TRUECAR, INC.

FORM 10-Q
(Quarterly Report)

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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 June 30, 2016

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

Commission File Number: 001-36449

TRUECAR, INC.

(Exact name of registrant as specified in its charter)

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

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☐

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

As of August 3, 2016 , 84,606,500 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, 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, ability to generate cash flow, and ability to 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 them;
- maintaining and expanding our customer base, including our ability to increase the number of high volume brand dealers in our network generally and in key geographies;
- the impact of competition in our industry and innovation by our competitors;
- our anticipated growth and growth strategies, including our ability to increase the rate at which site visitors obtain Guaranteed Savings Certificates and close rates;
- our ability to anticipate or adapt to future changes in our industry;
- the impact of seasonality on our business;
- our ability to hire and retain necessary qualified employees, including anticipated additions to our dealer, product and technology teams;
- our ability to integrate recent additions to our management team;
- the impact of any failure of our solutions or solution innovations;
- our reliance on our third-party service providers;
- the evolution of technology affecting our products, services and markets;
- our ability to adequately protect our intellectual property;
- the anticipated effect on our business of litigation to which we are a party;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business;
- the 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;
- 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)

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 103,120	$ 112,371
Accounts receivable, net of allowances of $2,291 and $2,720 at June 30, 2016 and December 31, 2015, respectively (includes related party receivables of $314 and $328 at June 30, 2016 and December 31, 2015, respectively)	32,708	33,761
Prepaid expenses	7,387	6,048
Other current assets	982	779
Total current assets	144,197	152,959
Property and equipment, net	68,736	71,390
Goodwill	53,270	53,270
Intangible assets, net	21,749	23,815
Other assets	1,256	940
Total assets	$ 289,208	$ 302,374
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable (includes related party payables of $2,332 and $7,490 at June 30, 2016 and December 31, 2015, respectively)	$ 13,745	$ 18,880
Accrued employee expenses	8,955	7,799
Accrued expenses and other current liabilities (includes related party accrued expenses of $0 and $318 at June 30, 2016 and December 31, 2015, respectively)	12,821	12,425
Total current liabilities	35,521	39,104
Deferred tax liabilities	2,694	2,413
Lease financing obligations, net of current portion	28,704	26,987
Other liabilities	2,479	1,178
Total liabilities	69,398	69,682
Commitments and contingencies (Note 6)		
Stockholders' Equity		
Preferred stock — $0.0001 par value; 20,000,000 shares authorized at June 30, 2016 and December 31, 2015, respectively; no shares issued and outstanding at June 30, 2016 and December 31, 2015	—	—
Common stock — $0.0001 par value; 1,000,000,000 shares authorized at June 30, 2016 and December 31, 2015; 84,286,286 and 83,016,735 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	8	8
Additional paid-in capital	522,024	508,584
Accumulated deficit	(302,222)	(275,900)
Total stockholders' equity	219,810	232,692
Total liabilities and stockholders' equity	$ 289,208	$ 302,374

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 June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Revenues	$ 66,427	$ 65,291	$ 128,287	$ 123,845
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization presented separately below)	6,365	5,927	12,590	11,718
Sales and marketing (includes related party expenses of $3,359 and $6,253 for the three months ended June 30, 2016 and 2015, and $6,660 and $10,171 for the six months ended June 30, 2016 and 2015, respectively)	38,129	40,457	70,240	72,166
Technology and development	14,022	10,979	27,162	20,739
General and administrative	15,998	18,407	31,494	37,176
Depreciation and amortization	5,868	4,119	11,772	8,044
Total costs and operating expenses	80,382	79,889	153,258	149,843
Loss from operations	(13,955)	(14,598)	(24,971)	(25,998)
Interest income	102	24	195	44
Interest expense	(632)	(118)	(1,240)	(163)
Other income	—	3	—	14
Loss before provision for income taxes	(14,485)	(14,689)	(26,016)	(26,103)
Provision for income taxes	170	50	306	259
Net loss	$ (14,655)	$ (14,739)	$ (26,322)	$ (26,362)
Net loss per share, basic and diluted	$ (0.17)	$ (0.18)	$ (0.31)	$ (0.32)
Weighted average common shares outstanding, basic and diluted	83,931	82,012	83,697	81,241
Other comprehensive loss :				
Comprehensive loss	$ (14,655)	$ (14,739)	$ (26,322)	$ (26,362)

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock				
	Shares	Amount	APIC	Accumulated Deficit	Stockholders' Equity
Balance at December 31, 2015	83,016,735	$ 8	$ 508,584	$ (275,900)	$ 232,692
Net loss	—	—	—	(26,322)	(26,322)
Stock-based compensation	—	—	12,260	—	12,260
Shares issued in connection with employee stock plans, net of shares withheld for employee taxes	1,269,551	—	1,180	—	1,180
Balance at June 30, 2016	84,286,286	$ 8	$ 522,024	$ (302,222)	$ 219,810

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2016	**2015**
Cash flows from operating activities		
Net loss	$ (26,322)	$ (26,362)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,677	8,020
Deferred income taxes	281	251
Bad debt expense and other reserves	590	172
Stock-based compensation	11,792	18,620
Common stock warrant expense	—	(480)
Non-cash interest expense on lease financing obligation	411	—
Write-off and loss on disposal of fixed assets	392	25
Changes in operating assets and liabilities:		
Accounts receivable	463	(2,051)
Prepaid expenses	(1,304)	(3,340)
Other current assets	(196)	351
Other assets	(316)	(209)
Accounts payable	(4,364)	(274)
Accrued employee expenses	1,156	(8,192)
Accrued expenses and other liabilities	2,372	1,001
Other liabilities	1,301	11
Net cash used in operating activities	(2,067)	(12,457)
Cash flows from investing activities		
Purchase of property and equipment	(9,785)	(14,032)
Net cash used in investing activities	(9,785)	(14,032)
Cash flows from financing activities		
Repurchase of common stock option awards	(100)	—
Proceeds from exercise of common stock options	1,571	5,206
Taxes paid related to net share settlement of equity awards	(391)	(610)
Proceeds from financing obligation drawdown	1,521	345
Payments for lease financing obligation	—	(22)
Net cash provided by financing activities	2,601	4,919
Net decrease in cash and cash equivalents	(9,251)	(21,570)
Cash and cash equivalents at beginning of period	112,371	147,539
Cash and cash equivalents at end of period	$ 103,120	$ 125,969
Supplemental disclosures of non-cash activities		
Recognition of leased facility asset acquired and lease financing obligation	—	22,871
Stock-based compensation capitalized for software development	468	675
Change in capitalized assets included in accounts payable, accrued employee expenses and other accrued expenses	(2,862)	(257)

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. (“TrueCar”) is an Internet-based information, technology, and communication services company. Hereinafter, TrueCar, Inc. and its wholly owned subsidiaries TrueCar.com, Inc. and ALG, Inc. are collectively referred to as “TrueCar” or the “Company”; TrueCar.com, Inc. is referred to as “TrueCar.com” and ALG, Inc. is referred to as “ALG”. 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 an intelligent, data-driven online platform operating 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.

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, 2015 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, 2015 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 10, 2016.

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 which are subject to judgment and use of estimates include sales allowances and allowances for doubtful accounts, the fair value of assets and liabilities assumed in business combinations, fair value of the capitalized facility leases, 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 its capitalized facility leases, fair values of assets and liabilities assumed in business combinations, the fair value of reporting units in connection with annual goodwill impairment testing, and in periods prior to the Company’s initial public offering, valuation of common stock.

Segments

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

The CODM review financial information on a consolidated basis, accompanied by information about transaction revenue and forecasts, consulting and other revenue (Note 11). All of the Company's principal operations, decision-making functions and assets are located in the United States.

Recent Accounting Pronouncements

Under the Jumpstart Our Business Startups Act ("JOBS Act"), the Company meets the definition of an emerging growth company. The Company has irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In March 2016, the FASB issued guidance to simplify several aspects of the accounting for share-based payment award transactions, including accounting for income tax, classification of awards as either equity or liabilities, forfeitures, statutory tax withholding requirements, and classification in the statement of cash flows. The new guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted if it is applied from the beginning of the fiscal year of adoption. The Company is evaluating the methods and impact of adopting this guidance on its consolidated financial statements.

In February 2016, the FASB issued guidance amending the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new guidance will be effective for public entities for annual periods beginning after December 15, 2018 and interim periods therein. Early adoption is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is evaluating the methods and impact of adopting this guidance on its consolidated financial statements.

In May 2014, the FASB issued guidance related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace all existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB deferred the effective date to January 1, 2018, with early adoption beginning January 1, 2017. In 2016, the FASB issued additional guidance to clarify the implementation guidance. The Company is evaluating the impact of adopting this guidance on its consolidated financial statements.

3. Fair Value Measurements

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

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

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

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

The following table summarizes the Company's financial assets measured at fair value on a recurring basis at June 30, 2016 and December 31, 2015 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 June 30, 2016		At December 31, 2015	
	Level 1	Total Fair Value	Level 1	Total Fair Value
Cash equivalents	$ 103,067	$ 103,067	$ 112,131	$ 112,131
Total Assets	$ 103,067	$ 103,067	$ 112,131	$ 112,131

4. Property and Equipment, net

Property and equipment consisted of the following at June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016	December 31, 2015
Computer equipment, software, and internally developed software	$ 60,438	$ 53,862
Furniture and fixtures	3,692	3,575
Leasehold improvements	4,574	4,410
Capitalized facility leases	39,302	39,154
	108,006	101,001
Less: Accumulated depreciation	(39,270)	(29,611)
Total property and equipment, net	$ 68,736	$ 71,390

The Company is considered the owner, for accounting purposes only, of one of its Santa Monica, California leased office spaces and of its San Francisco, California leased office space (collectively, the "Premises") as it had taken on certain risks of construction build cost overages above normal tenant improvement allowances. Accordingly, at June 30, 2016 and December 31, 2015 , the Company has capitalized $39.3 million and $39.2 million , respectively, related to the Premises, which represents the estimated fair value of the leased properties, additions for capitalized interest incurred during the construction periods, and capitalized costs related to improvements to the building. For the three and six months ended June 30, 2015 , the Company capitalized approximately $0.5 million and $1.2 million of interest costs related to the Premises. There were no capitalized interest costs related to the Premises for the three and six months ended June 30, 2016 . At June 30, 2016 and December 31, 2015 , the Company recorded accumulated amortization of $0.7 million and $0.2 million , respectively. Additionally, at June 30, 2016 and December 31, 2015 , the Company recognized a corresponding lease financing obligation of approximately $30.9 million and $28.9 million , respectively.

Included in the table above are property and equipment of $2.2 million and $5.3 million at June 30, 2016 and December 31, 2015 , respectively, which are capitalizable, but had not yet been placed in service. The $2.2 million and $5.3 million balances at June 30, 2016 at December 31, 2015 , respectively, were comprised primarily of capitalized software not ready for its intended use.

Total depreciation and amortization expense of property and equipment was $4.8 million and $3.1 million for the three months ended June 30, 2016 and 2015 , respectively. Total depreciation and amortization expense of property and equipment was $9.7 million and $6.0 million for the six months ended June 30, 2016 and 2015 , respectively.

Amortization of internal use capitalized software development costs was $3.7 million and $2.2 million for the three months ended June 30, 2016 and 2015 , respectively. Amortization of internal use capitalized software development costs was $7.4 million and $4.1 million for the six months ended June 30, 2016 and 2015 , respectively.

5. Credit Facility

In February 2015, the Company entered into a third amended and restated loan and security agreement ("Third Amended Credit Facility") with a financial institution for a $35.0 million secured revolving credit facility that expires on February 18, 2018. The Third Amended Credit Facility provides a $10.0 million subfacility for the issuance of letters of credit and contains an increase option permitting the Company, subject to the lenders consent, to increase the revolving credit facility by up to $15.0 million , to an aggregate maximum of $50 million .

The Third Amended 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

Third Amended 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 Third Amended Credit Facility, for LIBOR rate loans. The Company is also obligated to pay an unused revolving line facility fee of 0.0% to 0.20% per annum based on the Company's adjusted quick ratio.

Third Amended Credit Facility requires the Company to maintain an adjusted quick ratio of at least 1.5 to 1 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 our Adjusted EBITDA less cash paid for income taxes to our cash paid for interest plus capital expenditures for the trailing twelve months. This credit facility also limits the Company's ability to pay dividends. At June 30, 2016 , the Company was in compliance with all financial covenants.

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

At June 30, 2016 and December 31, 2015 , the Company had no outstanding amounts under the Third Amended Credit Facility. The amount available was $30.4 million , reduced for the letters of credit issued and outstanding under the subfacility of $4.6 million at June 30, 2016 .

6. Commitments and Contingencies

Austin Office Lease Commitment

In May 2016, the Company entered into a new office lease for approximately 38,000 square feet near Austin, Texas. The lease is expected to commence in February 2017 and has a ten -year term. The Company has the option to extend the lease for two additional five -year periods. The cumulative base rent over the initial lease term is approximately $9.9 million .

Lease Exit Costs

In December 2015, the Company consolidated its Santa Monica, California office locations and recognized a liability for lease exit costs incurred based on the remaining lease rental due, reduced by estimated sublease rental income that could be reasonably obtained for the properties. In the second quarter of 2016, the Company updated its estimates of sublease rental income for the spaces exited in December 2015 and recorded an additional $2.7 million in lease exit costs. Due to a deterioration in the local commercial real estate market, the Company now expects both a longer period of time to sublease the spaces as well as lower rental rates than originally estimated in the fourth quarter of 2015. The costs are recorded in general and administrative expense in the consolidated statement of comprehensive loss for the three and six months ended June 30, 2016. The liability is recorded in accrued expenses and other current liabilities (current portion) and other liabilities (non-current portion) within the consolidated balance sheets.

The following table presents a roll forward of the lease exit liability for the six months ended June 30, 2016 :

	Lease Exit Costs
Accrual at December 31, 2015	$ 1,988
Expense	2,684
Cash Payments	(991)
Accrual at June 30, 2016	$ 3,681

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 in 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 has 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 the Company's motion to dismiss with respect to some, but not all, of the advertising and promotional activities challenged in the amended complaint. The Company believes that the portions of the amended complaint that survived the Company's motion to dismiss are without merit, and it intends to vigorously defend itself in this matter. We have not recorded an accrual related to this matter as of June 30, 2016, as we do 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 Superior Court for the County of Los Angeles (the "CNCDA Litigation"). The complaint in the CNCDA Litigation seeks declaratory and injunctive relief based on allegations that the Company is operating in the State of California as an unlicensed automobile dealer and autobroker. The complaint does not seek monetary relief. On July 20, 2015, the Company filed a "demurrer" to the complaint, which is a pleading that requests the court to 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 reiterates the claims in the prior complaints and adds 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 Company believes that the portions of the second amended complaint that survived the Court's reconsideration of the Company's demurrer 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 June 30, 2016, as the Company does not believe a loss is probable or reasonably estimable.

On May 27, 2015, a purported securities class action complaint was filed in the U.S. District Court for the Central District of California (the "Federal Securities Litigation") by Satyabrata Mahapatra naming the Company and two other individuals not affiliated with the Company as defendants. On June 15, 2015, the plaintiff filed a Notice of Errata and Correction purporting to name Scott Painter, the Company's then Chief Executive Officer, and Michael Guthrie, the Company's Chief Financial Officer, 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 in the Federal Securities Litigation seeks an award of unspecified damages, interest and attorneys' fees based on allegations that the defendants made false and/or misleading statements, and failed to disclose material adverse facts about the Company's business, operations, prospects and performance. Specifically, the amended complaint alleges that during the putative class period, the defendants made false and/or misleading statements and/or failed to disclose that: (i) the Company's business practices violated unfair competition and deceptive trade practice laws (i.e., the issues raised in the NY Lanham Act Litigation); (ii) the Company acts 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 of the above, the Company's 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 asserts a putative class period stemming from May 16, 2014 to July 23, 2015. On October 19, 2015, the Company filed a motion to dismiss the amended complaint. On December 9, 2015, the Court granted the Company's 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 the case has been dismissed, no loss is deemed probable and no accrual related to this matter has been recorded as of June 30, 2016.

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 "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. The complaint sought an award of unspecified damages, interest, disgorgement, injunctive relief, and attorneys' 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 previously 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 has been continued until a second status conference, which is 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, interest, disgorgement, injunctive relief, and attorneys' fees. 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 June 30, 2016, 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 up to twelve months of the executive's annual base salary for certain events such as involuntary terminations.

In the fourth quarter of 2015, the Company incurred severance costs related to its former CEO and several executive-level employees who terminated their employment. In the second quarter of 2016, the Company incurred additional severance costs totaling $1.8 million related to an executive who terminated during the period and several other employees whose terminations related to a reorganization of the Company's product and technology teams to better align the Company's resources with business objectives during its transition from multiple software platforms to a unified architecture. Of the total, the Company recorded $1.3 million in technology and development and $0.5 million in sales and marketing in the Company's consolidated statements of comprehensive loss for the three and six months ended June 30, 2016 .

The following table presents a roll forward of this severance liability for the six months ended June 30, 2016 :

	Executive Severance and Reorganization Costs
Accrual at December 31, 2015	2,803
Severance Costs	1,783
Cash Payments	(3,018)
Accrual at June 30, 2016	$ 1,568

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 from intellectual property infringement claims made by third-parties. These indemnifications 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 June 30, 2016 and December 31, 2015 , 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.

7. Stock-based Awards

Stock Options

A summary of the Company's stock option activity for the six months ended June 30, 2016 is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)
Outstanding at December 31, 2015	24,277,901	$ 8.12	5.62
Granted	1,241,668	6.28	
Exercised	(703,824)	2.23	
Canceled/forfeited	(1,030,881)	10.88	
Outstanding at June 30, 2016	23,784,864	$ 8.07	5.30

At June 30, 2016 , total remaining stock-based compensation expense for unvested stock option awards was $26.2 million , which is expected to be recognized over a weighted-average period of 2.6 years . For the three months ended June 30, 2016 and 2015 , the Company recorded stock-based compensation expense for stock option awards of $3.7 million and $7.3 million , respectively. For the six months ended June 30, 2016 and 2015 , the Company recorded stock-based compensation expense for stock option awards of $7.5 million , and $14.3 million , respectively.

Restricted Stock Units

Activity in connection with restricted stock units is as follows for the six months ended June 30, 2016 :

	Number of Shares	Weighted- Average Grant Date Fair Value
Non-vested — December 31, 2015	3,747,340	$ 8.18
Granted	2,194,896	6.79
Vested	(620,210)	8.15
Canceled/forfeited	(399,333)	7.89
Non-vested — June 30, 2016	4,922,693	$ 7.59

At June 30, 2016 , total remaining stock-based compensation expense for non-vested restricted stock units is $31.3 million , which is expected to be recognized over a weighted-average period of 3.3 years . The Company recorded $2.2 million and $1.8 million in stock-based compensation expense for restricted stock units for the three months ended June 30, 2016 and 2015 , respectively. The Company recorded $4.3 million in stock-based compensation expense for restricted stock units for the six months ended June 30, 2016 and 2015 .

Stock-based Compensation Cost

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Cost of revenue	$ 233	$ 187	$ 455	$ 364
Sales and marketing	1,736	1,218	2,499	2,608
Technology and development	746	1,227	1,825	2,153
General and administrative	3,185	6,535	7,013	13,495
Total stock-based compensation expense	5,900	9,167	11,792	18,620
Amount capitalized to internal software use	223	344	468	675
Total stock-based compensation cost	$ 6,123	$ 9,511	$ 12,260	$ 19,295

8. 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 $0.2 million and $0.1 million income tax expense for the three months ended June 30, 2016 and 2015 , respectively. The Company recorded $0.3 million in income tax expense for each of the six months ended June 30, 2016 and 2015 .

There were no material changes to the Company's unrecognized tax benefits in the three and six months ended June 30, 2016 , 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 net operating loss carryforwards, all income tax years remain open for examination by the Internal Revenue Service ("IRS") and various state taxing authorities.

9. 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	$ (14,655)	$ (14,739)	$ (26,322)	$ (26,362)
Weighted-average common shares outstanding	83,931	82,012	83,697	81,241
Net loss per share - basic and diluted	$ (0.17)	$ (0.18)	$ (0.31)	$ (0.32)

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net loss per share at June 30, 2016 and 2015 (in thousands):

	June 30,	
	2016	2015
Options to purchase common stock	23,785	25,350
Common stock warrants	1,605	2,492
Non-vested restricted stock unit awards	4,923	1,271
Total shares excluded from net loss per share	30,313	29,113

10. Related Party Transactions

Service Provider

From October 2013 to October 2015, an executive officer of the Company was an officer of a firm that provided marketing services to the Company. For the three and six months ended June 30, 2015, the Company recorded sales and marketing expense of $2.8 million and $4.1 million related to this marketing firm. Additionally, for the three and six months ended June 30, 2015, the Company capitalized as property and equipment amounts paid to this marketing firm of $0.6 million .

Transactions with USAA

USAA is the Company's largest stockholder and most significant affinity marketing partner. The Company has entered into arrangements with USAA to operate its Auto Buying Program. The Company has amounts due from USAA at June 30, 2016 and December 31, 2015 of $0.3 million . In addition, the Company has amounts due to USAA at June 30, 2016 and December 31, 2015 of $2.3 million and $7.8 million , respectively. The Company recorded sales and marketing expense of $3.4 million and $3.5 million for the three months ended June 30, 2016 and 2015 , respectively, related to service arrangements entered into with USAA. The Company recorded sales and marketing expenses of $6.7 million and $6.1 million for the six months ended June 30, 2016 and 2015 , respectively.

