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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-38233

CarGurus, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**04-3843478** **(I.R.S. Employer Identification No.)**
2 Canal Park, 4th Floor **Cambridge, Massachusetts** **(Address of principal executive offices)**	**02141** **(Zip Code)**

Registrant's telephone number, including area code: (617) 354-0068

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

Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
Class A Common Stock, par value $0.001 per share	**CARG**	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Small reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the registrant's Class A common stock, par value $0.001 per share, held by non-affiliates of the registrant based on the closing price of the registrant's common stock as reported on the Nasdaq Global Market on June 30, 2020 was $2,193,762,306. Shares of voting and non-voting stock held by executive officers, directors and holders of more than 10% of the outstanding stock have been excluded from this calculation because such persons or institutions may be deemed affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

As of February 4, 2021, the registrant had 97,723,371 shares of Class A common stock, and 19,076,500 shares of Class B common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2021 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K. Such Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws, 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," "likely," "may," "might," "plans," "potential," "predicts," "projects," "seeks," "should," "target," "will," "would," or similar expressions and the negatives of those terms. Forward-looking statements contained in this report include, but are not limited to, statements about:

- our future financial performance, including 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 growth strategies and our ability to effectively manage that growth;
- our belief that we are building the world's most trusted and transparent automotive marketplace and creating a differentiated automotive search experience for consumers;
- our ability to deliver quality leads at a high volume for our dealer customers;
- our ability to maintain and acquire new customers;
- our ability to maintain and build our brand;
- our ability to succeed internationally;
- our ability to realize benefits from our acquisitions and successfully implement our integration strategies in connection therewith;
- our expectations regarding future share issuances and the exercise of put and call rights in connection with our acquisition of a majority interest in CarOffer, LLC;
- the impact of competition in our industry and innovation by our competitors;
- the impact of accounting pronouncements;
- the impact of litigation;
- our ability to hire and retain necessary qualified employees to expand our operations;
- our ability to adequately protect our intellectual property;
- our ability to stay abreast of and effectively comply with new or modified laws and regulations that currently apply or become applicable to our business and our beliefs regarding our compliance therewith;
- our ability to overcome challenges facing the automotive industry ecosystem, including global supply chain challenges, changes to trade policies and other macroeconomic issues;
- failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud;
- our expectations regarding cash generation and the sufficiency of our cash to fund our operations;
- the future trading prices of our Class A common stock;
- our expectation that we will realize the benefits of deferred tax assets;
- our expected returns on investments;
- our ability to realize cost savings and achieve other benefits for our business from our expense reduction efforts, the impact of such reductions on our business and the timing of payments associated with such efforts;
- our outlook for our Restricted Listings product;
- our expectations for the impact on our revenue for the year ending December 31, 2021 from our suspension of charging subscription fees for subscribing dealers in the United Kingdom for the December 2020 and February 2021 service periods;
- our expectations regarding future fee reductions or waivers for customers;

- our belief that certain of our strengths, including our trusted marketplace for consumers, our strong value proposition for dealers and our data-driven approach, among other things, will lead to an advantage over our competitors;
- our belief that our partnerships with automotive lending companies provides more transparency to car shoppers and delivers highly qualified car shopper leads to participating dealers; and
- the impacts of the COVID-19 pandemic.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, and growth prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Risk Factors" and elsewhere in this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this report. Further, our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this report to reflect events or circumstances after the date of this report or to reflect new information or the occurrence of unanticipated events, except as required by law.

PART I

Item 1. Business.

BUSINESS

Overview

CarGurus is a global, online automotive marketplace connecting buyers and sellers of new and used cars. Using proprietary technology, search algorithms, and innovative data analytics, we believe we are building the world's most trusted and transparent automotive marketplace and creating a differentiated automotive search experience for consumers. Our trusted marketplace empowers consumers with unbiased third-party validation on pricing and dealer reputation as well as other information that aids them in finding "Great Deals from Top-Rated Dealers." Our selection provides the largest number of car listings available on any major U.S. online automotive marketplace. In addition to the United States, we operate online marketplaces under the CarGurus brand in Canada and the United Kingdom. We also operate two online marketplaces as independent brands: PistonHeads in the United Kingdom and Autolist in the United States.

A core principle of the CarGurus marketplace is transparency. For consumers considering used vehicles, we aggregate vehicle inventory from dealers and apply our proprietary analysis to generate a Deal Rating as one of: Great Deal, Good Deal, Fair Deal, High Priced, or Overpriced. Deal Rating illustrates how competitive a listing is compared to similar cars sold in the same region in recent history. We determine Deal Rating principally on the basis of both our proprietary Instant Market Value, or IMV, algorithm, which determines the market value of a used vehicle in a local market, and Dealer Rating, a measure of a dealer's reputation as determined by reviews of that dealer from our user community. As the only major U.S. online automotive marketplace that defaults to sorting organic search results based on a used car's Deal Rating, we enable consumers to find the most relevant car for their needs. For new cars, we help our users understand deal quality by providing price analysis and our Dealer Rating. We also provide our users information historically not widely available, such as Price History, Time on Site, and Vehicle History. We believe this approach brings greater transparency, trust, and efficiency to a consumer's car research and buying process, leading to higher engagement and a more informed consumer who is better prepared to purchase at the dealership.

Our large, engaged, and predominantly mobile user base presents an attractive audience of in-market consumers for our dealers. By presenting consumers with data such as our Deal Ratings, Price History, Time on Site, and Vehicle History, we believe our consumer audience is comprised of more informed, ready-to-purchase shoppers. By connecting dealers with such consumers, we believe we provide dealers with an efficient customer acquisition channel and attractive returns on their marketing spend with us. Dealers can list their inventory in our marketplace for free or with a subscription to one of our paid Listings packages. Non-paying dealers receive a limited number of anonymized email connections and access to a subset of the tools on our Dealer Dashboard at no cost. A dealer with a paid subscription receives connections with consumers that are not anonymous and are made through a wider variety of methods, including phone calls, email, managed text and chat, links to the dealer's website, and map directions to its dealerships. The primary objective of our traffic acquisition and site improvement efforts is to generate greater volumes of consumer leads to dealers. Leads are a subcategory of connections that we define as user inquiries via our marketplace to dealers by phone calls, email, or managed text and chat interactions. Dealers with our paid Listings packages are able to display their dealer name, address, and dealership information on their listings on our websites to gain brand recognition, which promotes walk-in traffic to the dealer. We also provide paying dealers with full access to our Dealer Dashboard, including inventory pricing tools informed by real-time market conditions, which helps them more effectively price, merchandise, and sell their cars. Our success with dealers is evidenced by the number of paying dealers – 23,934 paying dealers as of December 31, 2020 – in our U.S. marketplace.

Our scaled online marketplace model drives powerful network effects. The industry-leading inventory selection offered on our website from our U.S. dealers attracts a large and engaged consumer audience. The value of robust connections to this audience incentivizes dealers to purchase our paid Listings packages. Displaying listings from more paying dealers provides consumers with more dealer information and methods to contact them. More consumers – 36.2 million average monthly U.S. unique users in 2020 – and connections – 63.4 million in the U.S. in 2020 – drive greater value to paying dealers on our platform. Driven by these network effects, we continue to amass more data, which we use to continuously improve our search algorithms, the accuracy of Deal Ratings, our user experience, and, ultimately, the quality of the connections between consumers and dealers.

We generate marketplace subscription revenue from dealers through subscriptions to our products, including our paid Listings packages (which include optional features and enhancements such as Area Boost) and products marketed under our Real-time Performance Marketing suite, or RPM, including our Dealer Display advertising and audience targeting products. We also generate advertising and other revenue from auto manufacturers and other auto-related brand advertisers, as well as revenue from non-dealer products such as through our consumer financing partnerships and our peer-to-peer marketplace. Our financial performance over the last several years exemplifies the strength of our marketplace. In 2020, we generated net income of $77.6 million and our Adjusted EBITDA, a non-GAAP financial measure, was $160.8 million, compared to net income of $42.1 million and Adjusted EBITDA of $77.0 million in 2019 and net income of $65.2 million and Adjusted EBITDA of $49.7 million in 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Adjusted EBITDA" for more information regarding our use of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our net income.

Consumer Challenges

As consumers determine the car they would like to purchase, the key questions they ask are:

- What type of vehicle should I buy?
- Where can I buy a car like this?
- What is a fair price for this particular type of vehicle?
- Have others had a good experience buying from this dealer?
- How much of the purchase process can I transact online?
- Can I obtain financing for this car, and at what cost?

In answering these questions, consumers historically had limited access to unbiased information on specific vehicles, car pricing, and dealer reputation. Every vehicle is unique, and so for consumers searching for a car, it is difficult to aggregate the relevant inventory of available cars across sellers, a difficulty exacerbated by the lack of consistency in the way that dealers characterize a car's attributes. Traditionally, dealers had more information about car prices than consumers did, as consumers had limited resources and tools to determine an appropriate price. Selecting the right dealer was also challenging for consumers as dealer reputations were historically based primarily on word-of-mouth. The lack of clear, unbiased, transparent information made it difficult for consumers to effectively compare vehicles, find the vehicles that best suited their needs and transact with well-regarded dealers. In addition, especially as a consequence of the COVID-19 pandemic, consumers are also increasingly interested in understanding which aspects of their buying journey they can carry out entirely online, including whether they pre-qualify for financing on a vehicle purchase before traveling to a dealership.

Dealer Challenges

The economics of dealerships depend largely on vehicle acquisition costs, sales volume, and customer acquisition efficiency. To achieve a high return on their marketing investments, dealers must find in-market consumers; yet because car purchases are infrequent, only a small percentage of consumers are shopping for a car at any given point in time. Traditional marketing channels, including television, radio, and newspaper, can effectively target locally but are inefficient in targeting the relatively small percentage of consumers who are actively in the market to buy a car. In addition, used car pricing is fluid because it is based on rapidly shifting supply and demand dynamics. Dealers need to find ways to manage constantly changing inventory and adjust pricing strategies to adapt to frequently changing market conditions.

Our Strengths

We believe that our competitive advantages are based on the following key strengths:

Trusted Marketplace for Consumers. We provide consumers with unbiased information, intuitive search results, and other tools that aids them in finding "Great Deals from Top-Rated Dealers." We offer the largest online selection of new and used car listings of any major U.S. online automotive marketplace. We aggregate and analyze these listings using proprietary technology and data along with innovative data analytics to create a differentiated automotive search experience for consumers. We believe that providing a transparent consumer experience with unbiased information has instilled trust in us among our users, helping us to become the most visited online automotive marketplace in the United States according to data

from Comscore. In 2020, we experienced over 90.9 million average monthly sessions in the United States. We believe this user traffic, an indicator of consumer satisfaction and engagement, is critical to our marketplace success and will continue to strengthen our market position. We attract our audience from a diverse range of acquisition channels including, but not limited to, direct navigation, mobile applications, email, organic search, paid search advertising, social media advertising, display advertising, audience targeting, and brand advertising campaigns. In addition, we focus our efforts on attracting users that we believe are near a car purchasing decision, resulting in a higher quality audience to which our dealers can market. For our United States marketplace, in 2020 we generated 63.4 million connections and 38.3 million leads, compared with 65.3 million connections and 38.5 million leads in 2019. We define (i) connections as interactions between consumers and dealers via our marketplace through phone calls, email, managed text and chat, and clicks to access the dealer's website and map directions to the dealership and (ii) leads as user inquiries via our marketplace to dealers by phone calls, email, or managed text and chat.

Proprietary Search Algorithms and Data-Driven Approach. We have built an extensive repository of data on cars, prices, dealers, and the interactions between consumers and dealers that is the result of many years of data aggregation and regression modeling. Our proprietary search algorithms and data analytics allow us to use this valuable data to bring greater transparency to our platform. The primary product of this analysis is our determination of a used car's IMV, which, together with Dealer Rating, drives our Deal Rating. We calculate IMV by applying more than 20 ranking signals and more than 100 normalization rules to tens of millions of data points, including the make, model, trim, year, features, condition, history, geographic location, and mileage of the car. We apply the knowledge gained from analyzing the substantial volume of connections between consumers and dealers on our platform to build new features for our consumers and products for our dealers.

Strong Value Proposition to Dealers. We believe that our marketplace offers an efficient customer acquisition channel for dealers, helping them achieve attractive returns on their marketing spend with us. We provide our dealer base with connections to prospective car buyers; most of these connections have historically been for used cars. The primary objective of our traffic acquisition and site improvements is to generate greater volumes of consumer leads to our dealers. These leads include phone calls, email, and managed text and chat interactions for dealers, which we believe yield the highest value engagement for dealers. We provide all dealers with tools that are informed by real-time market conditions that help them merchandise and sell their cars, and our paying dealers get access to additional valuable information from our Pricing Tool and Market Analysis tool. Our strong value proposition to the dealer community is evidenced by our 6% growth in quarterly average revenue per subscribing dealer, or QARSD, in the United States in the fourth quarter of 2020 compared to the fourth quarter of 2019.

Network Effects Driven by Scale. With the majority of dealers in the United States listing inventory on our platform and having built the most visited online automotive marketplace in the United States, we believe that our scale creates powerful network effects that reinforce the competitive strength of our business model. Our large consumer audience increases our appeal to dealers and incentivizes more dealers to subscribe to our paid Listings packages to access the numerous benefits unavailable to non-paying dealers. Displaying listings from more paying dealers on our websites provides consumers with more dealer information and methods to contact those dealers. More consumers and connections drive greater value and a higher return to paying dealers' marketing spend on our platform. Driven by these network effects, we continue to amass data points, which we use to further strengthen our traffic acquisition efforts and marketplace search algorithms, the utility of analysis complementing each listing, the quality of our user experience, the value of connections between consumers and dealers, and the efficacy of our dealer digital marketing products.

Attractive Financial Model. We have a strong track record of revenue growth, profitability, and capital efficiency. We generated revenue of $551.5 million in 2020, $588.9 million in 2019, and $454.1 million in 2018, representing a year-over-year decline of 6% in 2020 – which we primarily attribute to the approximately $50 million impact of fee reductions that we provided to our paying dealers during the second quarter of 2020 in response to the COVID-19 pandemic – and a year-over-year increase of 30% in 2019. A significant portion of our revenue is recurring due to the subscription nature of our products, including from our Listings packages and our Dealer Display advertising and audience targeting products. Furthermore, our revenue base is highly diversified due to the fragmented nature of the automotive dealer industry. We also have been able to grow and invest in our future growth while improving profitability due to the operating leverage in our business model. On a consolidated basis, while our revenue declined 6% in 2020 and grew 30% in 2019, our Adjusted EBITDA grew 109% in 2020 and 55% in 2019. As a percentage of revenue, our Adjusted EBITDA margin expanded to 29% in 2020 from 13% in 2019 and from 11% in 2018. In the United States, which is our most developed market, while our revenue declined by 6% in 2020 and grew by 27% in 2019, we increased our income from operations to $120.8 million in 2020 from $73.9 million in 2019 and $58.4 million in 2018.

Experienced Management Team with Culture of Innovation. Our founder, Executive Chairman and Chairman of our Board of Directors, Langley Steinert, co-founded and was previously chairman of TripAdvisor, an online marketplace for travel-related content based on the mission of using technology and a data-driven approach to provide transparency for consumers' travel planning. Led by Mr. Steinert and a management team with extensive experience guiding technology companies in evolving industries – including Jason Trevisan, our Chief Executive Officer and Sam Zales, our President and Chief Operating Officer – we bring the same commitment to fostering a culture of innovation and delivering data-driven transparency to the automotive market.

Impacts of the COVID-19 Pandemic on our Business

The outbreak in 2020 of the novel strain of coronavirus that surfaced in Wuhan, China in December 2019 and was subsequently declared a pandemic by the World Health Organization, or COVID-19, resulted in a global slowdown of economic activity including worldwide travel restrictions, prohibitions of non-essential work activities, disruption and shutdown of businesses and uncertainty in global financial markets, all of which resulted in the COVID-19 pandemic having an impact on our financial performance in fiscal year 2020. As the COVID-19 pandemic endures and continues to have an impact on global economic activity, the extent to which the COVID-19 pandemic will adversely impact our future business operations, financial performance and results of operations is uncertain and will depend on many factors outside of our control. For a further discussion of the risks, uncertainties and actions taken in response to the COVID-19 pandemic, refer to Item 1A "Risk Factors" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Our Products

Consumer Marketplace

We provide consumers an online automotive marketplace where they can search for new and used car listings from our dealers. With our U.S. marketplace's peer-to-peer offering, consumers also have access to additional car listings from private sellers, and are able to sell their car to other consumers. Through our marketplace, we provide consumers with information that helps them find the most relevant car for their needs. A user accesses our marketplace through our websites or by using our mobile applications. Most users specify whether they are searching for used, certified pre-owned, or new cars and then provide their desired vehicle make and model and their postal code. Our product offerings described below are available through the U.S. CarGurus marketplace; their availability on our other marketplaces varies. We also offer paid listings subscriptions for dealers and display advertising products through the PistonHeads website, as well as paid listings subscriptions for dealers through the Autolist website.

Used and Certified Pre-Owned Cars

Using our proprietary search algorithms, we immediately display the results of the consumer's search, ranked by Deal Rating, on a search results page, or SRP. Eligible used car listings in our marketplace are assigned one of five Deal Ratings: Great Deal, Good Deal, Fair Deal, High Priced, or Overpriced. A Deal Rating illustrates how competitive a listing is compared to similar cars sold in the same region in recent history. A listing's Deal Rating is based primarily upon the IMV of the vehicle and the Dealer Rating of the dealer.

Instant Market Value. IMV is a proprietary algorithm that assesses the market value of a used vehicle in a local market and is a key input for determining a vehicle's Deal Rating. The IMV algorithm is the product of many years of regression modeling utilizing tens of millions of used car data points. IMV takes into account a number of factors, including comparable currently listed and previously sold used cars in the local market and vehicle details including make, model, trim, year, features, condition, history, and mileage. Our algorithm uses more than 20 ranking signals and more than 100 normalization rules that distill unstructured data from hundreds of sources across thousands of dealers.

Dealer Ratings. Dealer Ratings are derived from user-generated content from our users' experiences with dealers with which they have connected. To promote high-quality reviews, we require that a user have interacted with the dealer via our marketplace to submit a review. We believe this requirement, together with additional qualification standards, results in a more valuable Dealer Rating. Dealer Rating is an important component of a listing's Deal Rating and as a result can impact the organic search position of a listing.

Search Results Page. In addition to each car's Deal Rating, our SRP provides users with other useful information, including the difference between the listing price and the IMV that we have determined for the car, mileage, Dealer Rating, and dealer location for paying dealers. We provide in-depth search filters, including price, year, mileage, trim, color, options, condition, body style, miles per gallon, seating capacity, vehicle ownership history, usage history, seller type, and days on market, among others, which we believe deliver the most comprehensive search capability among major U.S. online automotive marketplaces. We also provide our users with additional features to aid their search, including similar vehicle recommendations, side-by-side vehicle comparisons, expert reviews, and user rankings. Our platform also gives users the ability to save searches and receive alerts that keep them informed of relevant developments in the market, including newly available inventory and price changes to cars they are monitoring.

Vehicle Detail Page. If a user clicks on one of the listings on the SRP, the user is taken to that listing's vehicle detail page, or VDP. VDPs are designed to provide numerous photos and a comprehensive description of the vehicle, dealer name, address, and dealership information for paying dealers, detailed dealer reviews, methods to contact the dealer, payment calculators, and helpful information about the vehicle, including:

- *Price History.* Changes to a vehicle's price on our platform. We also offer price change alerts to consumers on searches they have saved, which allow them to respond quickly to changes in the market.
- *Time on Site.* Length of time a vehicle has been on our platform and how many users have saved the vehicle to their list of favorite listings, indicators of the likely demand for the vehicle.
- *Vehicle History.* Title check, accident check, number of owners, and fleet status of the vehicle, giving consumers data that helps them better understand the vehicle's condition.

New Cars

Search results for new car listings are sorted by price of inventory matching the user's search, with the lowest priced listings sorted first. Our new car VDPs include our Dealer Rating and many of the other features of our used car listings, such as Price History and Time on Site. Deal Rating is not applicable to new car listings because it utilizes data not relevant to new cars. Instead, we analyze data on manufacturers' suggested retail prices, or MSRPs, and recent sales of similar new vehicles, accounting for trade-ins, incentives, and other factors that can affect the price of a new car, to provide users with comparative price information.

Sell My Car

We also allow our consumers to list their cars in our peer-to-peer marketplace in the United States. Our Sell My Car offering enables individual car owners to easily merchandise their vehicles, determine an appropriate selling price with our proprietary price guidance, and manage their listings and communications with prospective buyers from our audience. We collect a fee when the seller lists a vehicle on the peer-to-peer marketplace.

Autolist

Autolist provides consumers an online automotive marketplace through mobile applications on iOS and Android phones, as well as a website. The platform includes inventory from top automotive dealers across the U.S. and gives consumers quick access to manage their search on the go with real-time alerts of newly available inventory and changes that occur on cars and saved searches they have configured. An independent editorial staff produces content to keep consumers informed on the latest vehicles and trends in the automotive market.

PistonHeads

PistonHeads is a U.K. automotive marketplace, forum, and editorial site geared towards automotive enthusiasts. The platform allows consumers to search across a broad range of dealer and private seller listings, engage with other automotive enthusiasts through forums, and stay informed about automotive news through editorial articles and expert reviews.

Dealer Marketplace

Listings

Our marketplace connects dealers to a large audience of informed and engaged consumers. We offer multiple types of marketplace Listings subscriptions to dealers through the CarGurus U.S. platform (availability varies on our other marketplaces): Restricted Listings, which is free, and various levels of Listings packages, each of which requires a paid subscription. We price our paid Listings packages as a monthly, quarterly, semiannual, or annual subscription based on the dealer's inventory size, region, and our assessment of the return on investment, or ROI, our solution will provide them.

- *Restricted Listings.* We allow non-paying dealers to list their inventory in our marketplace as Restricted Listings (formerly referred to as Basic Listings). Restricted Listings do not display the name, address, website URL, or phone number of the relevant dealer and are subject to other limitations. Consumers can contact these dealers only through an anonymous, CarGurus-branded email address so the dealer does not receive any of the consumer's personal contact information from our platform. Dealers in our Restricted Listings tier are limited in the number of consumer connections they can receive in a month, with caps on lead volume based on the dealers' inventory size.
- *Listings Paid Subscriptions.* Paying dealers are able to subscribe to one of four Listings package levels: Standard, Enhanced, Featured or Featured Priority. These paid Listings packages are designed to provide dealers with a higher volume and quality of connections and leads from consumers than our Restricted Listings option. Dealers that subscribe to a paid Listings package gain the opportunity to connect with consumers directly through email, phone, and – excluding Standard Listings subscriptions – managed text and chat, an offering by which consumers communicate via real-time chat or text message with our agents who act on behalf of dealers. Listings for all paying dealers on our websites include a link to their website, dealership branding and information such as name, address, and hours of operation, and map directions to their dealership, helping consumers easily contact or visit the dealer, which we believe results in increased local brand awareness and walk-in traffic. A dealer that subscribes to our Featured or Featured Priority Listings package receives the same benefits of the Standard and Enhanced Listings packages, as well as opportunities for promotion of their Great Deal, Good Deal, and Fair Deal inventory in a clearly labeled section at the top of the SRP as well as on the VDP of dealers in the Restricted Listings package. Featured Priority listings are specifically promoted in the first position of the SRP. This premium placement for Featured and Featured Priority listings generates increased connection volume relative to Standard or Enhanced Listings packages. In addition, a dealer that pays for our Enhanced, Featured or Featured Priority Listings package may subscribe to our Area Boost feature, which expands the visibility of a dealer's inventory in the search results beyond its local market.

Dealer Dashboard and Merchandising Tools

All dealers with inventory on CarGurus may access the following Dealer Dashboard features and merchandising tools:

- *Performance Summary.* Provides dealers with real-time and historical data concerning the connections and consumer exposure they have received in our marketplace and through our digital marketing products. This enables dealers to analyze connections and SRP and VDP views at a granular level to inform the dealer's sales and merchandising efforts.
- *Dealer Insights.* Provides pricing analysis of the dealer's inventory, as well as a summary of a vehicle's missing information such as price, photos, or trim. This information helps dealers better merchandise their vehicles.
- *User Review Management.* Allows dealers to track and manage – but not edit or manipulate – their dealer reviews from our users. Dealers can respond to users, report potentially fraudulent reviews, and publish positive reviews to social media platforms for broader exposure.

Dealers subscribing to a paid Listings package also have access to the following additional features and tools:

- *Pricing Tool.* Helps dealers evaluate the impact of pricing changes for each used vehicle in their inventory and the resulting impact on the car's Deal Rating, empowering dealers to make informed pricing decisions based on market data in their local area.
- *Market Analysis.* Informs dealers of local market trends in used cars, such as the most searched makes and models in their local market. This information helps dealers align with local consumer preferences and inform strategies for increasing inventory turnover and efficient vehicle acquisition.

- *IMV Scan*. Allows dealers to scan a vehicle identification number, or VIN, using their smartphone, and receive information on the IMV of the vehicle in order to support dealers in deciding what to pay for a vehicle at a wholesale auto auction. IMV Scan is built into the CarGurus mobile app and is currently available to U.S. dealers that pay for our Enhanced, Featured or Featured Priority Listings packages.

Digital Marketing Products

We offer dealers subscribing to one of our Enhanced, Featured or Featured Priority Listings packages access to additional advertising products marketed primarily under our RPM suite. With RPM, dealers can reach our large and engaged automotive shopping audience through display advertising that appears in our CarGurus marketplace, on other sites on the internet, and/or on Facebook, a high-converting social platform. RPM helps dealers build brand awareness and acquire customers to their website and dealership. Advertisements can be targeted by the user's geography, search history, CarGurus website activity (including showing users relevant vehicles from a subscribing dealer's inventory that they have not yet discovered on our marketplace), and a number of other targeting factors. This product suite allows dealers to increase their visibility with in-market consumers and drive qualified traffic to their websites.

Pricing and Packaging

CarGurus' core offering is our Listings product suite, which offers a tiered set of packages. Listings are priced in a fixed monthly subscription fee that is based on the connection performance and ROI we expect to deliver for each dealer type, including factors such as location, inventory size and vehicle type. For improved performance, dealers can purchase higher Listings suite levels and add-ons available at an existing Listings suite level. Dealers may be renewed at higher rates commensurate with growth and updated performance expectations. RPM is also packaged in a tiered solution, and priced as a percentage of Listings while accounting for factors such as dealership characteristics and performance expectations.

