 of our mobile applications could damage our reputation and result in a loss of consumers, which could harm our business, brand, operating results and financial condition.

Our brand, reputation and ability to attract consumers, affinity groups and advertisers depend on the reliable performance of our technology platform and content delivery. We have on occasion in the past and may in the future experience interruptions with our systems. Interruptions in these systems, whether due to system failures, computer viruses, denial-of-service attacks or physical or electronic break-ins, could affect the security or availability of our products and services on our website and mobile application and prevent or inhibit the ability of consumers to access our products and services. As our consumer base and the number of TrueCar Certified Dealers continue to grow, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy their needs. It is possible that we may fail to continue to effectively scale and grow our technical infrastructure to accommodate these increased demands. Problems with the reliability or security of our systems or with the upgrading, architectural unification and 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 with users who obtained a Guaranteed Savings Certificate 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 vast 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 will 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 our business would be seriously harmed.

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

Our relationship with Amazon is governed by a short-term agreement and we cannot guarantee that Amazon will not terminate our relationship or that we will continue to have access to Amazon Web Services on commercially reasonable terms.

Amazon may take actions beyond our control that could seriously harm our business, including limiting our access to its Amazon Web Services platform, increasing pricing terms, establishing more favorable relationships or pricing terms with one or more of our competitors and modifying or interpreting its terms of services or other policies in a manner that adversely affects our ability to run our business and operations.

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

We recently implemented a new enterprise resource planning, or ERP, software solution. If we do not successfully transition to this solution, our operations could be significantly disrupted.

We recently implemented a new ERP software solution. This project affected our business processes, information systems and internal controls, and required significant change management, investment in capital and personnel resources and coordination of numerous software and system providers and internal business teams. We may experience difficulties as we continue to manage these changes, including loss or corruption of data, decreases in productivity as our personnel implement and become familiar with the new systems and processes, unanticipated expenses (including increased costs of conducting business) and lost revenues. Difficulties in transitioning to a new ERP software solution could disrupt our operations, divert management's attention from key strategic initiatives and have an adverse effect on our results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We had goodwill and intangible assets of $95.2 million at March 31, 2019. Under accounting principles generally accepted in the United States, we review our goodwill for impairment annually in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable. We review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. While we have not recognized any impairment charges since our inception, we may recognize impairment charges in future periods in connection with our acquisitions or from other businesses we may seek to acquire in the future. The carrying value of our goodwill and intangible assets may not be recoverable due to factors such as a decline in our stock price and market capitalization, reduced estimates of future revenues or cash flows or slower growth rates in our industry. Estimates of future revenues and cash flows are based on a long-term financial outlook of our operations. Actual performance in the near-term or long-term could be materially different from these forecasts, which could impact future estimates and the recorded value of the intangibles. For example, a significant, sustained decline in our stock price and market capitalization may result in impairment of our intangible assets, including goodwill, and a significant charge to earnings in our consolidated financial statements during the period in which an impairment is determined to exist. If we have to reduce the carrying value of our goodwill or intangible assets, the impairment charge could materially and adversely affect our results of operations.

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

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

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

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

We are subject to taxation in the United States. Changes in tax laws applicable to us, including interpretations thereof and related accounting standards, could materially and adversely affect our business, financial condition, results of operations and cash flows. For example, on June 21, 2018, the United States Supreme Court issued its decision in *South Dakota v. Wayfair, Inc.* That decision overturned prior case law that online sellers are not required to collect sales and use taxes unless they have a physical presence in the buyer’s state. Although we believe that the *Wayfair* decision is unlikely to have a material effect on our business, it has resulted in nationwide uncertainty over sales tax liability and could precipitate responses from federal and state legislators, regulators and courts that materially increase our tax administrative costs and tax risk.

Catastrophic events or geopolitical conditions could disrupt our business.

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

Risks Related to Ownership of Our Common Stock

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

We have provided and may continue to provide guidance about our business and future operating results, including financial results for the quarter ending June 30, 2019, as well as the year ending December 31,2019, as part of our press releases, investor conference calls or otherwise. In developing this guidance, our management must make certain assumptions and judgments about our future performance. For example, in the second quarter of 2015 and the fourth quarter of 2018, our business results varied significantly from guidance for the quarter and the price of our common stock declined. Our future business results may vary significantly from management’s guidance due to a number of factors, many of which are outside of our control, and which could materially and adversely affect our operations, financial condition and operating results. If our publicly announced guidance of future operating results fails to meet the expectations of securities analysts, investors or other interested parties, the price of our common stock could decline.