11. Revenue Information

The CODM reviews separate revenue information for its Transaction and Forecasts, Consulting and Other service offerings. All other financial information is reviewed by the CODM on a consolidated basis.

The following table presents the Company’s revenue categories during the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Transaction revenue	$ 61,841	$ 60,408	$ 119,250	$ 114,676
Forecasts, consulting and other revenue	4,586	4,883	9,037	9,169
Total revenues	$ 66,427	$ 65,291	$ 128,287	$ 123,845

12. Subsequent Events

In June and July 2016, the Compensation Committee of the Company's Board of Directors authorized a future issuance of stock option awards of up to 3,060,371 shares of the Company's common stock to be granted in August 2016.

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 is to deliver the best car-buying experience for consumers and provide dealers and automakers with an excellent return on their marketing dollars. We have established an intelligent, data-driven online platform operating on a common technology infrastructure, powered by proprietary data and analytics. We operate our company-branded platform on the TrueCar website and our branded mobile experience. In addition, we customize and operate our platform on a co-branded basis for our many affinity group marketing partners, including financial institutions like USAA and American Express, membership-based organizations like Consumer Reports, AARP, Sam's Club, and AAA, and employee buying programs for large enterprises such as IBM and Walmart. We enable users to obtain market-based pricing data on new and used cars, and to connect with our network of TrueCar Certified Dealers. We also allow automobile manufacturers, known in the industry as OEMs, to connect with TrueCar users in 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 and model of car in their area and, where available, estimated prices for that make and model, which we refer to as upfront pricing information, from our network of TrueCar Certified Dealers. This upfront pricing information generally includes guaranteed savings off MSRP which the consumer may then take to the dealer in the form of a Guaranteed Savings Certificate and apply toward the purchase of the specified make and model of car. 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 subsidiary, ALG, Inc., 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. We also obtain automobile purchase data from a variety of sources and use this data to provide consumers and dealers with highly accurate, geographically specific, real-time pricing information.

During the three months ended June 30, 2016 , we generated revenues of $66.4 million and recorded a net loss of $14.7 million . Of the $66.4 million in revenues, $61.8 million or 93.1% , consisted of transaction revenues with the remaining $4.6 million , or 6.9% , derived primarily from the sale of forecasts, consulting and other revenue to the automotive and financial services industries. Revenues from the sale of forecasts, consulting and other services are derived primarily from the operations of our ALG subsidiary. Transaction revenues primarily consist of fees paid to us by our network of TrueCar Certified Dealers under our pay-for-performance business model where we generally earn a fee only when a TrueCar user purchases a car from them.

When compared to the same quarters in prior years, the rate of growth in our revenues has slowed significantly over the past several quarters. This is primarily the result of declines in close rates, which we believe have now begun to stabilize. Over time, we intend to increase the number of transactions on our platform, and thereby revenue, by:

(i) increasing the rate at which visitors to our website and our affinity group marketing partner sites, and users of our mobile applications, obtain a Guaranteed Savings Certificate by investing in delivering a more engaging experience to consumers and dealers;

(ii) improving close rates by investing in additional dealer support personnel to improve and expand our dealer relationships; and

(iii) better communicating the benefits of fully registering on TrueCar to consumers using different and stronger messaging.

This will require continued focus on cost containments in areas outside of our dealer, product, technology, and research efforts in order to invest in the changes that will continue to improve the consumer and dealer experiences and drive revenue growth in the future. We expect our quarter-over-quarter revenue growth to be slow for 2016 as we implement these changes.

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Average Monthly Unique Visitors	6,683,027	5,953,061	6,686,243	5,736,648
Units(1)	192,531	190,358	367,513	358,917
Monetization	$ 321	$ 317	$ 324	$ 320
Franchise Dealer Count	10,135	9,300	10,135	9,300
Transaction Revenue Per Franchise Dealer	$ 6,370	$ 6,563	$ 12,403	$ 12,727

(1) We issued full credits of the amount originally invoiced with respect to 4,546 and 2,802 units during the three months ended June 30, 2016 and 2015 , respectively. For the six months ended June 30, 2016 and 2015 , we issued full credits of the amount originally invoiced with respect to 8,738 and 5,561 units, 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 increased 12.3% to approximately 6.7 million in the three months ended June 30, 2016 from approximately 6.0 million in the same period of 2015 . The number of average monthly unique visitors increased 16.6% to 6.7 million in the six months ended June 30, 2016 from 5.7 million in the same period of 2015 . We attribute the growth in our average monthly unique visitors principally to television, radio and digital marketing advertising campaigns that have led to increased brand awareness and also to increased efforts from our affinity group marketing partners to drive increased member awareness and traffic to our platform.

Units

We define units as the number of automobiles purchased by our users from TrueCar Certified Dealers through TrueCar.com, our TrueCar branded mobile applications or the car-buying sites we maintain for our affinity group marketing partners. A unit is counted following such time as 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 substantially all 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 1.1% to 192,531 in the three months ended June 30, 2016 from 190,358 in the three months ended June 30, 2015 while, as noted above, the number of average monthly unique visitors increased 12.3% . The number of units increased 2.4% to 367,513 in the six months ended June 30, 2016 from 358,917 in the same period of 2015 . Historically, the growth in average monthly unique visitors and units has been more closely correlated. During the second half

of 2015, we experienced a decline in the proportion of dealers representing high volume brands in our network. As a result, our close rates fell in the fourth quarter of 2015 and first quarter of 2016 and have only marginally recovered in the second quarter of 2016 leading to the slight increase in the number of units sold in the three months ended June 30, 2016, as well as slower revenue growth as compared to growth in average monthly unique visitors.

Monetization

We define monetization as the average transaction revenue per unit, which we calculate by dividing all of our transaction revenue in a given period by the number of units in that period. Our monetization increased 1.3% to $321 during the three months ended June 30, 2016 from $317 for the same period in 2015 . For the six months ended six months ended June 30, 2016 , our monetization increased 1.3% to $324 from $320 for the same period in 2015 . The increase in monetization is primarily a result of an increase in the proportion of used versus new cars, growth in the number of independent dealers in the network, and growth in revenue from automobile manufacturers, known in the industry as OEMs. 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 currently providing higher monetization, and by the introduction of new products and services.

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 comprises 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 non-franchised dealers that primarily sell used cars and are not included in franchise dealer count. Our franchise dealer count was 10,135 at June 30, 2016 , an increase from 9,300 at June 30, 2015 , and an increase from 9,094 at December 31, 2015 and 9,281 at March 31, 2016. 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.

Transaction Revenue Per Franchise Dealer

We define transaction revenue per franchise dealer as transaction revenue in a given period divided by the average franchise dealer count in that period. Our transaction revenue per franchise dealer decreased 2.9% to $6,370 during the three months ended June 30, 2016 compared to $6,563 for the same period in 2015 . For the six months ended June 30, 2016 , our transaction revenue per franchise dealer decreased 2.5% to $12,403 from $12,727 in the same period of 2015 . As discussed above, our close rates fell in the fourth quarter of 2015 and first quarter of 2016 and only marginally recovered during the second quarter of 2016, resulting in slower revenue growth for the three and six months ended June 30, 2016. We intend to grow transaction revenue per franchise dealer as we make investments in our dealer, product, technology, and research efforts. By investing in these efforts, we intend to improve the consumer and dealer experiences, which will help improve close rates.

Non-GAAP Financial Measures

Adjusted EBITDA and Non-GAAP net loss are financial measures that are not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. We define Adjusted EBITDA as net loss adjusted to exclude interest income, interest expense, depreciation and amortization, non-cash warrant expense, stock-based compensation, certain litigation costs, severance charges, real estate exit costs, and income taxes. We define Non-GAAP net loss as net loss adjusted to exclude stock-based compensation, non-cash warrant expense, certain litigation costs, severance charges, and real estate exit costs. We have provided below a reconciliation of each of Adjusted EBITDA and Non-GAAP net loss to net loss, the most directly comparable GAAP financial measure. Neither Adjusted EBITDA nor Non-GAAP net loss should be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP. In addition, our Adjusted EBITDA and Non-GAAP net loss measures may not be comparable to similarly titled measures of other organizations as they may not calculate Adjusted EBITDA or Non-GAAP net loss in the same manner as we calculate these measures.

We have included Adjusted EBITDA and Non-GAAP net loss herein as they are important measures used by our management and board of directors to assess our operating performance. We believe that using Adjusted EBITDA and Non-GAAP net loss facilitates operating performance comparisons on a period-to-period basis because these measures exclude variations primarily caused by changes in the excluded items noted above. In addition, we believe that Adjusted EBITDA, Non-GAAP net loss and similar measures are widely used by investors, securities analysts, rating agencies and other parties in evaluating companies as measures of financial performance and debt service capabilities.

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

- Adjusted EBITDA does not reflect the payment or receipt of interest or the payment of income taxes;
- neither Adjusted EBITDA nor Non-GAAP net loss reflects changes in, or cash requirements for, our working capital needs;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditures or any other contractual commitments;
- neither Adjusted EBITDA nor Non-GAAP net loss reflects the costs to advance our claims in respect of 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 reflects the severance costs due to a former executive and former members of our product and technology teams affected by a reorganization;
- neither Adjusted EBITDA nor Non-GAAP net loss reflects the real estate exit costs associated with consolidation of the Company's office locations in Santa Monica, California;
- neither Adjusted EBITDA nor Non-GAAP net loss consider the potentially dilutive impact of shares issued or to be issued in connection with stock-based compensation or warrant issuances; and
- other companies, including companies in our own industry, may calculate Adjusted EBITDA and Non-GAAP net loss differently than we do, limiting their usefulness as a comparative measure.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Reconciliation of Net Loss to Adjusted EBITDA:				
Net loss	$ (14,655)	$ (14,739)	$ (26,322)	$ (26,362)
Non-GAAP adjustments:				
Interest income	(102)	(24)	(195)	(44)
Interest expense	632	118	1,240	163
Depreciation and amortization	5,868	4,119	11,772	8,044
Stock-based compensation	5,900	9,167	11,792	18,620
Warrant expense (reduction)	—	(333)	—	(480)
Certain litigation costs (1)	150	2,119	422	4,562
Severance charges (2)	1,783	—	1,783	—
Lease exit costs (3)	2,684	—	2,684	—
Provision for income taxes	170	50	306	259
Adjusted EBITDA	$ 2,430	$ 477	$ 3,482	$ 4,762

(1) The excluded amounts relate to legal costs incurred in connection with a claim we filed against Sonic Automotive Holdings, Inc., complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar, and securities and consumer class action lawsuits. We do not believe these costs are a useful indicator of ongoing operating results and that their exclusion is appropriate to facilitate comparisons of our core operating performance on a period-to-period basis.

(2) We incurred $1.3 million in severance costs in the second quarter of 2016 related to a reorganization of our product and technology teams to better align our resources with business objectives as we transition from multiple software platforms to a unified architecture. In addition, we incurred severance costs of $0.5 million related to an executive who terminated

during the second quarter of 2016. We believe excluding the impacts of these terminations is consistent with our use of Adjusted EBITDA and Non-GAAP net loss as we do not believe they are useful indicators of ongoing operating results.

(3) Represents updated estimates to our lease termination costs associated with the consolidation of the Company's office locations in Santa Monica, California in December 2015. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Reconciliation of Net Loss to Non-GAAP Net Loss:				
Net loss	$ (14,655)	$ (14,739)	$ (26,322)	$ (26,362)
Non-GAAP adjustments:				
Stock-based compensation	5,900	9,167	11,792	18,620
Warrant expense (reduction)	—	(333)	—	(480)
Certain litigation costs (1)	150	2,119	422	4,562
Severance charges (2)	1,783	—	1,783	—
Lease exit costs (3)	2,684	—	2,684	—
Non-GAAP net loss (4)	$ (4,138)	$ (3,786)	$ (9,641)	$ (3,660)

(1) The excluded amounts relate to legal costs incurred in connection with a claim we filed against Sonic Automotive Holdings, Inc., complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar, and securities and consumer class action lawsuits. We do not believe these costs are a useful indicator of ongoing operating results and that their exclusion is appropriate to facilitate comparisons of our core operating performance on a period-to-period basis.

(2) We incurred $1.3 million in severance costs in the second quarter of 2016 related to a reorganization of our product and technology teams to better align our resources with business objectives as we transition from multiple software platforms to a unified architecture. In addition, we incurred severance costs of $0.5 million related to an executive who terminated during the second quarter of 2016. We believe excluding the impacts of these terminations is consistent with our use of Adjusted EBITDA and Non-GAAP net loss as we do not believe they are useful indicators of ongoing operating results.

(3) Represents updated estimates to our lease termination costs associated with the consolidation of the Company's office locations in Santa Monica, California in December 2015. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

(4) There is no income tax impact related to the adjustments made to calculate Non-GAAP net loss because of our available net operating loss carryforwards and the full valuation allowance recorded against our net deferred tax assets at June 30, 2016 and June 30, 2015.

Components of Operating Results

Revenues

Our revenues are comprised of transaction revenue, and forecasts, consulting and other revenue.

Transaction Revenue. Revenue consists of fees paid by dealers participating in our network of TrueCar Certified Dealers. Dealers pay us these fees either on a per vehicle basis for sales to our users or in the form of a subscription arrangement. Subscription arrangements fall into three types: flat rate subscriptions, subscriptions subject to downward adjustment based on a minimum number of vehicle sales (“guaranteed sales”) and subscriptions subject to downward adjustment based on a minimum number of introductions (“guaranteed introductions”). Under flat rate subscription arrangements, fees are charged at a monthly flat rate regardless of the number of sales made to users of our platform by the dealer. For flat rate subscription

arrangements, we recognize the fees as revenue over the subscription period on a straight line basis which corresponds to the period that we are providing the dealer with access to our platform. Under guaranteed sales subscription arrangements, fees are charged based on the number of guaranteed sales multiplied by a fixed amount per vehicle. To the extent that the actual number of vehicles sold by the dealers to users of our platform is less than the number of guaranteed sales, we provide a credit to the dealer. To the extent that the actual number of vehicles sold exceeds the number of guaranteed sales, we are not entitled to any additional fees. Under guaranteed introductions subscription arrangements, fees are charged based on a periodically-updated formula that considers, among other things, the introductions anticipated to be provided to the dealer. To the extent that the number of actual introductions is less than the number of guaranteed introductions, we provide a credit to the dealer. To the extent that the actual number of introductions provided exceeds the number guaranteed, we are not entitled to any additional fees. For guaranteed sales and guaranteed introductions subscription arrangements, we recognize revenue based on the lesser of (i) the actual number of sales generated or introductions delivered through our platform during the subscription period multiplied by the contracted price per sale/introduction or (ii) the guaranteed number of sales or introductions multiplied by the contracted price per sale/introduction .

In addition, we enter into arrangements with automobile manufacturers to promote the sale of their vehicles through the offering of additional consumer incentives to members of our affinity group marketing partners. These manufacturers pay us a per-vehicle fee for promotion of the incentive and we recognize the per-vehicle incentive fee when the vehicle sale has occurred between the member of our affinity group marketing partner and the dealer.

Forecasts, Consulting and Other Revenue. We derive this type of revenue primarily from the provision of forecasts and consulting services to the automotive and financial services industries through our ALG subsidiary. The forecasts and consulting services that ALG provides typically relate to the 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. Our customers generally pay us for these services as information is delivered to them.

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 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 and radio advertising; affinity group partner marketing fees, which also includes 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 allocated overhead, including facilities costs. Sales and marketing expenses also include costs related to common stock warrants issued to a service provider as part of our commercial arrangements with them. 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, software license costs, and allocated overhead primarily associated with development of our platform as well as facilities costs, as well as 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, human resources, and business intelligence personnel. General and administrative expenses also include legal, accounting, and other third-party professional service fees, bad debt, and allocated overhead, including 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 obligation.

Provision for Income Taxes. We are subject to federal and state income taxes in the United States. We provided a full valuation allowance against our net deferred tax assets at June 30, 2016 and December 31, 2015 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 34%. Our provision for income taxes in the three and six months ended months ended June 30, 2016 and 2015 primarily reflected a tax expense associated with the amortization of tax deductible goodwill that is not 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Consolidated Statements of Operations Data:				
Revenues	$ 66,427	$ 65,291	$ 128,287	$ 123,845
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization presented separately below)	6,365	5,927	12,590	11,718
Sales and marketing	38,129	40,457	70,240	72,166
Technology and development	14,022	10,979	27,162	20,739
General and administrative	15,998	18,407	31,494	37,176
Depreciation and amortization	5,868	4,119	11,772	8,044
Total costs and operating expenses	80,382	79,889	153,258	149,843
Loss from operations	(13,955)	(14,598)	(24,971)	(25,998)
Interest income	102	24	195	44
Interest expense	(632)	(118)	(1,240)	(163)
Other income, net	—	3	—	14
Loss before provision for income taxes	(14,485)	(14,689)	(26,016)	(26,103)
Provision for income taxes	170	50	306	259
Net loss	$ (14,655)	$ (14,739)	$ (26,322)	$ (26,362)
Other Non-GAAP Financial Information:				
Adjusted EBITDA	$ 2,430	$ 477	$ 3,482	$ 4,762
Non-GAAP net (loss) income	$ (4,138)	$ (3,786)	$ (9,641)	$ (3,660)

Comparison of the Three and Six Months Ended June 30, 2016 and 2015

Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Transaction revenue	$ 61,841	$ 60,408	$ 119,250	$ 114,676
Forecasts, consulting and other revenue	4,586	4,883	$ 9,037	$ 9,169
Revenues	$ 66,427	$ 65,291	$ 128,287	$ 123,845

Three months ended June 30, 2016 compared to three months ended June 30, 2015 . The increase in our revenues of $1.1 million or 1.7% for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 primarily reflected the increase in our transaction revenue. Transaction revenue and forecasts, consulting and other revenue comprised 93.1% and 6.9% , respectively, of revenues for the three months ended June 30, 2016 as compared to 92.5% and 7.5% ,

respectively, for the same period in 2015 . The increase in transaction revenue for the three months ended June 30, 2016 primarily reflected a 1.3% increase in monetization and a 1.1% increase in units. At the same time, our average monthly unique visitors grew 12.3% to 6.7 million for the three months ended June 30, 2016 from 6.0 million for the same period in 2015, reflecting our advertising campaigns which improved brand awareness and the viability of our car-buying services to our users and also the increased efforts from our affinity group marketing partners to drive increased member awareness and traffic to our platform. The decrease in forecasts, consulting and other revenue for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 of $0.3 million or 6.1% is due to decreases in lead referral and consulting fees.

Six months ended June 30, 2016 compared to six months ended June 30, 2015 . The increase in our revenues of $4.4 million or 3.6% for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 primarily reflected the increase in our transaction revenue. Transaction revenue and forecasts, consulting and other revenue comprised 93.0% and 7.0% , respectively, of revenues for the six months ended June 30, 2016 as compared to 92.6% and 7.4% , respectively, for the same period in 2015 . The increase in transaction revenue for the six months ended June 30, 2016 primarily reflected a 2.4% increase in units and a 1.3% increase in monetization. Forecasts, consulting and other revenue remained relatively consistent for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 .

Growth in our transaction revenue has historically been more closely correlated with growth in average monthly unique visitors. In the second half of 2015, our close rates decreased as the result of a decline in the proportion of dealers representing high volume brands in our network. The lower close rates have dampened the impact of increases in unique visitors on transaction revenue. To increase revenue growth, we intend to: (i) increase the rate at which visitors to our website and our affinity group marketing partner sites, and users of our mobile applications, obtain a Guaranteed Savings Certificate by investing in delivering a more engaging experience to consumers and dealers; (ii) improve close rates by investing in additional dealer support personnel to improve and expand our dealer relationships; and (iii) better communicating the benefits of registering with TrueCar to consumers using different and stronger messaging. In doing so, we will be re-allocating dollars from marketing and advertising to make investments in our dealer, product, technology, and research efforts in order to make the changes that will improve the consumer and dealer experiences and drive revenue growth in the future. We expect our quarter-over-quarter revenue growth to be slow for 2016 as we implement these changes.

Costs and Operating Expenses

Cost of Revenue (exclusive of depreciation and amortization)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Cost of revenue (exclusive of depreciation and amortization)	$ 6,365	$ 5,927	$12,590	$11,718
Cost of revenue (exclusive of depreciation and amortization) as a percentage of revenues	9.6%	9.1%	9.8%	9.5%

Three months ended June 30, 2016 compared to three months ended June 30, 2015 . Cost of revenue increased $0.4 million or 7.4% for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 primarily due to increased employee related costs. Although we expect our cost of revenue to increase in dollar amount as we add additional data sources in the near term, we believe that the nature of our cost structure will enable us to realize operating leverage in our business over time.

Six months ended June 30, 2016 compared to six months ended June 30, 2015 . Cost of revenue increased $0.9 million or 7.4% for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 primarily due to increased employee related costs.

Sales and Marketing Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Sales and marketing expenses	$ 38,129	$ 40,457	$ 70,240	$ 72,166
Sales and marketing expenses as a percentage of revenues	57.4%	62.0%	54.8%	58.3%

Three months ended June 30, 2016 compared to three months ended June 30, 2015 . Sales and marketing expenses decreased $2.3 million or 5.8% for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 . The decrease primarily reflected a $5.5 million reduction in advertising costs as we reduced our expenditures to maintain the efficiency of our customer acquisition spending. The decrease was partially offset by a $2.7 million increase in salaries and employee related expenses primarily due to our increased headcount and due to a $0.5 million severance cost related to an executive who terminated during the second quarter of 2016. Although we plan to reallocate a portion of our sales and marketing expenditures from advertising to make investments in improving our dealer relationships, we expect sales and marketing expenses to continue to increase in total due to increased headcount to better serve our existing dealers, as well as television and radio advertising, digital customer acquisition costs, affinity group marketing partner fees, and marketing programs as we grow our business.