Auto Manufacturer and Other Advertiser Products

Our platform offers auto manufacturers and others the ability to purchase display advertising on our sites to execute targeted marketing strategies:

- *Brand Reinforcement.* We allow auto manufacturers to buy advertising on our sites and target consumers based on the make, model, and postal code of the cars that a specific consumer is searching for, in order to increase exposure to interested consumers.
- *Category Sponsorship.* To address evolving priorities influenced by industry dynamics, seasonality, and other factors, we offer the ability to sponsor exclusively prominent high traffic pages on our sites, such as the New Car front page, Used Car front page, and Research Center.
- *Automobile Segment Exclusivity.* To support the introduction of new models or the success of existing models, we allow manufacturers to target specific automobile segments, such as SUV, sedan, hybrid, luxury, truck, and minivan.
- *Consumer Segment Exposure.* Auto manufacturers can target consumers both on CarGurus and third-party websites, including social media platforms, based on various parameters, including estimated household income and vehicle specifications, such as make or model, and postal codes.

Digital Retail and Consumer Finance

In recent years, both consumer demand and dealer receptiveness to digital retail has increased, as consumers have become more comfortable transacting some or all of their car buying process online. We are focused on addressing the needs of both consumers and dealers in this growing segment of automotive digital retail.

Consumer Finance

Through our partnerships with automotive lending companies, we allow eligible consumers on our U.S. website to pre-qualify for financing on cars from dealerships that offer financing from these partners. We primarily generate revenue from these partnerships based on the number of funded loans from consumers who pre-qualify with our lending partners through our site. We believe this program both provides more transparency to car shoppers about actual payments to be offered at the dealership specific to participating lenders, as well as delivers highly qualified car shopper leads to participating dealers.

Digital Retail

We continue to offer consumers the ability to transact additional elements of their car buying experience through our websites as they seek to complete more of this process online. For example, our shoppers can 'start purchase' from a VDP on eligible listings and utilize purchase options, including but not limited to estimating a car's trade-in value, deciding payment options, and selecting finance and insurance products. Additionally, to address the unique circumstances of the COVID-19 pandemic, we offer dealerships the ability to merchandise to consumers contactless service options, such as free home delivery or contactless purchase.

Wholesale

As the automotive industry continues to move further online, it has become even more important for dealers not only to sell their vehicles effectively at retail, but also to acquire the right inventory in the first place via wholesale transactions. In recent years, wholesale vehicle sales have begun shifting online and those trends have accelerated as a result of the COVID-19 pandemic. The traditional in-person physical auction model is being supplanted with online transactions that are easier, faster, and reduce the effect of geographic constraints.

During 2020, we conducted a pilot of our CarGurus Offers product that enabled dealers to purchase inventory directly from consumers who visited our site. The consumer entered their vehicle information on the Sell My Car page, and we helped facilitate the transaction with the buying dealer. We collected a transaction fee from the dealer for this service.

In January 2021, we completed our acquisition of a 51% ownership interest in CarOffer, LLC, or CarOffer. CarOffer is a modern-day automotive inventory transaction platform that allows dealers and dealer groups to buy, sell, and trade with automation and ease. The acquisition adds wholesale vehicle acquisition and selling capabilities to our portfolio of dealer offerings, creating a powerful new digital solution for dealers to sell and acquire vehicles at both retail and wholesale.

International

We also facilitate high-intent consumers to engage with automotive dealers in both Canada and the U.K. Like our U.S. offerings, CarGurus provides consumers in Canada and the U.K. with a transparent shopping experience, using our proprietary algorithms to determine market specific valuations for vehicles, and ordinating our organic search results based on Deal Ratings.

In Canada, CarGurus is a leading automotive marketplace that provides consumers a transparent shopping experience whether they are looking for a new or used car. In the U.K., CarGurus is a leading marketplace for dealers' listings of used vehicles, providing consumers with one of the broadest selections of inventory in the U.K. We also provide automotive shoppers rich expert review content, an active forum for automotive discussion, and offer privately owned inventory through the PistonHeads website.

Marketing and Brand

Consumer Marketing

CarGurus is the most visited online automotive marketplace in the United States, with more than 90.9 million and 36.2 million average monthly sessions and unique users, respectively in 2020. We have built our audience on the strength of our user experience, and remain focused on delivering an industry-leading consumer marketplace. Our intuitive search experience, combined with the largest inventory of any major U.S. online automotive marketplace and relevant content, updates, and tools provide unparalleled transparency and decision-support to consumers during their car search to help them buy with confidence. The strength of our consumer experience is one of our most powerful marketing tools, with "word of mouth" representing the second-most cited influence on consumers decision to visit CarGurus despite our substantial investments in paid marketing. This leading consumer experience also enables CarGurus to perform very well with search engines, generating a significant volume of free traffic from high-intent car shoppers.

A key pillar of our consumer marketing efforts is what we call algorithmic traffic acquisition. We employ a team of strategists, engineers and data scientists that optimizes our user acquisition through search engines, social media, and other digital marketing channels and has tested over one billion keywords on various search engines as well as sophisticated, personalized remarketing, to nurture consumers toward finding their right car. The sophistication of our data-driven algorithmic traffic acquisition continues to advance, with an ongoing focus on increasingly data-driven campaigns that drive high return on advertising spend. We believe our expertise in this area constitutes a competitive advantage over less sophisticated competitors and those who outsource these capabilities.

In parallel with our sophisticated paid and organic traffic acquisition efforts, we invest significant resources in optimizing our site experience and retention marketing efforts through email and app notifications to help consumers find the right car for them and connect with a dealer to make a purchase. Rigorous conversion rate optimization efforts help increase the ROI on our advertising spend. Our increasing focus on merchandising that drives more shoppers to connect with dealers with high subscription expansion opportunity creates a virtuous cycle of improved monetization that allows for reinvestment in further improvements to our consumer experience.

We augment our performance marketing, conversion rate optimization and retention marketing efforts with brand-building efforts. Our brand marketing efforts comprise investments in media, including television and online video, as well as expressing our unique brand value proposition throughout our core site experience and organic social channels as well as an active public relations program that allows us to gain significant, high-credibility earned media coverage. Despite a shorter tenure and lower investment in brand marketing than our primary competitors, we have made significant progress toward closing our brand awareness gaps since launching brand marketing in 2017 and believe that we are well-positioned to continue to strengthen our brand by continuing to invest in brand-building efforts and refining the articulation of our unique value proposition. As we close the awareness gap compared to our core competitors, we see significant opportunity to shift our brand focus from reach to driving greater understanding of and preference for our brand, further accelerating the strong consumer engagement and word of mouth benefits we already enjoy.

Dealer Marketing

The primary goals of our dealer marketing initiatives are to acquire dealers not yet in our marketplace, convert non-paying dealers into paying dealers, retain our existing paying dealers, and increase annual subscription revenues from our paying dealers. Our dealer marketing efforts aim to:

- *Educate Dealers on the Quality of Our Audience and Attractive ROI.* We educate dealers on our industry-leading monthly visits in the U.S., our strong user engagement, and the large number of connections that we facilitate through our marketplace. We also highlight to dealers how unique features of our platform, such as our consumer financing features and proprietary IMV analytics, yield consumers that we believe are more informed and better prepared to purchase at the dealership, which can lead to a higher ROI for the dealers' marketing spend.
- *Provide Thought Leadership that Educates Dealers on Marketplace Trends.* We generate insightful content on market trends and best practices in digital advertising that are shared through webinars, dealer forums, dealer advisory councils, our websites, and our participation in industry conferences and events. From time to time, we also host thought leadership events in local markets and an automotive conference, Navigate, to continue to share our insights and help build our brand among dealerships. In light of the COVID-19 pandemic, we shifted all of our in-person events, including Navigate, to fully virtual events to continue to provide thought leadership to dealers during these challenging times. In particular, we helped address their challenges by sharing the latest research and data-driven insights on how shopper behavior has evolved and continues to evolve during this global pandemic.
- *Provide Best Practices to Assist Dealers in Becoming Successful in Our Marketplace.* We provide ongoing communications through email, webinars, white papers, testimonials, and videos, which show dealers how to use our products to position their inventory for success on our platform and beyond. We maintain consistent communication with dealers via email, events and our Dealer Dashboard to ensure awareness of account performance and recent product updates.
- *Drive Product Engagement.* We use our email marketing capabilities and other marketing channels to drive dealer engagement with our products and platforms. This can include marketing around how dealers can improve their vehicle pricing and merchandising by using the tools in our dashboard, performance insights around the leads and connections they are receiving, and prompts to respond to reviews and manage their reputation. We also monitor dealer feedback on our products through surveys and product engagement to assess areas for further development or dealer education.

Sales

Our sales team is responsible for bringing dealers onto our marketplace and converting non-paying dealers to paid subscriptions. We have built an efficient inside sales and account management team of approximately 260 employees worldwide who sell our marketplace products to franchise and independent dealers. We have built a field sales team that works with strategic franchise and national dealership groups in large metropolitan areas in the U.S., Canada and the U.K. In addition, we have advertising sales employees based in the U.S. and Canada.

We have a comprehensive dealer account management process to assist dealers in becoming successful in our marketplace. We assign a Customer Success Associate to every new paying Listings dealer to assist with onboarding and integration with any relevant software systems. The designated Customer Success Associate spends time educating dealers on a range of topics, including effectively using the Dealer Dashboard, tracking sales, and measuring ROI for their marketing spend. After the onboarding period, a Dealer Relations Account Manager is designated to assist the dealer in utilizing our tools and maximizing ROI from our offerings, including effectively pricing vehicles, vehicle merchandising, and keeping inventory up to date with complete vehicle information. We believe our active communication with our dealers fosters customer satisfaction and increases customer retention.

People and Talent

Our investment in our greatest asset – our people – is integral to our core values, evidenced by our inclusion of employee engagement, retention and hiring targets as components of our 2020 strategic and organizational initiatives. Our Board of Directors oversees our people and talent efforts and views building our culture – from employee development and retention to diversity, equity, inclusion and belonging initiatives – as key to driving long-term value for our business and helping to mitigate risks. In February 2020, we hired our first Chief People Officer to ensure that our employees and culture are prioritized at every level of decision-making.

As of December 31, 2020, we had 827 full-time employees, 74 of whom were based outside the United States. None of our employees is represented by a labor union or covered by a collective bargaining agreement.

Culture, Values and Standards

Our company culture has developed out of our data-driven and innovative approach to the automotive market. We leverage data to drive innovation across all facets of our business and continuously optimize our products and processes to serve our consumers, dealers, advertisers, and partners. Our approach emphasizes original thought, impact, and collaboration across our organization, and we recognize and award employees who drive positive results across these constituencies. We invest in creating a work environment that facilitates partnership among our employees and promotes diversity, equity, inclusion and belonging. In that spirit, we have identified our core values as follows:

- **We are pioneering.** From the beginning, we set out to radically change how people buy and sell cars. We tackle difficult problems head on. We are curious. We are risk takers. We embrace change even if it's uncomfortable.
- **We are transparent.** We believe transparency is the foundation of trust and enables better decision making. We communicate clearly and honestly. We deliver unbiased guidance. Our products, services and company culture are built on these principles.
- **We are data-driven.** We rely on data, not hunches, to make decisions. We listen to our instincts but we validate through rapid testing, learning and optimizing. We translate complex data into actionable insights for our users, our customers and our people.
- **We are collaborative.** We celebrate our individual strengths and perspectives but know that our success requires teamwork. We partner, we listen and we leverage feedback from each other, our users and our customers.
- **We move quickly.** We believe there's power in speed. We iterate quickly and often, continuously improving as we go. We are not afraid to break things. If we fail, we do it fast, learn from it and move on.
- **We have integrity.** We act responsibly and consider the impact of our actions on each other, our partners and the world around us. We believe empathy, respect and fairness are essential. We set high ethical standards and expect principled leadership from our people.

Diversity, Inclusion and Belonging and Equal Employment Policy

We are an equal opportunity employer and strive to build and nurture a culture where inclusiveness is a reflex, not an initiative. With support from our Diversity, Inclusion and Belonging Advisory Team, we are committed to fostering diversity, equity, inclusion and belonging, as well as building a workplace where everyone can thrive. Our commitment to these principles helps us attract and retain the best talent, enables employees to realize their full potential and drives high performance through innovation and collaboration. In 2020, with respect to employees who chose to self-identify, we increased our female workforce in the U.S. from 30.9% to 32.3%. We saw increases in our female workforce at almost every level in the U.S., including technical and senior management roles. We also increased our representation of all underrepresented racial minorities in the U.S. from 23.3% to 25.9%.

Compensation and Benefits

The success of our business is fundamentally connected to the well-being of our people. Accordingly, we provide our eligible employees with competitive wages and access to flexible and convenient medical programs intended to meet their needs and the needs of their families. In addition to standard medical coverage, we offer the following benefits to our U.S. employees (availability internationally varies): dental and vision coverage, health savings and flexible spending accounts, paid time off, flexible work schedules on a case-by-case basis, employee assistance programs, short term and long term disability insurance and term life insurance, as well as paid access to certain family care resources. In response to the COVID-19 pandemic, we implemented changes that we determined were in the best interest of our employees, as well as the communities in which we operate, and which comply with government regulations. These changes included requiring our employees to work from home for several months.

Employee Engagement

In order to ensure that we are meeting our people and talent objectives we conduct an employee engagement survey at least annually to help our management team gain insight into and gauge employees' feelings, attitudes, and behaviors around working at CarGurus. Our latest survey, completed in December 2020, had a participation rate of over 87% of our employees worldwide and the survey results indicated that we excel in areas including manager empathy, alignment to company goals and belonging. Based on employee feedback, we also identified certain company-wide focus areas, including with respect to improving the resources and benefits we can provide for our employees as they continue to work outside of our offices during the COVID-19 pandemic, which we agree is important to our long-term success. Our culture has led to strong employee satisfaction and pride that has been recognized across the globe, as evidenced with the following awards: *Built In Boston's* "Best Places to Work" in 2019, 2020 and 2021; the Mass TLC "Tech Top 50" Company Culture in 2020; *Fortune*'s "Best Places to Work" in 2019; *Computerworld*'s "Best Places to Work in IT" in 2019 and 2020; *Boston Business Journal*'s "Best Places to Work" for five years in a row from 2015 to 2019; and *Boston Globe*'s "Top Place to Work" in 2014, 2015, 2016 and 2018.

Training and Development

Our people and talent strategy is essential for our ability to continue to develop and market innovative products and customer solutions. We continually invest in our employees' career growth and provide employees with a wide range of development opportunities, including face-to-face, virtual, social and self-directed learning, mentoring, coaching, and external development. In 2020, more than 96% of our employees participated in learning and development activities worldwide.

Technology and Product Development

We are a technology company focused on innovative, actionable data analysis. We design our mobile and web products to create a transparent experience for both consumers and dealers. We believe in rapid development, release frequent updates and have internal tools and automation that allow us to efficiently evolve our products. Our software is built using a combination of internally developed software, third-party software and services, and open source software.

Our Search Technology

Our search and ranking technology is served by a proprietary in-memory search index solution that is scalable, fast, and extensible. We have highly flexible interfaces that allow dealers to automatically add their inventory to our index, enabling us to quickly integrate hundreds of inventory sources with minimal effort and easily support inventory growth.

Our Mobile Technology

We have designed our marketplace to appeal to mobile users by developing our products with a mobile-first mindset. All of our search results pages use a single-page application type approach to eliminate page reloads and improve responsiveness. We also use techniques to load content onto a user's mobile device more efficiently.

Our Integrations

We make available several application program interfaces and web widgets that integrate with customer relationship management and inventory management solutions, among other platforms. These integrations allow dealers to incorporate designated data and tools into the fabric of their marketing and customer engagement strategies. For example, our Deal Rating Badges are used on dealer websites, which show our Deal Rating for cars that have been rated as a Great Deal, Good Deal, or Fair Deal. Our Deal Rating serves as trusted, third-party validation on dealer websites.

Infrastructure

Our development servers and U.S. and Canadian websites are hosted at third-party data centers near Boston, Massachusetts, as well as through third-party cloud services in the U.S. Our European websites are hosted on third-party cloud computing services near each of London, England and Dublin, Ireland. We use third-party content distribution networks to cache and serve many portions of our sites at locations across the globe. We monitor and test at the application, host, network, and full site levels to maintain availability and promote performance. We use third-party cloud computing services for many data processing jobs and backup/recovery services.

Competition

We face competition to attract consumers and paying dealers to our marketplaces and services and to attract advertisers to purchase our advertising products and services. Our competitors offer various marketplaces, products, and services that compete with us. Some of these competitors include:

- major U.S. online automotive marketplaces: AutoTrader.com, Cars.com, and TrueCar.com;
- other U.S. automotive websites, such as Edmunds.com, KBB.com and Carfax.com;
- online automotive marketplaces and websites in our international markets;
- online dealerships, such as Carvana and Vroom;
- sites operated by individual automobile dealers;
- internet search engines;
- social media marketplaces; and
- peer to peer marketplaces, such as Craigslist.

Competition for Consumers and Dealers

We compete for consumer visits with other online automotive marketplaces, free listing services, general search engines, and dealers' websites. We compete for consumers primarily on the basis of the quality of the consumer experience. We believe we compete favorably on user experience due to the number of our vehicle listings, the transparency of the information we provide on cars, prices, and dealers, the intuitive nature of our user interface, and our mobile user experience, among other factors.

We compete for dealers' marketing spend with offline customer acquisition channels, other online automotive marketplaces, dealers' own customer acquisition efforts on search engines and social media marketplaces, and other internet sites that attract consumers searching for vehicles. We compete primarily on the basis of the ROI that our marketplace provides. We believe we compete favorably due to our large user audience, high user engagement, and the volume and quality of connections we provide to well-informed consumers, which results in an attractive ROI for dealers.

Competition for Advertisers

We compete for a share of advertisers' total marketing budgets against media sites, websites dedicated to helping consumers shop for cars, major internet portals, search engines, and social media sites, among others. We also compete for a share of advertisers' overall marketing budgets with traditional media, such as television, radio, magazines, newspapers, automotive publications, billboards, and other offline advertising channels. We compete for advertising spend based on the marketing ROI that our marketplace provides. We believe we compete favorably due to our large user audience size, high user engagement, and the effectiveness and relevance of our advertising products.

Intellectual Property

We protect our intellectual property through a combination of patents, copyrights, trademarks, service marks, domain names, trade secret protections, confidentiality procedures, and contractual restrictions.

We have one issued U.S. patent with an expiration date of May 2034, two pending U.S. patent applications, and one pending international patent application. These applications cover proprietary technology that relates to various functionalities on our platform, generally in connection with pricing, ranking and detecting fraud in online listings. We intend to pursue additional patent protection to the extent we believe it would be beneficial to our competitive position.

We have a number of registered and unregistered trademarks, including "CarGurus," the CarGurus logo, the CG logo, and related marks, which we have registered as trademarks in the U.S. and certain other jurisdictions. We pursue additional trademark registrations to the extent we believe doing so would be beneficial to our competitive position. Our registered trademarks remain enforceable in the countries in which they are registered for as long as we continue to use the marks, and pay the fees to maintain the registrations, in those countries.

We are the registered holder of several domestic and international domain names that include "CarGurus" and variations of our trade names.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights agreements with our employees and relevant consultants, contractors, and business partners. We control the use of our proprietary technology and intellectual property through provisions in contracts with our customers and partners and our general and product-specific terms of use on our websites.

Regulatory

Various aspects of our business are, may become, or may be viewed by regulators from time to time as subject, directly or indirectly, to U.S. federal, state, local and foreign laws and regulations. In particular, the advertising and sale of new or used motor vehicles is highly regulated by the states and jurisdictions in which we do business. Although we do not sell motor vehicles and we believe that vehicle listings on our sites are not themselves advertisements, regulatory authorities or third parties could take the position that some of the laws or regulations applicable to dealers or to the manner in which motor vehicles are advertised and sold generally are directly applicable to our business. These advertising laws and regulations, which often originated decades before the emergence of the internet, are frequently subject to multiple interpretations, are not uniform across jurisdictions, sometimes impose inconsistent requirements with respect to new or used motor vehicles, and the manner in which they should be applied to our business model is not always clear. Regulators or other third parties could take, and on some occasions have taken, the position that our marketplace or related products violate applicable brokering, bird-dog, consumer protection, or advertising laws or regulations.

In order to operate in this regulated environment, we develop our products and services with a view toward appropriately managing the risk that our regulatory compliance, or the regulatory compliance of the dealers whose inventory is listed on our websites, could be challenged.

We consider applicable advertising and consumer protection laws and regulations in designing our products and services. With respect to paid advertising, other than Featured Listings, Featured Priority Listings and Dealer Display advertising and audience targeting products marketed under our Real-time Performance Marketing suite, we believe that most of the content displayed on the websites we operate does not constitute paid advertising for the sale of motor vehicles. Nevertheless, we endeavor to design our website content in a manner that would comply with relevant advertising regulations and consumer protection laws if, and to the extent that, the content is considered to be vehicle sales advertising.

Our websites and mobile applications enable us, dealers, and users to send and receive text messages and other mobile phone communications, which requires us to comply with the Telephone Consumer Protection Act, or TCPA, in the U.S. The TCPA, as interpreted and implemented by the Federal Communications Commission, or the FCC, and federal and state courts, imposes significant restrictions on utilization of telephone calls and text messages to residential and mobile telephone numbers as a means of communication, particularly when the prior express consent of the person being contacted has not been obtained.

In addition, we are subject to numerous federal, national, state, and local laws and regulations in the United States and around the world regarding privacy and the collection, processing, storage, sharing, disclosure, use, cross-border transfer, and protection of personal information and other data. While the scope of these laws and regulations is changing and remains subject to differing interpretations, we seek to comply with industry standards and all applicable laws, policies, legal obligations, and industry codes of conduct relating to privacy and data protection. We are also subject to the terms of our privacy policies and privacy-related obligations to third parties.

Corporate Information

We were originally organized on November 10, 2005 as a Massachusetts limited liability company under the name "Nimalex LLC." Effective July 15, 2006, we changed our name to "CarGurus LLC." On June 26, 2015, we converted from a Delaware limited liability company into a Delaware corporation and changed our name to "CarGurus, Inc."

Our principal executive offices are located at 2 Canal Park, 4th Floor, Cambridge, Massachusetts 02141, and our telephone number is (617) 354-0068. Our U.S. website is www.cargurus.com.

CarGurus, the CarGurus logo, and other trademarks or service marks of CarGurus appearing in this Annual Report on Form 10-K are the property of CarGurus, Inc. Trade names, trademarks, and service marks of other companies appearing in this Annual Report on Form 10-K are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this Annual Report on Form 10-K.

Additional Information

The following filings are available on our investor relations website after we file them with the Securities and Exchange Commission, or the SEC: Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Proxy Statements for our annual meetings of stockholders. These filings are also available for download free of charge on our investor relations website. Our investor relations website is located at http://investors.cargurus.com.

We webcast our earnings calls and certain events that we participate in or host with members of the investment community on our investor relations website. Additionally, we provide news and announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, on our investor relations website. Corporate governance information, including our policies concerning business conduct and ethics, is also available on our investor relations website under the heading "Governance." No content from any of our websites is intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any reference to our websites is intended to be an inactive textual reference only.

Item 1A. Risk Factors.

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before evaluating our business. Our business, financial condition, operating results, cash flow, and prospects could be materially and adversely affected by any of these risks or uncertainties. In that event, the trading price of our Class A common stock could decline. See "Special Note Regarding Forward-Looking Statements."

Risks Related to Our Business and Industry

Our business has been, and we expect it to continue to be, adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic has caused an international health crisis and resulted in significant disruptions to the global economy as well as businesses and capital markets around the world. Our operations have been materially adversely affected by a range of factors related to the COVID-19 pandemic. In March, we closed all of our offices and began requiring our employees to work remotely until further notice, which has disrupted and may continue to disrupt how we operate our business. In addition, in an effort to limit the spread of COVID-19, many countries, as well as states and localities in the United States, implemented or mandated and continue to implement or mandate significant restrictions on travel and commerce, shelter-in-place or stay-at-home orders, and business closures. Fluctuation in infection rates in the regions in which we operate has resulted in periodic changes in restrictions that vary from region to region and may require rapid response to new or reinstated orders. Many of these orders resulted in, and may continue to result in, restrictions on the ability of consumers to buy and sell automobiles by restricting operations at dealerships and/or by closing or reducing the services provided by certain service providers upon which dealerships rely. In addition, these restrictions and continued concern about the spread of the disease have impacted car shopping by consumers and disrupted the operations of car dealerships, which has adversely affected and may continue to adversely affect the market for automobile purchases.

The automotive industry is also facing inventory supply problems, especially for used vehicles. The industry has experienced, and may continue to experience, a decline in used-car inventory for a number of reasons attributable to the COVID-19 pandemic, including: (i) fewer trade-ins from diminished vehicle sales; (ii) lease extensions on vehicles that consumers would have otherwise returned to the dealership; and (iii) the closure of or restrictions on the operations of wholesale auctions limiting dealers' ability to source stock and/or replenish inventory. Further, these auction closures and the limited supply of inventory have led to an increase in bids per vehicle and corresponding increases to wholesale auction prices. As the price of replenishing inventory through wholesale auctions has increased, dealers have increased, and may continue to increase, the prices they charge consumers. A high volume of price increases on vehicle sales at a rapid rate could impact our proprietary Instant Market Values, or IMV, and distribution of Deal Ratings. In addition, if our paying dealers continue to operate at reduced inventory levels or with increased costs, they may reduce or be unwilling to increase their advertising spend with us and/or may terminate their subscriptions at the conclusion of the committed term. Our ability to add new paying dealers or increase our fees with dealers may be impeded if dealers perceive they have less of a need for our products and services because of their limited inventory. Inventory challenges in the automotive industry have adversely impacted, and could continue to adversely impact, the amount of inventory on our websites, which could contribute to a decline in the number of consumer visits to our websites and/or the number of connections between consumers and dealers through our marketplaces. These inventory-related issues resulting from the COVID-19 pandemic may materially and adversely impact our business, financial condition and results of operations.

As a result of the travel and commerce restrictions and the impact on their businesses, a number of our dealer customers temporarily closed or are operating on a reduced capacity, and many dealerships are facing significant financial challenges. Such closures and circumstances led some paying dealers to cancel their subscriptions and/or reduce their spending with us, which has had and may continue to have a material adverse effect on our revenues and on our business. Additionally, in response to the increasing cancelations and the drop in consumer demand at the beginning of the COVID-19 pandemic, we reduced our spending on brand advertising and traffic acquisition, which resulted in fewer consumers using our platform during the year ended December 31, 2020, which in turn has, and may continue to, materially and adversely affect our business. While we have since restored a portion of that historical consumer spend, we may not in the future fully restore prior spending levels if we elect to redirect our investments elsewhere, including in favor of new product development. If such a strategy were not to result in the benefits that we expect, our business could be harmed. Our business relies on the ability of consumers to borrow funds to acquire automobiles and banks and other financing companies may limit or restrict lending to consumers as a result of the economic impacts of the COVID-19 pandemic, which may also materially and adversely affect our business.