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

As of March 31, 2019, our executive officers, directors and holders of 5% or more of our outstanding common stock (based upon the most recent filings on Schedule 13G with the SEC with respect to each such holder) beneficially own, in the aggregate, approximately 89% 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, 2019, the trading price of our common stock fluctuated from a low of $6.19 per share to a high of $10.39 per share. For the fiscal year ended December 31, 2018, the trading price of our common stock fluctuated from a low of $8.03 per share to a high of $14.55 per share. The trading price of our common stock depends on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of high technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- the failure of securities analysts to maintain coverage of us, changes in financial estimates or recommendations by any securities analysts who follow our company;
- our failure to meet our publicly-announced guidance of future operating results or otherwise to meet the expectations of securities analysts or investors in this regard;
- announcements by us or our competitors of new products;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- our ability to control costs, including our operating expenses;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of or investments in businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management;

- conditions in the automobile industry; and

- general economic conditions and slow or negative growth of our markets.

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

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

The market price for 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, 2019, approximately 105.1 million shares of our common stock were outstanding. In addition, as ofMarch 31, 2019, there were 14.0 million shares underlying options and 7.6 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 may, from time to time, sell securities of any combination of common stock, preferred stock, debt securities, warrants, depositary shares, subscription rights or units at prices and on terms that we may determine up to a total dollar amount of $100 million, and certain of our stockholders may sell, from time to time, up to 20 million shares of common stock. The 2017 Registration Statement was declared effective by the SEC on February 6, 2017. On May 2, 2017, we effected an offering under the 2017 Registration Statement in which we sold 1.15 million shares of common stock and certain selling stockholders sold 9.2 million shares of common stock.

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

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

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

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

If our existing stockholders, including employees and service providers who obtain equity, sell substantial amounts of our common stock in the public market, the trading price of our common stock could decline. All of our outstanding shares are eligible for sale in the public market, other than approximately 14.2 million shares (including vested options) as of March 31, 2019 held by directors, executive officers and other affiliates that are subject to volume limitations under Rule 144 of the Securities Act of 1933, as amended. 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 which 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; and

- any action asserting a claim against us that is governed by the internal-affairs doctrine.

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

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

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

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

We have never declared or paid cash dividends on our common stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring any cash dividends to

holders of our common stock in the foreseeable future. In addition, the terms of our credit facility currently restrict our payment of cash dividends on our capital stock. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

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

(a) Sales of Unregistered Securities

None.

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

Our initial public offering of common stock was effected through a Registration Statement on Form S-1 (File No. 333-195036), which was declared effective on May 15, 2014. There has been no material change in the planned use of proceeds from our initial public offering or follow-on offerings as described in our final prospectuses filed with the SEC on May 16, 2014, November 12, 2014 and April 27, 2017, respectively, pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the "Securities Act"). Pending the uses described, 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/AFile No. 333-195036	3.2	5/5/2014
3.2	Amended and Restated Bylaws of the Registrant.	S-1/AFile No. 333-195036	3.4	5/5/2014
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
32.1(1)	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith		
101.INS	XBRL Instance Document	Filed herewith		
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		

(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 10, 2019	By:	/s/ Chip Perry
			Chip Perry *President & Chief Executive Officer* *(Principal Executive Officer)*
Date:	May 10, 2019	By:	/s/ Charles Thomas
			Charles Thomas *VP, Controller* *(Principal Financial Officer & Principal Accounting Officer)*

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, Chip Perry, 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 10, 2019

/s/ Chip Perry

Chip Perry
President and 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, Charles Thomas, 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 10, 2019

/s/ Charles Thomas

Charles Thomas
VP, Controller
(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, 2019 as filed with the Securities and Exchange Commission (the "Report"), Chip Perry, as Chief Executive Officer, and Charles Thomas, as Principal 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 10, 2019	By:	/s/ Chip Perry
			Chip Perry *President and Chief Executive Officer* *(Principal Executive Officer)*
Date:	May 10, 2019	By:	/s/ Charles Thomas
			Charles Thomas *VP, Controller* *(Principal Financial Officer & Principal Accounting Officer)*