Six months ended June 30, 2016 compared to six months ended June 30, 2015 . Sales and marketing expenses decreased $1.9 million or 2.7% for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 primarily due to a $5.7 million decrease in advertising costs as mentioned above. The decrease was partially offset by a $4.2 million increase in salaries and employee related expenses primarily due to our increased headcount and due to a $0.5 million severance cost related to an executive who terminated during the second quarter of 2016.

Technology and Development Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Technology and development expenses	$ 14,022	$ 10,979	$ 27,162	20,739
Technology and development expenses as a percentage of revenues	21.1%	16.8%	21.2%	16.7%
Capitalized software costs	$ 3,077	$ 4,004	$ 6,341	$ 7,479

Three months ended June 30, 2016 compared to three months ended June 30, 2015 . Technology and development expenses increased $ 3.0 million or 27.7% for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 . The increase primarily reflected $3.3 million in increased salaries and employee related expenses primarily due to an increase in headcount as well as $1.3 million in severance costs related to a reorganization in our product and technology teams made in the second quarter of 2016 to better align our resources with business objectives as we transition from multiple software platforms to a unified architecture. Capitalized software costs decreased $0.9 million primarily due to a decrease in third-party capitalized software development costs. We expect our technology and development expenses to increase in dollar amount as we continue to increase our developer headcount to upgrade and enhance our technology infrastructure, 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.

Six months ended June 30, 2016 compared to six months ended June 30, 2015 . Technology and development expenses increased $6.4 million or 31.0% for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 . The increase primarily reflected $6.9 million in increased salaries and employee related expenses primarily due to an increase in headcount and due to $1.3 million in severance costs related to a reorganization in our product and technology teams made in the second quarter of 2016 to better align our resources with business objectives as we transition from multiple software platforms to a unified architecture. Capitalized software costs decreased $1.1 million primarily due to a decrease in third-party capitalized software development costs.

General and Administrative Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
General and administrative expenses	$ 15,998	$ 18,407	$ 31,494	$ 37,176
General and administrative expenses as a percentage of revenues	24.1%	28.2%	24.5%	30.0%

Three months ended June 30, 2016 compared to three months ended June 30, 2015 . General and administrative expenses decreased $2.4 million or 13.1% for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 . The decrease reflected a $3.3 million decrease in stock-based compensation primarily due to certain executives who terminated from the Company in the fourth quarter of 2015 and a $2.3 million decrease in legal fees primarily related to a claim we filed against Sonic Automotive Holdings that was settled in August 2015. The decreases in general and administrative expense were partially offset by a $3.1 million increase in facilities expenses, primarily related to an additional $2.7 million lease exit charge recorded in the second quarter of 2016 as discussed further in Note 6 of our condensed consolidated financial statements herein. We expect to continue to incur significant legal fees related to ongoing litigation.

Six months ended June 30, 2016 compared to six months ended June 30, 2015 . General and administrative expenses decreased $5.7 million or 15.3% for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 . The decrease reflected a $6.5 million decrease in stock-based compensation primarily due to certain executives who terminated from the Company in the fourth quarter of 2015 and a $4.7 million decrease in legal fees primarily related to a claim we filed against Sonic Automotive Holdings that was settled in August 2015. The decreases in general and administrative expense was partially offset by a $3.3 million increase in facilities expense, primarily related to an additional $2.7 million lease exit charge recorded in the second quarter of 2016.

Depreciation and Amortization Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Depreciation and amortization expenses	$ 5,868	$ 4,119	$ 11,772	$ 8,044

Three months ended June 30, 2016 compared to three months ended June 30, 2015 . Depreciation and amortization expenses increased $1.7 million or 42.5% for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 . The increase is primarily related to growth in capitalized software costs and includes $0.6 million in accelerated depreciation related to software assets that we have determined to have shortened useful lives in light of recently commenced efforts to upgrade our technology infrastructure. The shortened useful lives of these assets will result in comparatively greater depreciation in 2016 than the corresponding quarters in 2015. We also 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.

Six months ended June 30, 2016 compared to six months ended June 30, 2015 . Depreciation and amortization expenses increased $3.7 million or 46.3% for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 . The increase is primarily related to growth in capitalized software costs and includes $1.3 million in accelerated depreciation related to software assets that we have determined to have shortened useful lives in light of recently commenced efforts to upgrade our technology infrastructure.

Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Interest expense	$ 632	$ 118	$ 1,240	$ 163

Three months ended June 30, 2016 compared to three months ended June 30, 2015 . Interest expense increased $0.5 million for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 , due to interest expense incurred on our lease financing obligation for our Santa Monica leased office space and our San Francisco leased office space. We expect to incur a consistent level of interest expense on our lease financing obligation in future periods.

Six months ended June 30, 2016 compared to six months ended June 30, 2015 . Interest expense increased $1.1 million for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 due to interest expense incurred on our lease financing obligation for our Santa Monica leased office space and our San Francisco leased office space.

Provision for Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Provision for income taxes	$ 170	$ 50	$ 306	$ 259

Our provision for income taxes for the three and six months ended June 30, 2016 and 2015 primarily reflected tax expense due to amortization of tax deductible goodwill that is not an available source of income to realize our deferred tax assets.

Liquidity and Capital Resources

At June 30, 2016 , our principal sources of liquidity were cash and cash equivalents totaling $103.1 million .

We have incurred cumulative losses of $302.2 million from our operations through June 30, 2016 , 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, and the timing and extent of our spending to support our technology and development efforts. 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

On February 18, 2015, we amended our credit facility to provide 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 million. The credit facility has a three-year term and matures on February 18, 2018. No amounts were outstanding at June 30, 2016 . The amount available under the amended credit facility at June 30, 2016 was $30.4 million , reduced for the letters of credit issued and outstanding under the subfacility of $4.6 million . See Note 5 of our condensed consolidated financial statements herein for more information about our amended credit facility.

Cash Flows

The following table summarizes our cash flows:

	Six Months Ended June 30,	
	2016	2015
Consolidated Cash Flow Data:	(in thousands)	
Net cash used in operating activities	$ (2,067)	$ (12,457)
Net cash used in investing activities	(9,785)	(14,032)
Net cash provided by financing activities	2,601	4,919
Net decrease in cash and cash equivalents	$ (9,251)	$ (21,570)

Operating Activities

Our net loss and cash flows 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 used in operating activities for the six months ended June 30, 2016 was $2.1 million . This was primarily due to our net loss of $26.3 million , which, adjusted for non-cash items, including depreciation and amortization expense of $11.7 million and stock-based compensation expense of $11.8 million , resulted in $1.2 million in cash used in operations. Net cash used in operations was also impacted by a decrease of $0.9 million related to changes in operating assets and liabilities, which primarily reflected a decrease of $4.4 million in accounts payable primarily due to decreased affinity group marketing fees and in increase of $1.3 million in prepaid expenses primarily due to an increase in prepaid insurance. These uses of cash were partially offset by a $2.4 million increase in accrued expenses and other liabilities primarily due to increased accrued marketing fees, a $1.3 million increase in other liabilities primarily due to an increase in lease exit costs, and a $1.2 million increase in accrued employee expenses.

Cash used in operating activities for the six months ended June 30, 2015 was $12.5 million , primarily a result of our net loss of $26.4 million , which, adjusted for non-cash items, including depreciation and amortization expense of $8.0 million and stock-based compensation expense of $18.6 million , resulted in $0.2 million in cash provided by operations. Net cash used in operations was also impacted by a decrease of $12.7 million related to changes to operating assets and liabilities, which primarily reflected a decrease of $8.2 million in accrued employee expenses primarily related to bonus payments made in the first quarter of 2015, an increase of $3.3 million in prepaid expenses primarily due to prepaid media advertising spend, and an increase of $2.1 million in accounts receivable primarily related to increased revenues. These uses of cash were partially offset by a $1.0 million increase in accrued expenses and other liabilities primarily due to increased legal fees.

Investing Activities

Our investing activities consist primarily of capital expenditures for capitalized software development costs and property and equipment, and the acquisition of other intangible assets.

Cash used in investing activities of $9.8 million for the six months ended June 30, 2016 resulted from $6.4 million of investments in software, $2.7 million of investments in furniture, leasehold, and facility improvements, and $0.7 million of investments in computer hardware.

Cash used in investing activities of $14.0 million for the six months ended June 30, 2015 resulted primarily from $7.6 million of investments in software, $4.4 million of investments in furniture, leasehold, and facility improvements primarily associated with our San Francisco and Santa Monica office spaces, and $2.0 million of investments in computer hardware.

Financing Activities

Cash provided by financing activities of $2.6 million for the six months ended June 30, 2016 primarily reflects a $1.5 million tenant improvement reimbursement related to our Santa Monica capitalized facility lease, $1.2 million of proceeds from the exercise of stock options, net of taxes paid for the net share settlement of certain equity awards, partially offset by $0.1 million paid for the repurchase of common stock option awards.

Cash provided by financing activities of $4.9 million for the six months ended June 30, 2015 primarily reflects $4.6 million of proceeds from the exercise of stock options, net of taxes paid for the net share settlement of certain equity awards, and a $0.3 million tenant improvement reimbursement related to our San Francisco capitalized facility lease.

Contractual Obligations and Known Future Cash Requirements

In May 2016, we entered into a new office lease for approximately 38,000 square feet near Austin, Texas. The lease is expected to commence in February 2017 and has a ten year term. We have the option to extend the lease for two additional five-year periods. The cumulative base rent over the initial lease term is approximately $9.9 million.

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 10, 2016.

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 are exposed to market risks related to changes in interest rates.

Interest Rate Risk

We had cash and cash equivalents of $103.1 million at June 30, 2016 , which consists 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 5 to the condensed consolidated financial statements herein. As of June 30, 2016 , we had no borrowings under the credit facility. We believe that we do not have a material exposure to changes in the 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 chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2016 . 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 (or 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 June 30, 2016 , our chief executive officer and chief 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 6 "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 increase the number of dealers in our network of TrueCar Certified Dealers, including increasing representation of high volume brands and optimizing geographic coverage, such that we are able to increase the number of transactions between our users and TrueCar Certified Dealers. 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 the number of dealers in our network of TrueCar Certified Dealers, including dealers representing high volume brands, both on an overall basis and in important geographies, 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 image 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 or increase the proportion of dealers in our network representing high volume brands. During the second half of 2015, we experienced both a decline in the proportion of such high volume dealers in our network and slowed quarter-over-quarter revenue growth. There can be no assurance we will be successful in sustainably reversing these declines. Failure to do so 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, in January 2016, Toyota modified its marketing covenant to include guidelines on minimum allowable advertised pricing. We have implemented certain changes designed to accommodate these guidelines; however it is unclear whether we will ultimately 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 will be harmed.

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 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 will be adversely affected.

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. More recently, 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 June 30, 2016, our franchise dealer count was 10,135 .

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 potentially has 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. These groups include state and national dealership associations, state regulators, car manufacturers, consumer groups, individual dealers and consolidated dealer groups. To the extent that these groups believe that automobile dealerships should not do business with us, this belief may become quickly and widely shared by automobile dealerships and we may lose a significant number of dealers in our network. In May 2015, the California New Car Dealers Association filed a lawsuit alleging that we are operating in the State of California as an unlicensed automobile dealer and autobroker. 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." A significant number of automobile dealerships are also members of larger dealer groups, and to the extent that a group decides to leave our network, this decision would typically apply to all dealerships within the group.

Furthermore, automobile manufacturers may provide their franchise dealers with financial or other marketing support, provided that such dealers adhere to certain marketing guidelines. Automobile manufacturers may determine that the manner in which certain of their franchise dealers use our platform is inconsistent with the terms of such marketing guidelines, which determination could result in potential or actual loss of the manufacturers' financial or other marketing support to the dealers whose use of the platform is deemed objectionable. The potential or actual loss of such marketing support may cause such dealers to cease being members of our TrueCar Certified Dealer network, which may 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 decided to leave our network or change their financial or business relationship with us, then 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 will decline and our revenue and results of operations will 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 are 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. 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; and
- our access to a sufficient amount of data to enable us to provide relevant pricing information to consumers.

Changes to management, including continued turnover of our top executives, or 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. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In order to attract and retain executives and other key employees in a 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. The exercise prices of the majority of the stock options held by our executives exceed the price of our common stock at the close of the second quarter of 2016. If the anticipated value of such stock-based incentive awards does not materialize, if our stock-based compensation otherwise ceases to be viewed as a valuable benefit, or if our total compensation package is not viewed as being competitive, our ability to attract, retain and motivate executives and key employees could be weakened.

The loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. Our executive officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. In the second half of 2015, we experienced increased turnover in key executive positions, including our chief executive officer and president. Recently hired executives may view the business differently than prior 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 our new executives will be able to properly manage any such shift in focus or that any changes to our business would ultimately prove successful. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees, retaining and motivating existing employees or integrating new executives and employees, our business could be materially and adversely affected.

Our growth in recent 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 $259.8 million in 2015. However, since the second half of 2015, we have experienced slowed quarter over quarter revenue growth. We expect that in the future, as our revenue increases, our rate of growth may continue to decline. In addition, we may not be able to grow as fast or at all if we do not accomplish the following:

- Expand our dealer network, including increasing dealers in our network representing high volume brands and optimizing our network in important geographies;
- increase the number of transactions between our users and TrueCar Certified Dealers;
- 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.

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

- marketing and advertising;
- dealer outreach and training, including the hiring of significant 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; 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 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 technology team are focusing on delivering a better experience to consumers and dealers. 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.

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 will 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 if third-party data providers terminate their relationship with us 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 could be materially and adversely affected.

We may be unable to maintain or grow relationships with information 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 such information and 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 that 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 system 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 that 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 which 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 and had an accumulated deficit of $302.2 million at June 30, 2016. From time to time in the past, we have made significant investments in our operations which 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 and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. As a result of these increased expenditures, we have 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, to the extent that 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 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, it is difficult to predict whether we will be able to maintain or grow our business. We expect that our business will evolve in ways which 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. 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. Currently, a majority of the automobiles purchased by our users were 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 relationship 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 such 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, resulting 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 provided to us by them with respect to 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 single largest source of user traffic from our affinity group marketing partners comes from the site we maintain for USAA, and USAA is our largest stockholder. At June 30, 2016, USAA beneficially owned 12,564,669 shares, which represented 14.8% of our outstanding common stock. In 2015 and the six months ended June 30, 2016, nearly 234,233 units and 117,308 units, respectively, or 31% and 32% , respectively, of all units purchased by users from TrueCar Certified Dealers, were matched to users of the car-buying site we maintain for USAA. We define units as the number of automobiles purchased by our users from TrueCar Certified Dealers through the TrueCar website and our branded mobile applications or the car-buying sites we maintain for our affinity group marketing partners. As such, USAA has a significant influence on our operating results.

In May 2014, we entered into an extension of our affinity group marketing agreement with USAA that extends through February 13, 2020, but we cannot assure you that our agreement with USAA will be extended at the expiration of the current agreement 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. Changes in this promotion and marketing have in the past and may in the future adversely affect the volume of user traffic we receive from USAA. Changes in our relationship with USAA or its promotion and marketing of our platform could adversely affect our business and operating results in the future.

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 an important component of our growth will be the growth of our business derived from the TrueCar website and our TrueCar branded mobile applications. 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 goal of which is to increase the strength, recognition and trust in the TrueCar brand and drive more unique visitors to our website and mobile applications. We incurred expenses of $151.0 million and $70.2 million on sales and marketing during 2015 and the six months ended June 30, 2016, 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. Incremental marketing expenditures in certain situations do not result in the acquisition of sufficient users visiting our website and mobile applications to permit recovery of such 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, to the extent that 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 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 and has, 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, adversely affecting the volume of traffic to our platform. Should USAA or one or more of our other affinity group marketing partners decide to de-emphasize 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 reduce our sales and marketing 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 grow our network of TrueCar Certified Dealers and to improve the satisfaction of the dealers in this network. We also intend to continue investing to increase awareness of our brand, including via television 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 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 such 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 and services are determined to not 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 absent such a determination, to the extent dealers are uncertain about the applicability of such 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 such 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, such a determination could subject us or our TrueCar Certified Dealers 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, such allegations, 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 such 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 certain instances, we have nevertheless been obligated to suspend all or certain aspects of our business operations in a state pending the resolution of such 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 with respect to the compliance of our products and services with state brokering, bird-dog, and advertising laws intensified to a degree not previously experienced by us. 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 Superior Court for the County of Los Angeles (the "CNCDA Litigation"). The complaint, filed by the California New Car Dealers Association, seeks declaratory and injunctive relief based on allegations that we are operating in the State of California as an unlicensed automobile dealer and autobroker. For more information concerning the CNCDA 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."

In July 2015, we were named as a defendant in a lawsuit filed in the California Superior Court for the County of Los Angeles (the "Participating Dealer Litigation"). The complaint, filed by numerous dealers participating on the TrueCar platform, and as subsequently amended, sought declaratory and injunctive relief based on allegations that the Company is engaging in unfairly competitive practices and is operating as an unlicensed automobile dealer and autobroker in contravention of various state laws. 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. 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 (the "Texas DMV Notice") asserting that certain aspects of our advertising in Texas constitute 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, but we cannot assure you that this effort will be successful.

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 (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 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." 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 (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. We believe that we will be able to resolve the concern raised by the Mississippi MVC Letter without making material, unfavorable adjustments to our business practices or user experience in Mississippi, but we cannot assure you that this effort will be successful.

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 such allegations could be costly, could require us to pay significant sums in settlements, could require us to pay civil and criminal penalties, including fines, could interfere with our ability to continue providing our products and services in certain states, or could 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 such 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 in the Southern District of New York (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 the NY Lanham Act 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 related to 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 other 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. We believe that the portions of the amended complaint that survived our motion to dismiss are without merit, and we intend to vigorously defend ourselves in this matter. Based on the preliminary nature 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 in the CNCDA Litigation seeks declaratory and injunctive relief based on allegations that we are 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 the court to 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 reiterates the claims in the prior complaints and adds 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 the Company's demurrer to the second amended complaint, just as it had done in its March 30, 2016 order. We believe that the portions of the second amended complaint that survived the Court's reconsideration of our demurrer are without merit, and we intend to vigorously defend ourselves in this matter. Based on the preliminary nature 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, a purported securities class action complaint was filed in the U.S. District Court for the Central District of California (the "Federal Securities Litigation") by Satyabrata Mahapatra naming TrueCar and two other individuals not affiliated with TrueCar as defendants. On June 15, 2015, the plaintiff filed a Notice of Errata and Correction purporting to name Scott Painter and 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 in the Federal Securities Litigation seeks an award of unspecified damages, interest and attorneys' fees based on allegations that the defendants made false and/or misleading statements, and failed to disclose material adverse facts about TrueCar's business, operations, prospects and performance. Specifically, the amended complaint alleges that during the putative class period, the defendants made false and/or misleading statements and/or failed to disclose that: (i) TrueCar's business practices violated unfair competition and deceptive trade practice laws (i.e., the issues raised in the NY Lanham Act Litigation); (ii) TrueCar acts 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 of the above, TrueCar's 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 asserts a putative class period stemming 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.

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 the Company is engaging in unfairly competitive practices and is 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 matters are 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, the Company, certain of its executives and directors, and the underwriters of the Company's initial public offering and secondary offering were named as defendants in a putative class action lawsuit filed by Ning Shen and William Fitzpatrick in California Superior Court under the federal securities laws (the "California State Court Securities Litigation"). The complaint alleged that TrueCar's registration statements in connection with the offerings contained false or misleading statements of material facts, and failed to disclose material adverse facts about the Company's 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, such as the Federal Securities Litigation, is filed against us, we may incur significant legal fees, settlements or damage awards as a result. If any such matters are 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 a putative class action lawsuit filed by Gordon Rose in the California Superior Court for the County of Los Angeles (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 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 previously 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 has been continued until a second status conference, which is 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, interest, disgorgement, injunctive relief, and attorneys' fees. We believe that the amended complaint is without merit, and we intend to vigorously defend ourselves in this matter. Based on the preliminary nature of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As a public company, we face the risk of shareholder lawsuits, particularly if we experience declines in the price of our common stock. In the past, following periods of volatility in the overall market and the market prices of a particular company's securities, securities class action lawsuits have often been instituted against affected companies, and as noted immediately above, such lawsuits have been instituted against us in the form of the 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 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 CNCDA Litigation and the California Consumer Class Action, 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, AutoTrader.com, eBay Motors, Edmunds.com, KBB.com, Autobytel.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 above-mentioned companies and other companies for a share of car dealers' overall marketing budget for online and offline media marketing spend. To the extent that car dealers view alternative marketing and media strategies to be superior to TrueCar, 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 online 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 than we have, longer operating histories and greater name recognition. 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, to the extent 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 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. 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 would adversely affect our search result rankings. If Internet search engines modify their search algorithms in ways that are detrimental to us, or if our competitors' efforts are more successful than ours, overall growth in our user base could slow or our user base could decline. 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. Any reduction in the number of users directed to our website through Internet search engines could harm our business and operating results.

The failure to maintain our brand would 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 perceive that we are not focused primarily on providing them with a better car-buying experience or if dealers do not perceive TrueCar as offering a compelling value proposition, our reputation and the strength of our brand will 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 would harm our business growth prospects and operating results.