Further, because of the significant financial challenges that dealerships have faced and continue to face as a result of the COVID-19 pandemic, we took measures to help our paying dealers maintain their business health during the COVID-19 pandemic. We proactively reduced the subscription fees for paying dealers by at least 50% on all marketplace subscriptions for the April and May 2020 service periods, as well as provided a fee reduction on all June 2020 marketplace subscriptions of 20% for paying dealers in the United States and Canada and 50% for paying dealers in the United Kingdom. As a result, the level of fees we received from paying dealers materially decreased during the year ended December 31, 2020, resulting in a material decline in our revenue and a material adverse effect to our business. In addition, despite our proactive fee reductions during the second quarter of 2020, we experienced increased customer cancellation rates and slowed paying dealer additions during such period, which materially and adversely affected our business for the year ended December 31, 2020. During the December 2020 and February 2021 service periods, we also waived marketplace subscription fees for paying dealers in the United Kingdom impacted by additional national lockdowns. We may again in the future experience slowed paying dealer additions and as a result may decide to re-institute further billings relief as we continue to assess the effects of the COVID-19 pandemic on our paying dealers and business operations. During the COVID-19 pandemic, we have also experienced, and may continue to experience, increased account delinquencies from dealer customers challenged by the COVID-19 pandemic that failed to pay us on time or at all.

These effects from the COVID-19 pandemic on our revenue caused us to implement certain cost-savings measures across our business, which have disrupted, and may continue to disrupt, our business and operations. For example, during the second quarter of 2020, we initiated a cost-savings initiative that included a reduction in our workforce, a limitation in discretionary spend across our business and our ceasing of certain international operations and expansion efforts. We also reduced consumer marketing across both algorithmic traffic acquisition and brand spend during the year ended December 31, 2020 in comparison to the prior year in an effort to reduce expenses and as a result of suppressed dealer inventory and resulting reduced demand for leads from dealers. Despite these measures, we may not achieve the costs savings or attract consumer visits at the levels we expect, which would adversely impact our cash flows and financial condition. These expense reduction activities, and any future cost savings actions that we may take, may yield unintended consequences, such as loss of key employees, undesired attrition, and the risk that we may not achieve the anticipated cost savings at the levels we expect, any of which may have a material adverse effect on our results of operations and/or financial condition. If the COVID-19 pandemic materially impacts our revenues in the future, we may also decide that additional disruptive measures are necessary to reduce our operating expenses.

The global nature of the COVID-19 pandemic has also had, and will continue to have, a significant impact on our international businesses. The crisis has halted our growth in existing markets and our expansion into additional markets. In particular, we ceased marketplace operations in Germany, Italy, and Spain, and halted any new international expansion efforts, which we believe will allow us to focus our financial and human capital resources on our more established international markets in Canada and the United Kingdom. Failure by us to succeed in these two markets, however, would materially and adversely affect our business and potential growth.

We continue to monitor and assess the effects of the COVID-19 pandemic on our commercial operations, including the impact on our revenue. However, we cannot at this time accurately predict what effects these conditions will ultimately have on our operations due to uncertainties relating to the duration of the pandemic, the extent and effectiveness of governmental responses and other preventative, treatment and containment actions or developments, including the distribution of recently approved vaccines, shifts in behavior going forward, and the length or severity of the travel and commerce restrictions imposed by relevant governmental authorities. Nor can we predict the adverse impact on the global economies and financial markets in which we operate, which may have a significant negative impact on our business, financial condition and results of operations.

Our business is substantially dependent on our relationships with dealers. If a significant number of dealers terminate their subscription agreements with us, our business and financial results would be materially and adversely affected.

Our primary source of revenue consists of subscription fees paid to us by dealers for access to enhanced features on our automotive marketplaces. Our subscription agreements with dealers generally may be terminated by us with 30 days' notice and by dealers with 30 days' notice at the end of the committed term. The majority of our contracts with dealers currently provide for one-month committed terms and do not contain contractual obligations requiring a dealer to maintain its relationship with us beyond the committed term. Accordingly, these dealers may cancel their subscriptions with us in accordance with the terms of their subscription agreements. A dealer's decision to cancel its subscription with us may be influenced by several factors, including national and regional dealership associations, national and local regulators, automotive manufacturers, consumer groups, and consolidated dealer groups. If any of these influential groups indicate that dealers should not enter into or maintain subscription agreements with us, this belief could become shared by dealers and we may lose a number of our paying dealers. If a significant number of our paying dealers terminate their subscriptions with us, our business and financial results would be materially and adversely affected.

If we fail to maintain or increase the number of dealers that pay subscription fees to us, or fail to maintain or increase the fees paid to us for subscriptions, our business and financial results would be materially and adversely affected.

As a result of the COVID-19 pandemic, many paying dealers cancelled their subscriptions with us (including, in some cases, with our permission prior to the end of the applicable contract term and notice period), which has caused a material adverse impact on our revenues, and it is possible that additional dealers will cancel their subscriptions as they continue to experience the effects of the COVID-19 pandemic. If paying dealers do not receive the volume of consumer connections that they expect during their subscription period, do not experience the level of car sales they expect from those connections, or fail to attribute consumer connections or sales to our platform, they may terminate their subscriptions at the conclusion of the committed term. If we fail to maintain or expand our base of paying dealers or fail to maintain or increase the level of fees that we receive from them, our business and financial results would be materially and adversely affected.

We allow dealers to list their inventory in CarGurus marketplaces for free; however, we impose certain limitations on such free listings, such as capping the number of leads that non-paying dealers in the U.S. may receive within a 30-day period, not displaying non-paying dealer identity and contact information, and prohibiting access to the paid features of our marketplaces. We continue to adapt our free listings product, Restricted Listings, in our CarGurus marketplaces and in the future, we may decide to impose additional restrictions on Restricted Listings or modify the services available to non-paying dealers. These changes to our Restricted Listings product may result in less inventory being displayed to consumers, which may impair our efforts to attract consumers, and cause non-paying dealers to receive fewer leads and connections, which may make it more difficult for us to convert such dealers to paying dealers. If dealers do not subscribe to our paid offerings at the rates we expect, our business and financial results would be materially and adversely affected.

If dealers or other advertisers reduce their advertising spending with us and we are unable to replace the reduced advertising spending, our advertising revenue and business would be harmed.

A significant amount of revenue is derived from advertising revenues generated primarily through advertising sales, including display advertising and audience targeting services, to dealers, auto manufacturers, and other auto-related brand advertisers. We compete for this advertising revenue with other online automotive marketplaces and with television, print media, and other traditional advertising channels. Our ability to attract and retain advertisers and to generate advertising revenue depends on a number of factors, including our ability to: increase the number of consumers using our marketplaces; compete effectively for advertising spending with other online automotive marketplaces; continue to develop our advertising products; keep pace with changes in technology and the practices and offerings of our competitors; and offer an attractive ROI to our advertisers for their advertising spend with us.

Our agreements with dealers for display advertising generally include terms ranging from one month to one year and may be terminated by us with 30 days' notice and by dealers with 30 days' notice at the end of the committed term. The contracts do not contain contractual obligations requiring an advertiser to maintain its relationship with us beyond the committed term. Certain of our other advertising contracts, including those with auto manufacturers, typically do not have ongoing commitments to advertise in our marketplaces beyond a committed term. As a result of the COVID-19 pandemic, some advertisers have cancelled or reduced their advertising with us, which has caused a material adverse impact on our revenues, and it is possible that advertising customers will continue to cancel or reduce their advertising with us as they continue to experience the effects of the COVID-19 pandemic. In addition, a reduction in consumer visits to our sites as a result of the COVID-19 pandemic resulted in the delivery of fewer impressions for our advertising customers than anticipated during the year ended December 31, 2020, which has caused, and may continue to cause, an adverse impact on our advertising revenues. We may not succeed in capturing a greater share of our advertisers' spending if we are unable to convince advertisers of the effectiveness or superiority of our advertising services as compared to alternative channels. If current advertisers reduce their advertising spending with us and we are unable to replace such reduced advertising spending, our advertising revenue and business and financial results would be harmed.

If we are unable to provide a compelling vehicle search experience to consumers through our platform, the number of connections between consumers and dealers using our marketplaces may decline and our business and financial results would be materially and adversely affected.

If we fail to continue to provide a compelling vehicle search experience to consumers, the number of connections between consumers and dealers through our marketplaces could decline, which in turn could lead dealers to suspend listing their inventory in our marketplaces, cancel their subscriptions, or reduce their spending with us. If dealers pause or cancel listing their inventory in our marketplaces, we may not be able to attract a large consumer audience, which may cause other dealers to pause or cancel their use of our marketplaces. This reduction in the number of dealers using our marketplaces would likely materially and adversely affect our marketplaces and our business and financial results. As consumers increasingly use their mobile devices to access the internet and our marketplaces, our success depends, in part, on our ability to provide consumers with a robust and user-friendly experience through their mobile devices. We believe that our ability to provide a compelling vehicle search experience, both on desktop computers and through mobile devices, is subject to a

number of factors, including our ability to: maintain attractive marketplaces for consumers and dealers; continue to innovate and introduce products for our marketplaces; launch new products that are effective and have a high degree of consumer engagement; display a wide variety of automobile inventory to attract more consumers to our websites; provide mobile applications that engage consumers; maintain the compatibility of our mobile applications with operating systems, such as iOS and Android, and with popular mobile devices running such operating systems; and access and analyze a sufficient amount of data to enable us to provide relevant information to consumers, including pricing information and accurate vehicle details.

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

We rely, in part, on internet search engines such as Google, Bing, and Yahoo! to drive traffic to our websites. The number of consumers we attract to our marketplaces from search engines is due in part to how and where our websites rank in unpaid search results. These rankings can be affected by a number of factors, many of which are not under our direct control and may change frequently. For example, when a consumer searches for a vehicle in an internet search engine, we rely on a high organic search ranking of our webpages to refer the consumer to our websites. Our competitors' internet search engine optimization efforts may result in their websites receiving higher search result rankings than ours, or internet search engines could change their methodologies in a way that would adversely affect our search result rankings. If internet search engines modify their methodologies in ways that are detrimental to us, if our efforts to improve our search engine optimization are unsuccessful or less successful than our competitors' internet search engine optimization efforts, our ability to attract a large consumer audience could diminish and traffic to our marketplaces could decline. In addition, internet search engine providers could provide dealer and pricing information directly in search results, align with our competitors, or choose to develop competing products. Reductions in our own search advertising spend or more aggressive spending by our competitors could also cause us to incur higher advertising costs and/or reduce our market visibility to prospective users. Our websites have experienced fluctuations in organic and paid search result rankings in the past, and we anticipate fluctuations in the future. Any reduction in the number of consumers directed to our websites through internet search engines could harm our business and operating results.

Any inability by us to develop new products, or achieve widespread consumer and dealer adoption of those products, could negatively impact our business and financial results.

Our success depends on our continued innovation to provide products that make our marketplaces, websites, and mobile applications useful for consumers and dealers or that otherwise provide value to consumers and dealers. We anticipate that over time we may reach a point when investments in our current products are less productive and the growth of our revenue will require more focus on developing new products for consumers and dealers. These new products must be widely adopted by consumers and dealers in order for us to continue to attract consumers to our marketplaces and dealers to our products and services. Accordingly, we must continually invest resources in product, technology, and development in order to improve the attractiveness and comprehensiveness of our marketplaces and their related products and effectively incorporate new internet and mobile technologies into them. Our ability to engage in these activities may decline as a result of the impact of the COVID-19 pandemic and our cost-savings initiatives on our business. These product, technology, and development expenses may include costs of hiring additional personnel, engaging third-party service providers and conducting other research and development activities. In addition, revenue relating to new products is typically unpredictable and our new products may have lower gross margins, lower retention rates, and higher marketing and sales costs than our existing products. We are likely to continue to modify our pricing models for both existing and new products so that our prices for our offerings reflect the value those offerings are providing to consumers and dealers. Our pricing models may not effectively reflect the value of products to dealers, and, if we are unable to provide marketplaces and products that consumers and dealers want to use, they may reduce or cease the use of our marketplaces and products. Without innovative marketplaces and related products, we may be unable to attract additional, unique consumers or retain current consumers, which could affect the number of dealers that become paying dealers and the number of advertisers that want to advertise in our marketplaces, as well as the amounts that they are willing to pay for our products, which could, in turn, negatively impact our business and financial results.

We may be unable to maintain or grow relationships with data providers, or may experience interruptions in the data they provide, which may create a less valuable or transparent shopping experience and negatively affect our business and operating results.

We obtain data from many third-party data providers, including inventory management systems, automotive website providers, customer relationship management systems, dealer management systems, governmental entities, and third-party data licensors. Our business relies on our ability to obtain data for the benefit of consumers and dealers using our marketplaces. For example, our success in each market is dependent in part upon our ability to obtain and maintain inventory data and other vehicle information for those markets. The large amount of inventory and vehicle information available in our marketplaces is critical to the value we provide for consumers. The loss or interruption of such inventory data or other vehicle information could

decrease the number of consumers using our marketplaces. We could experience interruptions in our data access for a number of reasons, including difficulties in renewing our agreements with data providers, changes to the software used by data providers, efforts by industry participants to restrict access to data, increased fees we may be charged by data providers and the effects of the COVID-19 pandemic. Our marketplaces could be negatively affected if any current provider terminates its relationship with us or our service from any provider is interrupted. If there is a material disruption in the data provided to us, the information that we provide to consumers and dealers using our marketplaces may be limited. In addition, the quality, accuracy, and timeliness of this information may suffer, which may lead to a less valuable and less transparent shopping experience for consumers using our marketplaces and could negatively affect our business and operating results.

The failure to build, maintain and protect our brands would harm our ability to attract a large consumer audience and to expand the use of our marketplaces by consumers and dealers.

While we are focused on building our brand recognition, maintaining and enhancing our brands will depend largely on the success of our efforts to maintain the trust of consumers and dealers and to deliver value to each consumer and dealer using our marketplaces. Our ability to protect our brands is also impacted by the success of our efforts to optimize our significant brand spend and overcome the intense competition in brand marketing across our industry, including competitors that may imitate our messaging. In addition, as a result of suppressed dealer inventory and resulting reduced demand for leads by dealers since the onset of the COVID-19 pandemic, we reduced our brand spend and we may decide to continue to suppress our brand spend in the future depending on the continued impact of the COVID-19 pandemic. If consumers believe that we are not focused on providing them with a better automobile shopping experience, or if we fail to overcome brand marketing competition and maintain a differentiated value proposition in consumers' minds, our reputation and the strength of our brands may be adversely affected.

Complaints or negative publicity about our business practices and culture, our management team and employees, our marketing and advertising campaigns, our compliance with applicable laws and regulations, the integrity of the data that we provide to consumers, data privacy and security issues, and other aspects of our business, irrespective of their validity, could diminish consumers' and dealers' confidence and participation in our marketplaces and could adversely affect our brands. There can be no assurance that we will be able to maintain or enhance our brands, and failure to do so would harm our business growth prospects and operating results.

Portions of our platform enable consumers and dealers using our marketplaces to communicate with one another and other persons seeking information or advice on the internet. Claims of defamation or other injury could be made against us for content posted on our websites. In addition, negative publicity and user sentiment generated as a result of fraudulent or deceptive conduct by users of our marketplaces could damage our reputation, reduce our ability to attract new users or retain our current users, and diminish the value of our brands.

Our past growth is not indicative of our future growth, and our ability to grow our revenue in the future is uncertain due to the impact of the COVID-19 pandemic.

Our revenue decreased to $551.5 million for the year ended December 31, 2020 from $588.9 million for the year ended December 31, 2019, representing a 6% decrease between such periods – which we primarily attribute to the approximately $50 million impact of fee reductions that we provided to our paying dealers during the second quarter of 2020 in response to the COVID-19 pandemic – and increased to $588.9 million for the year ended December 31, 2019 from $454.1 million for the year ended December 31, 2018, representing a 30% increase between such periods. Our revenue in 2021 and beyond may continue to be impacted by the COVID-19 pandemic. In addition, we will not be able to grow as expected, or at all, if we fail to: increase the number of consumers using our marketplaces; maintain and expand the number of dealers that subscribe to our marketplaces and maintain and increase the fees that they are paying; attract and retain advertisers placing advertisements in our marketplaces; further improve the quality of our marketplaces and introduce high quality new products; and increase the number of connections between consumers and dealers using our marketplaces and connections to paying dealers, in particular. If our revenue declines further or fails to grow, investors' perceptions of our business may be adversely affected, and the market price of our Class A common stock could decline.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances. If we are unable to generate sufficient cash flows or if capital is not available to us, our business, operating results, financial condition, and prospects could be adversely affected.

If we are unable to generate sufficient cash flows, we would require additional capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances, including the effects of the COVID-19 pandemic, as well as to make marketing expenditures to improve our brand awareness, develop new products, further improve our platform and existing products, 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. Volatility in the credit markets, particularly as a result of the COVID-19 pandemic, may also have an adverse effect on our ability to obtain debt financing. 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.

Our international operations involve risks that may differ from, or are in addition to, our domestic operational risks.

While we ceased operations of our marketplaces in Germany, Italy and Spain and stopped development of emerging marketplaces, we continue to operate marketplaces in the United Kingdom and Canada, which are less familiar competitive environments and involve various risks, including the need to invest significant resources and the likelihood that returns on such investments will not be achieved for several years, or possibly at all. We expect to continue to incur losses in the United Kingdom and Canada, and face various other challenges.

For example, in the United Kingdom and Canada, we were not the first market entrant, and our competitors may be more established or otherwise better positioned than we are to succeed. Our competitors may offer services to dealers that make dealers dependent on them, such as hosting dealers' websites and providing inventory feeds for dealers, which would make it difficult to attract dealers to our marketplaces. Dealers may also be parties to agreements with other dealers and syndicates that prevent them from being able to access our marketplaces. Any of these barriers could impede our operations in our international markets, which could affect our business and potential growth.

In addition to English, we have made portions of our marketplaces available in French and Spanish. We may have difficulty in modifying our technology and content for use in non-English-speaking market segments or gaining acceptance by users in non-English-speaking market segments. Our ability to manage our business and conduct our operations internationally requires considerable management attention and resources, and is subject to the particular challenges of supporting a business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute resolution systems, and commercial infrastructures. Operating internationally may subject us to different risks or increase our exposure in connection with current risks, including risks associated with: recruiting, managing and retaining qualified multilingual employees, including sales personnel; adapting our websites and mobile applications to conform to local consumer behavior; increased competition from local websites and mobile applications and potential preferences by local populations for local providers; compliance with applicable foreign laws and regulations, including different privacy, censorship, and liability standards and regulations, and different intellectual property laws; providing solutions in different languages and for different cultures, which may require that we modify our solutions and features so they are culturally relevant in different countries; the enforceability of our intellectual property rights; credit risk and higher levels of payment fraud; compliance with anti-bribery laws, including compliance with the Foreign Corrupt Practices Act and the United Kingdom Bribery Act; currency exchange rate fluctuations; adverse changes in trade relationships among foreign countries and/or between the United States and such countries, including as related to the United Kingdom's exit from the European Union, or the EU, commonly referred to as "Brexit"; double taxation of our international earnings and potentially adverse tax consequences arising from the tax laws of the United States or the foreign jurisdictions in which we operate; and higher costs of doing business internationally.

Dealer closures or consolidations could reduce demand for our products, which may decrease our revenue.

In the past, the number of United States dealers has declined due to dealership closures and consolidations as a result of factors such as global economic downturns and we expect this has occurred and will continue to occur as a result of the COVID-19 pandemic. When dealers consolidate, the services they previously purchased separately are often purchased by the combined entity in a lesser quantity or for a lower aggregate price than before, leading to volume compression and loss of revenue. Further dealership consolidations or closures could reduce the aggregate demand for our products and services. If dealership closures and consolidations occur in the future, our business, financial position and results of operations could be materially and adversely affected.

We depend on key personnel to operate our business, and if we are unable to retain, attract and integrate qualified personnel, or if we experience turnover of our key personnel, our ability to develop and successfully grow our business could be materially and adversely affected.

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, and we may become less competitive in attracting and retaining employees as a result of our expense reduction efforts due to the COVID-19 pandemic. In addition, any unplanned turnover or our failure to develop an adequate succession plan for any of our executive officers or key employees, or the reduction in their involvement in the management of our business, 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 relationships with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. 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 or retaining and motivating existing employees, our business could be materially and adversely affected.

In January 2021, we announced the promotion of Jason Trevisan from Chief Financial Officer and President, International to the role of Chief Executive Officer, and the transition of Langley Steinert from Chief Executive Officer to Executive Chairman. Additionally, Scot Fredo, our former Senior Vice President, Financial Planning & Analysis, was appointed to succeed Jason Trevisan in the role of Chief Financial Officer. We may face risks related to these and other transitions in our leadership team, including the disruption of our operations and the depletion of our institutional knowledge base.

We may be subject to disputes regarding the accuracy of Instant Market Values, Deal Ratings, Dealer Ratings, New Car Price Guidance and other features of our marketplaces.

We provide consumers using our CarGurus marketplaces with our proprietary IMV, Deal Ratings, and Dealer Ratings, as well as other features to help them evaluate vehicle listings, including price guidance for new car listings, or New Car Price Guidance. Our valuation models depend on the inventory listed on our sites as well as public information regarding automotive sales. If the inventory on our site declines significantly, or if the number of automotive sales declines significantly or used car sales prices become volatile, whether as a result of the COVID-19 pandemic or otherwise, our valuation models may not perform as expected. Revisions to or errors in our automated valuation models, or the algorithms that underlie them, may cause the IMV, the Deal Rating, New Car Price Guidance, or other features to vary from our expectations regarding the accuracy of these tools. In addition, from time to time, regulators, consumers, dealers and other industry participants may question or disagree with our IMV, Deal Rating, Dealer Rating or New Car Price Guidance. Any such questions or disagreements could result in distraction from our business or potentially harm our reputation, could result in a decline in consumers' use of our marketplaces and could result in legal disputes.

We are subject to a complex framework of laws and regulations, 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, may become, or may be viewed by regulators from time to time as subject, directly or indirectly, to United States federal, state and local laws and regulations, and to foreign laws and regulations.

Local Motor Vehicle Sales, Advertising and Brokering, and Consumer Protection Laws

The advertising and sale of new and used motor vehicles is highly regulated by the jurisdictions in which we do business. Although we do not sell motor vehicles, and although we believe that vehicle listings on our sites are not themselves advertisements, regulatory authorities or third parties could take the position that some of the laws or regulations applicable to dealers or to the manner in which motor vehicles are advertised and sold generally are directly applicable to our business. These advertising laws and regulations are frequently subject to multiple interpretations and are not uniform from jurisdiction to jurisdiction, sometimes imposing inconsistent requirements with respect to new or used motor vehicles. If our marketplaces and related products are determined to not comply with relevant regulatory requirements, we or dealers could be subject to civil and criminal penalties, including fines, or the award of significant damages in class actions or other civil litigation, as well as orders interfering with our ability to continue providing our marketplaces and related products and services in certain jurisdictions. 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 paying dealers, which would affect our future growth.

If regulators or other third parties take the position that our marketplaces or related products violate applicable brokering, bird-dog, consumer protection, consumer finance 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 marketplaces and related products in certain jurisdictions, or could require us to make adjustments to our marketplaces and related products or the manner in which we derive revenue from dealers using our platform, any or all of which could result in substantial adverse publicity, termination of subscriptions by dealers, decreased revenues, distraction for our employees, increased expenses, and decreased profitability.

Federal Laws and Regulations

The United States Federal Trade Commission, or the FTC, has the authority to take actions to remedy or prevent acts or 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, including our advertising and privacy practices, constitutes an unfair or deceptive act or practice, responding to such allegations could require us to defend our practices and pay significant damages, settlements, and civil penalties, or could require us to make adjustments to our marketplaces and related products and services, any or all of which could result in substantial adverse publicity, distraction for our employees, loss of participating dealers, lost revenues, increased expenses, and decreased profitability.

Our platforms enable us, dealers, and users to send and receive text messages and other mobile phone communications. The TCPA, as interpreted and implemented by the FCC and federal and state courts, impose significant restrictions on utilization of telephone calls and text messages to residential and mobile telephone numbers as a means of communication, particularly if the prior express consent of the person being contacted has not been obtained. Violations of the TCPA may be enforced by the FCC, by state attorneys general, or by others through litigation, including class actions. Furthermore, several provisions of the TCPA, as well as applicable rules and orders, are open to multiple interpretations, and compliance may involve fact-specific analyses.

Any failure by us, or the third parties on which we rely, to adhere to, or successfully implement, appropriate processes and procedures in response to existing or future laws and regulations could result in legal and monetary liability, fines and penalties, or damage to our reputation in the marketplace, any of which could have a material adverse effect on our business, financial condition, and results of operations. Even if the claims are meritless, we may be required to expend resources and pay costs to defend against regulatory actions or third-party claims. Additionally, any change to applicable laws or their interpretations that further restricts the way consumers and dealers interact through our platforms, or any governmental or private enforcement actions related thereto, could adversely affect our ability to attract customers and could harm our business, financial condition, results of operations, and cash flows.

Antitrust and Other Laws

Antitrust and competition laws prohibit, among other things, any joint conduct among competitors that would lessen competition in the marketplace. 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 could harm our business, results of operations, financial condition, and cash flows.

Claims could be made against us under both United States and foreign laws, including claims for defamation, libel, invasion of privacy, false advertising, intellectual property infringement, or claims based on other theories related to the nature and content of the materials disseminated by our marketplaces and on portions of our websites. Our defense against any of these actions could be costly and involve significant time and attention of our management and other resources. If we become liable for information transmitted in our marketplaces, we could be directly harmed and we may be forced to implement new measures to reduce our exposure to this liability.

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. We are, and we will continue to be, exposed to legal and regulatory risks including with respect to privacy, tax, law enforcement, content, intellectual property, competition, and other matters. The enactment of new laws and regulations or the interpretation of existing laws and regulations, both domestically and internationally, 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 subscribing dealers, lost revenues, increased expenses, and decreased profitability. Further, investigations by governmental agencies, including the FTC, into allegedly anticompetitive, unfair, deceptive or other business practices by us or dealers using our marketplaces, could cause us to incur additional expenses and, if adversely concluded, could result in substantial civil or criminal penalties and significant legal liability, or orders requiring us to make adjustments to our marketplaces and related products and services.

Our business is subject to risks related to the larger automotive industry ecosystem, which could have a material adverse effect on our business, revenue, results of operations, and financial condition.

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 and we believe that we have entered such a period as a result of the COVID-19 pandemic. 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 effects of the COVID-19 pandemic, the cost of energy and gasoline; the availability and cost of credit; rising interest rates; reductions in business and consumer confidence; stock market volatility; and increased unemployment.

Further, in recent years the market for motor vehicles has experienced rapid changes in technology and consumer demands. Self-driving technology, ride sharing, transportation networks, and other fundamental changes in transportation including those arising as a result of the COVID-19 pandemic could impact consumer demand for the purchase of automobiles. A reduction in the number of automobiles purchased by consumers could adversely affect dealers and car manufacturers and lead to a reduction in other spending by these groups, including targeted incentive programs.

In addition, our business may be negatively affected by challenges to the larger automotive industry ecosystem, including global supply chain challenges, changes to trade policies, including tariff rates and customs duties, trade relations between the United States and China and other macroeconomic issues, including the ongoing effects of the COVID-19 pandemic. These factors could have a material adverse effect on our business, revenue, results of operations, and financial condition.

Making decisions that we believe are in the best interests of our marketplaces may cause us to forgo short-term gains in pursuit of potential but uncertain long-term growth.

In the past, we have forgone, and we will in the future continue to forgo, certain expansion or short-term revenue opportunities that we do not believe are in the long-term best interests of our marketplaces, even if such decisions negatively impact our results of operations in the short term. For example, during select monthly service periods in 2020 we provided paying dealers with marketplace subscriptions at no cost or at a discount in an effort to help our paying dealers maintain their business health during the COVID-19 pandemic. However, such strategies may not result in the long-term benefits that we expect, in which case our user traffic and engagement, business, and financial results could be harmed.

A significant disruption in service on our websites or mobile applications could damage our reputation and result in a loss of consumers, which could harm our business, brands, operating results, and financial condition.

Our brands, reputation, and ability to attract consumers, dealers, and advertisers depend on the reliable performance of our technology infrastructure and content delivery. We have experienced, and we may in the future experience, interruptions with our systems. Interruptions in these systems, whether due to system failures, computer viruses, ransomware, physical or electronic break-ins, or otherwise, could affect the security or availability of our marketplaces on our websites and mobile applications, and prevent or inhibit the ability of dealers and consumers to access our marketplaces. For example, past disruptions have impacted our ability to activate customer accounts and manage our billing activities in a timely manner. Such interruptions could also result in third parties accessing our confidential and proprietary information, including our intellectual property. Problems with the reliability or security of our systems could harm our reputation, harm our ability to protect our confidential and proprietary information, result in a loss of consumers and dealers, and result in additional costs.

Substantially all of the communications, network, and computer hardware used to operate our platforms is located in the United States near Boston, Massachusetts, and internationally near each of London, England and Dublin, Ireland. Although we can host our CarGurus' marketplace from two alternative locations in the United States and we believe our systems are redundant, there may be exceptions for certain hardware or software. In addition, we do not own or control the operation of these facilities. We also use third-party hosting services to back up some data but do not maintain redundant systems or facilities for some of the services. A disruption to one or more of these systems may cause us to experience an extended period of system unavailability, which could negatively impact our relationship with consumers, customers and advertisers. 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. In addition, we may not have sufficient protection or recovery plans in certain circumstances.

Problems faced by our third-party web hosting providers could adversely affect the experience consumers have while using our marketplaces. Our third-party web hosting providers could close their facilities without adequate notice. Any financial difficulties, up to and including bankruptcy, faced by our third-party web hosting providers or any of the service providers whose services they use, which may be exacerbated as a result of the COVID-19 pandemic, may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party web hosting providers are unable to keep up with our 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 marketplaces as well as delays and additional expense in arranging new facilities and services and could harm our reputation, business, operating results, and financial condition. Although we carry insurance, it may not be sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business, that may result from interruptions in our service as a result of system failures.

We collect, process, store, transfer, share, disclose, and use consumer information and other data, and our actual or perceived failure to protect such information and data or respect users' privacy could damage our reputation and brands and harm our business and operating results.

Some functions of our marketplaces involve the storage and transmission of consumers' information, such as IP addresses, contact information of users who connect with dealers and profile information of users who create accounts on our marketplaces, as well as dealers' information. We also process and store personal and confidential information of our vendors, partners, and employees. Some of this information may be private, and security breaches could expose us to a risk of loss or exposure of this information, which could result in potential liability, litigation, and remediation costs. For example, hackers could steal our users' profile passwords, names, email addresses, phone numbers, and other personal information. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of such information. Like all information systems and technology, our websites, mobile applications, and information systems are subject to computer viruses, break-ins, phishing attacks, attempts to overload the systems with denial-of-service or other attacks, ransomware, and similar incidents or disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays, or website shutdowns, and could cause loss of critical data and the unauthorized disclosure,

access, acquisition, alteration, and use of personal or other confidential information. If we experience compromises to our security that result in website or mobile application performance or availability problems, the complete shutdown of our websites or mobile applications, or the loss or unauthorized disclosure, access, acquisition, alteration, or use of confidential information, consumers, customers, advertisers, partners, vendors, and employees may lose trust and confidence in us, and consumers may decrease the use of our websites or stop using our websites entirely, dealers may stop or decrease their subscriptions with us, and advertisers may decrease or stop advertising on our websites.

Further, outside parties have attempted and will likely continue to attempt to fraudulently induce employees, consumers, or advertisers to disclose sensitive information in order to gain access to our information or our consumers', dealers', advertisers', and employees' information. As cyber-attacks increase in frequency and sophistication, our cyber-security and business continuity plans may not be effective in anticipating, preventing and effectively responding to all potential cyber-risk exposures. In addition, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until after having been launched against a target, and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures.

Any or all of the issues above could adversely affect our brand reputation, negatively impact our ability to attract new consumers and increase engagement by existing consumers, cause existing consumers to curtail or stop use of our marketplaces or close their accounts, cause existing dealers and advertisers to cancel their contracts, cause employees to terminate their employment, cause employment candidates to be unwilling to pursue employment opportunities or accept employment offers, and or subject us to governmental or third-party lawsuits, investigations, regulatory fines, or other actions or liability, thereby harming our business, results of operations, and financial condition.

There are numerous federal, national, state, and local laws and regulations in the United States and around the world regarding privacy and the collection, processing, storage, sharing, disclosure, use, cross-border transfer, and protection of personal information and other data. These laws and regulations are evolving, are subject to differing interpretations, may be costly to comply with, may result in regulatory fines or penalties, may subject us to third-party lawsuits, may be inconsistent between countries and jurisdictions, and may conflict with other requirements.

We seek to comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties, as well as all applicable laws and regulations relating to privacy and data protection. However, it is possible that these obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices and that new regulations could be enacted. Several proposals have recently become effective or are pending, as applicable, before federal, state, local, and foreign legislative and regulatory bodies that could significantly affect our business, including the General Data Protection Regulation in the EU, or the GDPR, which went into effect on May 25, 2018, the California Consumer Privacy Act, or the CCPA, which went into effect on January 1, 2020, and the California Privacy Rights Act, or the CPRA, which goes into effect January 1, 2023. The GDPR and CCPA in particular have already required, and along with the CPRA, may further require, us to change our policies and procedures and may in the future require us to make changes to our marketplaces and other products. These and other requirements could reduce demand for our marketplaces and other offerings, require us to take on more onerous obligations in our contracts and restrict our ability to store, transfer, and process data, which may seriously harm our business. Similarly, Brexit and the *Schrems II* decision of the Court of Justice of the EU may require us to change our policies and procedures and, if we are not in compliance, may also seriously harm our business. We may not be entirely successful in our efforts to comply with the evolving regulations to which we are subject due to various factors within our control, such as limited internal resource allocation, or outside our control, such as a lack of vendor cooperation, new regulatory interpretations, or lack of regulatory guidance in respect of certain GDPR, CCPA, or CPRA requirements.

Any failure or perceived failure by us to comply with United States and international data protection laws and regulations, our privacy policies, or our privacy-related obligations to consumers, customers, employees and other third parties, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which could include personal information or other user data, may result in governmental investigations, enforcement actions, regulatory fines, litigation, criminal penalties, or public statements against us by consumer advocacy groups or others, and could cause consumers and dealers to lose trust in us, which could significantly impact our brand reputation and have an adverse effect on our business. Additionally, if any third party that we share information with experiences a security breach or fails to comply with its privacy-related legal obligations or commitments to us, such matters may put employee, consumer or dealer information at risk and could in turn expose us to claims for damages or regulatory fines or penalties and harm our reputation, business, and operating results.

Our ability to attract consumers to our own websites and to provide certain services to our customers depends on the collection of consumer data from various sources, which may be restricted by consumer choice, privacy restrictions, and developments in laws, regulations and industry standards.

The success of our consumer marketing and the delivery of internet advertisements for our customers depends on our ability to leverage data, including data that we collect from our customers, data we receive from our publisher partners and third parties, and data from our operations. Using cookies and non-cookie-based technologies, such as mobile advertising identifiers, we collect information about the interactions of users with our customers' and publishers' digital properties (including, for example, information about the placement of advertisements and users' shopping or other interactions with our customers' websites or advertisements). Our ability to successfully leverage such data depends on our continued ability to access and use such data, which could be restricted by a number of factors, including: increasing consumer adoption of "do not track" mechanisms as a result of legislation including GDPR, CCPA, and CPRA; privacy restrictions imposed by web browser developers, advertising partners or other software developers that impair our ability to understand the preferences of consumers by limiting the use of third-party cookies or other tracking technologies or data indicating or predicting consumer preferences; and new developments in, or new interpretations of, privacy laws, regulations and industry standards.

Each of these developments could materially impact our ability to collect consumer data and deliver relevant internet advertisements to attract consumers to our websites or to deliver targeted advertising for our advertising customers. If we are unsuccessful in evolving our advertising and marketing strategies to adapt to and mitigate these evolving consumer data limitations, our business results could be materially impacted.

We have been, and may again be, subject to intellectual property disputes, which are costly to defend and could harm our business and operating results.

We have been and expect in the future to be subject to claims and litigation alleging that we infringe others' intellectual property rights, including the trademarks, copyrights, patents, and other intellectual property rights of third parties, including from our competitors or non-practicing entities. We may also learn of possible infringement to our trademarks, copyrights, patents, and other intellectual property. In addition, we could be subject to lawsuits where consumers and dealers posting content on our websites disseminate materials that infringe the intellectual property rights of third parties.

Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may result in significant settlement costs or payment of substantial damages. Many potential litigants, including patent holding companies, have the ability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Furthermore, a successful claimant could secure a judgment that requires us to stop offering some features or prevents us from conducting our business as we have historically done or may desire to do in the future. We might also be required to seek a license and pay royalties for the use of such intellectual property, which may not be available on commercially acceptable terms, or at all. Alternatively, we may be required to modify our marketplaces and features while we develop non-infringing substitutes, which could require significant effort and expense and may ultimately not be successful.

In addition, we use open source software in our platform and will use open source software in the future. From time to time, we may face claims from 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 product, technology, and development resources to change our platforms 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.

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 as we deem appropriate. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our platform's features, software, and functionality or obtain and use information that we consider proprietary.

Competitors may adopt trademarks or trade 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 our trademarks. We have registered the CARGURUS and CG logos, as well as the word-mark CARGURUS, in the U.S., Canada and the United Kingdom.

We currently hold the "CarGurus.com" internet domain name and various other related domain names relating to our brands. The regulation of domain names 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 names of our brands. In addition, third parties have created and may in the future create copycat or squatter domains to deceive consumers, which could harm our brands, interfere with our ability to register domain names, and result in additional costs.

We may be unable to halt the operations of websites that aggregate or misappropriate our data.

From time to time, third parties may misappropriate our data through website scraping, robots, or other means and aggregate this data with data from other sources. In addition, copycat websites may misappropriate data in our marketplaces and attempt to imitate our brands or the functionality of our websites. If we become aware of such activities, we intend to employ technological or legal measures in an attempt to halt their operations. However, we may be unable to detect and remedy all such activities in a timely manner. In some cases, our available remedies may not be adequate to protect us against the impact of such operations. Regardless of whether we can successfully enforce our rights against these third parties, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations, and financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brands and business could be harmed.

Seasonality and other factors may cause fluctuations in our operating results and our marketing spend.

Across the retail automotive industry, consumer purchases are typically greatest in the first three quarters of each year, due in part to the introduction of new vehicle models from manufacturers and the seasonal nature of consumer spending, and our consumer-marketing spend generally fluctuates accordingly. As consumer automotive purchases slow in the fourth quarter, our rate of marketing spend typically also slows. This seasonality has not been immediately apparent historically due to the overall growth of other operating expenses. In addition, reduction of our marketing spend in response to COVID-19-related expense management and shifts in demand from dealers and consumers could impact the efficiency of our marketing spend. For example, a larger portion of our advertising may run during peak holiday seasonality for retail advertisers, inflating our media costs. As our growth rates moderate or cease, the impact of these seasonality trends and other influences on our results of operations could become more pronounced.

Failure to deal effectively with fraud or other illegal activity could lead to potential legal liability, harm our business, cause us to lose paying dealer customers and adversely affect our reputation, financial performance and prospects for growth.

Based on the nature of our business we are exposed to potential fraudulent and illegal activity in our marketplaces, including: listings of automobiles that are not owned by the purported dealer or that the dealer has no intention of selling at the listed price; receipt of fraudulent leads that we may send to our dealers; and deceptive practices in our peer-to-peer marketplace. The measures we have in place to detect and limit the occurrence of such fraudulent and illegal activity in our marketplaces may not always be effective or account for all types of fraudulent or other illegal activity. Further, the measures that we use to detect and limit the occurrence of fraudulent and illegal activity must be dynamic, as technologies and ways to commit fraud and illegal activity are continually evolving. Failure to limit the impact of fraudulent and illegal activity on our websites could lead to potential legal liability, harm our business, cause us to lose paying dealer customers and adversely affect our reputation, financial performance and prospects for growth.

Risks Related to Our Class A Common Stock

Our founder controls a majority of the voting power of our outstanding capital stock, and, therefore, has control over key decision-making and could control our actions in a manner that conflicts with the interests of other stockholders.

Primarily by virtue of his holdings in shares of our Class B common stock, which has a ten-to-one voting ratio compared to our Class A common stock, Langley Steinert, our founder, Chairman of the Board and Executive Chairman, is able to exercise voting rights with respect to a majority of the voting power of our outstanding capital stock and therefore has the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A

common stock, which might harm the trading price of our Class A common stock. In addition, Mr. Steinert has significant influence in the management and major strategic investments of our company as a result of his positions as Executive Chairman, and his ability to control the election or replacement of our directors. As Chairman of the Board and our Executive Chairman, Mr. Steinert owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. If Mr. Steinert's status as an officer and a director is terminated, his fiduciary duties to our stockholders will also terminate, but his voting power as a stockholder will not be reduced as a result of such termination unless such termination is either made voluntarily by Mr. Steinert or due to Mr. Steinert's death, or if the sum of the number of shares of our capital stock held by Mr. Steinert, by any Family Member of Mr. Steinert, and by any Permitted Entity of Mr. Steinert (as such terms are defined in our amended and restated certificate of incorporation), assuming the exercise and settlement in full of all outstanding options and convertible securities and calculated on an as-converted to Class A common stock basis, is less than 9,091,484 shares. As a stockholder, even a controlling stockholder, Mr. Steinert is entitled to vote his shares in his own interests, which may not always be aligned with the interests of our other stockholders.

We believe that Mr. Steinert's continued control of a majority of the voting power of our outstanding capital stock is beneficial to us and is in the best interests of our stockholders. In the event that Mr. Steinert no longer controls a majority of the voting power, whether as a result of the disposition of some or all his shares of Class A or Class B common stock, the conversion of the Class B common stock into Class A common stock in accordance with its terms, or otherwise, our business or the trading price of our Class A common stock may be adversely affected.

The multiple class structure of our common stock has the effect of concentrating voting control with our founder and certain other holders of our Class B common stock, which will limit or preclude the ability of our stockholders to influence corporate matters.

Our Class B common stock has ten votes per share and our Class A common stock has one vote per share. Our founder and certain of his affiliates hold a substantial number of the outstanding shares of our Class B common stock and therefore hold a substantial majority of the voting power of our outstanding capital stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our common stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude the ability of our other stockholders to influence corporate matters for the foreseeable future.

Transfers by holders of Class B common stock will generally result in those shares converting into Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of Class B common stock into Class A common stock has had and will continue to have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain such shares. If, for example, Mr. Steinert retains a significant portion of his holdings of Class B common stock, he could continue to control a majority of the combined voting power of our outstanding capital stock.

The trading price of our Class A common stock has been and may continue to be volatile and the value of our stockholders' investment in our stock could decline.

The trading price of our Class A common stock has been and may continue to be volatile and fluctuate substantially. The trading price of our Class A 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. Factors that could cause fluctuations in the trading price of our Class A common stock include the following: changes in the operating performance and stock market valuations of other technology companies generally, or those in our industry in particular; sales of shares of our Class A common stock by us or our stockholders; adverse changes to recommendations regarding our stock by securities analysts that cover us; 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 issuances of earnings guidance or other public announcements and filing; real or perceived inaccuracies in our key metrics; actions of an activist stockholder; actual or anticipated changes in our operating results or fluctuations in our operating results or developments in our business, our competitors' businesses, or the competitive landscape generally; litigation involving us or investigations by regulators into our operations or those of our competitors; developments or disputes concerning our 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, or guidelines; any significant change in our management; changes in the automobile industry; and general economic conditions, including as related to the COVID-19 pandemic.

Our status as a "controlled company" could make our Class A common stock less attractive to some investors or otherwise harm the trading price of our Class A common stock.

More than 50% of our voting power is held by Mr. Steinert. As a result, we are a "controlled company" under the corporate governance rules for Nasdaq-listed companies and may elect not to comply with certain Nasdaq corporate governance requirements. We rely and have relied on certain or all of these exemptions. Accordingly, should the interests of our controlling stockholder differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for Nasdaq-listed companies. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

General Risk Factors

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, car-shopping information, lead generation, marketing, and car-buying services designed to help consumers shop for cars and to enable dealers to reach these consumers. Our competitors include online automotive marketplaces and websites, internet search engines, digital marketing providers, peer to peer marketplaces, sites operated by automobile dealers, and online dealerships. We compete with these and other companies for a share of dealers' overall marketing budget for online and offline media marketing spend and we compete with these and other companies in attracting consumers to our websites. To the extent that dealers view alternative marketing and media strategies to be superior to our marketplaces, we may not be able to maintain or grow the number of dealers subscribing to, and advertising on, our marketplaces, and our business and financial results may be adversely affected. We also expect that new competitors will continue to enter the online automotive retail industry with competing marketplaces, products, and services, and that existing competitors will expand to offer competing products or services, which could have an adverse effect on our business and financial results.

Our competitors could significantly impede our ability to expand the number of dealers using our marketplaces or could offer discounts that could significantly impede our ability to maintain our pricing structure. Our competitors may also develop and market new technologies that render our existing or future platforms and associated products less competitive, unmarketable, or obsolete. In addition, if our competitors develop platforms with similar or superior functionality to ours, or if our web traffic declines, we may need to decrease our subscription and advertising fees. If we are unable to maintain our current pricing structure due to competitive pressures, our revenue would likely be reduced and our financial results would be negatively affected.

Our existing and potential competitors may have significantly more financial, technical, marketing, and other resources than we have, which may allow them to offer more competitive pricing and the ability to devote greater resources to the development, promotion, and support of their marketplaces, products, and services. They may also have more extensive automotive industry relationships than we have, longer operating histories, and greater name recognition. In addition, these competitors may be able to respond more quickly with technological advances and to undertake more extensive marketing or promotional campaigns than we can. To the extent that any competitor has existing relationships with dealers or auto manufacturers for marketing or data analytics solutions, those dealers and auto manufacturers may be unwilling to partner with us. If we are unable to compete with these competitors, the demand for our marketplaces and related products and services could substantially decline.

We rely on third-party service providers and strategic partners for many aspects of our business, and any failure to maintain these relationships or to successfully integrate certain third-party platforms could harm our business.

Our success depends upon our relationships with third parties, including, among others, our payment processor, our data center hosts, our information technology providers and our data providers for inventory and vehicle information. If these third parties experience difficulty meeting our requirements or standards, have adverse audit results, violate the terms of our agreements or applicable law, fail to obtain or maintain applicable licenses, or if the relationships we have established with such third parties expire or otherwise terminate, it could make it difficult for us to operate some aspects of our business, which could damage our business and reputation. In addition, if such third-party service providers or strategic partners were to cease operations, temporarily or permanently, face financial distress or other business disruptions, increase their fees, or if our relationships with these providers or partners deteriorate or terminate, whether as a result of the COVID-19 pandemic or otherwise, we could suffer increased costs and we may be unable to provide consumers with content or provide similar services until an equivalent provider could be found or we could develop replacement technology or operations. In addition, if we are unsuccessful in identifying or finding high-quality partners, if we fail to negotiate cost-effective relationships with them, or if we ineffectively manage these relationships, it could have an adverse impact on our business and financial results.

Our enterprise systems require that we integrate the platforms hosted by certain third-party service providers. We are responsible for integrating these platforms and updating them to maintain proper functionality. Issues with these integrations, our failure to properly update third-party platforms or any interruptions to our internal enterprise systems could harm our business by causing delays in our ability to quote, activate service and bill new and existing customers on our platform.

We must maintain proper and effective internal controls over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our Class A common stock.

We are required, pursuant to Section 404 and the related rules adopted by the SEC, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. During the evaluation and testing process, if we identify and fail to remediate one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective.

In addition, our independent registered public accounting firm must attest to the effectiveness of our internal control over financial reporting under Section 404. Our independent registered public accounting firm may issue a report that is adverse to us in the event it is not satisfied with the level at which our controls are documented, designed or operating. We may not be able to remediate any future material weaknesses, or to complete our evaluation, testing and required remediation in a timely fashion. We are also required to disclose significant changes made to our internal control procedures on a quarterly basis. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts.

Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to assert that our internal control over financial reporting is effective or our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting when it is required to issue such opinion, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could decline, and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities.

We expect our results of operations to fluctuate on a quarterly and annual basis.

Our revenue and results of operations could vary significantly from period to period and may fail to match expectations as a result of a variety of factors, some of which are outside of our control, including the effects of the COVID-19 pandemic. Our results may vary as a result of fluctuations in the number of dealers subscribing to our marketplaces and the size and seasonal variability of our advertisers' marketing budgets. As a result of the potential variations in our revenue and results of operations, period-to-period comparisons may not be meaningful and the results of any one period should not be relied on as an indication of future performance. In addition, our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect the trading price of our Class A common stock.

We could be subject to adverse changes in tax laws, regulations and interpretations, plus challenges to our tax positions.

We are subject to taxation in the United States and certain other jurisdictions in which we operate. Changes in applicable tax laws or regulations may be proposed or enacted that could materially and adversely affect our effective tax rate, tax payments, results of operations, financial condition and cash flows. In addition, tax laws and regulations are complex and subject to varying interpretations. There is also uncertainty over sales tax liability as a result of the U.S. Supreme Court's decision in *South Dakota v. Wayfair, Inc.*, which could precipitate reactions by legislators, regulators and courts that could adversely increase our tax administrative costs and tax risk, and negatively affect our overall business, results of operations, financial condition and cash flows. We are also regularly subject to audits by tax authorities. For example, we are currently under federal employment tax audit for tax years 2016 – 2018; New York State sales and uses tax audit for tax years 2014 – 2020 and Ohio State commercial activity tax audit for tax years 2013 – 2019. Any adverse development or outcome in connection with these tax audits, and any other audits or litigation, could materially and adversely impact our effective tax rate, tax payments, results of operations, financial condition and cash flows.

Confidentiality agreements may not adequately prevent disclosure of our trade secrets and other proprietary information.

In order to protect our technologies and processes, we rely in part on confidentiality agreements with our employees, independent contractors, and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. To the extent that our employees, contractors, or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights to related or resulting know-how and inventions. In addition, any changes in, or unexpected interpretations of, intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection of our trade secrets or other proprietary information could harm our business, results of operations, reputation, and competitive position.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We do not own any real property. Our principal executive offices are located in Cambridge, Massachusetts where we lease a total of approximately 185,064 square feet of space in various parcels in three buildings. We also lease office space in Dublin, Ireland and San Francisco, California for our European and Autolist operations, respectively. We believe that our current facilities are suitable and adequate to meet our current needs. We believe that suitable additional space or substitute space will be available in the future to accommodate our operations as needed. In January 2021, CarOffer, LLC, our majority-owned subsidiary, entered into a sublease for office space at 15601 Dallas Parkway in Addison, Texas, which we expect CarOffer to occupy in March 2021 for its operations. In 2019, we entered into a lease for office space at 1001 Boylston Street in Boston, Massachusetts, which we expect to occupy in 2023.

Item 3. Legal Proceedings.

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently subject to any pending or threatened litigation that we believe, if determined adversely to us, individually, or taken together, would reasonably be expected to have a material adverse effect on our business or financial results.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Common Stock

Our Class A common stock has been listed on the Nasdaq Global Select Market under the symbol "CARG" since October 12, 2017. Prior to that date, there was no public trading market for our Class A common stock. Our initial public offering, or IPO, was priced at $16.00 per share on October 11, 2017.

On February 10, 2021, the last reported sale price of our Class A common stock on the Nasdaq Global Select Market was $35.61 per share.

Holders

As of February 4, 2021, we had 34 holders of record of our Class A common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. The number of holders of record does not include stockholders whose shares may be held in trust by other entities.

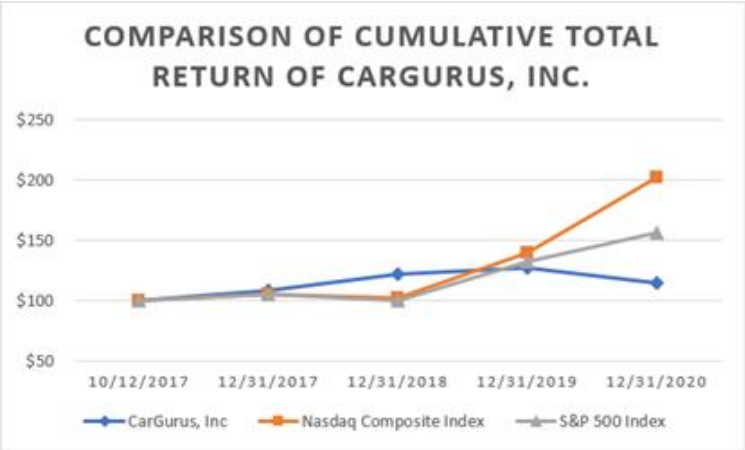
Dividends

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain future earnings to fund development and growth of our business, and we do not anticipate paying cash dividends in the foreseeable future.

Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise be subject to the liabilities under that section, and shall not be deemed to be incorporated by reference into any filing of CarGurus, Inc. under the Exchange Act or the Securities Act of 1933, as amended.

The following graph shows a comparison from October 12, 2017 (the date our Class A common stock commenced trading on the Nasdaq Global Select Market) through December 31, 2020 of the cumulative total return for our Class A common stock, the Nasdaq Composite Index and the S&P 500 Index. All values assume a $100 initial cash investment and data for the Nasdaq Composite Index and the S&P 500 Index assume reinvestment of dividends, if any. Such returns are based on historical results and are not intended to suggest future performance.



	10/12/2017	12/31/2017	12/31/2018	12/31/2019	12/31/2020
CARG	100	109	122	128	115
S&P 500 Index	100	105	101	132	157
Nasdaq Computer Index	100	105	102	139	202

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities

None.

Item 6. Selected Consolidated Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this report. Some of the information contained in this discussion and analysis or elsewhere in this report, including information with respect to our plans and strategy for our business and our performance and future success, includes forward-looking statements that involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements." You should review the "Risk Factors" section of this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

In this discussion, we use financial measures that are considered non-GAAP financial measures under Securities and Exchange Commission rules. These rules regarding non-GAAP financial measures require supplemental explanation and reconciliation, which are included elsewhere in this Annual Report on Form 10-K. Investors should not consider non-GAAP financial measures in isolation from or in substitution for, financial information presented in compliance with United States generally accepted accounting principles, or GAAP.

This section of this Annual Report on Form 10-K discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Company Overview

CarGurus is a global, online automotive marketplace connecting buyers and sellers of new and used cars. Using proprietary technology, search algorithms, and innovative data analytics, we believe we are building the world's most trusted and transparent automotive marketplace and creating a differentiated automotive search experience for consumers. Our trusted marketplace empowers consumers with unbiased third-party validation on pricing and dealer reputation as well as other information that aids them in finding "Great Deals from Top-Rated Dealers."

We are headquartered in Cambridge, Massachusetts and were incorporated in the State of Delaware on June 26, 2015. We operate principally in the United States. In addition to the United States, we operate online marketplaces under the CarGurus brand in Canada and the United Kingdom. We also operated online marketplaces in Germany, Italy, and Spain until we ceased the operations of each of these marketplaces in the second quarter of 2020. In the United States and the United Kingdom, we also operate the Autolist and PistonHeads online marketplaces, respectively, as independent brands. We have subsidiaries in the United States, Canada, Ireland, and the United Kingdom. Additionally, we have two reportable segments, United States and International. See Note 14 of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information on our segment reporting and geographical information.

We generate marketplace subscription revenue from dealers primarily through Listings and Dealer Display subscriptions, and advertising and other revenue from automobile manufacturers and other auto-related brand advertisers as well as partnerships with financing services companies. We generated revenue of $551.5 million in 2020 and $588.9 million in 2019, representing a year-over-year decrease of 6%.

In 2020, we generated net income of $77.6 million and our Adjusted EBITDA was $160.8 million, compared to a net income of $42.1 million and Adjusted EBITDA of $77.0 million in 2019. See "Adjusted EBITDA" below for more information regarding our use of Adjusted EBITDA, a non-GAAP financial measure, and a reconciliation of Adjusted EBITDA to our net income.

COVID-19 Update

In December 2019, a novel strain of coronavirus, now referred to as COVID-19, surfaced and in 2020 was declared a pandemic by the World Health Organization after spreading globally. This pandemic has caused an international health crisis and resulted in significant disruptions to the global economy as well as businesses and capital markets around the world.

The COVID-19 pandemic and its adverse effects have become widespread in the locations where we, and our customers, suppliers and third-party business partners conduct business and as a result, we have experienced disruptions in our operations. For example, in March 2020, we closed all of our offices (including our corporate headquarters) and began requiring our employees to work remotely until further notice. In addition, in an effort to limit the spread of COVID-19, many countries, as well as states and localities in the United States, implemented or mandated and continue to implement or mandate significant restrictions on travel and commerce, shelter-in-place or stay-at-home orders, and business closures. Many

of these orders resulted in restrictions on the ability of consumers to buy and sell automobiles by restricting operations at dealerships and/or by closing or reducing the services provided by certain service providers upon which dealerships rely. In addition, these restrictions and continued concern about the spread of the disease have impacted car shopping by consumers and disrupted the operations of car dealerships, which has adversely affected the market for automobile purchases. While consumer demand has improved since the initial impact of the COVID-19 pandemic, the automotive industry is experiencing, and may continue to experience, inventory supply problems, especially resulting from wholesale used-car auction closures and escalating auction prices, which have adversely affected the level of used-car inventory held by our paying dealers and displayed on our websites.

As a result of the travel and commerce restrictions and the impact on their businesses, for periods during the year ended December 31, 2020 a number of our dealer customers temporarily closed or operated on a reduced capacity, and many dealerships remain temporarily closed, continue to operate on a reduced capacity, and/or otherwise face significant financial challenges. Such closures and circumstances led some paying dealers to cancel their subscriptions and/or reduce their spending with us, which has had and may continue to have a material adverse effect on our revenues and our business. We also experienced an increase in account delinquencies from dealer customers challenged by the COVID-19 pandemic that failed to pay us on time or at all.

Further, because of the significant financial challenges that dealerships have faced and continue to face as a result of the COVID-19 pandemic, we took measures to help our paying dealers maintain their business health during the COVID-19 pandemic. We proactively reduced the subscription fees for paying dealers by at least 50% on all marketplace subscriptions for the April and May 2020 service periods, as well as provided a fee reduction on all June 2020 marketplace subscriptions of 20% for paying dealers in the United States and Canada and 50% for paying dealers in the United Kingdom. These fee reductions resulted in a modification to contracts with initial contractual periods greater than one month. For any contract modified, we calculated the remaining transaction price and allocated the consideration over the remaining performance obligations. These fee reductions materially and adversely impacted revenue for the year ended December 31, 2020, resulting in an approximately $50 million decrease in marketplace subscription revenue. During the December 2020 and February 2021 service periods, we also suspended charging subscription fees for subscribing dealers in the United Kingdom. These fee reductions did not materially impact revenue for the year ended December 31, 2020 and are not expected to materially impact revenue for the year ending December 31, 2021. We continue to monitor and assess the effects of the COVID-19 pandemic on our paying dealers and may in the future take additional measures to help our paying dealers maintain their business health during the COVID-19 pandemic.

These effects from the COVID-19 pandemic on our revenue caused us to implement certain cost-savings measures across our business. For example, during the second quarter of 2020, we initiated a cost-savings initiative that included a reduction in our workforce of approximately 13%, restricted future hiring, and limited discretionary spend across our business, including by eliminating, reducing or pausing certain vendor relationships and ceasing certain international operations and expansion efforts. In particular, we ceased marketplace operations in Germany, Italy, and Spain, and halted any new international expansion efforts, which we believe allows us to focus our financial and human capital resources on our more established international markets in Canada and the United Kingdom. We also reduced consumer marketing across both algorithmic traffic acquisition and brand spend during the year ended December 31, 2020 in comparison to the year ended December 31, 2019 in an effort to reduce expenses and as a result of suppressed dealer inventory and the resulting reduced demand for leads by dealers.

In May 2020, cancellations by paying dealers began to stabilize, which we believe resulted from the resumption of consumer activity as well as the fee reductions that we provided to our customers. In July 2020, we returned to normal contractual billings in all markets until subscription fees were reduced again for the December 2020 and February 2021 service periods for paying dealers in the United Kingdom. Additionally, we increased our consumer marketing expenses as consumer activity increased and governments began to implement phased re-opening policies.

We continue to monitor and assess the effects of the COVID-19 pandemic on our commercial operations, including the future impact on our revenue. However, we cannot at this time accurately predict what effects these conditions will ultimately have on our future revenue and operations. See the “Risk Factors” section of this Annual Report on Form 10-K for further discussion of the impacts of the COVID-19 pandemic on our business.

Key Business Metrics

We regularly review a number of metrics, including the key metrics listed below, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make operating and strategic decisions. We believe it is important to evaluate these metrics for the United States and International segments. The

International segment derives revenues from marketplace subscriptions, advertising services, and other revenues from customers outside of the United States. International markets perform differently from the United States market due to a variety of factors, including our operating history in each market, our rate of investment, market size, market maturity, competition and other dynamics unique to each country.

Monthly Unique Users

For each of our websites, we define a monthly unique user as an individual who has visited any such website within a calendar month, based on data as measured by Google Analytics. We calculate average monthly unique users as the sum of the monthly unique users of each of our websites in a given period, divided by the number of months in that period. We count a unique user the first time a computer or mobile device with a unique device identifier accesses any of our websites during a calendar month. If an individual accesses a website using a different device within a given month, the first access by each such device is counted as a separate unique user. If an individual uses multiple browsers on a single device and/or clears their cookies and returns to our site within a calendar month, multiple users would be recorded. We view our average monthly unique users as a key indicator of the quality of our user experience, the effectiveness of our advertising and traffic acquisition, and the strength of our brand awareness. Measuring unique users is important to us and we believe it provides useful information to our investors because our marketplace subscription revenue depends, in part, on our ability to provide dealers with connections to our users and exposure to our marketplace audience. We define connections as interactions between consumers and dealers on our marketplace through phone calls, email, managed text and chat, and clicks to access the dealer's website or map directions to the dealership.

	Year Ended December 31,	
Average Monthly Unique Users	**2020**	**2019**
	(in thousands)	
United States	36,228 (1)	36,804
International	8,335	10,353
Total	44,563	47,157

(1) Includes users from the Autolist website.

Monthly Sessions

We define monthly sessions as the number of distinct visits to our websites that take place each month within a given time frame, as measured and defined by Google Analytics. We calculate average monthly sessions as the sum of the monthly sessions in a given period, divided by the number of months in that period. A session is defined as beginning with the first page view from a computer or mobile device and ending at the earliest of when a user closes their browser window, after 30 minutes of inactivity, or each night at midnight (i) Eastern Time for our United States and Canada websites, other than the Autolist website, (ii) Pacific Time for the Autolist website, (iii) Greenwich Mean Time for our U.K. websites, and (iv) Central European Time (or Central European Summer Time when daylight savings is observed) for our Germany, Italy, and Spain websites, which ceased operations in the second quarter of 2020. A session can be made up of multiple page views and visitor actions, such as performing a search, visiting vehicle detail pages, and connecting with a dealer. We believe that measuring the volume of sessions in a time period, when considered in conjunction with the number of unique users in that time period, is an important indicator to us of consumer satisfaction and engagement with our marketplace, and we believe it provides useful information to our investors because the more satisfied and engaged consumers we have, the more valuable our service is to dealers.

	Year Ended December 31,	
Average Monthly Sessions	**2020**	**2019**
	(in thousands)	
United States	90,909 (1)	99,412
International	19,326	24,955
Total	110,235	124,367

(1) Includes sessions from the Autolist website.

Number of Paying Dealers

We define a paying dealer as a dealer account with an active, paid marketplace subscription at the end of a defined period. The number of paying dealers we have is important to us and we believe it provides valuable information to investors because it is indicative of the value proposition of our marketplace products, as well as our sales and marketing success and opportunity, including our ability to retain paying dealers and develop new dealer relationships.

	As of December 31,		
Number of Paying Dealers	**2020**		**2019 (2)**
United States	23,934	(1)	26,289
International	6,697		7,329
Total	30,631		33,618

(1) Includes paying dealers from the Autolist website.

(2) In our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, filed with the SEC on August 6, 2020, we announced that we had modified our method for calculating paying dealers to align our data with an enterprise system upgrade, or the Internal System Upgrade, and had replaced our Average Annual Revenue per Subscribing Dealer key metric with Quarterly Average Revenue per Subscribing Dealer, or QARSD. As a result of the Internal System Upgrade, and to provide consistency in our year-to-year comparisons, we have recast our paying dealer calculation as of December 31, 2019 to reflect the updated calculation methodology.

Quarterly Average Revenue per Subscribing Dealer (QARSD)

W**e** define QARSD, which is measured at the end of a fiscal quarter, as the marketplace subscription revenue during that trailing quarter divided by the average number of paying dealers in that marketplace during the quarter. We calculate the average number of paying dealers for a period by adding the number of paying dealers at the end of such period and the end of the prior period and dividing by two. This information is important to us, and we believe it provides useful information to investors, because we believe that our ability to grow QARSD is an indicator of the value proposition of our products and the return on investment, or ROI, that our paying dealers realize from our products. In addition, increases in QARSD, which we believe reflect the value of exposure to our engaged audience in relation to subscription cost, are driven in part by our ability to grow the volume of connections to our users and the quality of those connections, which result in increased opportunity to upsell package levels and cross-sell additional products to our paying dealers.

	At December 31,	
Quarterly Average Revenue per Subscribing Dealer (QARSD)	**2020**	**2019**
United States	$ 5,304	$ 5,016
International	$ 1,060	$ 1,265
Consolidated	$ 4,382	$ 4,215

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we monitor and have presented within this Annual Report on Form 10-K Adjusted EBITDA, which is a non-GAAP financial measure. This non-GAAP financial measure is not based on any standardized methodology prescribed by United States generally accepted accounting principles, or GAAP, and is not necessarily comparable to similarly titled measures presented by other companies.

We define Adjusted EBITDA as net income, adjusted to exclude: depreciation and amortization, stock-based compensation expense, acquisition-related expenses, restructuring expenses, other income, net, and the provision for (benefit from) income taxes. We have presented Adjusted EBITDA within this Annual Report on Form 10-K because it is a key measure used by our management and board of directors to understand and evaluate our operating performance, generate future operating plans, and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating Adjusted EBITDA can produce a useful measure for period-to-period comparisons of our business.

We use Adjusted EBITDA to evaluate our operating performance and trends and make planning decisions. We believe Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision-making. In addition, we evaluate our Adjusted EBITDA in relation to our revenue. We refer to this as Adjusted EBITDA margin and define it as Adjusted EBITDA divided by total revenue.

Our Adjusted EBITDA is not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net income, which is the most directly comparable GAAP equivalent. Some of these limitations are:

- Adjusted EBITDA excludes depreciation and amortization expense and, although these are non-cash expenses, the assets being depreciated may have to be replaced in the future;
- Adjusted EBITDA excludes stock-based compensation expense, which will be, for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- Adjusted EBITDA excludes transactions and one-time acquisition-related expenses incurred by us during a reporting period, which may not be reflective of our operational performance during such period, for acquisitions that have been completed as of the filing date of our annual or quarterly report (as applicable) relating to such period;
- Adjusted EBITDA excludes restructuring expenses incurred by us during a reporting period, which may not be reflective of our operational performance during such period;
- Adjusted EBITDA excludes other income, net which primarily includes interest income earned on our cash, cash equivalents, and investments, sublease income and net foreign exchange gains and losses;
- Adjusted EBITDA excludes the provision for (benefit from) income taxes; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, we consider, and you should consider, Adjusted EBITDA together with other operating and financial performance measures presented in accordance with GAAP.

The following table presents a reconciliation of Adjusted EBITDA to net income, the most directly comparable measure calculated in accordance with GAAP, for each of the periods presented.

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Reconciliation of Adjusted EBITDA:		
Net income	$ 77,553	$ 42,146
Depreciation and amortization	11,342	7,817
Stock-based compensation expense	45,321	34,301
Acquisition-related expenses	2,906	549
Restructuring expenses (1)	3,514	—
Other income, net	(1,354)	(4,383)
Provision for (benefit from) income taxes	21,557	(3,441)
Adjusted EBITDA	$ 160,839	$ 76,989

(1) Excludes stock-based compensation expense of $753 for the year ended December 31, 2020 related to the expense reduction plan approved by our Board of Directors on April 13, 2020 to address the impact of the COVID-19 pandemic on our business, or the Expense Reduction Plan, as the amount is already included within the stock-based compensation line item in the Reconciliation of Adjusted EBITDA.

Components of Consolidated Income Statements

Revenue

We derive revenue from two sources: (1) marketplace subscription revenue, which consists primarily of Listings and Dealer Display subscriptions, and (2) advertising and other revenue, which consists primarily of display advertising revenue from auto manufacturers and other auto-related brand advertisers as well as partnerships with financing services companies.

Marketplace Subscription Revenue

We offer multiple types of marketplace Listings packages to our dealers through our CarGurus U.S. platform (availability varies on our other marketplaces): Restricted Listings (formerly referred to as Basic Listings), which is free; and various levels of Listings packages, which each require a paid subscription under a monthly, quarterly, semiannual, or annual subscription basis.

Our subscriptions for customers generally auto-renew on a monthly basis and are cancellable by dealers with 30 days' advance notice at the end of the committed term, although during the second quarter of 2020 we did not require 30 days' advance notice of termination from dealers who cancelled as a result of the COVID-19 pandemic. Subscription pricing is determined based on a dealer's inventory size, region, and our assessment of the connections and ROI the platform will provide them and is subject to discounts and/or fee reductions that we may offer from time to time. We also offer all dealers on our platform access to our Dealer Dashboard, which includes a performance summary, Dealer Insights tool, and user review management platform. Only dealers subscribing to a paid Listings package also have access to the Pricing Tool, Market Analysis tool and our IMV Scan tool.

In addition to displaying inventory in our marketplace and providing access to the Dealer Dashboard, we offer dealers subscribing to certain of our Listings packages other subscription advertising and customer acquisition products and enhancements, including Dealer Display, which is marketed under our Real-time Performance Marketing suite. With Dealer Display, dealers can buy display advertising that appears in our marketplace, on other sites on the internet and/or on Facebook, a highly converting social platform. Such advertisements can be targeted by the user's geography, search history, CarGurus website activity (including showing a consumer relevant vehicles from a dealer's inventory that the consumer has not yet discovered on our marketplace), and a number of other targeting factors, allowing dealers to increase their visibility with in-market consumers and drive qualified traffic for dealers.

We also offer paid Listings packages for the Autolist website and paid Listings and display products for the PistonHeads website.

As a result of the COVID-19 pandemic, we experienced a material adverse impact on our marketplace revenue as paying dealers cancelled their subscriptions with us (including, in some cases, with our permission prior to the end of the applicable contract term and notice period) and due to the fee reductions that we provided to customers for the April, May and June service periods in response to the COVID-19 pandemic, which resulted in reductions in the overall transaction price. In May 2020, cancellations by paying dealers began to stabilize, which we believe resulted from the resumption of consumer activity as well as the fee reductions that we provided to our customers. In July 2020, we returned to normal contractual billings in all markets until subscription fees were reduced again for the December 2020 and February 2021 service periods for paying dealers in the United Kingdom.

Advertising and Other Revenue

Advertising and other revenue consists primarily of non-dealer display advertising revenue from auto manufacturers and other auto-related brand advertisers sold on a cost per thousand impressions, or CPM, basis. An impression is an advertisement loaded on a web page. In addition to advertising sold on a CPM basis, we also have advertising sold on a cost per click basis. Auto manufacturers and other brand advertisers can execute advertising campaigns that are targeted across a wide variety of parameters, including demographic groups, behavioral characteristics, specific auto brands, categories such as Certified Pre-Owned, and segments such as hybrid vehicles.

Advertising and other revenue also includes revenue from partnerships with certain financing services companies pursuant to which we enable eligible consumers on our CarGurus U.S. website to pre-qualify for financing on cars from dealerships that offer financing through such companies. We primarily generate revenue from these partnerships based on the number of funded loans from consumers who pre-qualify with our lending partners through our site.

We also offer non-dealer display products for the Autolist and PistonHeads websites.

As a result of the COVID-19 pandemic, we experienced a material adverse impact on our advertising revenue as some advertisers cancelled or reduced their advertising with us (including, in certain cases, with our permission prior to the end of the applicable contract term). In May 2020, cancellations by advertising customers began to stabilize, which we believe resulted from the resumption of consumer activity.

In addition, a reduction in consumer visits to our sites during the COVID-19 pandemic resulted in the delivery of fewer impressions for our advertising customers than anticipated, which caused an adverse impact on our advertising revenue. This impact was partially offset by the increase in consumer visits over the remainder of the year to our sites as we increased our consumer marketing expenses in response to the recovery in consumer car shopping activity.

Revenue from partnerships with financing services companies was not adversely impacted by the COVID-19 pandemic.

For a description of our revenue accounting policies, see "— Critical Accounting Policies and Significant Estimates."

Cost of Revenue

Cost of revenue primarily consists of costs related to supporting and hosting our product offerings. These costs include salaries, benefits, incentive compensation, and stock-based compensation for our customer support team and third-party service provider costs such as data center and networking expenses, allocated overhead costs, depreciation expense associated with our property and equipment, and amortization of capitalized website development costs. We allocate overhead costs, such as rent and facility costs, information technology costs, and employee benefit costs, to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating expense category. Despite our implementation of the Expense Reduction Plan, we expect these expenses to increase as we continue to scale our business and introduce new products.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of personnel and related expenses for our sales and marketing team, including salaries, benefits, incentive compensation, commissions, stock-based compensation, and travel costs; costs associated with consumer marketing, such as traffic acquisition, brand building, and public relations activities; costs associated with dealer marketing, such as content marketing, customer and promotional events, and industry events; amortization of internal-use software; and allocated overhead costs. A portion of our commissions that are related to obtaining a new contract is capitalized and amortized over the estimated benefit period of customer relationships. All other sales and marketing costs are expensed as incurred. We expect sales and marketing expenses to fluctuate from quarter to quarter as we respond to the COVID-19 pandemic and changes in the competitive landscape affecting our consumer audience and brand awareness, which will impact our quarterly results of operations.

Product, Technology, and Development

Product, technology, and development expenses, which include research and development costs, consist primarily of personnel and related expenses for our development team, including salaries, benefits, incentive compensation, stock-based compensation and allocated overhead costs. Other than website development and internal-use software costs as well as other costs that qualify for capitalization, research and development costs are expensed as incurred. Despite our implementation of the Expense Reduction Plan, we expect product, technology, and development expenses to increase as we invest in additional engineering resourcing to develop new solutions and make improvements to our existing platform.

General and Administrative

General and administrative expenses consist primarily of personnel and related expenses for our executive, finance, legal, people & talent, and administrative teams, including salaries, benefits, incentive compensation, and stock-based compensation, in addition to the costs associated with professional fees for external legal, accounting and other consulting services, insurance premiums, payment processing and billing costs, and allocated overhead costs. General and administrative costs are expensed as the products and services are provided. Despite our implementation of the Expense Reduction Plan, we expect general and administrative expenses to increase as we continue to scale our business.

Depreciation and Amortization

Depreciation and amortization expenses consist of depreciation on property and equipment and amortization of intangible assets.

Other Income, Net

Other income, net consists primarily of interest income earned on our cash, cash equivalents, and investments, sublease income and net foreign exchange gains and losses.

Provision for (Benefit from) Income Taxes

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions in which we operate. We have recorded a provision for income taxes for the year ended December 31, 2020 as a result of our consolidated taxable income position and recognized a benefit from income taxes for the year ended December 31, 2019 as a result of stock-based compensation benefits recorded. We recognize deferred tax assets and liabilities based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. We regularly assess the need to record a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Our valuation allowances against our net deferred tax assets as of December 31, 2020 and 2019 were both immaterial.

Results of Operations

The following table sets forth our selected consolidated income statements data for each of the periods indicated. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,	
	2020	2019
	(dollars in thousands)	
Revenue:		
Marketplace subscription	$ 484,978	$ 526,043
Advertising and other	66,473	62,873
Total revenue	551,451	588,916
Cost of revenue	42,706	36,300
Gross profit	508,745	552,616
Operating expenses:		
Sales and marketing	256,979	393,844
Product, technology, and development	85,726	69,462
General and administrative	62,166	50,434
Depreciation and amortization	6,118	4,554
Total operating expenses	410,989	518,294
Income from operations	97,756	34,322
Other income, net:		
Interest income	1,075	2,984
Other income, net	279	1,399
Total other income, net	1,354	4,383
Income before income taxes	99,110	38,705
Provision for (benefit from) income taxes	21,557	(3,441)
Net income	$ 77,553	$ 42,146

	Year Ended December 31,	
	2020	2019
	(dollars in thousands)	
Additional Financial Data		
Revenue		
United States	$ 519,835	$ 555,007
International	31,616	33,909
Total	$ 551,451	$ 588,916
Income (Loss) from Operations		
United States	$ 120,836	$ 73,872
International	(23,080)	(39,550)
Total	$ 97,756	$ 34,322

The following table sets forth our selected consolidated income statements data as a percentage of revenue for each of the periods indicated.

	Year Ended December 31,	
	2020	2019
Revenue:		
Marketplace subscription	88%	89%
Advertising and other	12	11
Total revenue	100%	100%
Cost of revenue	8	6
Gross profit	92	94
Operating expenses:		
Sales and marketing	47	67
Product, technology, and development	16	12
General and administrative	11	9
Depreciation and amortization	1	1
Total operating expenses	75	88
Income from operations	18	6
Other income, net:		
Interest income	0	1
Other income, net	0	0
Total other income, net	0	1
Income before income taxes	18	7
Provision for (benefit from) income taxes	4	(1)
Net income	14%	7%

	Year Ended December 31,	
	2020	2019
Additional Financial Data		
Revenue		
United States	94%	94%
International	6	6
Total	100%	100%
Income (Loss) from Operations		
United States	22%	13%
International	(4)	(7)
Total	18%	6%

Note amounts in tables above may not sum due to rounding.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Revenue by Source

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Revenue				
Marketplace subscription	$ 484,978	$ 526,043	$ (41,065)	(8)%
Advertising and other	66,473	62,873	3,600	6
Total	$ 551,451	$ 588,916	$ (37,465)	(6)%
Percentage of total revenue:				
Marketplace subscription	88%	89%		
Advertising and other	12	11		
Total	100%	100%		

Overall revenue decreased $37.5 million, or 6%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. Marketplace subscription revenue decreased by 8% and advertising and other revenue increased by 6%.