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

As we introduce or expand additional offerings for our platform we may incur losses or otherwise fail to enter these markets successfully. Our expansion into these markets will 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 such 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 management personnel to cover these markets and complying with complicated regulations that apply to these markets. In addition, we may not successfully demonstrate the value of these ancillary products to consumers, and failure to do so would compromise our ability to successfully expand into these additional revenue streams and could harm our growth rate, revenue and operating performance.

Our business is subject to risks related to the larger automotive ecosystem, including 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 at the start of 2016, including stock market and commodity pricing volatility, led to such 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 and increased unemployment. A reduction in the number of automobiles purchased by consumers 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 global supply chain challenges, such as those resulting from the Japanese tsunami in 2011 and other macroeconomic issues. The foregoing could have a material adverse effect on our business, results of operations and financial condition.

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 will be affected by these seasonal trends. Our business will 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 business, operating results 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 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 to 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.

We collect, process, store, share, disclose and use personal information and other data, and our actual or perceived failure to protect such 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 such information. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Any failure or perceived failure to maintain the security of personal and other data that is provided to us by consumers and dealers could harm our reputation and brand and expose us to a risk of loss or litigation and possible liability, any of which could harm our business and operating results.

In addition, 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 and local laws around the world regarding privacy and the collection, processing, storing, sharing, disclosing, using and protecting of personal information and other data, the scope of which are changing, subject to differing interpretations, and which may be costly to comply with and may be inconsistent between countries and jurisdictions or conflict with other rules. We generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection, to the extent possible. 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 and may conflict with other rules or our practices or that new regulations could be enacted. 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, 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 and could cause consumers and automobile dealers to lose trust in us, which could have a material adverse effect on our business. 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.

A 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 may experience significant interruptions with our systems. Although we are developing a unified architecture, our systems currently employ multiple software platforms. Interruptions in these systems, whether due to system failures, computer viruses, or physical or electronic break-ins, could affect the security or availability of our products on our website and mobile application, and prevent or inhibit the ability of consumers to access our products. Problems with the reliability or security of our systems or with the upgrading and architectural unification of those system could harm our reputation, result in a loss of consumers, dealers and affinity group marketing partners, and result in additional costs. Our ability to quickly change aspects of our consumer and dealer experiences may be limited as we upgrade our system architecture. In addition, a significant disruption in our billing systems could affect our ability to match automobile purchases with users that obtained a Guaranteed Savings Certificate and delay or prevent us from submitting invoices to TrueCar Certified Dealers, receiving payment for such invoices and recognizing revenue related to such purchases.

During the third quarter we plan to begin hosting certain of our systems using an enterprise cloud computing provider. Pending that change, substantially the entire computer hardware and communications and network infrastructure used to operate our website, mobile applications and billing systems is located at co-location facilities in Los Angeles and Chicago. Although we have two locations, our systems are not fully redundant. In addition, we do not own or control the operation of these facilities. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes, and similar events. The occurrence of any of these events could result in damage to our systems and hardware or could cause them to fail.

Problems faced by our third-party web hosting providers or our cloud computing provider could adversely affect the experience of our consumers and dealers. Such providers could close their facilities without adequate notice. Any financial difficulties, up to and including bankruptcy, faced by our third-party web hosting or cloud computing providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party web hosting or cloud computing providers are unable to keep up with our growing capacity needs, our business could be harmed.

Any errors, defects, disruptions, or other performance or reliability problems with our network operations could cause interruptions in access to our products as well as delays and additional expense in arranging new facilities and services and could harm our reputation, business, operating results, 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 have infringed the trademarks, copyrights, patents and 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 such 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, our operating results and our reputation.

Complying with the laws and regulations affecting public companies has increased our costs and the demands on management and could harm our operating results.

As a public company, we incur significant legal, accounting, and other expenses that we did not incur as a private company and these expenses will increase after we cease to be an "emerging growth company." In addition, the Sarbanes-Oxley Act and rules implemented by the SEC and NASDAQ impose various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased and will continue to increase our legal, accounting, and financial compliance costs and have made and will continue to make some activities more time consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer 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. These rules and regulations could also 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.

As an "emerging growth company" we are currently exempt from the requirement to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act ("Section 404"). When our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, the cost of our compliance with Section 404 will correspondingly increase. Our compliance with applicable provisions of Section 404 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. Moreover, if we or our independent registered public accounting firm identifies 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.

We may acquire other companies 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.

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 complementary businesses and technologies rather than through internal development, such as our acquisition of ALG in 2011. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of technology, research and development and sales and marketing functions;
- transition of the acquired company's users to our website and mobile applications;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources, 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 such transactions that may have an adverse effect our operating results in a given period;
- liability for activities of the acquired company before the acquisition, 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 acquired company, 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 could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, or the write-off of goodwill, any of which could harm our financial condition. Also, the anticipated benefits of any acquisitions may not materialize.

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 $75.0 million at June 30, 2016. 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 fully 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. In the event we had to reduce the carrying value of our goodwill or intangible assets, any such 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 $221.2 million and state net operating loss carryforwards of approximately $156.5 million at December 31, 2015. The federal and state net operating loss carryforwards begin to expire in the years ending December 31, 2025 and 2016, respectively. At December 31, 2015, 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.

The Internal Revenue Code of 1986, as amended, imposes substantial restrictions on the utilization of net operating losses and other tax attributes in the event of an "ownership change" of a corporation. Accordingly, our ability to use pre-change net operating loss and research tax credits may be limited as prescribed under Internal Revenue Code, or IRC, Sections 382 and 383. Therefore, if we generate taxable income in the future, our ability to reduce our federal income tax liability may be subject to limitation.

Events which may cause limitation in the amount of the net operating losses and credits that we utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. As a result of historical equity issuances, we have determined that the annual utilization of our net operating losses and credits and tax credits may be limited pursuant to IRC Sections 382 and 383. 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 further limitations on our ability to utilize our net operating loss and credit carryforwards.

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 would 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 September 30, 2016 as well as the year ending December 31, 2016 , 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, 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 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, directors, their affiliates, and holders of 5% or more of our outstanding commons stock may prevent new investors from influencing significant corporate decisions.

As of June 30, 2016, our executive officers, directors, and holders of 5% or more of our outstanding common stock beneficially own, in the aggregate, approximately 76% of our outstanding shares of common stock. 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. 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;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- 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 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.

The effect of such factors on the trading market for our stock may be enhanced by the lack of a large and established trading market for our stock. 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. As described in the risk factor above entitled "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," two such lawsuits were instituted against us in the form of the Federal Securities Litigation and the California State Court Securities Litigation. Although both the Federal Securities Litigation and the California State Court Securities Litigation have been dismissed, a dditional 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 Federal Securities Litigation and 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.

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 June 30, 2016, approximately 84.3 million shares of our common stock were outstanding. In addition, as of June 30, 2016, there were 23.8 million shares underlying options and 4.9 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, 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.

Stockholders owning a substantial portion of our total outstanding shares are entitled, under contracts providing for registration rights and subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders.

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, 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, bylaws or 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.

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 may cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who may cover 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 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 prohibit us from paying 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 or became effective on May 15, 2014. There has been no material change in the planned use of proceeds from our IPO or follow-on offering as described in our final prospectuses filed with the SEC on May 16, 2014 and November 12, 2014, respectively, pursuant to Rule 424(b). 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/A File No. 333-195036	3.2	5/5/2014
3.2	Amended and Restated Bylaws of the Registrant.	S-1/A File No. 333-195036	3.4	5/5/2014
10.1	Office Building Lease, dated May 3, 2016, by and between the Registrant and Hill Country Texas Galleria, LLC	Filed herewith		
10.2	Separation Agreement and Release, dated July 28, 2016, by and between the Registrant and John Stephenson	8-K File No. 001-36449	10.1	8/4/16
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:	August 9, 2016	By:	/s/ Chip Perry Chip Perry *President & Chief Executive Officer* *(Principal Executive Officer)*
Date:	August 9, 2016	By:	/s/ Michael Guthrie Michael Guthrie *Chief Financial Officer* *(Principal Financial Officer)*
Date:	August 9, 2016	By:	/s/ John Pierantoni John Pierantoni *Chief Accounting Officer* *(Principal Accounting Officer)*

OFFICE LEASE AGREEMENT

HILL COUNTRY TEXAS GALLERIA, LLC,
a Texas limited liability company
Landlord

and

TRUECAR, INC.,
a Delaware corporation
Tenant

HILL COUNTRY GALLERIA
BEE CAVE, TEXAS

Date: May 3, 2016

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LIST OF DEFINED TERMS

BASIC LEASE INFORMATION

Lease Date:	May 3, 2016
Tenant:	TrueCar, Inc., a Delaware corporation
Tenant's Address:	120 Broadway, Suite 200 Santa Monica, California 90401 Attention: John Pierantoni, Senior Vice President, Chief Accounting Officer Telephone: (800) 200-2000 ext. 8432
Landlord:	Hill Country Texas Galleria, LLC, a Texas limited liability company
Landlord's Address:	800 W. 34 th Street Austin, Texas 78705 Attn: Adrian M. Overstreet Telephone: (512) 402-9135
With a copy to:	Armbrust & Brown, PLLC 100 Congress, Suite 1300 Austin, Texas 78701 Attn: Kimberly S. Beckham Telephone: (512) 435-2382 Facsimile: (512) 435-2360
Premises:	Suite No. 200 containing approximately 12,951 rentable square feet comprising a portion of the second floor of the Building, and Suite No. 300 containing approximately 24,806 rentable square feet comprising the entire third floor of the Building. The Premises are outlined on the plan attached to the Lease as **Exhibit " A -l"** . Landlord and Tenant agree that prior to the Commencement Date hereunder, the rentable square footage of the Premises shall be measured in accordance with Section 4(g) below. If the rentable square footage of the Premises or the Building is determined to be greater or lesser than the figures stated herein, Basic Rental and Tenant's Proportionate Share shall be adjusted by the parties accordingly and such adjustment set forth in a written amendment to this Lease signed by Landlord and Tenant.
Building:	A new, to-be-constructed building in the Hill Country Galleria development which shall be located on the land described on **Exhibit " A"** attached hereto (the " Land ") and commonly known as "Galleria Oaks Building One".
Project:	The Building, along with one additional office building, together with a garage and common areas serving such improvements and such additions, deletions and other changes as Landlord may from time to time designate, as shown on **Exhibit " A -2"** attached hereto.
Term:	120 months, commencing on February 1, 2017 (the " Commencement Date ") and ending at 5:00 p.m., 120 months later, subject to adjustment and earlier termination as provided in the Lease; provided, however, Tenant will have the right to enter the Premises fifteen (15) days prior to the Commencement Date for installation of wiring and cabling, services, equipment and furniture on the condition that such Tenant work does not interfere with Landlord's construction and installation of the Work (defined in **Exhibit " D"**).

Basic Rental:

To be recalculated Period	Per Square Ft Rent Rate	Annual Basic Rent	Monthly Basic Rent
Months 1-3	$0.00*	$0.00*	$0.00*
Months 4-15	$24.00	$906,179.04	$75,514.92
Months 16-27	$24.50	$925,057.77	$77.088.15
Months 28-39	$25.50	$962,815.23	$80,234.60
Months 40-51	$26.50	$1,000,572.69	$83,381.06
Months 52-63	$27.00	$1,019,451.42	$84,954.20
Months 64-75	$27.50	$1,038,330.15	$86,527.51
Months 76-87	$28.00	$1,057,208.88	$88,100.74
Months 88-99	$28.50	$1,076,087.61	$89,673.97
Months 100-111	$29.00	$1,094,966.34	$91,247.20
Months 111-120	$29.50	$1,113,845.07	$92,820.42

The Annual Basic Rent and Monthly Basic Rent set forth above are subject to final measurement of the Premises in accordance with BOMA standards pursuant to Section 4(g) of this Lease.

*Basic Rental to be abated for the first three full months of the Term. Tenant shall be responsible for paying Tenant's Proportionate Share of Basic Costs starting in Month 1.

Security Deposit: $372,850.37 which sum shall be payable as follows: $272,850.37 upon execution of this Lease and the balance, $100,000.00 payable within 10 days of the Landlord providing Tenant notice in accordance with the notice provisions of this Lease that Landlord has paid its contractor at least $830,000.00 in total for work performed in construction of the Project.

Rent: Basic Rental, Tenant's Proportionate Share of Basic Costs and all other sums that Tenant owes to Landlord under the Lease.

Permitted Use: General office use.

Tenant's Proportionate Share: The percentage obtained by dividing (a) the total, rentable square feet in the Premises as determined by final measurement of the Premises in accordance with BOMA standards, by
(b) the total, rentable square feet in the Project, as determined by final measurement of the Building in accordance with BOMA standards pursuant to Section 4(g) of this Lease, which percentage is estimated to be 25.33% on the Lease Date.

Tenant's Estimated Proportionate Share of Basic Costs: See Section 4. Initially estimated to be $10.00 per rentable square foot per year.

Initial Liability Insurance Amount $2,000,000.00

The foregoing Basic Lease Information is incorporated into and made a part of the Lease identified above. If any conflict exists between any Basic Lease Information and the Lease, then the Lease shall control.

LANDLORD :

HILL COUNTRY TEXAS GALLERIA, LLC, a Texas limited liability company

By: /s/ Adrian M. Overstreet
Adrian M. Overstreet, Manager

TENANT :

TRUECAR, INC., a Delaware corporation

By: /s/ Michael Guthrie
Printed Name: Michael Guthrie
Title: Chief Financial Officer

LEASE

THIS LEASE AGREEMENT (this " Lease ") is entered into as of May 3, 2016, between Hill Country Texas Galleria, LLC, a Texas limited liability company (" Landlord "), and TrueCar, Inc., a Delaware corporation (" Tenant ").

DEFINITIONS AND BASIC PROVISIONS

1. The definitions and basic provision set forth in the Basic Lease Information (the " Basic Lease Information ") executed by Landlord and Tenant contemporaneously herewith are incorporated herein by reference for all purposes.

LEASE GRANT

2. Subject to the terms of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises.

TERM

3. If the Commencement Date is not the first day of a calendar month, then the Term shall be extended by the time between the Commencement Date and the first day of the next month. By occupying the Premises, Tenant shall be deemed to have accepted the Premises in their **AS IS, WHERE IS AND WITH ALL FAULTS** condition as of the date of such occupancy, subject to latent defects, substantial completion of the Work (as defined in **Exhibit " D"** hereto) and the performance of punch-list items that remain to be performed by Landlord, if any, and all contractors' warranties, indemnities, and guaranties, which shall be for a minimum of twelve (12) months. Tenant shall execute, or correct if necessary, and deliver to Landlord, within ten days after Landlord has requested same, a letter confirming (1) the Commencement Date, (2) that Tenant has accepted the Premises, and (3) that Landlord has performed all of its obligations with respect to the Premises (except for punch-list items specified in such letter).

RENT

4. (a) Payment . Tenant shall timely pay to Landlord the Basic Rental and all additional sums to be paid by Tenant to Landlord under this Lease, including the amounts set forth in **Exhibit " C"** , without deduction or set off, at Landlord's Address (or such other address as Landlord may from time to time designate in writing to Tenant). Basic Rental, adjusted as herein provided, shall be payable monthly in advance. The first monthly installment of Basic Rental shall be payable contemporaneously with the execution of this Lease; thereafter, monthly installments of Basic Rental shall be due on the first day of each succeeding calendar month during the Term. Basic Rental for any fractional month at the beginning of the Term shall be prorated based on 1/365 of the current annual Basic Rental for each day of the partial month this Lease is in effect, and shall be due on the Commencement Date.

(b) (Intentionally Omitted.)

(c) Basic Costs . Tenant shall pay to Landlord an amount equal to the product of (1) Basic Costs (as described on **Exhibit " C"**), multiplied by (2) Tenant's Proportionate Share ("Tenant's Proportionate Share of Basic Costs"). Landlord may collect such amount in a lump sum, to be due within 30 days after Landlord furnishes to Tenant the Annual Cost Statement (as defined below). Alternatively, at Landlord's request, Tenant shall pay to Landlord, on the first day of each calendar month beginning on the Commencement Date, an amount equal to Tenant's estimated Proportionate Share of Basic Costs (" Tenant 's Estimated Proportionate Share of Basic Costs "). From time to time during any calendar year, Landlord may estimate and re-estimate Tenant's Estimated Proportionate Share of Basic Costs to be due by Tenant for that calendar year and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of estimated Basic Costs payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the calendar year in question, Tenant shall have paid all of Tenant's Proportionate Share of Basic Costs as estimated by Landlord. Notwithstanding anything contained in this Lease to the contrary, Tenant acknowledges that the Premises contains a

separate meter for electric utility services. Accordingly, Tenant will pay for all electricity services provided to the Premises including any hook up or connection fees or charges which may accrue with respect to the Premises during the Term. Tenant will also pay directly for all janitorial services for the Premises. Such direct electric utility and janitorial charges will not be included in Basic Costs.

(d) Annual Cost Statement . By April 1 of each calendar year, or as soon thereafter as practicable, Landlord shall furnish to Tenant a statement of Landlord's actual Basic Costs (the " Annual Cost Statement ") for the previous year adjusted as provided in Section 4.(e). If the Annual Cost Statement reveals that Tenant paid more for Basic Costs than Tenant's Proportionate Share of Basic Costs in the year for which such statement was prepared, then Landlord shall reimburse or credit Tenant for such excess within 30 days after delivery of the Annual Cost Statement in question; likewise, if Tenant paid less than Tenant's Proportionate Share of Basic Costs for such year, then Tenant shall pay Landlord such deficiency within 30 days after delivery of the Annual Cost Statement in question.

(e) Adjustments to Basic Costs . With respect to any calendar year or partial calendar year in which the Project is not occupied to the extent of 95% of the rentable area thereof, the Basic Costs for such period shall, for the purposes hereof, be increased to the amount which would have been incurred had the Project been occupied to the extent of 95% of the rentable area thereof.

(f) Audit of Basic Costs . If Tenant desires to audit Landlord's determination of the actual amount of Tenant's Share of Basic Costs for any calendar year, Tenant must deliver to Landlord written notice of Tenant's election to audit within 90 days after Landlord's delivery of the Annual Cost Statement. If such notice is timely delivered, Tenant (but not any subtenant or assignee) may, at Tenant's sole cost and expense, cause a certified public accountant reasonably acceptable to Landlord to audit Landlord's records relating to such amounts; provided, however, such certified public accountant may not charge for such services on a contingency basis. Such audit will take place during regular business hours at a time and place reasonably acceptable to Landlord (which may be the location where Landlord or Property Manager maintains the applicable records). Tenant's election to audit Landlord's determination of Tenant's Share of Basic Costs is deemed withdrawn unless Tenant completes and delivers the audit report to Landlord within 90 days after the date Tenant delivers its notice of election to audit to Landlord under this Section. If the audit report shows that the amount Landlord charged Tenant for Tenant's Share of Basic Costs was greater than the amount this Lease obligates Tenant to pay, unless Landlord reasonably contests the results of the audit, Landlord will refund the excess amount to Tenant within 30 days after Landlord receives a copy of the audit report. If Landlord reasonably contests the results of Tenant's initial audit and Landlord and Tenant cannot resolve the items in dispute, Tenant shall have the right to conduct a second audit, at its sole cost and expense, using a certified public accountant reasonably acceptable to Landlord within 30 days after Landlord's notice of contest. The provisions of this paragraph shall also apply to such second audit. If the audit report shows that the amount Landlord charged Tenant for Tenant's Share of Basic Costs was less than the amount this Lease obligates Tenant to pay, Tenant will pay to Landlord the difference between the amount Tenant paid and the amount determined in the audit. Pending resolution of any audit under this Section, Tenant will continue to pay to Landlord all estimated amounts of Tenant's Share of Basic Costs in accordance with Section 4(c). Tenant must keep all information it obtains in any audit strictly confidential and may only use such information for the limited purpose this Section describes and for Tenant's own account. If such audit reveals an overcharge of more than five percent (5%), then Landlord shall, in addition to reimbursing the overcharge, reimburse Tenant for the reasonable cost of such audit.

(g) Tenant's Right to Verify Rentable Square Footage . Within 60 days following the Commencement Date, Tenant shall have the right, in its sole discretion and at Tenant's sole

cost and expense, to hire a qualified consultant, selected by Tenant and reasonably approved by Landlord, experienced in calculating rentable and usable square footages of office buildings using the BOMA guidelines titled "Office Buildings: Standard Methods of Measurement (ANSI/BOMA Z65.1 - 2010) ("BOMA Guidelines") to verify the square footage of the Building and/or the Premises. If Tenant elects not to verify the square footage of the Building and/or the Premises during such 60-day period, Tenant shall be deemed to have accepted Landlord's square footages as set forth in the Basic Lease Information. If Tenant exercises its right to verify the square footage of the Building and/or the Premises, and if Tenant's results are different from Landlord's set forth in the Basic Lease Information, Tenant will notify Landlord of such discrepancy and deliver copies of all of Tenant's calculations to Landlord ("T enant 's Calcu lation Notice"). For a period of 30 days after Landlord's receipt of Tenant's Calculation Notice, Landlord's consultant (which shall be paid for by Landlord) and Tenant's consultant shall use good faith efforts to work together to verify and agree upon the square footages of the Building and/or the Premises, as applicable. If Landlord's consultant and Tenant's consultant are unable to agree upon the square footages of the Building and/or the Premises pursuant to the BOMA Guidelines, Landlord and Tenant agree to jointly engage a third consultant who is experienced in calculating square footages for office buildings using the BOMA Guidelines. Such third consultant shall be provided with the calculations, work papers, and conclusions produced by Tenant's and Landlord's respective initial consultants, and the determination of such third consultant shall be final and binding upon Landlord and Tenant. Landlord and Tenant shall share the cost of any such third consultant equally.