Marketplace subscription revenue decreased $41.1 million in the year ended December 31, 2020 compared to the year ended December 31, 2019 and represented 88% of total revenue for the year ended December 31, 2020 and 89% of total revenue for the year ended December 31, 2019. This decrease in marketplace subscription revenue was attributable primarily to the approximately $50 million impact of fee reductions that we provided to our paying dealers during the second quarter of 2020 in response to the COVID-19 pandemic. Of the approximately $50 million in billing concessions, approximately $47 million resulted in revenue reductions during the second quarter of 2020, with the remaining impact spread over the life of the contract term. We also provided fee reductions to paying dealers for the December 2020 and February 2021 service periods. These fee reductions resulted in reductions in the overall transaction price. The decrease in marketplace subscription revenue was also attributable to a 9% decrease in the number of United States and International paying dealers, to 30,631 as of December 31, 2020 from 33,618 as of December 31, 2019 as paying dealers cancelled their subscriptions with us (including, in some cases, with our permission prior to the end of the applicable contract term and notice period) primarily as a result of the impact of the COVID-19 pandemic.

Advertising and other revenue increased $3.6 million in the year ended December 31, 2020 compared to the year ended December 31, 2019 and represented 12% of total revenue for the year ended December 31, 2020 and 11% of total revenue for the year ended December 31, 2019. The increase was due primarily to a $7.4 million increase in other revenue primarily due to revenue from partnerships with financing services companies. The increase in advertising and other revenue was offset by a $3.8 million decrease in advertising revenue as some advertisers cancelled or reduced their advertising with us (including, in some cases, with our permission prior to the end of the applicable contract term) primarily as a result of the impact of the COVID-19 pandemic.

Revenue by Segment

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Revenue				
United States	$ 519,835	$ 555,007	$ (35,172)	(6)%
International	31,616	33,909	(2,293)	(7)
Total	$ 551,451	$ 588,916	$ (37,465)	(6)%
Percentage of total revenue:				
United States	94%	94%		
International	6	6		
Total	100%	100%		

United States revenue decreased $35.2 million, or 6%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. This decrease in United States revenue was attributable primarily to the approximately $47 million impact of fee reductions that we provided to our paying dealers during the second quarter of 2020 in response to the COVID-19 pandemic. These fee reductions resulted in reductions in the overall transaction price. The decrease in United States revenue was also attributable to a 9% decrease in United States paying dealers as paying dealers cancelled their subscriptions with us (including, in certain cases, with our permission prior to the end of the applicable contract term and notice period) primarily as a result of the impact of the COVID-19 pandemic. This decrease was offset in part by the increase in United States revenue from partnerships with financing services companies of $7.7 million.

International revenue decreased $2.3 million, or 7%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. This decrease in international revenue was attributable primarily to the approximately $3 million impact of fee reductions that we provided to our paying dealers during the second quarter of 2020 in response to the COVID-19 pandemic. We also provided fee reductions to paying dealers for the December 2020 and February 2021 service periods. These fee reductions resulted in reductions in the overall transaction price. The decrease in international revenue was also attributable to a 9% decrease in the number of International paying dealers as paying dealers cancelled their subscriptions with us (including, in certain cases, with our permission prior to the end of the applicable contract term and notice period) primarily as a result of the impact of the COVID-19 pandemic.

Cost of Revenue

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Cost of revenue	$ 42,706	$ 36,300	$ 6,406	18%
Percentage of total revenue	8%	6%		

Cost of revenue increased $6.4 million, or 18%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was due primarily to a $3.1 million increase in fees related to provisioning advertising campaigns on our websites, a $2.0 million increase in data center and hosting costs, a $1.7 million increase in amortization due to the write-off of international websites in connection with the Expense Reduction Plan and amortization of website development costs, and a $1.6 million increase primarily related to a reduction of vendor rebates. These increases were offset in part by a $1.8 million decrease in salaries and employee-related costs due to a 31% decrease in average headcount primarily in connection with the Expense Reduction Plan. The increase for the year ended December 31, 2020 is inclusive of cost of revenue associated with Autolist of $0.9 million.

Operating Expenses

Sales and Marketing Expenses

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Sales and marketing	$ 256,979	$ 393,844	$ (136,865)	(35)%
Percentage of total revenue	47%	67%		

Sales and marketing expenses decreased $136.9 million, or 35%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease was due primarily to a $131.6 million decrease in advertising costs, a $2.3 million decrease in travel related expenses, a $2.2 million decrease in consulting and recruiting expenses, a $2.0 million decrease in employee expenses due to employees working remotely, and a $1.5 million decrease in marketing costs related to events and vendor expenses. These decreases were offset in part by a $1.5 million increase in employee severance and related benefits expense due to the Expense Reduction Plan and a $1.0 million increase in rent costs due to additional office space at 55 Cambridge Parkway, in Cambridge, Massachusetts.

Product, Technology, and Development Expenses

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Product, technology, and development	$ 85,726	$ 69,462	$ 16,264	23%
Percentage of total revenue	16%	12%		

Product, technology, and development expenses increased $16.3 million, or 23%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was due primarily to a $11.1 million increase in salaries and employee-related costs, exclusive of stock-based compensation expense, which increased $5.6 million. The increase in salaries and employee-related costs and stock-based compensation expense was due primarily to a 19% increase in average headcount to support our growth plans and product innovations. The increase in product, technology, and development expenses for the year ended December 31, 2020 was also due in part to a $2.1 million increase in rent costs due to additional office space at 55 Cambridge Parkway, in Cambridge, Massachusetts. These increases were offset in part by a, $1.1 million decrease in employee expenses due to employees working remotely, $0.5 million decrease in consulting and recruiting expenses, a decrease of $0.4 million in travel expenses, and a decrease in other product, technology, and development expenses as a result of the Expense Reduction Plan. The increase for the year ended December 31, 2020 is inclusive of product, technology, and development expenses associated with the integration and development of Autolist technology of $5.3 million.

General and Administrative Expenses

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
General and administrative	$ 62,166	$ 50,434	$ 11,732	23%
Percentage of total revenue	11%	9%		

General and administrative expenses increased $11.7 million, or 23%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was due primarily to a $2.6 million increase in salaries and employee-related costs, exclusive of stock-based compensation expense, which increased $4.9 million. The increase in salaries and employee-related costs and stock-based compensation expense was due primarily to a 5% increase in average headcount to support our expanded operations as we continue to grow our business. The increase in general and administrative expenses was also due in part to a $2.4 million increase in tax payments, a $1.1 million increase in legal expenses primarily due to acquisition-related expenses and a $1.0 million increase in insurance expenses. The increase for the year ended December 31, 2020 was offset in part by a decrease in various general and administrative expenses as a result of cost-savings efforts we implemented in response to the COVID-19 pandemic. The increase for the year ended December 31, 2020 is inclusive of general and administrative expenses associated with Autolist of $2.1 million.

Depreciation and Amortization Expenses

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Depreciation and amortization	$ 6,118	$ 4,554	$ 1,564	34%
Percentage of total revenue	1%	1%		

Depreciation and amortization expenses increased $1.6 million, or 34%, in the year ended December 31, 2020 compared to the year ended December 31, 2019, due primarily to an increase in amortization of intangible assets related to the acquired intangible assets from Autolist and an increase in depreciation related to the leasehold improvements associated with additional office space leased at 55 Cambridge Parkway in Cambridge, Massachusetts.

Other Income, net

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Other income, net				
Interest income	$ 1,075	$ 2,984	$ (1,909)	(64)%
Other income	279	1,399	(1,120)	(80)
Total other income, net	$ 1,354	$ 4,383	$ (3,029)	(69)%
Percentage of total revenue:				
Interest income	0%	1%		
Other income	0	0		
Total other income, net	0%	1%		

Other income, net decreased $3.0 million, or 69%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. The $1.9 million decrease in interest income was due primarily to lower investments in and return on certificates of deposit during the year ended December 31, 2020. The $1.1 million decrease in other income, net was primarily due to a $0.9 million decrease in a foreign currency gain. In the year ended December 31, 2019, we had a foreign currency gain associated with an intercompany receivable related to the acquisition of PistonHeads.

Provision for (Benefit From) Income Taxes

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Provision for (benefit from) income taxes	$ 21,557	$ (3,441)	$ (24,998)	NM
Percentage of total revenue	4%	(1)%		

The difference in provision for (benefit from) income taxes recorded during the years ended December 31, 2020 and 2019, was principally due to lower income before income taxes for the year ended December 31, 2019 and $10.9 million excess stock-based compensation benefits recorded during the year ended December 31, 2019, as compared to the higher income before income taxes for the year ended December 31, 2020, offset by benefits generated under the Coronavirus Aid, Relief, and Economic Security Act.

Income (Loss) from Operations by Segment

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
United States	$ 120,836	$ 73,872	$ 46,964	64%
International	(23,080)	(39,550)	16,470	42
Total	$ 97,756	$ 34,322	$ 63,434	185%
Percentage of segment revenue:				
United States	23%	13%		
International	(73)%	(117)%		

United States income from operations increased $47.0 million, or 64%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was due to decreases in operating expenses of $88.4 million related to cost savings efforts in connection with the COVID-19 pandemic, offset by decreases in revenue of $35.2 million and increases cost of revenue of $6.2 million.

International loss from operations decreased $16.5 million, or 42% in the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease was due to decreases in operating expenses of $18.9 million due to ceasing of operations in certain markets and cost savings related to the Expense Reduction Plan, offset by decreases in revenue of $2.3 million and increases in cost of revenue of $0.1 million.

Liquidity and Capital Resources

Cash, Cash Equivalents and Investments

At December 31, 2020 and 2019, our principal sources of liquidity were cash and cash equivalents of $190.3 million and $59.9 million, respectively, and investments in certificates of deposit with terms of greater than 90 days but less than one year of $100.0 million and $111.7 million, respectively.

Sources and Uses of Cash

Our cash flows from operating, investing, and financing activities, as reflected in the consolidated statements of cash flows, are summarized in the following table:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Net cash provided by operating activities	$ 156,743	$ 70,116
Net cash used in investing activities	(16,895)	(22,257)
Net cash used in financing activities	(10,085)	(14,693)
Impact of foreign currency on cash	440	(1)
Net increase in cash, cash equivalents, and restricted cash	$ 130,203	$ 33,165

Our operations have been financed primarily from operating activities. We generated cash from operating activities of $156.7 million during 2020 and $70.1 million during 2019.

We believe that our existing sources of liquidity will be sufficient to fund our operations for at least the next 12 months from the date of the filing of this Annual Report on Form 10-K. During the second quarter of 2020 in connection with the COVID-19 pandemic, we implemented the Expense Reduction Plan, pursuant to which we reduced our workforce, ceased operation of certain international marketplaces, halted expansion efforts in any new international markets, and implemented targeted reductions in sales and marketing expenses, including across both algorithmic traffic acquisition and brand spend, and discretionary operating expenses. Our future capital requirements will depend on many factors, including the further impact of the COVID-19 pandemic, our revenue, costs associated with our sales and marketing activities and the support of our product, technology, and development efforts, our investments in international markets, and the timing and extent of our cost savings related to the Expense Reduction Plan. Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic and other risks detailed in the "Risk Factors" section of this Annual Report on Form 10-K.

To the extent that existing cash, cash equivalents, and investments and cash from operations are insufficient to fund our future activities, we may need to raise additional funds through a public or private equity or debt financing. Additional funds may not be available on terms favorable to us, or at all, including due to increased volatility in the capital markets attributable to the COVID-19 pandemic.

Operating Activities

Cash provided by operating activities of $156.7 million during 2020 was due primarily to net income of $77.6 million, adjusted for $45.1 million of stock-based compensation expense, $22.2 million of deferred taxes, $11.6 million of amortization of deferred contract costs, $11.3 million of depreciation and amortization and $1.9 million of provision for doubtful accounts. Cash provided by operating activities was also attributable to a $7.5 million increase in accrued expenses, accrued income taxes, and other liabilities, a $3.9 million decrease in accounts receivable, and a $3.5 million decrease in prepaid expenses, prepaid income taxes, and other assets. The increases in cash flow from operations were partially offset by a $15.1 million decrease in accounts payable, and a $11.4 million increase in deferred contract costs.

Cash provided by operating activities of $70.1 million during 2019 was due primarily to net income of $42.1 million, adjusted for $34.3 million of stock-based compensation expense, $8.4 million of amortization of deferred contract costs and $7.8 million of depreciation and amortization, partially offset by $3.7 million of deferred taxes. Cash provided by operating activities was also attributable to a $4.3 million increase in accounts payable, a $2.8 million increase in accrued expenses, accrued income taxes, and other liabilities and a $1.2 million increase in deferred revenue, partially offset by a $16.0 million increase in deferred contract costs, a $9.6 million increase in accounts receivable, and a $1.5 million decrease in lease obligations.

Investing Activities

Cash used in investing activities of $16.9 million during 2020 was due to $21.1 million of acquisition cash payments, net of cash acquired, $4.6 million related to the capitalization of website development costs, and $3.0 million of purchases of property and equipment, offset in part by $111.7 million of maturities in certificates of deposit, net of investments in certificates of deposit of $100.0 million.

Cash used in investing activities of $22.3 million during 2019 was due to $19.1 million of acquisition cash payments, $11.2 million of purchases of property and equipment and $3.0 million related to the capitalization of website development costs. This was offset by $188.9 million of maturities of certificates of deposit, net of investments in certificates of deposit of $177.8 million.

Financing Activities

Cash used in financing activities of $10.1 million during 2020 was due primarily to the payment of withholding taxes on net share settlements of restricted stock units of $11.2 million, partially offset by $1.1 million related to the proceeds from the issuance of common stock related to the exercise of vested stock options.

Cash used in financing activities of $14.7 million during 2019 was due primarily to the payment of withholding taxes and option costs on net share settlements of restricted stock units and stock options of $16.5 million, partially offset by $1.8 million related to the proceeds from the exercise of stock options.

Contractual Obligations and Known Future Cash Requirements

Contractual Obligations and Commitments

We do not have any debt or material finance obligations as of December 31, 2020. All of our property, equipment, and internal-use software have been purchased with cash, with the exception of amounts related to unpaid property and equipment and internal-use software as disclosed in the consolidated statements of cash flows and immaterial amounts related to obligations under one finance lease as of December 31, 2020. We have no material long-term purchase obligations outstanding with any vendors or third parties.

Leases

Our primary operating lease obligations consist of various leases for office space in: Boston, Massachusetts; Cambridge, Massachusetts; San Francisco, California; and Dublin, Ireland. We also have an operating lease obligation for data center space in Needham, Massachusetts.

Our leases have various lease terms expected to continue through 2038. The terms of our Massachusetts and San Francisco lease agreements provide for rental payments that increase on an annual basis. The leases in Boston, Massachusetts and Cambridge, Massachusetts have associated letters of credit, which are recorded as restricted cash within the consolidated balance sheet. At December 31, 2020 and 2019, restricted cash was $10,627 and $10,803, respectively, and primarily related to cash held at a financial institution in an interest-bearing cash account as collateral for the letters of credit related to the contractual provisions for the Company's building leases. At December 31, 2020 and 2019, portions of restricted cash were classified as short-term assets and long-term assets.

On January 25, 2021, the Company entered into a lease for approximately 61,826 square feet of office space in Addison, Texas. Details of this acquisition are more fully described in Note 16 of our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Set forth below is information concerning our known contractual obligations at December 31, 2020 that are fixed and determinable.

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in thousands)		
Operating lease obligations	$ 342,559	$ 14,424	$ 28,892	$ 45,118	$ 254,125
Total contractual obligations	$ 342,559	$ 14,424	$ 28,892	$ 45,118	$ 254,125

The table above includes leases signed but not yet commenced as of December 31, 2020 and is based on expected commencement dates.

Acquisitions

On January 14, 2021 we completed the acquisition of a 51% interest in CarOffer, LLC, an automated instant vehicle trade platform based in Plano, Texas. Details of this acquisition are more fully described in Note 16 of our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

As of December 31, 2020 and 2019, we did not have any off-balance sheet arrangements or leases that are less than twelve months in duration, that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Significant Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Although we regularly assess these estimates, actual results could differ materially from these estimates. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. Changes in estimates are recorded in the period in which they become known.

Significant estimates relied upon in preparing the consolidated financial statements include the determination of sales allowance and variable consideration in our revenue recognition, allowance for doubtful accounts, the expensing and capitalization of product, technology, and development costs for website development and internal-use software, the valuation and recoverability of goodwill and intangible assets and other long-lived assets, the recoverability of our net deferred tax assets and related valuation allowance and stock-based compensation. Accordingly, we consider these to be our critical accounting policies, and believe that of our significant accounting policies, which are described in Note 2 to the notes to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K, these involve a greater degree of judgment and complexity.

Revenue Recognition

Sources of Revenue

We derive revenue from two sources: (1) marketplace subscription revenue, which consists primarily of Listings and Dealer Display subscriptions, and (2) advertising and other revenue, which consists primarily of display advertising revenue from auto manufacturers and other auto-related brand advertisers as well as partnerships with financing services companies.

Marketplace Subscription Revenue

We offer multiple types of marketplace Listings packages to our dealers through our CarGurus U.S. platform (availability varies on our other marketplaces): Restricted Listings (formerly referred to as Basic Listings), which is free; and various levels of Listings packages, which each require a paid subscription under a monthly, quarterly, semiannual, or annual subscription basis.

Our subscriptions for customers generally auto-renew on a monthly basis and are cancellable by dealers with 30 days' advance notice at the end of the committed term, although during the second quarter of 2020 we did not require 30 days' advance notice of termination from dealers who cancelled as a result of the COVID-19 pandemic. Subscription pricing is determined based on a dealer's inventory size, region, and our assessment of the connections and ROI the platform will provide them and is subject to discounts and/or fee reductions that we may offer from time to time. We also offer all dealers on our platform access to our Dealer Dashboard, which includes a performance summary, Dealer Insights tool, and user review management platform. Only dealers subscribing to a paid Listings package also have access to the Pricing Tool, Market Analysis tool and our IMV Scan tool.

Dealer customers do not have the right to take possession of our software.

In addition to displaying inventory in our marketplace and providing access to the Dealer Dashboard, we offer dealers subscribing to certain of our Listings packages other subscription advertising and customer acquisition products and enhancements, including Dealer Display, which is marketed under our Real-time Performance Marketing suite. With Dealer Display, dealers can buy display advertising that appears in our marketplace, on other sites on the internet and/or on Facebook, a highly converting social media platform. Such advertisements can be targeted by the user's geography, search history, CarGurus website activity (including showing a consumer relevant vehicles from a dealer's inventory that the consumer has not yet discovered on our marketplace), and a number of other targeting factors, allowing dealers to increase their visibility with in-market consumers and drive qualified traffic for dealers.

Payment is typically due on first day of each calendar month and is recorded as accounts receivable or short-term deferred revenue when payment is received in advance of services being delivered to the customers.

We also offer paid Listings packages for the Autolist website and paid Listings and display products for the PistonHeads website.

Advertising and Other Revenue

Advertising and other revenue consists primarily of non-dealer display advertising revenue from auto manufacturers and other auto-related brand advertisers sold on a cost per thousand impressions, or CPM, basis. An impression is an advertisement loaded on a web page. In addition to advertising sold on a CPM basis, we also have advertising sold on a cost per click basis. Auto manufacturers and other brand advertisers can execute advertising campaigns that are targeted across a wide variety of parameters, including demographic groups, behavioral characteristics, specific auto brands, categories such as Certified Pre-Owned, and segments such as hybrid vehicles. We do not provide minimum impression guarantees or other types of minimum guarantees in our contracts with customers. Pricing is primarily based on advertisement size and position on our websites and mobile applications, and fees are billed monthly in arrears. Unbilled accounts receivable relate to services rendered in the current period, but generally not invoiced until the subsequent period.

We sell advertising directly to auto manufacturers and other auto related brand advertisers, as well as indirectly through revenue sharing arrangements with advertising exchange partners. Company-sold advertising is not subject to revenue sharing arrangements. Company-sold advertising revenue is recognized based on the gross amount charged to the advertiser. Partner-sold advertising revenue is recognized based on the net amount of revenue received from the content partners.

Revenue from advertising sold directly by us is recorded on a gross basis because we are the principal in the arrangement, control the ad placement and timing of the campaign, and establish the selling price. We enter into contractual arrangements directly with advertisers and are directly responsible for the fulfillment of the contractual terms including any remedy for issues with such fulfillment.

Advertising revenue subject to revenue sharing agreements between us and advertising exchange partners is recognized based on the net amount of revenue received from the partner. The advertising partner is responsible for fulfillment, including the acceptability of the services delivered. In partner-sold advertising arrangements, the advertising partner has a direct contractual relationship with the advertiser. There is no contractual relationship between us and the advertiser for partner-sold transactions. When an advertising exchange partner sells advertisements, the partner is responsible for fulfilling the advertisements, and accordingly, we have determined the advertising partner is the principal in the arrangement. Additionally, for auction-based partner agreements, we have latitude in establishing the floor price, but the final price established by the exchange server is at market rates.

Customers are billed monthly in arrears and payment terms are generally thirty to sixty days from the date invoiced.

Advertising and other revenue also includes revenue from partnerships with certain financing services companies pursuant to which we enable eligible consumers on our CarGurus U.S. website to pre-qualify for financing on cars from dealerships that offer financing through such companies. We primarily generate revenue from these partnerships based on the number of funded loans from consumers who pre-qualify with our lending partners through our site.

We also offer non-dealer display products for the Autolist and PistonHeads websites.

Revenue Recognition

Accounting Standards Codifications, or ASC, Topic 606, Revenue from Contracts with Customers, or ASC 606, outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, we apply the following five steps:

1) *Identify the contract with a customer*
2) *Identify the performance obligations in the contract*
3) *Determine the transaction price*
4) *Allocate the transaction price to performance obligations in the contract*
5) *Recognize revenue when or as we satisfy a performance obligation*

Marketplace Subscription Revenue

For dealer listings, we provide a single similar service each day for a period of time. Each time increment (i.e., one day), rather than the underlying activities, is distinct and substantially the same and therefore our performance obligation is to provide a series of daily activities over the contract term. Similar to the dealer listings, the dealer display advertising is considered a promise to provide a single similar service each day. Each time increment is distinct and substantially the same and therefore our performance obligation is to provide a series of daily activities over the contract term.

Total consideration for marketplace subscription revenue is stated within the contracts. There are no contractual cash refund rights, but credits may be issued to a customer at our sole discretion. At the portfolio level, there is also variable consideration, that needs to be included in the transaction price. Variable consideration consists of sales allowances, usage fees, and concessions that change the transaction price of the unsatisfied or partially unsatisfied performance obligation. We recognize that there are times when there is a customer satisfaction issue or other circumstance that will lead to a credit. Due to the known possibility of future credits, a monthly sales allowance review is performed to defer revenue at a portfolio level for such future adjustments in the period of incurrence. We establish sales allowances at the time of revenue recognition based on our history of adjustments and credits provided to our customers. In assessing the adequacy of the sales allowance, we evaluate our history of adjustments and credits made through the date of the issuance of the financial statements. Estimated sales adjustments, credits and losses may vary from actual results which could lead to material adjustments to the financial statements. Sales allowances are recorded as a reduction to revenue in the consolidated income statements.

Performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefit of the service. Revenue is recognized ratably over the subscription period beginning on the date we start providing services to the customer under the contract. Revenue is presented net of any taxes collected from customers.

Advertising and Other Revenue

For advertising revenue, the performance obligation is to publish the agreed upon campaign on our websites and load the related impressions.

Advertising contracts state the transaction price within the agreement with payment being based on the number of clicks or impressions delivered on our websites. Total consideration is based on output and deemed variable consideration constrained by an agreed upon delivery schedule. Additionally, there are generally no contractual cash refund rights. Certain contracts do contain the right for credits in situations in which impressions are not displayed in compliance with contractual specifications. At an individual contract level, we may give a credit for a customer satisfaction issue or other circumstance. Due to the known possibility of future credits, a monthly review is performed to defer revenue at an individual contract level for such future adjustments in the period of incurrence.

As consideration is driven by the number of impressions delivered on our websites, the consideration for each period is allocated to the period in which the service was rendered.

Performance obligations for company-sold advertising revenue and partner-sold advertising revenue are satisfied over time as impressions are delivered. Revenue is recognized based on the total number of impressions delivered within the specified period. Revenue from advertising sold directly by us is recognized based on the gross amount charged to the advertiser and advertising revenue sold by partners is recognized based on the net amount of revenue received from the content partners. Revenue is presented net of any taxes collected from customers.

Other revenue includes revenue from contracts for which the performance obligation is a series of distinct services with the same level of effort daily. For these contracts, we estimate the value of the variable consideration in determining the transaction price and allocate it to the performance obligation. Revenue is estimated and recognized on a ratable basis over the contractual term. We reassess the estimate of variable consideration at each reporting period.

Contracts with Multiple Performance Obligations

We periodically enter into arrangements that include Listings and Dealer Display within marketplace subscription revenue. These contracts include multiple promises that we evaluate to determine if the promises are separate performance obligations. Performance obligations are identified based on services to be transferred to a customer that are distinct within the context of the contractual terms. Once the performance obligations have been identified, we determine the transaction price, which includes estimating the amount of variable consideration to be included in the transaction price, if any. If required, the transaction price is allocated to each performance obligation in the contract based on a relative standalone selling price method as the performance obligation is being satisfied. For our arrangements that include Listings and Dealer Display, the performance obligations were satisfied over a consistent period of time and therefore the allocations did not impact the revenue recognized.

Costs to Obtain a Contract

Commissions paid to sales representatives and payroll taxes are considered costs to obtain a contract. Under ASC 606, the costs to obtain a contract require capitalization and amortization of those costs over the period of benefit. Although the guidance specifies the accounting for an individual contract with a customer, as a practical expedient, we have opted to apply the guidance to a portfolio of contracts with similar characteristics. We have opted to apply another practical expedient to immediately expense the incremental cost of obtaining a contract when the underlying related asset would have been amortized over one year or less. As such, we applied this practical expedient to advertising contracts as the term is one year or less and these contracts do not renew automatically. The practical expedient is not applicable to marketplace subscription contracts as the period of benefit including renewals is anticipated to be greater than one year as commissions paid on contract renewals are not commensurate with the commissions paid on the initial contract. The assets are periodically assessed for impairment.

For marketplace subscription customers, the commissions paid on contracts with new customers, in addition to any commission amount related to incremental sales, are capitalized and amortized over the estimated benefit period of the customer relationship taking into account factors such as peer estimates of technology lives and customer lives as well as our own historical data. Commissions paid that are not directly related to obtaining a new contract are expensed as incurred.

Additionally, we allocate employer payroll tax expense to the commission expense in proportion to the overall payroll taxes paid during the respective period. As such, capitalized payroll taxes are amortized in the same manner as the underlying capitalized commissions.

The assets recognized for costs to obtain a contract were $20.0 million and $20.1 million as of December 31, 2020, and December 31, 2019, respectively. Amortization expense recognized during the years ended December 31, 2020 and 2019 related to costs to obtain a contract were $11.6 million and $8.4 million, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded based on the amount due from the customer and do not bear interest.

We are exposed to credit losses primarily through our trade accounts receivable. We offset gross trade accounts receivable with an allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable and is based upon historical loss trends, the number of days that billings are past due, an evaluation of the potential risk of loss associated with specific accounts, current conditions, and reasonable and supportable forecasts of economic conditions.

Amounts are charged against the allowance after all means of collection have been exhausted, the potential for recovery is considered remote and when it is determined that expected credit losses may occur. We do not have any off-balance sheet credit exposure related to our customers. Provisions for allowances for doubtful accounts are recorded in general and administrative expense within the consolidated income statements. Unbilled accounts receivable are recorded for services rendered in the current period, but generally not invoiced until the subsequent period.

We also consider current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If circumstances relating to specific customers change, or unanticipated changes occur in the general business environment, particularly as it affects auto dealers, such as the impacts of the COVID-19 pandemic, our estimate of the recoverability of receivables could be further adjusted.

In light of the COVID-19 pandemic, we assessed the implications on accounts receivable and increased its allowance for doubtful accounts to $616 as of December 31, 2020 as compared to $240 as of December 31, 2019. The increase in account delinquencies due to the COVID-19 pandemic resulted in $1,930 of bad debt expense and $1,554 of write offs, net of recoveries for the year ended December 31, 2020.

Below is a summary of the changes in our allowance for doubtful accounts for the years ended December 31, 2020 and 2019:

	Balance at Beginning of Period	Provision	Write–offs, net of recoveries	Balance at End of Period
Year ended December 31, 2020	$ 240	$ 1,930	$ (1,554)	$ 616
Year ended December 31, 2019	479	1,091	(1,330)	240

Impairment of Long-Lived Assets

We evaluate the recoverability of long-lived assets, such as property and equipment and intangible assets, for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. During this review, we re-evaluate the significant assumptions used in determining the original cost and estimated lives of long-lived assets. Although the assumptions may vary from asset to asset, they generally include operating results, changes in the use of the asset, cash flows, and other indicators of value. Management then determines whether the remaining useful life continues to be appropriate, or whether there has been an impairment of long-lived assets based primarily upon whether expected future undiscounted cash flows are sufficient to support the assets' recovery. Recoverability of these assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

For the year ended December 31, 2020, we did not identify any impairment of long-lived assets other than $1.2 million of write-offs in capitalized website development costs, of which $0.8 million related to the exit of certain international markets. For the year ended December 31, 2019, we did not identify any impairment of long-lived assets.

Capitalized Website Development and Internal-Use Software Costs

We capitalize certain costs associated with the development of our websites and internal-use software products after the preliminary project stage is complete and until the software is ready for its intended use. Research and development costs incurred during the preliminary project stage or costs incurred for data conversion activities, training, maintenance, and general and administrative or overhead costs are expensed as incurred. Capitalization begins when the preliminary project stage is complete, management authorizes and commits to the funding of the software project with the required authority, it is probable the project will be completed, the software will be used to perform the functions intended and certain functional and quality standards have been met. Qualified costs incurred during the operating stage of our software applications relating to upgrades and enhancements are capitalized to the extent it is probable that they will result in added functionality, while costs that cannot be separated between maintenance of, and minor upgrades and enhancements to, websites and internal-use software are expensed as incurred.

Capitalized website and software development costs are amortized on a straight-line basis over an estimated useful life of three years beginning with the time when the product is ready for intended use. Amounts amortized are presented through cost of revenue. We evaluate the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

During the years ended December 31, 2020 and 2019, we capitalized $6.4 million and $4.2 million of website development costs, respectively. We recorded amortization expense associated with our capitalized website development costs of $3.3 million, including write offs of $0.8 million of capitalized website development costs related to the exit of certain international markets, and $1.6 million for the years ended December 31, 2020 and 2019, respectively.

Since the adoption of ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-24): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract (ASU 2018-15), on January 1, 2019, we evaluate upfront costs including implementation, set-up or other costs (collectively, implementation costs) for hosting arrangements under the internal-use software framework. Costs related to preliminary project activities and post implementation activities are expensed as incurred, whereas costs incurred in the development stage are generally capitalized. Capitalized implementation costs are amortized on a straight-line basis over an estimated useful life of the term of the hosting arrangement, taking into consideration several other factors such as, but not limited to, options to extend the hosting arrangement or options to terminate the hosting arrangement, beginning with the time when the software is ready for intended use. Amounts amortized are presented through operating expense, rather than depreciation or amortization. We evaluate the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

During the years ended December 31, 2020 and 2019, we launched separate initiatives designed to evaluate and enhance our enterprise applications. During the year ended December 31, 2020 we capitalized $0.3 million of implementation costs in other non-current assets. During the year ended December 31, 2019 we capitalized $2.6 million and $0.6 million of implementation costs in other non-current assets and in prepaid expenses, prepaid income taxes and other current assets, respectively. We recorded amortization expense associated with our internal-use software of $0.7 million and $0.1 million for the years ended December 31, 2020 and 2019, respectively.

Business Combinations

Valuation of Acquired Assets and Liabilities

We measure all consideration transferred in a business combination at its acquisition-date fair value. Consideration transferred is determined by the acquisition-date fair value of assets transferred, liabilities assumed, including contingent consideration obligations, as applicable. We measure goodwill as the excess of the consideration transferred over the net of the acquisition-date amounts of assets acquired less liabilities assumed.

We make significant assumptions and estimates in determining the fair value of the acquired assets and liabilities as of the acquisition date, especially the valuation of intangible assets and certain tax positions. We record estimates as of the acquisition date and reassess the estimates at each reporting period up to one year after the acquisition date. Changes in estimates made prior to finalization of purchase accounting are recorded to goodwill.

Intangible Assets

Intangible assets are recorded at their estimated fair value at the date of acquisition. We amortize intangible assets over their estimated useful lives on a straight-line basis. Amortization is recorded over the relevant estimated useful lives ranging from three to eleven years.

We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. If the estimate of an intangible asset's remaining useful life is changed, we amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

For the years ended December 31, 2020 and 2019, we did not identify any impairment of our intangible assets.

Goodwill

Goodwill is recorded when consideration paid in a purchase acquisition exceeds the fair value of the net assets acquired. Goodwill is not amortized, but rather is tested for impairment annually or more frequently if facts and circumstances warrant a review. Conditions that could trigger a more frequent impairment assessment include, but are not limited to, a significant adverse change in certain agreements, significant underperformance relative to historical or projected future operating results, an economic downturn affecting automotive marketplaces, increased competition, a significant reduction in our stock price for a sustained period or a reduction of our market capitalization relative to net book value.

We have determined that we have two reporting units, United States and International, as of and for the year ended December 31, 2020. We elected to bypass the optional qualitative test for impairment and proceed to Step 1 which is a quantitative impairment test. We evaluate impairment annually on October 1 by comparing the estimated fair value of each reporting unit to its carrying value. We estimate fair value using a market approach, based on market multiples derived from public companies that we identify as peers. In 2020, we calculated the fair value of our reporting units using the market approach, which required us to estimate the forecasted revenue and estimate revenue market multiples using publicly available information for each of our reporting units. Developing these assumptions required the use of significant judgment and estimates. Actual results may differ from these forecasts.

For the years ended December 31, 2020 and 2019, we did not identify any impairment of our goodwill.

Income Taxes

We account for income taxes in accordance with the liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We account for uncertain tax positions recognized in the consolidated financial statements by prescribing a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interest and penalties, if applicable, related to uncertain tax positions would be recognized as a component of income tax expense. We have no recorded liabilities for uncertain tax positions as of December 31, 2020 and 2019.

The Tax Cuts and Jobs Act subjects a U.S. shareholder to tax on global intangible low-taxed income, or GILTI, earned by certain foreign subsidiaries. An entity can make an accounting policy election, per the FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, either to recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. We elected to account for GILTI as a period cost in the year the tax is incurred.

Stock-Based Compensation

For stock-based awards issued under our stock-based compensation plans, the fair value of each award is determined on the date of grant. We recognize compensation expense for service-based awards on a straight-line basis over the requisite service period for each separate vesting portion of the award, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

For RSUs granted subsequent to the IPO, the fair value is determined based on the closing price of our Class A common stock as reported on the Nasdaq Global Select Market on the date of grant.

We issue shares for stock option exercises and RSUs out of our shares available for issuance. No options were granted during the years ended December 31, 2020 and 2019.

We account for forfeitures when they occur. The tax effect of differences between tax deductions related to stock compensation and the corresponding financial statement expense compensation are recorded to tax expense. Excess tax benefits recognized on stock-based compensation expense are classified as an operating activity in the consolidated statements of cash flows.

During 2020, we recorded immaterial tax demerits related to stock-based compensation as compared to $11.1 million of excess tax benefits related to stock-based compensation during 2019.

Recently Issued Accounting Pronouncements

Information concerning recently issued accounting pronouncements may be found in Note 2 to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

Item 7A. 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 as described below.

Interest Rate Risk

We did not have any long-term borrowings as of December 31, 2020 or 2019.

We had cash, cash equivalents, and investments of $290.3 million and $171.6 million at December 31, 2020 and 2019, respectively, which consist of bank deposits, money market funds and certificates of deposit with maturity dates ranging from six to nine months. Such interest-earning instruments carry a degree of interest rate risk. Given recent changes in the interest rate environment and in an effort to ensure liquidity, we expect lower returns from our investments for the foreseeable future. To date, fluctuations in interest income have not been material to the operations of the business.

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.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations to date. 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, because our operations and sales have been primarily in the United States, we have not faced any significant foreign currency risk. As of December 31, 2020 and 2019, we have foreign currency exposures in the British pound, the Euro and the Canadian dollar, although such exposure is not significant.

Our foreign subsidiaries have intercompany accounts that are eliminated upon consolidation, and these accounts expose us to foreign currency exchange rate fluctuations. Exchange rate fluctuations on short-term intercompany accounts are recorded in our consolidated income statements under the heading other income, net. Long-term intercompany accounts are recorded in our consolidated balance sheets under the heading accumulated other comprehensive income.

As we seek to grow our international operations in Canada and the United Kingdom, our risks associated with fluctuation in currency rates may become greater, and we will continue to reassess our approach to managing these risks.

Item 8. Financial Statements and Supplementary Data.

CarGurus, Inc.

Index to Consolidated Financial Statements

To the Stockholders and the Board of Directors of CarGurus, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CarGurus, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 11, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition

Description of the Matter

For the year ended December 31, 2020, the Company recognized revenue of $551.5 million. As explained in Note 2 to the consolidated financial statements, the Company recognizes revenue in accordance with Accounting Standard Codification Topic 606, *Revenue from Contracts with Customers,* upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services.

Management's recognition of revenue was challenging because of the higher extent of audit effort and because the amounts are material to the consolidated financial statements and related disclosures. During our risk assessment process, we identified a higher inherent risk related to revenue primarily due to the size of the account and the volume of activity, as well as the focus on revenue from readers of the financial statements.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's revenue recognition process, including controls designed to mitigate the risk of override of controls. This included testing controls over management's review of manual journal entries and revenue related account reconciliations.

We substantively tested the Company's revenue recognized for the year ended December 31, 2020, through a combination of data analytics and tests of details. Our audit procedures included, among others, performing a correlation analysis between the related accounts (i.e., revenue, deferred revenue, account receivables, and cash) and testing the existence of cash receipts tied to revenue recognition. Additionally, we reconciled revenue recognized to the Company's general ledger to test completeness and performed substantive test of details over significant customers deemed to be key items and a representative sample of the remaining transactions.

Realizability of Deferred Tax Assets

Description of the Matter

As explained in Note 13 to the consolidated financial statements, the Company had gross deferred tax assets of $48.0 million, gross deferred tax liabilities of $28.4 million, and a valuation allowance of $0.2 million, resulting in net deferred tax assets of $19.5 million as of December 31, 2020. As of December 31, 2020, the Company has significant deferred tax assets, including those generated as a result of excess tax deductions related to stock-based compensation awards. Deferred tax assets are reduced by a valuation allowance if, based upon the weight of all available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. Based upon the level of historical U.S. earnings and future projections over the period in which the net deferred tax assets are deductible, at this time, management believes it is more likely than not that the Company will realize $47.9 million of the benefits of these deductible differences.

Auditing management's assessment of the realizability of its deferred tax assets (including the recognition, measurement, and disclosure of deferred tax assets) involved challenging auditor judgment because the assessment process is complex, involves judgment and includes assumptions about the Company's ability to generate sufficient taxable income in future periods to realize these benefits. The Company's ability to generate taxable income may be impacted by various economic and industry conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's income tax process, including the Company's assessment of the realizability of deferred tax assets. This included testing controls over management's review of the deferred tax rollforward and valuation allowance position.

We tested management's assessment of the realizability of deferred tax assets, including future taxable income exclusive of reversing temporary differences and carryforwards. Audit procedures performed, among others, included evaluating the assumptions used by the Company to determine the projections of future taxable income by jurisdiction and testing the completeness and accuracy of the underlying data used in its projections. For example, we tested the Company's scheduling of the reversal of existing temporary taxable differences and compared the projections of future taxable income with the actual results of prior periods as well as management's consideration of current industry and economic trends. In addition, we also assessed the historical accuracy of management's projections and reconciled the projections of future taxable income with other forecasted consolidated financial information prepared by the Company. This analysis is especially challenging because of the Company's limited history and limited opportunity to implement tax planning strategies at this point in the life cycle of the Company. In addition, we involved our tax professionals to evaluate the application of tax law in the Company's projections of future taxable income.

Business Combinations – Valuation of Acquired Intangible Assets

Description of the Matter

As described in Note 4 to the consolidated financial statements, the Company completed its acquisition of Auto List, Inc. ("Autolist") during fiscal year 2020 for net consideration of $21.1 million. The transaction was accounted for as a business combination whereby the total purchase price was allocated to assets acquired and liabilities assumed based on the respective fair values.

Auditing the Company's accounting for its acquisition of Autolist was complex due to the significant estimation uncertainty in the Company's determination of the fair value of identified intangible assets of $7.6 million, which consisted of brand name, developed technology, and customer relationships. The significant estimation uncertainty was primarily due to the complexity of the valuation models prepared by management to measure the fair value of the intangible assets and the sensitivity of the respective fair values to the significant underlying assumptions. The significant assumptions used to estimate the fair value of the intangible assets included the discount rates and revenue growth rates. These significant assumptions are especially challenging to audit as they are forward looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's valuation of acquired intangible assets. This included testing controls over the Company's estimation process supporting the recognition and measurement of intangible assets, as well as controls over management's judgments and evaluation of underlying assumptions regarding the valuation.

Our audit procedures to test the estimated fair value of the acquired intangible assets included, among others, evaluating the Company's valuation methodology used to estimate the fair value of the brand name, developed technology, and customer relationship intangible assets. We involved our valuation professionals to assist with our evaluation of the methodology used by the Company and certain assumptions included in the fair value estimates. For example, our valuation professionals performed independent comparative calculations to estimate the acquired entities' discount rate. Additionally, we evaluated the significant assumptions used by the Company, primarily consisting of projected financial information of the acquired entity (e.g., revenue growth rates), and evaluated the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. Specifically, when evaluating the assumptions related to the revenue growth rates and changes in the business that would drive these forecasted growth rates, we compared the assumptions to historical results of the acquired entity and current industry and economic trends.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016.

Boston, Massachusetts
February 11, 2021

CarGurus, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	At December 31,	
	2020	**2019**
Assets		
Current assets:		
Cash and cash equivalents	$ 190,299	$ 59,920
Investments	100,000	111,692
Accounts receivable, net of allowance for doubtful accounts of $616 and $240, respectively	18,235	22,124
Prepaid expenses, prepaid income taxes and other current assets	12,385	15,424
Deferred contract costs	10,807	9,544
Restricted cash	250	250
Total current assets	331,976	218,954
Property and equipment, net	27,483	27,950
Intangible assets, net	10,862	3,920
Goodwill	29,129	15,207
Operating lease right-of-use assets	60,835	59,986
Restricted cash	10,377	10,553
Deferred tax assets	19,774	42,713
Deferred contract costs, net of current portion	9,189	10,514
Other non-current assets	2,673	3,826
Total assets	$ 502,298	$ 393,623
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 21,563	$ 36,731
Accrued expenses, accrued income taxes and other current liabilities	24,751	18,262
Deferred revenue	9,137	9,984
Operating lease liabilities	11,085	8,781
Total current liabilities	66,536	73,758
Operating lease liabilities	58,810	60,818
Deferred tax liabilities	291	284
Other non–current liabilities	3,075	1,908
Total liabilities	128,712	136,768
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Class A common stock, $0.001 par value; 500,000,000 shares authorized; 94,310,309 and 91,819,649 shares issued and outstanding at December 31, 2020 and 2019, respectively	94	92
Class B common stock, $0.001 par value; 100,000,000 shares authorized; 19,076,500 and 20,314,644 shares issued and outstanding at December 31, 2020 and 2019, respectively	19	20
Additional paid–in capital	242,181	205,234
Retained earnings	129,412	51,859
Accumulated other comprehensive income (loss)	1,880	(350)
Total stockholders' equity	373,586	256,855
Total liabilities and stockholders' equity	$ 502,298	$ 393,623

The accompanying notes are an integral part of these consolidated financial statements.

CarGurus, Inc.

Consolidated Income Statements

(in thousands, except share and per share data)

	Year Ended December 31,		
	2020	**2019**	**2018**
Revenue	$ 551,451	$ 588,916	$ 454,086
Cost of revenue(1)	42,706	36,300	24,811
Gross profit	508,745	552,616	429,275
Operating expenses:			
Sales and marketing	256,979	393,844	315,939
Product, technology, and development	85,726	69,462	47,866
General and administrative	62,166	50,434	39,475
Depreciation and amortization	6,118	4,554	2,804
Total operating expenses	410,989	518,294	406,084
Income from operations	97,756	34,322	23,191
Other income, net:			
Interest income	1,075	2,984	2,283
Other income, net	279	1,399	10
Total other income, net	1,354	4,383	2,293
Income before income taxes	99,110	38,705	25,484
Provision for (benefit from) income taxes	21,557	(3,441)	(39,686)
Net income	$ 77,553	$ 42,146	$ 65,170
Net income per share attributable to common stockholders: (Note 12)			
Basic	$ 0.69	$ 0.38	$ 0.60
Diluted	$ 0.68	$ 0.37	$ 0.57
Weighted–average number of shares of common stock used in computing net income per share attributable to common stockholders:			
Basic	112,854,524	111,450,443	108,833,028
Diluted	113,849,815	113,431,850	113,364,712

(1) Includes depreciation, amortization and impairment expense for the years ended December 31, 2020, 2019, and 2018 of $5,224, $3,263, and $2,225, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

CarGurus, Inc.

Consolidated Statements of Comprehensive Income

(in thousands)

	Year Ended December 31,		
	2020	2019	2018
Net income	$ 77,553	$ 42,146	$ 65,170
Other comprehensive income (loss):			
Foreign currency translation adjustment	2,230	(421)	(157)
Comprehensive income	$ 79,783	$ 41,725	$ 65,013

The accompanying notes are an integral part of these consolidated financial statements.

CarGurus, Inc.

Consolidated Statements of Stockholders' Equity

(in thousands, except share data)

	Class A Common Stock		Class B Common Stock		Additional Paid–in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2017	77,884,754	$ 78	28,226,104	$ 28	$ 185,190	$ (58,499)	$ 228	$ 127,025
Net income	—	—	—	—	—	65,170	—	65,170
Stock–based compensation expense	—	—	—	—	21,284	—	—	21,284
Issuance of common stock upon exercise of stock options	3,186,489	3	10,690	—	3,629	—	—	3,632
Issuance of common stock upon vesting of restricted stock units	1,781,201	2	—	—	(2)	—	—	—
Payment of withholding taxes on net share settlements of equity awards	(658,931)	—	—	—	(25,885)	—	—	(25,885)
Cumulative adjustment from adoption of revenue recognition standard	—	—	—	—	—	3,042	—	3,042
Conversion of common stock	7,534,710	7	(7,534,710)	(7)	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	(157)	(157)
Balance at December 31, 2018	89,728,223	90	20,702,084	21	184,216	9,713	71	194,111
Net income	—	—	—	—	—	42,146	—	42,146
Stock–based compensation expense	—	—	—	—	35,682	—	—	35,682
Issuance of common stock upon exercise of stock options	838,928	—	—	—	1,807	—	—	1,807
Issuance of common stock upon vesting of restricted stock units	1,317,736	1	—	—	(1)	—	—	—
Payment of withholding taxes on net share settlements of equity awards	(452,678)	—	—	—	(16,470)	—	—	(16,470)
Conversion of common stock	387,440	1	(387,440)	(1)	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	(421)	(421)
Balance at December 31, 2019	91,819,649	92	20,314,644	20	205,234	51,859	(350)	256,855
Net income	—	—	—	—	—	77,553	—	77,553
Stock–based compensation expense	—	—	—	—	46,996	—	—	46,996
Issuance of common stock upon exercise of stock options	352,212	—	—	—	1,136	—	—	1,136
Issuance of common stock upon vesting of restricted stock units	1,347,464	1	—	—	(1)	—	—	—
Payment of withholding taxes and option costs on net share settlement of restricted stock units and stock options	(447,160)	—	—	—	(11,184)	—	—	(11,184)
Conversion of common stock	1,238,144	1	(1,238,144)	(1)	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	2,230	2,230
Balance at December 31, 2020	94,310,309	$ 94	19,076,500	$ 19	$ 242,181	$ 129,412	$ 1,880	$ 373,586

The accompanying notes are an integral part of these consolidated financial statements.

CarGurus, Inc.

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,		
	2020	**2019**	**2018**
Operating Activities			
Net income	$ 77,553	$ 42,146	$ 65,170
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,342	7,817	5,029
Currency gain on foreign denominated transactions	23	(690)	(190)
Deferred taxes	22,235	(3,734)	(39,040)
Provision for doubtful accounts	1,930	1,091	1,680
Stock–based compensation expense	45,090	34,301	20,794
Amortization of deferred contract costs	11,605	8,416	3,689
Changes in operating assets and liabilities:			
Accounts receivable, net	3,889	(9,608)	(1,911)
Prepaid expenses, prepaid income taxes, and other assets	3,484	(378)	(11,753)
Deferred contracts costs	(11,378)	(15,979)	(12,987)
Accounts payable	(15,077)	4,268	9,345
Accrued expenses, accrued income taxes and other liabilities	7,450	2,760	3,100
Deferred revenue	(861)	1,174	4,508
Deferred rent	—	—	4,289
Lease obligations	(542)	(1,468)	—
Net cash provided by operating activities	156,743	70,116	51,723
Investing Activities			
Purchases of property and equipment	(2,952)	(11,205)	(5,956)
Capitalization of website development costs	(4,579)	(3,021)	(1,522)
Cash paid for acquisitions, net of cash acquired	(21,056)	(19,139)	—
Investments in certificates of deposit	(100,000)	(177,808)	(212,800)
Maturities of certificates of deposit	111,692	188,916	140,000
Net cash used in investing activities	(16,895)	(22,257)	(80,278)
Financing Activities			
Payment of initial public offering costs	—	—	(1,142)
Proceeds from exercise of stock options	1,136	1,807	3,632
Financing cash flows from finance leases	(37)	(30)	—
Payment of withholding taxes and option costs on net share settlement of restricted stock units and stock options	(11,184)	(16,470)	(25,885)
Net cash used in financing activities	(10,085)	(14,693)	(23,395)
Impact of foreign currency on cash, cash equivalents, and restricted cash	440	(1)	(44)
Net increase (decrease) in cash, cash equivalents, and restricted cash	130,203	33,165	(51,994)
Cash, cash equivalents, and restricted cash at beginning of period	70,723	37,558	89,552
Cash, cash equivalents, and restricted cash at end of period	$ 200,926	$ 70,723	$ 37,558
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 2,831	$ 300	$ 2,308
Unpaid purchases of property and equipment and internal-use software	$ 136	$ 647	$ 5,287
Capitalized stock-based compensation expense in website development and internal-use software costs	$ 1,906	$ 1,381	$ 490
Cash paid for operating lease liabilities	$ 14,941	$ 10,906	—

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Business Description

CarGurus, Inc. (the "Company"), is a global, online automotive marketplace connecting buyers and sellers of new and used cars. Using proprietary technology, search algorithms, and innovative data analytics, the Company believes it is building the world's most trusted and transparent automotive marketplace and creating a differentiated automotive search experience for consumers. The Company's trusted marketplace empowers consumers with unbiased third-party validation on pricing and dealer reputation as well as other information that aids them in finding "Great Deals from Top-Rated Dealers."

The Company is headquartered in Cambridge, Massachusetts and was incorporated in the State of Delaware on June 26, 2015. The Company operates principally in the United States. In addition to the United States, it operates online marketplaces under the CarGurus brand in Canada and the United Kingdom. The Company also operated online marketplaces in Germany, Italy, and Spain until it ceased the operations of each of these marketplaces in the second quarter of 2020. In the United States and the United Kingdom, the Company also operates the Autolist and PistonHeads online marketplaces, respectively, as independent brands. The Company has subsidiaries in the United States, Canada, Ireland, and the United Kingdom. See Note 14 of the Company's consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information on the Company's segment reporting and geographical information.

The Company is subject to a number of risks and uncertainties common to companies in its and similar industries and stages of development including, but not limited to, rapid technological changes, competition from substitute products and services from larger companies, management of international activities, protection of proprietary rights, patent litigation, and dependence on key individuals.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

In the consolidated balance sheet for the year end ended December 31, 2019, the Company has presented other current assets with prepaid expense and prepaid income taxes to conform to current year presentation as it did not meet the disclosure threshold.

In the consolidated statements of cash flows for the years ended December 31, 2019 and 2018, the Company has presented other non-current liabilities with accrued expenses, accrued income taxes and other current liabilities to conform to current year presentation as it did not meet the disclosure threshold.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Subsequent Event Considerations

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. The Company has evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events requiring disclosure, other than those disclosed in Note 16 of these consolidated financial statements.

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 date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. Changes in estimates are recorded in the period in which they become known.