DELINQUENT PAYMENT; HANDLING CHARGES

5. If Landlord does not receive any payment of Rent, or any other sums due from Tenant to Landlord under the Lease, within five days after the date the payment is due, such overdue amounts will bear interest from the date due until paid at the maximum lawful rate. Alternatively, Landlord may charge Tenant a fee equal to 5% of the delinquent payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 5 or elsewhere in this Lease, to the extent the same are considered to be interest under applicable Laws (defined below), exceed the maximum lawful rate of interest.

SECURITY DEPOSIT

6. Contemporaneously with the execution of this Lease, Tenant shall pay to Landlord, in immediately available funds, the Security Deposit, which shall be held by Landlord without liability for interest and as security for the performance by Tenant of its obligations under this Lease. The Security Deposit is not an advance payment of Rent or a measure or limit of Landlord's damages upon an Event of Default (defined below). Landlord may, from time to time and without prejudice to any other remedy, use all or a part of the Security Deposit to perform any obligation which Tenant was obligated, but failed, to perform hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. By no later than 30 calendar days after the Term ends, provided Tenant has performed all of its obligations hereunder, Landlord shall return to Tenant the balance of the Security Deposit not applied to satisfy Tenant's obligations. If Landlord transfers its interest in the Premises, then Landlord may assign the Security Deposit to the transferee and Landlord thereafter shall have no further liability for the return of the Security Deposit.

LANDLORD'S OBLIGATIONS

7. (a) Services . Landlord shall furnish to Tenant (1) water (hot and cold) at those points of supply provided for general use of tenants of the Building; (2) heated and refrigerated air conditioning as appropriate, during normal business hours (as defined below in this Section 7(a)), and at such temperatures and in such amounts as are reasonably considered by Landlord to be standard; (3) window washing as may from time to time in Landlord's judgment be reasonably required; (4) elevators for ingress and egress to the floor on which the Premises are located, in common with other tenants, provided that Landlord may reasonably limit the number of elevators to be in operation at times other than during normal business hours (as defined below in this Section 7(a)); (5) replacement of light bulbs

and fluorescent tubes with Building-standard light bulbs and fluorescent tubes or non- Building standard light bulbs and fluorescent tubes provided by Tenant; (6) use of the Building card-key access system, which will be installed on the main exterior doors to the Building, and periodic security patrol of the Project exterior outside of normal business hours; and (7) electrical current during normal business hours at a power capacity available in the Building on the date hereof (" Normal Usage "). Landlord shall maintain the common areas of the Project in reasonably good order and condition, except for damage occasioned by Tenant, or its employees, agents or invitees. If Tenant desires any of the services specified in this Section 7(a) at any time other than times herein designated, such services shall be supplied to Tenant upon the written request of Tenant delivered to Landlord before 3:00 p.m. on the business day preceding such extra usage, and Tenant shall pay to Landlord an amount equal to Landlord's actual cost of such services within 30 days after Landlord has delivered to Tenant an invoice therefore. As used herein, the term "normal business hours" shall mean from 7:00 a.m. to 7:00 p.m. Monday through Friday and from 8:00 a.m. to 1:00 p.m. on Saturdays, except for legal holidays. Tenant, at its sole cost and expense, shall have the right to install a separately metered HVAC unit for Tenant's server room, provided the plans and specifications for such HVAC unit are approved in advance in writing by Landlord. The Building shall have both AT&T and Time Warner available for telephone and internet services.

(b) Excess Utility Use . Landlord shall use reasonable efforts to furnish electrical current for special lighting, computers and other equipment whose electrical energy consumption exceeds Normal Usage through the then-existing feeders and risers serving the Project and the Premises, and Tenant shall pay to Landlord the cost of such service within ten days after Landlord has delivered to Tenant an invoice therefore. Landlord may determine the amount of such additional consumption and potential consumption by either or both: (1) a survey of standard or average tenant usage of electricity in the Project performed by a reputable consultant selected by Landlord and paid for by Tenant; or (2) a separate meter in the Premises installed, maintained, and read by Landlord, at Tenant's expense. Tenant shall not install any electrical equipment requiring special wiring or requiring electrical current in excess of Normal Usage unless approved in advance by Landlord. The use of electricity in the Premises shall not exceed the capacity of existing feeders and risers to or wiring in the Premises. Any risers or wiring required to meet Tenant's excess electrical requirements shall, upon Tenant's written request, be installed by Landlord, at Tenant's cost, if, in Landlord's sole and absolute judgment, the same are necessary and shall not cause permanent damage or injury to the Project, Building or the Premises, cause or create a dangerous or hazardous condition, entail excessive or unreasonable alterations, repairs, or expenses, or interfere with or disturb other tenants of the Project. If Tenant uses machines or equipment (other than general office machines, personal computers and electronic data processing equipment) in the Premises which affect the temperature otherwise maintained by the air conditioning system or otherwise overload any utility, Landlord may install supplemental air conditioning units or other supplemental equipment in the Premises, and the cost thereof, including the cost of installation, operation, use, and maintenance, shall be paid by Tenant to Landlord within ten days after Landlord has delivered to Tenant an invoice therefore.

(c) Discontinuance . Landlord's obligation to furnish services under Section 7.(a) shall be subject to the rules and regulations of the supplier of such services and governmental rules and regulations.

(d) Restoration of Services ; Abatement. Landlord shall use reasonable efforts to restore any service that becomes unavailable; however, such unavailability shall not (i) render Landlord liable for any damages caused thereby, (ii) be a constructive eviction of Tenant, (iii) constitute a breach of any implied warranty, or, except as provided in the next sentence (iv) entitle Tenant to any abatement of Tenant's obligations hereunder. However, if Tenant is prevented from making reasonable use of the Premises for more than 45 consecutive days

(or 10 consecutive days if the reason for such unavailability is within the reasonable control of Landlord) because of the unavailability of any such service, Tenant shall, as its exclusive remedy therefore, be entitled to a reasonable abatement of Rent for each consecutive day (after such 45-day or 10 day period, as applicable) that Tenant is so prevented from making reasonable use of the Premises.

IMPROVEMENTS; ALTERATIONS; REPAIRS; MAINTENANCE

8. (a) Improvements; Alterations . Except as expressly set forth in this Lease, improvements to the Premises shall be installed at the expense of Tenant in accordance with the attached **Exhibit "D** ". No alterations or physical additions in or to the Premises may be made without Landlord's prior written consent. At the time that Landlord gives any consent to Tenant for alterations, physical additions, or improvements in or to the Premises, Landlord shall specifically designate in writing: (i) each of the approved alterations or additions, if any, that Tenant will be required to remove from the Premises at the end of the Term and the restoration requirements that will be associated with such removal; and (ii) all alterations, additions, or improvements (whether temporary or permanent in character, and including without limitation all air-conditioning equipment and all other equipment that is in any manner connected to the Building's plumbing system) made in or upon the Premises that will be Landlord's property at the end of the Term and remain on the Premises without compensation to Tenant. Tenant shall not paint or install lighting or decorations, signs, window or door lettering, or advertising media of any type on or about the Premises without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. Approval by Landlord of any of Tenant's drawings and plans and specifications prepared in connection with any improvements in the Premises shall not constitute a representation or warranty of Landlord as to the adequacy or sufficiency of such drawings, plans and specifications, or the improvements to which they relate, for any use, purpose, or condition, but such approval shall merely be the consent of Landlord as required hereunder. Notwithstanding anything in this Lease to the contrary, Landlord shall be responsible to deliver the Premises to Tenant with all base building work for the Building and the Premises completed (subject to typical punch list items) in accordance with Landlord's approved base building plans for the Building, which are attached hereto as **Exhibit "G"** and in compliance with all applicable laws, codes, regulations, permits, approvals, and orders (collectively " Laws "), including without limitation, the Americans With Disabilities Act of 1990 and all rules, regulations, and guidelines promulgated thereunder, and other federal, state, and local accessibility Laws as each of the same may be amended from time to time (collectively the "ADA"). Subsequent to Landlord's delivery of the Premises to Tenant as described above and in **Exhibit "D"** hereto, Tenant shall be responsible for the cost of all work required to comply with the retrofit requirements of the ADA, where and to the extent that such work is necessitated by any installations, additions, or alterations made in or to the Premises at the request of or by Tenant or by Tenant's use of the Premises, regardless of whether such cost is incurred in connection with retrofit work required in the Premises or in other areas of the Building. Except for Tenant's foregoing obligations with respect to the Premises, Landlord shall deliver the Premises to Tenant in compliance with all Laws, including the ADA, and shall at all times during the Term be responsible to maintain the Project and the Building (other than the Premises) in compliance with such Laws.

(b). Repairs; Maintenance . Tenant shall maintain the Premises in a clean, safe, operable attractive condition, and shall not permit or allow to remain any waste or damage to any portion of the Premises. Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to the Building caused by Tenant or Tenant's agents, contractors, or invitees. If Tenant fails to make such repairs or replacements within 15 days after the occurrence of such damage, then Landlord may make the same at Tenant's cost. In lieu of having Tenant repair any such damage outside of the Premises, Landlord may repair such damage at Tenant's cost. The cost of any repair or replacement work performed by Landlord under this Section 8 shall be paid by Tenant to Landlord within 30 days after Landlord has delivered to Tenant an invoice therefore.

(c). Performance of Work . All work described in this Section 8 shall be performed only by Landlord or by contractors and subcontractors approved in writing by Landlord, such approval not to be unreasonably withheld, conditioned, or delayed. Tenant shall cause all contractors and subcontractors engaged by Tenant, if any, to procure and maintain insurance coverage against risks, in such amounts, and with such companies as Landlord may reasonably require, and to procure payment and performance bonds reasonably satisfactory to Landlord covering the cost of the work. All such work shall be performed in accordance with all legal requirements and in a good and workmanlike manner so as not to damage the Premises, the primary structure or structural qualities of the Building, or plumbing, electrical lines, or other utility transmission facility. All such work which may affect the HVAC, electrical system, or plumbing must be approved by the Building's engineer of record.

(d). Mechanic' s Liens . Tenant shall not permit any mechanic's liens to be filed against the Premises, the Project or the Building for any work performed, materials furnished or obligation incurred by or at the request of Tenant. If such a lien is filed, then Tenant shall, within ten business days after Landlord has delivered written notice of the filing to Tenant, either pay the amount of the lien or diligently contest such lien and deliver to Landlord a bond or other security reasonably satisfactory to Landlord. If Tenant fails to timely take either such action, then Landlord may pay the lien claim without inquiry as to the validity thereof, and any amounts so paid, including expenses and interest, shall be paid by Tenant to Landlord within 30 days after Landlord has delivered to Tenant an invoice therefore.

(e) Signs . Landlord will initially provide to Tenant, (i) one Building-standard tenant identification sign adjacent to the entry door of the Premises and (b) one standard Building directory listing. Additionally, Tenant will have the nonexclusive right to install one exterior building-top sign on the wall of the Building most directly facing the freeway, in a to-be-determined location and size that is approved in writing by Landlord. All Tenant signage must conform to Landlord's sign criteria and any applicable governmental rules and regulations, including, the City of Bee Cave, Texas sign ordinance. Tenant will be responsible, at its sole cost and expense, for the installation, maintenance and removal of the exterior signage.

USE

9. Tenant shall occupy and use the Premises only for the Permitted Use and shall comply with all Laws relating to the use, condition, and occupancy of the Premises. Tenant shall have access to and use of the Premises 24 hours per day, seven days per week during the Term. The Premises shall not be used for any use which is disreputable or creates extraordinary fire hazards or results in an increased rate of insurance on the Building or its contents or the storage of any hazardous materials or substances. If, because of Tenant's acts, the rate of insurance on the Building or its contents increases, then such acts shall be an Event of Default, Tenant shall pay to Landlord the amount of such increase on demand, and acceptance of such payment shall not constitute a waiver of any of Landlord's other rights. Tenant shall conduct its business and control its agents, employees, and invitees in such a manner as not to create any nuisance or interfere with other tenants or Landlord in its management of the Building.

ASSIGNMENT AND SUBLETTING

10. (a) Transfers; Consent . Except as permitted under subpart (c) of this Section 10, Tenant shall not, without the prior written consent of Landlord (which will not be unreasonably withheld, conditioned or delayed), (1) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (2) if Tenant is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Tenant so as to result in a change in the current control of Tenant, (3) sublet any portion of the Premises, (4) grant any license, concession, or other right of occupancy of any portion of the Premises, or (5) permit the use of the Premises by any

parties other than Tenant (any of the events listed in Sections I0.(a)(1) through 10.(a)(5) being a " Transfer "). If Tenant requests Landlord's consent to a Transfer, then Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address; information reasonably satisfactory to Landlord about its business and business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character. Tenant shall reimburse Landlord for its attorneys' fees and other expenses reasonably incurred in connection with considering any request for its consent to a Transfer. Landlord shall give written notice to Tenant regarding whether Landlord consents to a proposed Transfer within 15 days after Landlord's receipt of the foregoing information from Tenant. If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement whereby it expressly assumes the Tenant's obligations hereunder; however, any transferee of less than all of the space in the Premises shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer, and only to the extent of the rent it has agreed to pay Tenant therefore. Landlord's consent to a Transfer shall not release Tenant from performing its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefore. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. If an Event of Default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect directly from such transferee all rents becoming due to Tenant and apply such rents against Rent. Tenant authorizes its transferees to make payments of rent directly to Landlord during any period that an uncured Event of Default by Tenant exists hereunder upon any such transferee's receipt of notice from Landlord to do so.

(b) Cancellation. Landlord may, within 15 days after submission of Tenant's written request for Landlord's consent to a Transfer of greater than fifty percent (50%) of the Premises to a person or entity other than an Affiliate of Tenant, cancel this Lease (or, as to a subletting or assignment, cancel this Lease as to the portion of the Premises proposed to be sublet or assigned for the period of the term to be sublet or assigned) as of the date the proposed Transfer was to be effective. If Landlord cancels this Lease as to any portion of the Premises, then this Lease shall cease for such portion of the Premises and Tenant shall pay to Landlord all Rent accrued through the cancellation date relating to the portion of the Premises covered by the proposed Transfer. Thereafter, Landlord may lease such portion of the Premises to the prospective transferee (or to any other person) without liability to Tenant.

(c) Transfers to an Affiliate of Tenant . Notwithstanding anything to the contrary contained in this Section 10, Landlord's prior consent shall not be required for any Transfer to a "Affiliate" of Tenant defined as (i) a corporation or other entity into or with which all of Tenant is merged or consolidated; (ii) a corporation or other entity into which all or substantially all of Tenant's assets are transferred; (iii) a successor to Tenant resulting from the sale or all or substantially all of Tenant's capital stock; (iv) any corporation or other entity which controls, is controlled by or is under common control with Tenant; or (v) a corporation or other entity controlled by Tenant's parent corporation to the same extent as Tenant is controlled by such parent corporation; provided, however, that (A) Tenant notifies Landlord of any such assignment, sublease, or other transfer; (B) Tenant promptly provides Landlord with any documents or information requested by Landlord regarding such assignment, sublease, or other Transfer to such Affiliate of Tenant; (C) any prior Tenant or, if at any time applicable, any guarantor that has not been expressly released from liability under this Lease expressly reaffirms in writing its liability with respect to this Lease; (D) the proposed assignee assumes in writing for the express benefit of Landlord all of the liabilities and obligations of Tenant under this Lease, in form and content reasonably satisfactory to Landlord; and (E) such assignment, sublease, or other Transfer is not a

subterfuge by Tenant to avoid the obligations under this Lease. The term " control " as used in this Section 10(c) means the ownership, directly or indirectly, of at least fifty-one percent (51%) of the voting securities of, or possession of the right to vote, in the ordinary course of its business, at least fifty-one percent (51%) of the voting interest in, any entity.

(d) Additional Compensation . In the event Tenant subleases the Premises or assigns this Lease in a Transfer that requires Landlord's consent in accordance with this Paragraph 10, Tenant shall pay to Landlord, immediately upon receipt thereof, fifty percent (50%) of all net compensation received by Tenant for a Transfer that exceeds the Basic Rental and Tenant's share of Basic Costs allocable to the portion of the Premises covered thereby after Tenant first deducts its costs incurred in connection with the Transfer including any brokerage commissions and all legal fees, free rent or tenant improvement allowances granted, architectural fees, lease assumptions and all Rent paid from the date that the space is vacated and listed for sublease with a reputable brokerage firm.

INSURANCE; WAIVERS; SUBROGATION; INDEMNITY

11. (a) Insurance . Tenant shall at its expense procure and maintain throughout the Term the following insurance policies: (1) comprehensive general liability insurance in amounts of not less than a combined single limit of $2,000,000 (the " Initial Liability Insurance Amount") insuring Tenant, Landlord, Landlord's agents and their respective affiliates against all liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises, (2) contractual liability insurance consistent with that provided in industry-standard policy form CG0001, (3) insurance covering the full value of Tenant's property and improvements, and other property (including property of others), in the Premises, (4) workman's compensation insurance, containing a waiver of subrogation endorsement reasonably acceptable to Landlord, and (5) business interruption insurance. Tenant's insurance shall provide primary coverage to Landlord when any policy issued to Landlord provides duplicate or similar coverage, and in such circumstance Landlord's policy will be excess over Tenant's policy. Tenant shall furnish certificates of such insurance and such other evidence satisfactory to Landlord of the maintenance of all insurance coverages required hereunder, and Tenant shall obtain a written obligation on the part of each insurance company to notify Landlord at least 30 days before cancellation or a material change of any such insurance. All such insurance policies shall be in form, and issued by companies, reasonably satisfactory to Landlord. For purposes of this Section 11, the term "A ffiliate " shall have the same meaning given to it in Section 10(c) above.

(b) Waiver of Negligence Claims; No Subrogation . Landlord shall not be liable to Tenant or those claiming by, through, or under Tenant for any injury to or death of any person or persons or the damage to or theft, destruction, loss, or loss of use of any property or inconvenience (a " Loss ") caused by casualty, theft, fire, third parties, or any other matter (including Losses arising through repair or alteration of any part of the Building or the Project, or failure to make repairs, or from any other cause), regardless of whether the negligence of any party caused such Loss in whole or in part. Landlord and Tenant each waives any claim it might have against the other for any damage to or theft, destruction, loss, or loss of use of any property, to the extent the same is insured against under any insurance policy that covers the Project, the Building, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, or, in the case of Tenant's waiver, is required to be insured against under the terms hereof, regardless of whether the negligence or fault of the other party caused such loss; however, Landlord's waiver shall not include any deductible amounts on insurance policies carried by Landlord or apply to any coinsurance penalty which Landlord might sustain. Each party shall cause its insurance carrier to endorse all applicable policies waiving the carrier's rights of recovery under subrogation or otherwise against the other party.

(c) Indemnity . Subject to Section 11.(b), Tenant shall defend, indemnify, and hold harmless Landlord and its agents from and against all claims, demands, liabilities, causes of

action, suits, judgments, and expenses (including attorneys' fees) for any Loss arising from any occurrence on the Premises or from Tenant's failure to perform its obligations under this Lease (other than where and to the extent that a Loss is caused by or results from the sole joint, comparative, or concurrent negligence, fault, or strict liability of Landlord or its agents. **THIS INDEMNITY PROVISION IS NOT INTENDED TO INDEMNIFY LANDLORD AND ITS AGENTS AGAINST THE CONSEQUENCES OF THEIR OWN NEGLIGENCE OR FAULT** . This indemnity provision shall survive termination or expiration of this Lease.

SUBORDINATION ATTORNMENT; NOTICE TO LANDLORD'S MORTGAGEE

12. (a) Subordination . This Lease is subordinate to any deed of trust, mortgage, or other security instrument (a " Mortgage "), or any ground lease, master lease, or primary lease (a " Primary Lease "), that now or hereafter covers all or any part of the Premises (the mortgagee under any Mortgage or the lessor under any Primary Lease is referred to herein as "Landlord's Mortgagee"). The provisions of this Section 12(a) shall be self-operative, and no further instrument shall be required to effect such subordination; however, Landlord shall deliver to Tenant, and Tenant shall execute from time to time within fifteen business days after delivery to Tenant, an instrument from each Landlord's Mortgagee evidencing the subordination of this Lease to any such Mortgage or Primary Lease (which instrument shall include a non-disturbance provision in favor of Tenant and shall be on Landlord's Mortgagee's standard form, but shall be reasonably acceptable to Tenant).

(b) Attornment . Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, upon such party's request, and shall execute such agreements confirming such attornment as such party may reasonably request.

(c) Notice to Land lo rd 's Mortgagee . Tenant shall not seek to enforce any remedy it may have for any default on the part of the Landlord without first giving written notice by reputable overnight courier or certified mail, return receipt requested, specifying the default in reasonable detail, to any Landlord's Mortgagee whose address has been given to Tenant, and affording such Landlord's Mortgagee a period of at least ten days to perform Landlord's obligations hereunder.

PROJECT RULES

13. Tenant shall comply with the COREA (defined in Section 24(r)) and the rules and regulations of the Project which are attached hereto as **E xh ibit " B "** . Landlord may, from time to time, change such rules and regulations for the safety, care, or cleanliness of the Building and related facilities, provided that such changes are reasonable, applicable to all tenants of the Building and will not unreasonably interfere with Tenant's use of the Premises. Tenant shall be responsible for the compliance with such rules and regulations by its employees, agents, and invitees.

CONDEMNATION

14. (a) Taking - La nd lo rd 's and T enant 's Ri g hts . If any part of the Building is taken by right of eminent domain or conveyed in lieu thereof (a " Taking "), and such Taking prevents Tenant from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Taking, then Landlord may, at its expense, relocate Tenant to office space reasonably comparable to the Premises, provided that Landlord notifies Tenant of its intention to do so at least 30 days prior to the effective date of the Taking. Such relocation may be for a portion of the remaining Term or the entire Term. Landlord shall complete any such relocation within 180 days after Landlord has notified Tenant of its intention to relocate Tenant. If Landlord does not elect to relocate Tenant following such Taking, then Tenant may terminate this Lease as of the date of such Taking by giving written notice to Landlord within 60 days after the Taking, and Rent shall be apportioned as of the date of such Taking. If Landlord does not relocate Tenant and Tenant does not terminate this Lease, then Rent shall be adjusted on a reasonable basis in proportion to that portion of the Premises rendered untenantable by the Taking.

(b) Taking - Land lo rd 's Rig h ts . If any material portion, but less than all, of the Building becomes subject to a Taking, or if Landlord is required to pay any of the proceeds received for a Taking to Landlord's Mortgagee, then this Lease, at the option of Landlord, exercised by written notice to Tenant within 30 days after such Taking, shall terminate and Rent shall be apportioned as of the date of such Taking. If Landlord does not so terminate this Lease and does not elect to relocate Tenant, then this Lease will continue, but if any portion of the Premises has been taken, Basic Rental shall adjust as provided in the last sentence of Section 14.(a).

(c) Award . If any Taking occurs, then Landlord shall receive the entire award or other compensation for the Land, the Building, and other improvements taken, and Tenant may separately pursue a claim against the condemnor for the value of Tenant's personal property which Tenant is entitled to remove under this Lease, moving costs, loss of business, and other claims it may have.

FIRE OR OTHER CASUALTY

15. (a) Repair Estimate . If the Premises or the Building are damaged by fire or other casualty (a " Casualty "), Landlord shall, within 30 days after such Casualty, deliver to Tenant a good faith estimate (the " Damage Notice ") of the time needed to repair the damage caused by such Casualty and, if Landlord intends to repair such damage, an estimated date for commencement of such repairs.

(b) Landlord 's and Tenant 's Rig ht s . If as a result of a Casualty, Tenant is prevented from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Casualty and Landlord estimates that the damage caused thereby cannot be repaired within 180 days after the commencement of repair, then Tenant may terminate this Lease by delivering written notice to Landlord of its election to terminate within 30 days after the Damage Notice has been delivered to Tenant. If Tenant does not terminate this Lease, then (subject to Landlord's rights under Section 15.(c)) Landlord shall repair the Building or the Premises, as the case may be, as provided below, and Rent for the portion of the Premises rendered untenantable by the Casualty shall be adjusted in proportion to the portion of the Premises rendered untenantable from the date of the Casualty until the completion of the repair, unless and to the extent that such damage was caused by or resulted from Tenant's gross negligence or willful misconduct, in which case, Tenant shall continue to pay Rent without abatement.

(c) Land lo rd 's Rig ht s . If a Casualty damages a material portion of the Building, and Landlord makes a good faith determination that restoring the Premises would be uneconomical, or if Landlord is required to pay any insurance proceeds arising out of the Casualty to Landlord's Mortgagee, then Landlord may terminate this Lease by giving written notice of its election to terminate within 30 days after the Damage Notice has been delivered to Tenant, and Basic Rental hereunder shall be abated as of the date of the Casualty.

(d) Repair Obligation . If neither party elects to terminate this Lease following a Casualty, then Landlord shall, within a reasonable time after such Casualty, commence to repair the Building and the Premises and shall proceed with reasonable diligence to restore the Building and Premises to substantially the same condition as they existed immediately before such Casualty; however, Landlord shall not be required to repair or replace any part of the furniture, equipment, fixtures, and other improvements which may have been placed by, or at the request of, Tenant or other occupants in the Building or the Premises, and Landlord's obligation to repair or restore the Building or Premises shall be limited to the extent of the insurance proceeds actually received by Landlord for the Casualty in question.

TAXES

16. Tenant shall be liable for all taxes levied or assessed against personal property, furniture, or fixtures placed by Tenant in the Premises. If any taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and Landlord elects to

pay the same, or if the assessed value of Landlord's property is increased by inclusion of such personal property, furniture or fixtures and Landlord elects to pay the taxes based on such increase, then Tenant shall pay to Landlord, upon demand, that part of such taxes for which Tenant is primarily liable hereunder.

EVENTS OF DEFAULT

17. Each of the following occurrences shall constitute an " Event of Default ":

(a) Tenant's failure to pay Rent, or any other sums due from Tenant to Landlord under the Lease when due; provided however that with regard to the first two (2) delinquencies in any calendar year, Landlord shall provide Tenant written notice of such delinquency and Tenant shall not be in default unless Tenant fails to cure such delinquency within ten days of delivery of such written notice;

(b) Tenant's failure to perform, comply with, or observe any agreement or obligation of Tenant under this Lease (other than a payment obligation) on or before the thirtieth (30th) day following written notice of such failure;

(c) the filing of a petition by or against Tenant (the term " Tenant " shall include, for the purpose of this Section 17.(c), any guarantor of the Tenant's obligations hereunder) (1) in any bankruptcy or other insolvency proceeding; (2) seeking any relief under any state or federal debtor relief Laws; (3) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease; or (4) for the reorganization or modification of Tenant's capital structure; provided that Tenant shall have sixty (60) days following the commencement of an involuntary proceeding to have such proceeding dismissed before such proceeding shall constitute an Event of Default.

(d) Tenant shall desert or vacate any portion of the Premises except temporarily in connection with a Casualty or as needed for repairs, maintenance, or alterations to the Premises or the Building; and

(e) the admission by Tenant that it cannot meet its obligations as they become due or the making by Tenant of an assignment for the benefit of its creditors.

REMEDIES

18. Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by Laws or in equity, take any of the following actions:

(a) Terminate this Lease by giving Tenant written notice thereof, in which event, Tenant shall pay to Landlord the sum of (l) all Rent accrued hereunder through the date of termination, (2) all amounts due under Section 19.(a), and (3) an amount equal to (A) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "Prime Rate" as published on the date this Lease is terminated by The Wall Street Journal, Southwest Edition, in its listing of "Money Rates", minus (B) the then present fair rental value of the Premises for such period, similarly discounted; or

(b) Terminate Tenant's right to possession of the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (1) all Rent and other amounts accrued hereunder to the date of termination of possession, (2) all amounts due from time to time under Section 19.(a), and (3) all Rent and other sums required hereunder to be paid by Tenant during the remainder of the Term, diminished by any net sums thereafter received by Landlord through reletting the Premises during such period. Landlord shall use reasonable efforts to relet the Premises on such terms and conditions as Landlord in its sole discretion may determine (including a term different from the Term, rental concessions, and alterations to, and improvement of, the Premises); however, Landlord shall not be obligated to relet the Premises before leasing other portions of the Building. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be

diminished because of, Landlord's failure to relet the Premises or to collect rent due for such reletting. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the Rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather, Landlord may, from time to time, bring action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to exclude or dispossess Tenant of the Premises shall be deemed to be taken under this Section 18.(b). If Landlord elects to proceed under this Section 18.(b), it may at any time elect to terminate this Lease under Section 18.(a).

Additionally, without notice, Landlord may alter locks or other security devices at the Premises to deprive Tenant of access thereto, and Landlord shall not be required to provide a new key or right of access to Tenant.

PAYMENT BY TENANT; NON-WAIVER

19. (a) Payment by Tenant . Upon any Event of Default, Tenant shall pay to Landlord all costs incurred by Landlord (including court costs and reasonable attorneys' fees and expenses) in (1) obtaining possession of the Premises, (2) removing and storing Tenant's or any other occupant's property, (3) repairing, restoring, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant, (4) if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (including brokerage commissions, cost of tenant finish work, and other costs incidental to such reletting), (5) performing Tenant's obligations which Tenant failed to perform, and (6) enforcing, or advising Landlord of, its rights, remedies, and recourses arising out of the Event of Default.

(b) No Waiver . Landlord's acceptance of Rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of such term or violation of any other term.

SURRENDER OF PREMISES

20. No act by Landlord shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless the same is made in writing and signed by Landlord. At the expiration or termination of this Lease, Tenant shall deliver to Landlord the Premises with all improvements located thereon in good repair and condition, reasonable wear and tear (and condemnation and fire or other Casualty damage not caused by Tenant, as to which Sections 14 and 15 shall control) excepted, and shall deliver to Landlord all keys to the Premises. Provided that Tenant has performed all of its obligations hereunder, Tenant may remove all unattached trade fixtures, furniture, and personal property placed in the Premises by Tenant (but Tenant shall not remove any such item which was paid for, in whole or in part, by Landlord). Additionally, Tenant shall remove those alterations, additions, improvements, trade fixtures, equipment, wiring, and furniture that are installed or placed in the Premises by Tenant that Landlord has notified Tenant in writing must be so removed at the time Landlord approves Tenant's Working Drawings or Tenant's request for consent to alterations, additions, or improvements to the Premises pursuant to Section 8(a) above, as applicable. Tenant shall repair all damage caused by such removal. All items not so removed shall be deemed to have been abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items. The provisions of this Section 20 shall survive the end of the Term.

HOLDING OVER

21. If Tenant fails to vacate the Premises at the end of the Term, then Tenant shall be a tenant at will and, in addition to all other damages and remedies to which Landlord may be entitled for such holding over, Tenant shall pay, in addition to Tenant's Proportionate Share of Basic Costs, a daily Basic Rental equal to 150% of the daily Basic Rental payable during the last month of the Term.

CERTAIN RIGHTS RESERVED BY LANDLORD

22. Provided that the exercise of such rights does not unreasonably interfere with Tenant's access to and occupancy of the Premises, Landlord shall have the following rights:

(a) to decorate and to make inspections, repairs, alterations, additions, changes, or improvements, whether structural or otherwise, in and about the Building, or any part thereof; for such purposes, to enter upon the Premises and, during the continuance of any such work, to temporarily close doors, entryways, public space, and corridors in the Building; to interrupt or temporarily suspend Building services and facilities; and to change the arrangement and location of entrances or passageways, doors, and doorways, corridors, elevators, stairs, restrooms, or other public parts of the Building;

(b) to take such reasonable measures as Landlord deems advisable for the security of the Building and its occupants, including without limitation searching (to the extent permitted by applicable Laws) all persons entering or leaving the Building; evacuating the Building for cause, suspected cause, or for drill purposes; temporarily denying access to the Building; and closing the Building after normal business hours and on Saturdays, Sundays, and holidays, subject, however, to Tenant's right to enter when the Building is closed after normal business hours under such reasonable regulations as Landlord may prescribe from time to time which may include by way of example, but not of limitation, that persons entering or leaving the Building, whether or not during normal business hours, identify themselves to a security officer by registration or otherwise and that such persons establish their right to enter or leave the Building;

(c) to change the name by which the Building is designated; and

(d) to enter the Premises at all reasonable hours and upon giving Tenant reasonable notice (except in the case of any emergency) to show the Premises to prospective purchasers, lenders, or tenants.

SUBSTITUTION SPACE

23. Intentionally Deleted.

MISCELLANEOUS

24. (a) Landlord Transfer . Landlord may transfer, in whole or in part, the Building and any of its rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall thereby be released from any further obligations hereunder related to the period from and after such assignment.

(b) Landlord 's Liability . The liability of Landlord and Tenant to one another hereunder for any default under the terms of this Lease shall be limited to the non-defaulting party's actual direct, but not consequential, damages therefor, and the defaulting party shall be personally liable only for such actual, direct damages. This section shall not be deemed to limit or deny any remedies which either party may have in the event of default by the other party hereunder which do not involve the personal liability of the defaulting party.

(c) Force Majeure . Other than for Tenant's monetary obligations under this Lease and obligations which can be cured by the payment of money (e.g., maintaining insurance), whenever a period of time is herein prescribed for action to be taken by either party hereto, such party shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, terrorism, acts of God , shortages of labor or materials, war, governmental Laws, regulations, or restrictions, extreme weather conditions, or any other causes of any kind whatsoever which are beyond the control of such party.

(d) Brokerage . Landlord and Tenant each warrant to the other that it has not dealt with any broker or agent in connection with the negotiation or execution of this Lease, except for

Cushman & Wakefield / Oxford Commercial and Peloton Commercial Real Estate. Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party. All commissions due and payable shall be Landlord's sole obligation pursuant to separate agreements with the brokers

(e) Estoppel Certificates and Financial Information . From time to time, Tenant shall furnish to any party designated by Landlord, within 30 days after Landlord has made a request therefor, a certificate signed by Tenant confirming and containing such factual certifications and representations as to this Lease as Landlord may reasonably request. Further, if at any time Tenant's financial statements are not publicly-available on-line, from time to time (but not more often than once in any given six (6) month period), within 30 days after Landlord's request therefore, Tenant shall furnish to Landlord or Landlord's Mortgagee the most recent annual financial statements for Tenant.

(f) Notices . All notices and other communications given pursuant to this Lease shall be in writing and shall be (1) mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the address specified in the Basic Lease Information, (2) hand delivered or delivered by overnight delivery service to the intended address, or (3) sent by prepaid telegram, cable, facsimile transmission, or telex followed by a confirmatory letter. Notice sent by certified mail, postage prepaid, shall be effective three business days after being deposited in the United States Mail; all other notices shall be effective upon delivery to the address of the addressee. The parties hereto may change their addresses by giving notice thereof to the other in conformity with this provision.

(g) Severability . If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future Laws, then the remainder of this Lease shall not be affected thereby and in lieu of such clause or provision, there shall be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable.

(h) Amendments: and Binding Effect . This Lease may not be amended except by instrument in writing signed by Landlord and Tenant. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord, and no custom or practice which may evolve between the parties in the administration of the terms hereof shall waive or diminish the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. The terms and conditions contained in this Lease shall inure to the benefit of and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided. This Lease is for the sole benefit of Landlord and Tenant, and, other than Landlord's Mortgagee, no third party shall be deemed a third party beneficiary hereof.

(i) Quiet Enjoyment . Provided Tenant has performed all of the terms and conditions of this Lease to be performed by Tenant, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or any party claiming by, through, or under Landlord, subject to the terms and conditions of this Lease.

(j) Joint and Several Liability . If there is more than one Tenant, then the obligations hereunder imposed upon Tenant shall be joint and several. If there is a guarantor of Tenant's obligations hereunder, then the obligations hereunder imposed upon Tenant shall be the joint and several obligations of Tenant and such guarantor, and Landlord need not first proceed against Tenant before proceeding against such guarantor nor shall any such guarantor be released from its guaranty for any reason whatsoever.

(k) Captions . The captions contained in this Lease are for conveniences of reference only, and do not limit or enlarge the terms and conditions of this Lease.

(l) No Merger . There shall be no merger of the leasehold estate hereby created with the fee estate in the Premises or any part thereof if the same person acquires or holds, directly or indirectly, this Lease or any interest in this Lease and the fee estate in the leasehold Premises or any interest in such estate.

(m) No Offer . The submission of this Lease to Tenant shall not be construed as an offer, nor shall Tenant have any right under this Lease unless Landlord executes a copy of this Lease and delivers it to Tenant.

(n) Exhibits . All exhibits and attachments hereto are incorporated herein by this reference.

Exhibit A-Land
Exhibit A-1-Outline of Premises Exhibit A-2-Project
Exhibit B-Project Rules Exhibit C-Basic Costs
Exhibit D-Premises Finish-Work Exhibit E-Parking
Exhibit F-Extension Option, Right of First Refusal and Termination Option

(o) Entire Agreement . This Lease constitutes the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes all oral statements and prior writings relating thereto. Except for those set forth in this Lease, no representations, warranties, or agreements have been made by Landlord or Tenant to the other with respect to this Lease or the obligations of Landlord or Tenant in connection therewith.

(p) Taxable Sales Report . To the extent any sales of merchandise or revenue derived from the Premises are subject to sales taxes, Tenant will also submit to Landlord copies of all reports periodically filed by Tenant with the State of Texas Comptroller's office (" Comptroller ") with respect to Taxable Sales, when submitted to the Comptroller (" Tenant's Taxable Sales Reports "). Tenant's Taxable Sales Reports shall be filed by Tenant with the Comptroller not less than monthly (or on a more frequent basis as may be required by the Comptroller or applicable Laws), using the standard reporting form of the Comptroller provided for such purpose. Tenant acknowledges that the City of Bee Cave, Texas (“ City ”) is utilizing sales tax revenues from the Project, and other property, to provide to provide certain benefits to the Project to induce the development thereof by Landlord (" City Benefits "). Accordingly, Tenant agrees that Landlord may use the information in Tenant's Taxable Sales Reports to report to the City on a quarterly basis the amount of sales tax revenues generated by Taxable Sales from the Shopping Center for the previous calendar quarter (" Landlord's Reports "). Without limiting the generality of the foregoing, upon Landlord's written request, Tenant shall authorize the Comptroller to release Tenant's Taxable Sales Reports to Landlord, which such authorization shall remain in effect throughout the remainder of the Term. Tenant further acknowledges that the City has the right to audit Landlord's Reports and the information contained therein. In addition, upon Landlord's written request, Tenant shall deliver such additional releases or other documentation as may be necessary or desirable, or otherwise as required by Laws, to facilitate the use of information contained in Tenant's Taxable Sales Reports and Landlord Reports in connection with securing the City Benefits. Tenant shall have an address located in the City for its business at the Premises and for its address of record with the State of Texas for the sales and use tax account for such business.

(q) Homeland Security . Tenant represents, certifies and warrants to Landlord as follows:

(i) Tenant is not named by, and is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by, any Executive Order, including without limitation Executive Order 13224, or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any Laws, order, rule or regulation that is enacted, enforced or administered by the Office of Foreign Assets Control; (ii) Tenant is not engaged in this transaction, directly or indirectly, for or on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation; and (iii) none of the proceeds used to pay Basic Rental and any other Rent have been or will be derived from a "specified unlawful activity" as defined in, and Tenant is not otherwise in violation of, the Money Laundering Control Act of 1986, as amended, or any other applicable Laws regarding money laundering activities. Furthermore, Tenant agrees to immediately notify Landlord if Tenant was, is, or in the future becomes a "senior foreign political figure," or an immediate family member or close associate of a "senior foreign political figure," within the meaning of Section 312 of the USA PATRIOT Act of 2001. Notwithstanding anything in this Lease to the contrary, Tenant acknowledges and agrees that this Lease is a continuing transaction and that the foregoing representations, certifications and warranties are ongoing and shall be and remain true and in full force and effect on the date hereof and throughout the Term and that any breach thereof shall, at Landlord's election, constitute an automatic Event of Default giving rise to Landlord's remedies and Tenant agrees to indemnify, defend and hold harmless Landlord and Landlord's management agent from and against all losses, damages, costs and expenses resulting from or relating to any breach of the foregoing representations, certification and warranties.

HAZARDOUS SUBSTANCES

25. The term " Hazardous Substances ," as used in this Lease shall mean pollutants, contaminants, toxic or hazardous wastes, or any other substances, the removal of which is required or the use of which is restricted, prohibited or penalized by any " Environmental Law " which term shall mean any Law relating to health, pollution, or protection of the environment. Tenant hereby agrees that a) no activity will be conducted on the Premises that will produce any Hazardous Substances, except for such activities that are part of the ordinary course of Tenant's business activities (the " Permitted Activities ") provided such Permitted Activities are conducted in accordance with all Environmental Laws and have been approved in advance in writing by Landlord; b) the Premises will not be used in any manner for the storage of any Hazardous Substances except for any temporary storage of such materials that are used in the ordinary course of Tenant' s business (the " Permitted Materials") provided such Permitted Materials are properly stored in a manner and location satisfying all Environmental Laws and approved in advance in writing by Landlord; c) no portion of the Premises will be used as a landfill or a dump; d) Tenant will not install any underground tanks of any type; e) Tenant will not allow any surface or subsurface conditions to exist or come into existence that constitute, or with the passage of time may constitute a public or private nuisance; f) Tenant will not permit any Hazardous Substances to be brought onto the Premises, except for the Permitted Materials, and if so brought or found located thereon, the same shall be immediately removed by Tenant, with proper disposal, and all required cleanup procedures shall be diligently undertaken pursuant to all Environmental Laws; g) Tenant will maintain on the Premises a list of all materials stored at the Premises for which a material safety data sheet (an " MSDS ") was issued by the producers or manufacturers thereof, together with copies of the MSDS's for such materials, and shall deliver such list and MSDS copies to Landlord upon Landlord's request therefor; and h) Tenant shall remove all Permitted Materials from the Premises in a manner acceptable to Landlord before Tenant's right to possess the Premises is terminated. If at any time during or after the Term, the Premises are found to be so contaminated or subject to such conditions, Tenant shall defend, indemnify and hold Landlord harmless from all claims, demands, actions, liabilities, costs, expenses, damages and obligations of any nature arising from or as a result of the use of the Premises by Tenant, except for any conditions or contamination not caused by Tenant. The foregoing indemnity shall survive termination or

expiration of this Lease. Unless expressly identified on an addendum to this Lease, as of the date hereof there are no "Permitted Activities" or "Permitted Materials" for purposes of the foregoing provision and none shall exist unless and until approved in writing by the Landlord. Notwithstanding anything to the contrary set forth in this Section 25, Tenant shall have the right, without Landlord's consent, to bring into and use in the Premises reasonable quantities of office supplies and substances used in repair, maintenance, and/or cleaning that may contain nominal amounts of Hazardous Substances so long as such office supplies and substances are (i) lawfully available for purchase in the United States of America; and

(ii) used, stored, and handled by Tenant, its employees, agents, and contractors, solely for their intended purpose and in accordance with Environmental Laws. Landlord may enter the Premises and conduct environmental inspections and tests therein as it may reasonably require from time to time, provided that Landlord shall use reasonable efforts to minimize the interference with Tenant's business. Such inspections and tests shall be conducted at Landlord's expense, unless they reveal the presence of Hazardous Substances (other than Permitted Materials, substances placed in the Premises by Landlord, or substances that Tenant is permitted to have and use in the Premises pursuant to this Section 25) or that Tenant has not complied with the requirements set forth in this Section 25, in which case Tenant shall reimburse Landlord for the cost thereof within ten days after Landlord's request therefore.

LANDLORD'S LIEN

26. In addition to the statutory landlord's lien, Tenant grants to Landlord, to secure performance of Tenant's obligations hereunder, a security interest in all equipment, fixtures, furniture, improvements, and other personal property of Tenant now or hereafter situated on the Premises, excluding Tenant's intellectual property, and all proceeds therefrom (the " Co llater al"), and the Collateral shall not be removed from the Premises without the consent of Landlord until all obligations of Tenant have been fully performed. Upon the occurrence of an Event of Default, Landlord may, in addition to all other remedies, without notice or demand except as provided below, exercise the rights afforded a secured party under the Uniform Commercial Code of the State in which the Building is located (the " UCC "). In connection with any public or private sale under the UCC, Landlord shall give Tenant five (5) days prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made, which is agreed to be a reasonable notice of such sale or other disposition. Landlord may also file a copy of this Lease as a financing statement to perfect its security interest in the Collateral.

LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE, AND TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, TENANT SHALL CONTINUE TO PAY THE RENT, WITHOUT ABATEMENT, SETOFF, OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.

DATED as of the date first written above.

LANDLORD:

HILL COUNTRY TEXAS GALLERIA, LLC, a Texas limited liability company

By: /s/ Adrian M. Overstreet
Adrian M. Overstreet, Manager

TENANT:

TRUECAR, INC., a Delaware corporation

By: /s/ Michael Guthrie
Printed Name: Michael Guthrie
Title: Chief Financial Officer

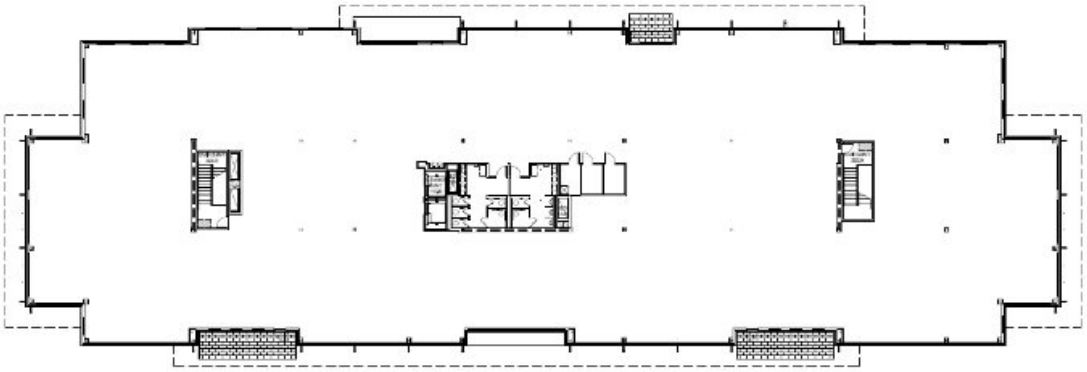
EXHIBIT "A" <u>LAND</u>

Lot 4, Block A and Lot 5, Block A of the Amended Final Plat of the Hill Country Galleria Lots 1-8 and 10-26, Block A, Lots 1-3 and 5-8 Block B, and Lot 1 Block C, a Subdivision Recorded in Document NO. 200700378 of the Plat Records of Travis County, Texas.

EXHIBIT " A -1"

DEPICTION OF PREMISES

Floor 3



Floor 2

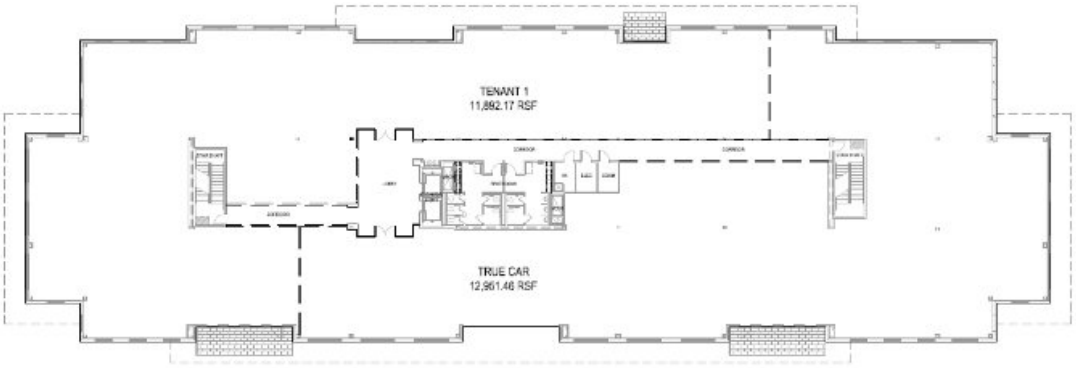


EXHIBIT "A-2" PROJECT

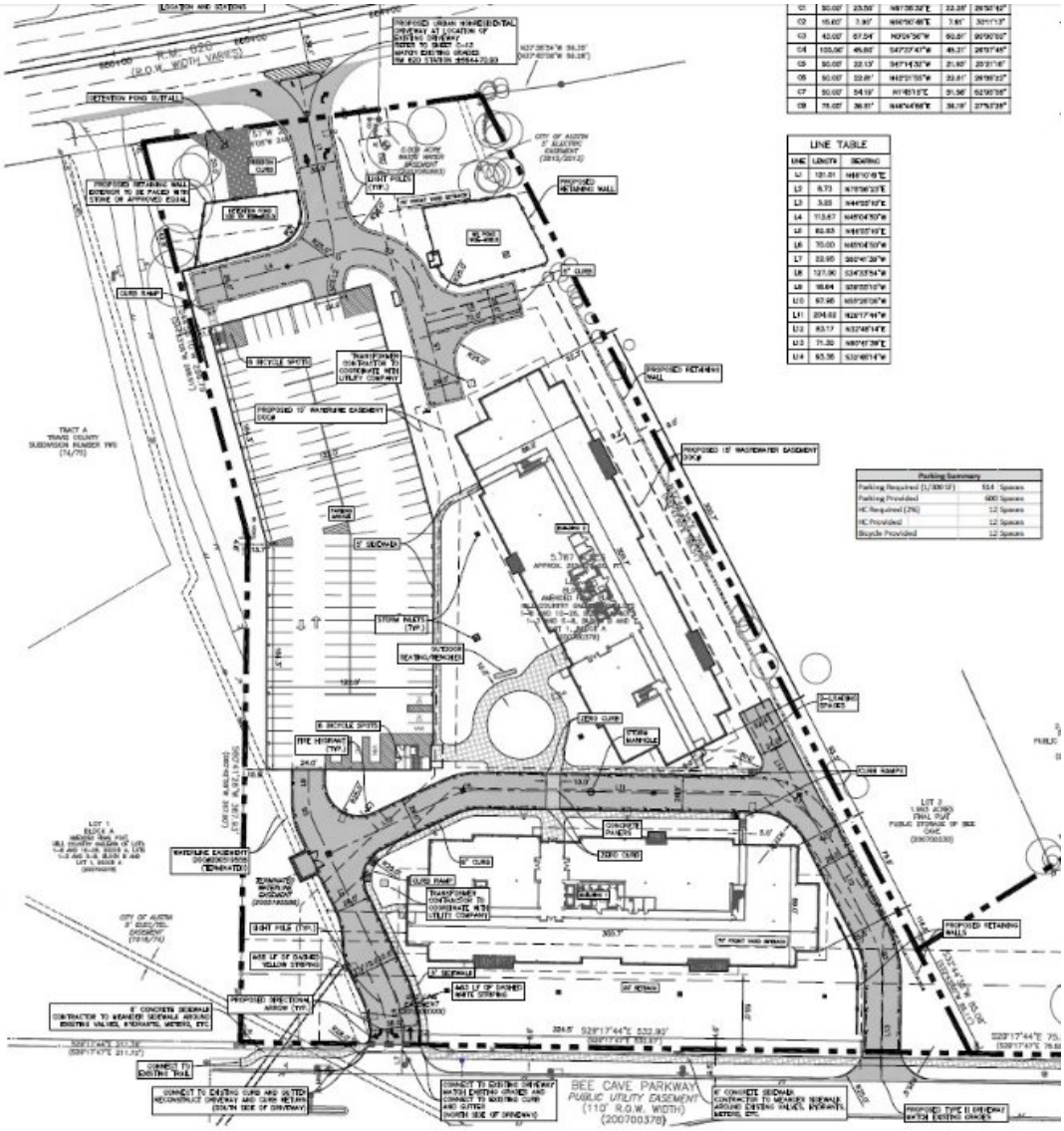


EXHIBIT "B" PROJECT

RULES

The following Project Rules apply to and govern Tenant's use of the Premises and Project. Capitalized terms have the meanings given in the Lease, of which these Project Rules are a part. Tenant is responsible for all Claims arising from any violation of the Project Rules by Tenant.

1. No awning or other projection may be attached to the outside walls of the Premises or Project. No curtains, blinds, shades or screens visible from the exterior of the Premises may be attached to or hung in, or used in connection with, any window or door of the Premises without the prior written consent of Landlord. Such curtains, blinds, shades, screens or other fixtures must be of a quality, type, design and color, and attached in a manner, approved by Landlord in writing.

2. No sign, lettering, picture, notice or advertisement which is visible from the exterior of the Premises or Project may be installed on or in the Premises without Landlord's prior written consent, and then only in such manner, character and style as Landlord may have approved in writing.

3. Tenant will not obstruct sidewalks, entrances, passages, corridors, vestibules, halls, or stairways in and about the Project that are used in common with other tenants or any other portion of the Common Area. Tenant will not place objects against glass partitions or doors or windows that would be unsightly from any of the corridors of the Project or from the exterior of the Project and will promptly remove any such objects upon notice from Landlord. Tenant will not locate or store any equipment, materials, supplies or other property outside of the interior of the Premises.

4. Tenant will not create or allow obnoxious or harmful fumes, odors, smoke or other discharges that may be offensive to the other occupants of the Project or neighboring properties, or otherwise create any nuisance.

5. The Premises may not be used for cooking (as opposed to heating of food), lodging, sleeping or for any immoral or illegal purpose.

6. Tenant will not make excessive noises, cause disturbances or vibrations or use or operate any electrical or mechanical devices or other equipment that emit excessive sound or other waves or disturbances or which may be offensive to the other occupants of the Project, or that may unreasonably interfere with the operation of any device, equipment, computer, video, radio, television broadcasting or reception from or within the Project or elsewhere, or otherwise use any apparatus or device in or about the Premises that causes substantial noise, odor or vibration.

7. Machines and mechanical equipment belonging to Tenant, which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein to such a degree as to be objectionable to Landlord or to any tenants in the Building, will be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration.

8. No dog or other animal or bird is allowed in the Project, except for animals assisting the disabled.

9. Tenant will not waste electricity, water or air conditioning and will cooperate with Landlord to ensure the most effective operation of the Project's heating, air conditioning, ventilation and utility systems. Tenant will not use any method of heating or air conditioning (including without limitation fans or space heaters) other than that supplied by Landlord or approved in writing. Tenant will not connect any apparatus or device to electrical current or water except through the electrical and water outlets installed by Landlord in the Premises.

10. Tenant assumes full responsibility for protecting its space from theft, robbery and pilferage, which includes keeping valuable items locked up and doors locked and other means of entry to the Premises closed and secured after Business Hours and at other times the Premises is not in use.

11. No additional locks or similar devices may be attached to any door or window and no keys other than those provided by Landlord may be made for any door. If more than two keys for one lock are desired by the

Tenant, Landlord will provide the same upon payment by the Tenant. Upon termination of this Lease or of Tenant's possession, Tenant will surrender all keys of the Premises and shall explain to Landlord all combination locks on safes, cabinets and vaults.

12. Tenant will not bring into the Project inflammables, such as gasoline, kerosene, naphtha and benzine, or explosives or any other article of intrinsically dangerous nature.

13. Tenant will not bring any bicycles or other vehicles of any kind into the Building, except for appropriate vehicles necessary for assisting the disabled.

14. If any carpeting or other flooring is installed by Tenant using an adhesive, such adhesive will be an odorless, releasable adhesive.

15. If Tenant requires telegraphic, telephonic, security alarm, satellite dishes, antennae or similar services, Tenant will first obtain Landlord's written approval, and comply with Landlord's instructions in their installation. Tenant will not have the right to install or locate satellite dishes, antennae or other equipment or personal property on the roof or exterior of the Building without first obtaining Landlord's written approval. If Landlord gives such approval, the proposed installation or location will be made in accordance with Landlord's instructions and, if required by Landlord, in the presence, and under the direction, of a representative of Landlord.

16. The water and wash closets, drinking fountains and other plumbing fixtures will not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, coffee grounds or other substances will be thrown therein.

17. Tenant will not overload any utilities serving the Premises.

18. All loading, unloading, receiving or delivery of goods, supplies, furniture or other items will be made only through entryways provided for such purposes. Deliveries during normal office hours shall be limited to normal office supplies and other small items. No deliveries will be made which impede or interfere with other tenants or the operation of the Building. No equipment, materials, furniture, packages, supplies, merchandise or other property will be received in the Building or carried in the passenger elevators except between such hours and in such elevators as may be designated by Landlord.

19. Tenant's initial move in and subsequent deliveries of heavy or bulky items, such as furniture, safes and similar items will be made only outside of Business Hours and only in such manner as Landlord from time to time prescribes in writing. Landlord will in all cases have the right to specify the proper position of any safe, equipment or other heavy article, which will only be used by Tenant in a manner which will not interfere with or cause damage to the Premise or the Project, or to the other tenants or occupants of the Project. Tenant will not overload the floors or structure of the Building.

20. Tenant will be responsible for all Claims arising from any injuries sustained by any person whomsoever resulting from the delivery or moving of any articles by or for Tenant.

21. Canvassing, soliciting, and peddling in or about the Project is prohibited and Tenant will cooperate to prevent the same.

22. Persons may enter the Building only in accordance with such regulations as Landlord may from time to time establish. Persons entering or departing from the Building may be questioned as to their business in the Building, and Landlord may require the use of an identification card or other access device or procedures, and/or the registration of persons as to the hour of entry and departure, nature of visit, and other information deemed necessary for the protection of the Building. All entries into and departures from the Building will be through one or more entrances as Landlord from time to time designates. Landlord may elect not to enforce some or all of the foregoing during Business Hours or other times, but reserves the right to do so at Landlord's discretion. Landlord may also, at its discretion, utilize other procedures (including without limitation screening devices, physical inspections, and/or other means) reasonably designed to prevent weapons or dangerous items from being brought into the Building. Tenant will cooperate with all such procedures.

23. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to limit or prevent access to the Project during the continuance of the same by closing the doors or taking other appropriate steps. Landlord will in no case be liable for damages for any error or other action taken with regard to the admission to or exclusion from the Project of any person at any time.

24. Smoking is not permitted anywhere upon the Project, except in such areas (if any) located outside of the Building as may be expressly designated as permitted smoking areas in writing from time to time by Landlord in its sole and absolute discretion. Tenant will not allow any smoking anywhere within the Building. All smoking materials must be disposed of in ashtrays or other appropriate receptacles provided for that purpose.

25. The Building directory will be provided exclusively for the display of the name and location of tenants only and Landlord reserves the right to exclude any other names therefrom and to limit the amount of space thereon dedicated to Tenant.

26. Intentionally deleted.

27. Landlord reserves the right to exclude or expel from the Project any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Project Rules or any Laws.

28. Tenant will store all its trash and garbage in proper receptacles within its Premises or in other facilities provided for such purpose by Landlord. Tenant will not place in any trash box or receptacle any Hazardous Materials or any other items or materials that cannot be safely and properly disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal will be made in accordance with directions issued from time to time by Landlord. Tenant will cooperate with any recycling program at the Project.

29. Tenant will not use in the Premises or Common Area of the Project any hand truck except those equipped with rubber tires and side guards or such other material-handling equipment as Landlord may approve.

30. Tenant will not use the name of the Building or the Project in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

31. Tenant will comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

32. Tenant's service or other requests regarding the operation of the Project will be made by appropriate application to Landlord's property management office for the Project by an authorized individual.

33. Tenant will not park or permit parking in any areas designated by Landlord for parking by visitors to the Project or for the exclusive use of other tenants or occupants of the Project. Only passenger vehicles may be parked in the parking areas.

34. Parking stickers or any other device or form of identification supplied as a condition of use of the parking facilities will remain the property of Landlord. Such parking identification device must be displayed as requested and may not be mutilated or obstructed in any manner. Such devices are not transferable and any device in the possession of an unauthorized holder will be void. Landlord may charge a fee for parking stickers, cards or other parking control devices supplied by Landlord.

35. No overnight or extended term parking or storage of vehicles is permitted.

36. Parking is prohibited (a) in areas not striped for parking; (b) in aisles; (c) where "no parking" signs are posted; (d) on ramps; (e) in cross-hatched areas; (f) in loading areas; and (g) in such other areas as may be designated by Landlord.

37. All responsibility for damage, loss or theft to vehicles and the contents thereof is assumed by the person parking their vehicle.

38. Tenant and/or each user of the parking area may be required to sign a parking agreement, as a condition to parking, which agreement may provide for the manner of payment of any parking charges and other matters not inconsistent with this Lease and these Project Rules.

39. Landlord reserves the right to refuse parking identification devices and parking rights to Tenant or any other person who fails to comply with the Project Rules applicable to the parking areas. Any violation of such rule will subject the vehicle to removal, at such person's expense.

40. A third party may own, operate or control the parking areas, and such party may enforce these Project Rules relating to parking. Tenant will obey any additional rules and regulations governing parking that may be imposed by the parking operator or any other person controlling the parking areas serving the Project.

41. Tenant will be responsible for the observance of all of the Project Rules by Tenant (including, without limitation, all employees, agents, clients, customers, invitees and guests).

42. Landlord may, from time to time, waive any one or more of these Project Rules for the benefit of Tenant or any other tenant, but no such waiver by Landlord shall be construed as a continuing waiver of such Project Rule(s) in favor of Tenant or any other tenant, nor prevent Landlord from thereafter enforcing any such Project Rule(s) against Tenant or any or all of the tenants of the Project.

These Project Rules are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the other terms, covenants, agreements and conditions of the Lease. To the extent there is any conflict between a Project Rule and any express term or provision otherwise set forth in the Lease, such other express term or provision will be controlling.

EXHIBIT "C"

BASIC COSTS

The term "Basic Cost" shall mean all expenses and disbursements of every kind (subject to the limitations set forth below) which Landlord incurs, pays or becomes obligated to pay in connection with the ownership, operation, and maintenance of the Project (including the associated parking facilities), determined in accordance with generally accepted federal income tax basis accounting principles consistently applied, including but not limited to the following:

1. Wages and salaries (including management fees) of all employees engaged in the operation, repair, replacement, maintenance, and security of the Building, including taxes, insurance and benefits relating thereto;

2. All supplies and materials used in the operation, maintenance, repair, replacement, and security of the Project;

3. Annual cost of all capital improvements made to the Project which although capital in nature can reasonably be expected to reduce the normal operating costs of the Project, as well as all capital improvements made in order to comply with any Laws hereafter promulgated by any governmental authority, as amortized over the useful economic life of such improvements as determined by Landlord in its reasonable discretion (without regard to the period over which such improvements may be depreciated or amortized for federal income tax purposes);

4. Cost of all utilities, other than the cost of utilities actually reimbursed to Landlord by the Project's tenants (including those paid directly by Tenant under Sections 4(c) and 7(b) of this Lease);

5. Cost of any insurance or insurance related expense applicable to the Project and Landlord's personal property used in connection therewith;

6. Cost of repairs, replacements, and general maintenance of the Project; and

7. Cost of service or maintenance contracts with independent contractors for the operation, maintenance, repair, replacement, or security of the Project (including, without limitation, alarm service, window cleaning, and elevator maintenance).

The term "Basic Cost" shall also mean the Taxes (described below) and all expenses and disbursements of every kind (subject to the limitations set forth below) which Landlord incurs, pays or becomes obligated to pay in connection with the ownership, operation and maintenance of the common areas of the Project (including the associated guest transportation (guest trolley expenses), parking facilities, driveways and landscaped areas), determined in accordance with generally accepted federal income tax basis accounting principles consistently applied, including but not limited to the following:

(1) Annual cost of all capital improvements made to the common areas which although capital in nature can reasonably be expected to reduce the normal operating costs of the Project, as well as all capital improvements made in order to comply with any Laws hereafter promulgated by any governmental authority, as amortized over the useful economic life of such improvements as determined by Landlord in its reasonable discretion (without regard to the period over which such improvements may be depreciated or amortized for federal income tax purposes);

(2) Cost of all utilities for the common areas of the Project (including, without limitation, landscape irrigation and parking lot lighting), other than the costs of utilities actually reimbursed to Landlord by the tenants of the Project;

(3) Cost of any insurance or insurance related expense applicable to the common areas of the Project and Landlord's personal property used in connection therewith;

(4) Cost of repairs, replacements and general maintenance of the common areas of the Project; and

(5) Cost of service or maintenance contracts with independent contractors for the operation, maintenance, repair and replacement of the common area improvements.

As used herein the term " Taxes " shall mean all taxes and assessments and governmental charges whether federal, state, county or municipal and whether they be by taxing or management districts or authorities presently taxing or by others, subsequently created or otherwise, and any other taxes and assessments attributable to the Project (or its operation), including the buildings and the grounds, parking areas, driveways and alleys around the buildings, excluding, however, federal and state taxes on income, including franchise taxes. If the present method of taxation changes so that in lieu of the whole or any part of any Taxes levied on the Project, there is levied on Landlord a capital tax directly on the rents received therefrom or an assessment, or charge based, in whole or in part, upon such rents, then all such taxes, assessments, or charges, or the part thereof so based, shall be deemed to be included within the term "Taxes" for the purposes hereof.

There are specifically excluded from the definition of the term "Basic Cost" (a) costs for capital improvements made to the Project, other than capital improvements described in subparagraphs 3 and (1) above of this Exhibit and except for items which, though capital for accounting purposes, are properly considered maintenance and repair items, such as painting of common areas, replacement of carpet in elevator lobbies, and the like; for repair, replacements and general maintenance paid by proceeds of insurance or by Tenant or other third parties, and alterations attributable solely to tenants of the Project other than Tenant; for interest, amortization or other payments on loans to Landlord; for depreciation of the Project; for leasing commissions; for legal expenses, other than those incurred for the general benefit of the Project's tenants (e.g., tax disputes); for renovating or otherwise improving space for occupants of the Project or vacant space in the Project; for overtime or other expenses of Landlord in curing defaults or performing work expressly provided in this Lease to be borne at Landlord's expense; and for federal income taxes imposed on or measured by the income of Landlord from the operation of the Project.

EXHIBIT "D"

PREMISES FINISH-WORK

1. Within 180 days after the Lease Date, Tenant will provide Landlord for its approval (not to be unreasonably withheld, conditioned, or delayed) final working drawings of all improvements that Tenant proposes to install in the Premises (" TI Working Drawings "); such TI Working Drawings shall include the partition layout, ceiling plan, electrical outlets and switches, telephone outlets, drawings for any modifications to the mechanical and plumbing systems of the Building and detailed plans and specifications for the construction of the tenant improvements called for under this Exhibit in accordance with all applicable governmental Laws, codes, rules, and regulations. Further, if any of Tenant's proposed tenant improvement work will affect the Building's HVAC, electrical, mechanical, or plumbing systems, then the TI Working Drawings pertaining thereto shall be prepared by the Building's engineer of record. Landlord, at Landlord's sole expense, will pay to have the Building architect prepare a space plan in accordance with Tenant's specifications, not to exceed $5,000. Landlord shall have ten (10) calendar days following Tenant's delivery of the proposed TI Working Drawings to approve or disapprove such TI Working Drawings. Any approval of Tenant's proposed TI Working Drawings shall be in writing and delivered to Tenant within such 10-day period. Any disapproval of Tenant's proposed TI Working Drawings by Landlord shall be in writing, delivered within such 10-day period, and shall specify the reasons for disapproval. Tenant shall have five (5) business days following receipt of any such disapproval to revise and resubmit its proposed TI Working Drawings for Landlord's approval. Any proposed TI Working Drawings resubmitted by Tenant shall address all of Landlord's specified reasons for disapproval. Landlord shall have five (5) business days to approve or disapprove Tenant's revised version of its proposed TI Working Drawings in the same manner as set forth above. Landlord and Tenant shall repeat the foregoing procedure until Landlord approves Tenant's proposed TI Working Drawings. Approval by Landlord of Tenant's proposed TI Working Drawings shall not be a representation or warranty of Landlord that such drawings are adequate for any use, purpose, or condition, or that such drawings comply with any applicable Laws or code, but shall merely be the consent of Landlord to the performance of the Work. Landlord and Tenant shall each sign the approved TI Working Drawings to evidence its review and approval thereof. Tenant shall not have the right to make any change orders to any items contained in **Exhibit "G"** to the Lease, below, subsequent to the signing of the approved TI Working Drawings by Landlord and Tenant. As used herein, " Working Drawings " shall mean the final TI Working Drawings approved by Landlord and Tenant, as amended from time to time by any approved changes thereto, and " TI Work " shall mean all tenant improvements to be constructed in accordance with and as indicated on the Working Drawings. Approval by Tenant of the Working Drawings shall not constitute authorization to Landlord to commence TI Work. All changes in the TI Work must receive the prior written approval of Landlord.

2. After the Working Drawings have been approved, Landlord shall cause the TI Work to be performed in accordance with the Working Drawings.

3. If a delay in the performance of the TI Work occurs：(i) because Tenant fails to deliver Tenant's proposed TI Working Drawings to Landlord on or before the date set forth above or fails to timely resubmit a modified version of Tenant's proposed TI Working Drawings as required above; (ii) because of any change by Tenant to the Working Drawings for any TI Work that is not included in the Exhibit "G" Items (defined in Section 4 of this **Exhibit "D"** , below) after Landlord's initial approval thereof; or (iii) because of any specification by Tenant of materials or installations in addition to or other than Landlord's standard finish- out materials, or if Tenant otherwise delays completion of the TI Work (each of the foregoing, a " Tenant Delay "), then, notwithstanding any provision to the contrary in this Lease, Tenant's obligation to pay Basic Rental and Tenant's Proportionate Share of Basic Costs hereunder shall commence on the date that substantial completion of the TI Work would have occurred, but for such Tenant Delay, as reasonably determined by Landlord's general contractor. If the Premises are not ready for occupancy and the TI Work is not substantially completed (as reasonably determined by Landlord) on the scheduled Commencement Date for any reason other than as a result of a Tenant Delay, then the obligations of Landlord and Tenant shall continue in full force and Basic Rental and Tenant's Proportionate Share of Basic Costs shall be

abated until the date the TI Work is substantially completed, which date shall be the Commencement Date. Unless caused by Tenant Delay, rental payments will commence upon delivery of the premises ready for occupancy. No Tenant Delay will be deemed to have occurred unless and until the Landlord provides the Tenant with a notice specifying the Tenant action or inaction which constitutes the Tenant Delay, and Tenant fails to resolve such delay within three (3) business days of when it receives the notice. Substantial completion shall be deemed to have occurred when the general contractor has certified to Landlord and Tenant that the normal office TI Work has been completed pursuant to the Working Drawings, subject to a reasonable punchlist, and that Tenant can legally occupy and commence to operate its business within the Premises (which includes Landlord obtaining a certificate of occupancy for Tenant, if required). Notwithstanding anything contained herein to the contrary, in the event the shell Building final inspection has not occurred prior to the 120 th day after the scheduled Commencement Date, Tenant will have the right to terminate this Lease by providing written notice to Landlord on or before the date that is five days after the expiration of such 120-day period. In the event of such termination by Tenant, the parties hereto will have no further rights and remedies under this Lease except as expressly set forth in this Lease. In the event Tenant fails to terminate the Lease within such five (5) day period, Tenant will be deemed to waive such right.

4. Landlord will, at Landlord's expense, construct as part of the base building those items shown on **Exhibit "G"** to the Lease (" Exhibit " G " Items "). Upon the completion and approval of the Working Drawings for Tenant's Premises and prior to commencement of construction of the TI Work, Tenant's accountant will have 15 days to review the Working Drawings and determine which, if any, parts of the TI Work in addition to the Exhibit "G" Items are considered "non-normal" tenant improvements that must be paid for by the Landlord for the Tenant to avoid "build to suit" accounting treatment (" Additional Items "). Landlord will construct the Additional Items identified by Tenant's accountant at Landlord's expense; provided, however, the cost of such Additional Items shall not exceed the Tenant Improvement Allowance. Before commencing the TI Work, the Tenant Improvement Allowance provided for in Section 5 of this Exhibit "D" will be reduced by an amount equal to the estimated cost of the Additional Items as priced by the building contractor (" Revised Tenant Allowance "). In no event will the Revised Tenant Allowance be a negative number or be further reduced after TI Work has commenced. Under no circumstance will Tenant be required to pay for all or any part of the Exhibit "G" Items or the Additional Items with Tenant's own funds, and under no circumstances will Landlord pay more than the Tenant Improvement Allowance for the TI Work and the Additional Items. Notwithstanding anything contained herein to the contrary, in the event the estimated cost of the Additional Items exceed the Tenant Improvement Allowance, Tenant will be obligated to revise the Working Drawings, at Tenant's expense, so that the estimated cost of the Additional Items will not exceed the Tenant Improvement Allowance.

   Landlord and Tenant will agree to a price for and upon a contractor to construct those parts of the TI Work shown on the Working Drawings which are neither Exhibit "G" Items nor Additional Items (" Tenant Items "). Tenant will deposit with Landlord at the commencement of the construction of the Tenant Items the amount, if any, by which the estimated cost of the Tenant Items exceeds the Revised Tenant Allowance (the "Tenant Items Deposit"). Within thirty (30) days following the completion of the construction of all TI Work, Landlord shall provide an accounting to Tenant of the final construction costs for the Tenant Items and shall (i) refund to Tenant any portion of Tenant Items Deposit that was not used, or (ii) provide Tenant with an invoice if the actual cost of construction of the Tenant Items exceeds the Tenant Items Deposit plus the Revised Tenant Allowance.

5. Landlord agrees that it will contribute up to $46.80 per rentable square foot (such amount is sometimes hereinafter referred to as the " Tenant Improvement Allowance " or " TI Allowance ") toward the cost of constructing and installing the TI Work. Notwithstanding anything contained herein to the contrary, Tenant will have 18 months after the Commencement Date to use any unused portion of the TI Allowance. After such 18-month period, such remaining portion of the TI Allowance will be forfeited. Landlord will not charge a construction management fee for the inspection and approval of the TI Work.

6. To the extent not inconsistent with this Exhibit, Section 8(a) of this Lease shall govern the performance of the TI Work and the Landlord's and Tenant's respective rights and obligations regarding the improvements installed pursuant thereto.

EXHIBIT "E"

PARKING

Tenant shall have the non-exclusive right to use a total of 210 unreserved, covered parking spaces, which shall initially be located in that portion of the Project identified on the **Exhibit " A -2"** as "Tenant's Parking Area," which area shall be subject to change by Landlord from time to time. Tenant will furnish to Landlord upon request a complete list of license numbers of all automobiles operated by Tenant, its employees, subtenants, licensees or concessionaires. If Tenant fails to abide by any parking designations established by Landlord, then Tenant will pay a fine in a reasonable amount established by Landlord for each day any such car is parked in areas other than Tenant's Parking Area, in addition to any other remedies available to Landlord, Landlord may tow any automobiles that are parked in areas other than Tenant's Parking Area. Tenant agrees to assume responsibility for compliance by its employees with these parking provisions. There will be no charge for parking.

EXHIBIT "F"

EXTENSION OPTION, RIGHT OF FIRST REFUSAL AND TERMINATION OPTION

1. **Extension Option** .

Provided Tenant is open for business, and Tenant, an Affiliate of Tenant, and/or a subtenant or assignee of Tenant that was approved by Landlord pursuant to Section 10(a) of this Lease is conducting the Permitted Use in the entire Premises, Tenant shall have the right, subject to the provisions hereinafter provided, to renew the Term for two (2) periods of five (5) years each (the first such 5-year period is sometimes hereinafter referred to as the " First Renewal Term ;" the second such 5-year period is sometimes hereinafter referred to as the " Second Renewal Term ;" the First Renewal Term and the Second Renewal Term are sometimes collectively hereinafter referred to as the " Renewal Terms" and individually as a " Renewal Term "), on the terms and provisions of this Section, provided:

A. That this Lease is in full force and effect and Tenant is not in default in the performance of any of the terms, covenants and conditions herein contained, in respect to which notice of default has been given hereunder which has not been or is not being remedied in the time limited in this Lease, at the time of exercise of the right of renewal and at the time set for commencement of the applicable Renewal Term, but Landlord shall have the right at its sole discretion to waive this condition;

B. That such Renewal Term shall be upon the same terms, covenants and conditions as provided in this Lease; provided, however, the annual Basic Rental for the First Renewal Term and Second Renewal Term will be equal to the fair market rental rate(s) for such extension period, determined in relation to comparable (in quality, location and size) space located in the Project and/or in the greater Austin, Texas metropolitan area (" Fair Market Basic Rent "). Landlord will reasonably determine such Fair Market Basic Rent and deliver Landlord's determination to Tenant at least 12 months prior to the expiration of the Term. In no event will the Fair Market Basic Rent for the extension of the Term be less than the Basic Rental payable by Tenant for the Lease Year immediately prior to commencement of the extension period. The extension right is personal to Tenant and may not be assigned or transferred in any manner except in connection with an approved Transfer under Section 10(a) of the Lease and/or a Transfer that does not require Landlord's consent under Section 10(c) of the Lease;

C. Provided that Landlord has delivered to Tenant Landlord's determination of Fair Market Basic Rental as provided under Paragraph B. above, Tenant may exercise its right to the Renewal Terms provided herein by notifying Landlord in writing of its election to renew the Term for an additional 5-year period on or before the date that is at least six (6) months prior to the expiration of the initial Term (" Notification Deadline "). In the event Tenant fails to so notify Landlord on or before the expiration of the Notification Deadline, Tenant shall be deemed to have accepted the Fair Market Basic Rental proposed by Landlord. If Tenant rejects the Fair Market Basic Rental as determined by Landlord, each party, within five (5) days after delivery of Tenant's rejection notice, shall select an independent real estate appraiser (an " Appraiser ") who shall be a member of the American Institute of Appraisers of the National Association of Real Estate Boards and who shall have at least ten (10) years' experience in the leasing and valuation of properties which are similar in character to the Premises in the Austin, Texas market. Within five (5) days thereafter, the two Appraisers so chosen shall select a third Appraiser similarly qualified. Within ten (10) days thereafter, the three Appraisers shall each determine the fair market rental rate of the Premises for the Renewal Term independently and without discussion or disclosure to Landlord, Tenant or any third party, and shall deliver their respective determinations in writing to a third party selected by Landlord and Tenant. The third party shall average the three determinations, and the determination which is farthest from said average shall be discarded. The third party shall then average the two remaining determinations, and the resulting average shall be the Fair Market Minimum Rent of the Premises for the Renewal Term. In the event such thirty party determination is unacceptable to Landlord or Tenant, either party, by written notice to the other party within ten (10) days of the final determination, will have the right to void Tenant's election to extend the Term and the Lease will terminate and be of no further force and effect as of the expiration of the initial term ; and

D. That failure by Tenant to timely exercise the First Renewal Term shall constitute a waiver by Tenant of the Second Renewal Term. Time is of the essence with respect to the rights granted by this Section.

Right of First Refusal .

E. If there then exists no uncured Event of Default by Tenant under this Lease on the date the option is exercised, Tenant will have a onetime right of first refusal (the " Refusal Option ") to lease any space located on the 2nd floor of the Building (the " Refusal Space "), during the Term of this Lease.

F. Election Notice . Landlord will deliver written notice (" Landlord's ROFR Notice ") to Tenant of the terms of any letter of intent or other offer or expression of interest from a potential tenant for the Refusal Space, the terms of which the Landlord is willing to accept. Landlord's ROFR Notice will outline all of the business terms contained in the letter of intent that Landlord reasonably determines are material to its determination that the letter of intent from the potential tenant is acceptable (" Material Terms "), including without limitation the following terms: tenant name, commencement date, expiration date, base rental and concessions, termination rights (if any), area of premises, depiction of premises, construction allowance, rental abatement, parking rights, manner of calculating and paying operating expenses and renewal/extension options. Tenant will thereafter have ten (10) business days following Tenant's receipt of the Landlord's ROFR Notice to exercise the Refusal Option by delivering written notice (" Tenant's Refusal Notice ") to Landlord of Tenant's exercise of the Refusal Option.

G. Terms of Lease of Refusal Space . If Tenant exercises its Refusal Option as provided above, the Lease of the Refusal Space will be upon the same terms and conditions as this Lease, except that any the Material Terms as described in Section 3.B . above will be included solely with respect to the Refusal Space to the extent they are different from the terms of this Lease. Notwithstanding anything contained herein to the contrary, if Tenant exercises a Refusal Option during the first twelve (12) months of the Lease Term, the Basic Rental for the Refusal Space will be the same as the rental schedule set forth in the Basic Lease Summary, the lease term for the Refusal Space with be co-terminus with the Lease Term, and Tenant will receive a tenant improvement allowance in the amount of $50 per rentable square foot of space in the Refusal Space.

H. Amendment to Lease . The lease of the Refusal Space shall be evidenced as an Amendment to this Lease, and if the lease term of the Refusal Space is less than the remaining Term of this Lease, then Tenant may elect to extend the term of the lease for the Refusal Space to be coterminous with this Lease Term. Unless otherwise agreed by the parties, the rent for any excess term for the Refusal Space shall be the Market Base Rent Rate.

I. Personal Option . The Refusal Option is personal to Tenant, and any permitted assignee of Tenant's interest in this Lease (whether or not Landlord's consent is required for such assignment under Section 10), and any permitted subtenant of the entire Premises (whether or not Landlord's consent is required for such sublease under Section 10).

3. **Termination Option** . Effective on the Seventy-Second (72nd) full calendar month following the Commencement Date (" Termination Date "), Tenant shall have the one time right (" Termination Right ") to terminate this Lease in its entirety by timely providing Landlord the " Termination Notice " (defined below), and paying to Landlord at the time of and along with such Termination Notice the " Termination Payment " (defined below). Notwithstanding anything contained herein to the contrary, the Termination Notice must be given to Landlord on or before the day which is twelve (12) months prior to the Termination Date and must include the Termination Payment. Once exercised by Tenant, the Termination Right may not be revoked by Tenant without Landlord's consent. The failure of Tenant to timely give a Termination Notice (which includes the Termination Payment) shall be deemed a waiver by Tenant of such Termination Right. As used herein, " Termination Payment " shall mean an amount equal to One Million Seven Hundred Seventy Nine Thousand One Hundred Seventy Nine and 82/100 Dollars ($1,779,179.82).

EXHIBIT "G"

COPY OF LANDLORD' S BASE BUILDING PLANS

1. All common areas on Tenant's floors including men's and women's toilet rooms, elevators, including call buttons, and other components, all of which shall have a level of finish equal in quality to the Comparable Buildings.

2. Electrical/telephone closets with transformers and 120/208 volt panel boards capable of delivering 6 watts/sf watts demand load per square foot of rentable area of normal power in the floors electrical closets (excluding lighting and air-conditioning load). Landlord will provide 2-4" conduits between the building shell electrical room on each floor.

3. 480/277 volt power panels with demand load capacity of two (1.2) watts per rentable square foot of rentable area for lighting and miscellaneous power such as fan powered VAV boxes and electric water heaters and MDF room serving Tenant's floors.

4. Landlord shall deliver a minimum of 1.5 CFM/SF of HVAC Air to the premises. Adequate fresh air will be delivered to the premises through the rooftop HVAC system. [1]

5. Building plumbing systems will be stubbed to the core of each floor of the Premises for use by tenant for its break rooms as shown on the plans.

6. Fire main sprinkler loop serving the floor of the Building on which the Premises is located), fire protection alarm installed according to current Building code.

7. Fire Alarm panels, sub-panels, power supplies on each floor of the premises sized to adequately accommodate tenant's FA devices.

8. Any other mechanical, electrical and/or life safety core and shell improvements which are dictated by current code and/or regulatory requirements, including but not limited to ADA.

9. All structural portions of the Building, including the foundation, roof, floors (excluding floor covering in the Premises), structural ceiling and exterior walls and windows of the Building.

10. Internal stairwells.

11. Base building window coverings. Landlord Provide window coverings in premises at no cost to Tenant.

12. All common areas of the Building and Project including all common area corridors. Common area corridors will be finished to building standard. The Tenant side of all common area corridors will be finish drywall ready for tape float and paint by Tenant.

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[1] HVAC will be provided to computer rooms, IDF and MDF rooms by separate units. These will be separately metered and under Tenants control and will be paid for by Tenant as part of its improvements or provided by Landlord per the plans and treated as Additional Items under exhibit D .

13. Finish drywall ready for tape float and paint by tenant at building core walls, above and below exterior window system, interior and exterior columns.

14. Flat, smooth and level concrete floors with a max variation of 1/4" in 10 feet.

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
Securities 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(s) 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(s) 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: August 9, 2016

/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
Securities 302 of the Sarbanes-Oxley Act of 2002

I, Michael Guthrie, 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(s) 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(s) 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: August 9, 2016

/s/ Michael Guthrie

Michael Guthrie
Chief Financial Officer
(Principal Financial 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 June 30, 2016 as filed with the Securities and Exchange Commission (the "Report"), Chip Perry, as Chief Executive Officer, and Michael Guthrie, as Chief Financial Officer, of the Company, each hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016 By: /s/ Chip Perry

Chip Perry
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2016 By: /s/ Michael Guthrie

Michael Guthrie
Chief Financial Officer
(Principal Financial Officer)