Significant estimates relied upon in preparing these consolidated financial statements include the determination of sales allowance and variable consideration in the Company's revenue recognition, allowance for doubtful accounts, the expensing and capitalization of product, technology, and development costs for website development and internal-use software, the valuation and recoverability of goodwill and intangible assets and other long-lived assets, the recoverability of the Company's net deferred tax assets and related valuation allowance and stock-based compensation. Accordingly, the Company considers these to be its critical accounting policies, and believes that of the Company's significant accounting policies, these involve a greater degree of judgment and complexity.

Concentration of Credit Risk

The Company has no significant off-balance sheet risk, such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents, investments, and trade accounts receivable.

The Company maintains its cash, cash equivalents, and investments principally with accredited financial institutions of high credit standing. Although the Company deposits its cash, cash equivalents, and investments with multiple financial institutions, its deposits may often exceed governmental insured limits.

Credit risk with respect to accounts receivable is dispersed due to the large number of customers. The Company routinely assesses the creditworthiness of its customers. The Company generally has not experienced any material losses related to receivables from individual customers, or groups of customers. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable.

For the years ended December 31, 2020, 2019, and 2018, no individual customer accounted for more than 10% of total revenue.

As of December 31, 2020, one customer accounted for 10% of net accounts receivable. As of December 31, 2019 one customer accounted for 18% of net accounts receivable.

Included in net accounts receivable at December 31, 2020 and 2019, is $7,426 and $8,880, respectively, of unbilled accounts receivable related primarily to advertising customers billed within a period subsequent to services rendered.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents primarily consist of cash on deposit with banks, and amounts held in interest-bearing money market accounts. Cash equivalents are carried at cost, which approximates their fair market value.

The Company considers all highly liquid investments with an original maturity of 90 days or less at the date of purchase to be cash equivalents. Investments not classified as cash equivalents with maturities less than one year from the balance sheet date are classified as short-term investments, while investments with maturities in excess of one year from the balance sheet date are classified as long-term investments. Management determines the appropriate classification of investments at the time of purchase, and re-evaluates such determination at each balance sheet date.

The Company's investment policy, which was approved by the Audit Committee of the Company's board of directors (the "Board"), permits investments in fixed income securities, including U.S. government and agency securities, non-U.S. government securities, money market instruments, commercial paper, certificates of deposit, corporate bonds, and asset-backed securities.

As of December 31, 2020 and 2019, investments consisted of U.S. certificates of deposit ("CDs") with remaining maturities of less than twelve months. The Company classifies CDs with readily determinable market values as held-to-maturity, because it is the Company's intention to hold such investments until they mature. As such, investments were recorded at amortized cost at December 31, 2020 and 2019. The Company adjusts the cost of investments for amortization of premiums and accretion of discounts to maturity, if any. For the years ended December 31, 2020, 2019 and 2018, the Company did not have any premiums or discounts. Realized gains and losses from sales of the Company's investments are included in other income, net. There were no realized gains or losses on investments for the years ended December 31, 2020, 2019 or 2018.

The Company reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than the amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. Other-than-temporary impairments of investments are recognized in the consolidated income statements if the Company has experienced a credit loss or if it is more likely than not that the Company will be required to sell the investment before recovery of the amortized cost basis. Evidence considered in this assessment includes reasons for the impairment, compliance with the Company's investment policy, the severity and duration of the impairment, and changes in value subsequent to the end of the period. As of December 31, 2020 and 2019, the Company determined that no other-than-temporary impairments were required to be recognized in the consolidated income statements.

Restricted Cash

At December 31, 2020 and 2019, restricted cash was $10,627 and $10,803, respectively, and primarily related to cash held at a financial institution in an interest-bearing cash account as collateral for the letters of credit related to the contractual provisions for the Company's building leases.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded based on the amount due from the customer and do not bear interest.

The Company is exposed to credit losses primarily through its trade accounts receivable. The Company offsets gross trade accounts receivable with an allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable and is based upon historical loss trends, the number of days that billings are past due, an evaluation of the potential risk of loss associated with specific accounts, current conditions, and reasonable and supportable forecasts of economic conditions.

Amounts are charged against the allowance after all means of collection have been exhausted, the potential for recovery is considered remote and when it is determined that expected credit losses may occur. The Company does not have any off-balance sheet credit exposure related to its customers. Provisions for allowances for doubtful accounts are recorded in general and administrative expense within the consolidated income statements. Unbilled accounts receivable are recorded for services rendered in the current period, but generally not invoiced until the subsequent period.

The Company also considers current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If circumstances relating to specific customers change, or unanticipated changes occur in the general business environment, particularly as it affects auto dealers, such as the impacts of the novel strain of coronavirus that surfaced in December 2019 and was subsequently declared a pandemic in 2020 by the World Health Organization after spreading globally ("COVID-19"), the Company's estimates of the recoverability of receivables could be further adjusted.

In light of the COVID-19 pandemic, the Company assessed the implications on accounts receivable and increased its allowance for doubtful accounts to $616 as of December 31, 2020 as compared to $240 as of December 31, 2019. The increase in account delinquencies due to the COVID-19 pandemic resulted in $1,930 of bad debt expense and $1,554 of write offs, net of recoveries for the year ended December 31, 2020.

Below is a summary of the changes in the Company's allowance for doubtful accounts for the years ended December 31, 2020, 2019, and 2018:

	Balance at Beginning of Period	Provision	Write–offs, net of recoveries	Balance at End of Period
Year ended December 31, 2020	$ 240	$ 1,930	$ (1,554)	$ 616
Year ended December 31, 2019	479	1,091	(1,330)	240
Year ended December 31, 2018	494	1,680	(1,695)	479

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related asset. The estimated useful lives of the Company's property and equipment are as follows:

	Estimated Useful Life (In Years)
Capitalized equipment	3
Capitalized software	3
Capitalized website development	3
Furniture and fixtures	5
Right-of-use assets	Lesser of asset life or lease term
Leasehold improvements	Lesser of asset life or lease term

Expenditures for repairs and maintenance are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of long-lived assets, such as property and equipment and intangible assets, for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. During this review, the Company re-evaluates the significant assumptions used in determining the original cost and estimated lives of long-lived assets. Although the assumptions may vary from asset to asset, they generally include operating results, changes in the use of the asset, cash flows, and other indicators of value. Management then determines whether the remaining useful life continues to be appropriate, or whether there has been an impairment of long-lived assets based primarily upon whether expected future undiscounted cash flows are sufficient to support the assets' recovery. Recoverability of these assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

For the year ended December 31, 2020, the Company did not identify any impairment of long-lived assets other than $1,151 of write-offs in capitalized website development costs, of which $844 related to the exit of certain international markets. For the years ended December 31, 2019 and 2018, the Company did not identify any impairment of long-lived assets.

Capitalized Website Development and Internal-Use Software Costs

The Company capitalizes certain costs associated with the development of its websites and internal-use software products after the preliminary project stage is complete and until the software is ready for its intended use. Research and development costs incurred during the preliminary project stage or costs incurred for data conversion activities, training, maintenance, and general and administrative or overhead costs are expensed as incurred. Capitalization begins when the preliminary project stage is complete, management authorizes and commits to the funding of the software project with the required authority, it is probable the project will be completed, the software will be used to perform the functions intended and certain functional and quality standards have been met. Qualified costs incurred during the operating stage of our software applications relating to upgrades and enhancements are capitalized to the extent it is probable that they will result in added functionality, while costs that cannot be separated between maintenance of, and minor upgrades and enhancements to, websites and internal-use software are expensed as incurred.

Capitalized website and software development costs are amortized on a straight-line basis over their estimated useful life of three years beginning with the time when it is ready for intended use. Amounts amortized are presented through cost of revenue. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

During the years ended December 31, 2020 and 2019, the Company capitalized $6,396 and $4,176 of website development costs, respectively. The Company recorded amortization expense associated with its capitalized website development costs of $3,324, including write offs of $844 of capitalized website development costs related to the exit of certain international markets, for the year ended December 31, 2020. The Company recorded amortization expense associated with its capitalized website development costs of $1,643 and $1,508 for the years ended December 31, 2019 and 2018, respectively.

Since the adoption of ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-24): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract (ASU 2018-15), on January 1, 2019, the Company evaluates upfront costs including implementation, set-up or other costs (collectively, implementation costs) for hosting arrangements under the internal-use software framework. Costs related to preliminary project activities and post implementation activities are expensed as incurred, whereas costs incurred in the development stage are generally capitalized. Capitalized implementation costs are amortized on a straight-line basis over an estimated useful life of the term of the hosting arrangement, taking into consideration several other factors such as, but not limited to, options to extend the hosting arrangement or options to terminate the hosting arrangement, beginning with the time when the software is ready for intended use. Amounts amortized are presented through operating expense, rather than depreciation or amortization. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

During the years ended December 31, 2020 and 2019, the Company launched separate initiatives designed to evaluate and enhance its enterprise applications. During the year ended December 31, 2020 the Company capitalized $332 of implementation costs in other non-current assets. During the year ended December 31, 2019, the Company capitalized $2,615 and $616 of implementation costs in other non-current assets and in prepaid expenses, prepaid income taxes and other current assets, respectively. The Company recorded amortization expense associated with its internal-use software of $690 and $132 for the years ended December 31, 2020 and 2019, respectively.

Business Combinations

Valuation of Acquired Assets and Liabilities

The Company measures all consideration transferred in a business combination at its acquisition-date fair value. Consideration transferred is determined by the acquisition-date fair value of assets transferred, liabilities assumed, including contingent consideration obligations, as applicable. The Company measures goodwill as the excess of the consideration transferred over the net of the acquisition-date amounts of assets acquired less liabilities assumed.

The Company makes significant assumptions and estimates in determining the fair value of the acquired assets and liabilities as of the acquisition date, especially the valuation of intangible assets and certain tax positions. The Company records estimates as of the acquisition date and reassess the estimates at each reporting period up to one year after the acquisition date. Changes in estimates made prior to finalization of purchase accounting are recorded to goodwill.

Intangible Assets

Intangible assets are recorded at their estimated fair value at the date of acquisition. The Company amortizes intangible assets over their estimated useful lives on a straight-line basis. Amortization is recorded over the relevant estimated useful lives ranging from three to eleven years.

The Company evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. If the estimate of an intangible asset's remaining useful life is changed, the Company amortizes the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

For the years ended December 31, 2020 and 2019, the Company did not identify any impairment of its intangible assets.

Goodwill

Goodwill is recorded when consideration paid in a purchase acquisition exceeds the fair value of the net assets acquired. Goodwill is not amortized, but rather is tested for impairment annually or more frequently if facts and circumstances warrant a review. Conditions that could trigger a more frequent impairment assessment include, but are not limited to, a significant adverse change in certain agreements, significant underperformance relative to historical or projected future operating results, an economic downturn affecting automotive marketplaces, increased competition, a significant reduction in our stock price for a sustained period or a reduction of our market capitalization relative to net book value.

The Company has determined that it had two reporting units, United States and International, as of and for the year ended December 31, 2020. The Company elected to bypass the optional qualitative test for impairment and proceed to Step 1, which is a quantitative impairment test. The Company evaluates impairment annually on October 1 by comparing the estimated fair value of each reporting unit to its carrying value. The Company estimates fair value using a market approach, based on market multiples derived from public companies that are identified as peers. In 2020, the Company calculated the fair value of its reporting units using the market approach, which required the Company to estimate the forecasted revenue and estimate revenue market multiples using publicly available information for each of their reporting units. Developing these assumptions required the use of significant judgment and estimates. Actual results may differ from these forecasts.

For the years ended December 31, 2020 and 2019, the Company did not identify any impairment of its goodwill.

Leases

In February 2016, the FASB issued ASC Topic 842, Leases ("ASC 842"), which requires a lessee to recognize most leases on the consolidated balance sheet but recognize expenses on the consolidated income statement in a manner similar to current practice. The update states that a lessee will recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying assets for the lease term. The Company adopted ASC 842 as of January 1, 2019, using the additional transition method offered through ASU No. 2018-11 Targeted Improvements. This approach provides a method for recording existing leases at the adoption date and recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

Upon adoption of ASC 842, the Company elected the transition relief package, permitted within the standard, pursuant to which the Company did not reassess the classification of existing leases, whether any expired or existing contracts contain a lease, and whether existing leases have any initial direct costs. The Company also elected the practical expedient of not separating lease components from non-lease components for all leases. There was no cumulative-effective adjustment to the opening balance of retained earnings. The Company reviews all material contracts for embedded leases to determine if they have a right-of-use asset.

The Company recognizes rent expense on a straight-line basis over the lease period. The depreciable life of assets and leasehold improvement are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The Company allocates lease costs across all departments based on headcount in the respective location.

Variable lease payments that depend on an index or a rate are included in the lease payments and are measured using the prevailing index or rate at the measurement date. Variable lease payments not based on an index or a rate are excluded from lease payments and are expensed as incurred.

The Company made an accounting policy election to not recognize a lease liability or right-of-use asset on its consolidated balance sheet for leases with an initial term of twelve months or less, and instead to recognize lease payments on the consolidated income statement on a straight-line basis over the lease term and variable lease payments that do not depend on an index or rate as expense in the period in which the achievement of the specified target that triggers the variable lease payments becomes probable.

Adoption of the new standard resulted in the recording of net lease assets and lease liabilities of $52,334 and $63,280, respectively, as of January 1, 2019. The standard did not materially impact the consolidated statement of cash flows and had no impact on the consolidated income statement.

Contingent Liabilities

The Company has certain contingent liabilities that arise in the ordinary course of business activities. The Company accrues for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. The Company does not accrue for contingent losses that, in its judgment, are considered to be reasonably possible, but not probable; however, it discloses the range of such reasonably possible losses.

Income Taxes

The Company accounts for income taxes in accordance with the liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions recognized in the consolidated financial statements by prescribing a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interest and penalties, if applicable, related to uncertain tax positions would be recognized as a component of income tax expense. The Company has no recorded liabilities for uncertain tax positions as of December 31, 2020 and 2019.

The Tax Cuts and Jobs Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. An entity can make an accounting policy election, per the FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income ("ASC 740"), either to recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected to account for GILTI as a period cost in the year the tax is incurred.

Fair Value of Financial Instruments

The Company measures eligible assets and liabilities at fair value with changes in value recognized in earnings. There were no liabilities that were measured at fair value as of December 31, 2020 and 2019. Fair value treatment may be elected either upon initial recognition of an eligible asset or liability or, for an existing asset or liability, if an event triggers a new basis of accounting. The Company did not elect to remeasure any of its existing financial assets and did not elect the fair value option for any financial assets transacted during the years ended December 31, 2020 and 2019.

ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's own assumptions (unobservable inputs). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances.

ASC 820 identifies fair value as the exchange price, or exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Company uses valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1 — Quoted unadjusted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all observable inputs and significant value drivers are observable in active markets.

Level 3 — Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable, including assumptions developed by the Company.

The Company has evaluated the estimated fair value of financial instruments using available market information. The use of different market assumptions, estimation methodologies, or both, could have a significant effect on the estimated fair value amounts.

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, investments, accounts receivable, accounts payable, and accrued expenses, approximated their fair values at December 31, 2020 and 2019 due to the short-term nature of these instruments.

Foreign Currency Translation

The reporting currency of the Company is the U.S. dollar. The functional currency of the Company's foreign subsidiaries is the local currency of each subsidiary. All assets and liabilities in the balance sheets of entities whose functional currency is a currency other than the U.S. dollar are translated into U.S. dollar equivalents at exchange rates as follows: (1) asset and liability accounts at period-end rates; (2) income statement accounts at weighted-average exchange rates for the period; and (3) stockholders' equity accounts at historical exchange rates. The resulting translation adjustments are excluded from net income and reflected as a separate component of stockholders' equity. Foreign currency transaction gains and losses are included in net income for the period. The Company may periodically have certain intercompany foreign currency transactions that are deemed to be of a long-term investment nature; exchange adjustments related to those transactions are made directly to a separate component of stockholders' equity.

Revenue Recognition

Sources of Revenue

The Company derives its revenue from two sources: (1) marketplace subscription revenue, which consists primarily of Listings and Dealer Display subscriptions, and (2) advertising and other revenue, which consists primarily of display advertising revenue from auto manufacturers and other auto-related brand advertisers as well as partnerships with financing services companies.

Marketplace Subscription Revenue

The Company offers multiple types of marketplace Listings packages to its dealers through its CarGurus U.S. platform (availability varies on the Company's other marketplaces): Restricted Listings (formerly referred to as Basic Listings), which is free; and various levels of Listings packages, which each require a paid subscription under a monthly, quarterly, semiannual, or annual subscription basis.

The Company's subscriptions for customers generally auto-renew on a monthly basis and are cancellable by dealers with 30 days' advance notice at the end of the committed term, although during the second quarter of 2020 the Company did not require 30 days' advance notice of termination from dealers who cancelled as a result of the COVID-19 pandemic. Subscription pricing is determined based on a dealer's inventory size, region, and our assessment of the connections and return on investment, or ROI, the platform will provide them and is subject to discounts and/or fee reductions that the Company may offer from time to time. The Company also offers all dealers on the platform access to its Dealer Dashboard, which includes a performance summary, Dealer Insights tool, and user review management platform. Only dealers subscribing to a paid Listings package also have access to the Pricing Tool, Market Analysis tool and IMV Scan tool.

Dealer customers do not have the right to take possession of the Company's software.

In addition to displaying inventory in the Company's marketplace and providing access to the Dealer Dashboard, the Company offers dealers subscribing to certain of its Listings packages other subscription advertising and customer acquisition products and enhancements, including Dealer Display, which is marketed under our Real-time Performance Marketing suite. With Dealer Display, dealers can buy display advertising that appears in the Company's marketplace, on other sites on the internet, and/or on Facebook, a highly converting social media platform. Such advertisements can be targeted by the user's geography, search history, CarGurus website activity (including showing a consumer relevant vehicles from a dealer's inventory that the consumer has not yet discovered on the Company's marketplace), and a number of other targeting factors, allowing dealers to increase their visibility with in-market consumers and drive qualified traffic for dealers.

Payment is typically due on first day of each calendar month and is recorded as accounts receivable or short-term deferred revenue when payment is received in advance of services being delivered to the customers.

The Company also offers paid Listings packages for the Autolist website and paid Listings and display products for the PistonHeads website.

Advertising and Other Revenue

Advertising and other revenue consists primarily of non-dealer display advertising revenue from auto manufacturers and other auto-related brand advertisers sold on a cost per thousand impressions, or CPM basis. An impression is an advertisement loaded on a web page. In addition to advertising sold on a CPM basis, the Company also has advertising sold on a cost per click basis. Auto manufacturers and other brand advertisers can execute advertising campaigns that are targeted across a wide variety of parameters, including demographic groups, behavioral characteristics, specific auto brands, categories such as Certified Pre-Owned, and segments such as hybrid vehicles. The Company does not provide minimum impression guarantees or other types of minimum guarantees in its contracts with customers. Pricing is primarily based on advertisement size and position on the Company's websites and mobile applications, and fees are billed monthly in arrears. Unbilled accounts receivable relate to services rendered in the current period, but generally not invoiced until the subsequent period.

The Company sells advertising directly to auto manufacturers and other auto related brand advertisers, as well as indirectly through revenue sharing arrangements with advertising exchange partners. Company-sold advertising is not subject to revenue sharing arrangements. Company-sold advertising revenue is recognized based on the gross amount charged to the advertiser. Partner-sold advertising revenue is recognized based on the net amount of revenue received from the content partners.

Revenue from advertising sold directly by the Company is recorded on a gross basis because the Company is the principal in the arrangement, controls the ad placement and timing of the campaign, and establishes the selling price. The Company enters into contractual arrangements directly with advertisers and is directly responsible for the fulfillment of the contractual terms including any remedy for issues with such fulfillment.

Advertising revenue subject to revenue sharing agreements between the Company and advertising exchange partners is recognized based on the net amount of revenue received from the partner. The advertising partner is responsible for fulfillment, including the acceptability of the services delivered. In partner-sold advertising arrangements, the advertising partner has a direct contractual relationship with the advertiser. There is no contractual relationship between the Company and the advertiser for partner-sold transactions. When an advertising exchange partner sells advertisements, the partner is responsible for fulfilling the advertisements, and accordingly, the Company has determined the advertising partner is the principal in the arrangement. Additionally, for auction-based partner agreements, the Company has latitude in establishing the floor price, but the final price established by the exchange server is at market rates.

Customers are billed monthly in arrears and payment terms are generally thirty to sixty days from the date invoiced.

Advertising and other revenue also includes revenue from partnerships with certain financing services companies pursuant to which the Company enables eligible consumers on the Company's U.S. website to pre-qualify for financing on cars from dealerships that offer financing through such companies. The Company primarily generates revenues from these partnerships based on the number of funded loans from consumers who pre-qualify with our lending partners through our site.

The Company also offers non-dealer display products for the Autolist and PistonHeads websites.

Revenue Recognition

ASC Topic 606, Revenue from Contracts with Customers, or ASC 606, outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five steps:

1) Identify the contract with a customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to performance obligations in the contract
5) Recognize revenue when or as the Company satisfies a performance obligation

Marketplace Subscription Revenue

For dealer listings, the Company provides a single similar service each day for a period of time. Each time increment (i.e., one day), rather than the underlying activities, is distinct and substantially the same and therefore the performance obligation of the Company is to provide a series of daily activities over the contract term. Similar to the dealer listings, the dealer display advertising is considered a promise to provide a single similar service each day. Each time increment is distinct and substantially the same and therefore the performance obligation of the Company is to provide a series of daily activities over the contract term.

Total consideration for marketplace subscription revenue is stated within the contracts. There are no contractual cash refund rights, but credits may be issued to a customer at the sole discretion of the Company. At the portfolio level, there is also variable consideration that needs to be included in the transaction price. Variable consideration consists of sales allowances, usage fees, and concessions that change the transaction price of the unsatisfied or partially unsatisfied performance obligation. The Company recognizes that there are times when there is a customer satisfaction issue or other circumstance that will lead to a credit. Due to the known possibility of future credits, a monthly sales allowance review is performed to defer revenue at a portfolio level for such future adjustments in the period of incurrence. The Company establishes sales allowances at the time of revenue recognition based on its history of adjustments and credits provided to its customers. In assessing the adequacy of the sales allowance, the Company evaluates its history of adjustments and credits made through the date of the issuance of the financial statements. Estimated sales adjustments, credits and losses may vary from actual results which could lead to material adjustments to the financial statements. Sales allowances are recorded as a reduction to revenue in the consolidated income statements.

Performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefit of the service. Revenue is recognized ratably over the subscription period beginning on the date the Company starts providing services to the customer under the contract. Revenue is presented net of any taxes collected from customers.

Advertising and Other Revenue

For advertising revenue, the performance obligation is to publish the agreed upon campaign on the Company's websites and load the related impressions.

Advertising contracts state the transaction price within the agreement with payment being based on the number of clicks or impressions delivered on the Company's websites. Total consideration is based on output and deemed variable consideration constrained by an agreed upon delivery schedule. Additionally, there are generally no contractual cash refund rights. Certain contracts do contain the right for credits in situations in which impressions are not displayed in compliance with contractual specifications. At an individual contract level, the Company may give a credit for a customer satisfaction issue or other circumstance. Due to the known possibility of future credits, a monthly review is performed to defer revenue at an individual contract level for such future adjustments in the period of incurrence.

As consideration is driven by the number of impressions delivered on the CarGurus websites, the consideration for each period is allocated to the period in which the service was rendered.

Performance obligations for company-sold advertising revenue and partner-sold advertising revenue are satisfied over time as impressions are delivered. Revenue is recognized based on the total number of impressions delivered within the specified period. Revenue from advertising sold directly by the Company is recognized based on the gross amount charged to the advertiser and advertising revenue sold by partners is recognized based on the net amount of revenue received from the content partners. Revenue is presented net of any taxes collected from customers.

Other revenue includes revenue from contracts for which the performance obligation is a series of distinct services with the same level of effort daily. For these contracts, the Company estimates the value of the variable consideration in determining the transaction price and allocates it to the performance obligation. Revenue is estimated and recognized on a ratable basis over the contractual term. The Company reassesses the estimate of variable consideration at each reporting period.

Contracts with Multiple Performance Obligations

The Company periodically enters into arrangements that include Listings and Dealer Display within marketplace subscription revenue. These contracts include multiple promises that the Company evaluates to determine if the promises are separate performance obligations. Performance obligations are identified based on services to be transferred to a customer

that are distinct within the context of the contractual terms. Once the performance obligations have been identified, the Company determines the transaction price, which includes estimating the amount of variable consideration to be included in the transaction price, if any. If required, the transaction price is allocated to each performance obligation in the contract based on a relative standalone selling price method as the performance obligation is being satisfied. For the Company's arrangements that include Listings and Dealer Display, the performance obligations were satisfied over a consistent period of time and therefore the allocations did not impact the revenue recognized.

Costs to Obtain a Contract

Commissions paid to sales representatives and payroll taxes are considered costs to obtain a contract. Under ASC 606, the costs to obtain a contract require capitalization and amortization of those costs over the period of benefit. Although the guidance specifies the accounting for an individual contract with a customer, as a practical expedient, the Company has opted to apply the guidance to a portfolio of contracts with similar characteristics. The Company has opted to apply another practical expedient to immediately expense the incremental cost of obtaining a contract when the underlying related asset would have been amortized over one year or less. As such, the Company applied this practical expedient to advertising contracts as the term is one year or less and these contracts do not renew automatically. The practical expedient is not applicable to marketplace subscription contracts as the period of benefit including renewals is anticipated to be greater than one year as commissions paid on contract renewals are not commensurate with the commissions paid on the initial contract. The assets are periodically assessed for impairment.

For marketplace subscription customers, the commissions paid on contracts with new customers, in addition to any commission amount related to incremental sales, are capitalized and amortized over the estimated benefit period of the customer relationship taking into account factors such as peer estimates of technology lives and customer lives as well as the Company's own historical data. Commissions paid that are not directly related to obtaining a new contract are expensed as incurred.

Additionally, the Company allocates employer payroll tax expense to the commission expense in proportion to the overall payroll taxes paid during the respective period. As such, capitalized payroll taxes are amortized in the same manner as the underlying capitalized commissions.

The assets recognized for costs to obtain a contract were $19,996, $20,058, and $12,505, as of December 31, 2020, December 31, 2019, and December 31, 2018, respectively. Amortization expense recognized during the years ended December 31, 2020, 2019, and 2018 related to costs to obtain a contract was $11,605, $8,416, and $3,689, respectively.

Deferred Revenue

Deferred revenue primarily consists of payments received in advance of revenue recognition from the Company's marketplace revenue and is recognized as the revenue recognition criteria are met. The Company generally invoices its customers monthly. Accordingly, the deferred revenue balances do not represent the total contract value of annual or multiyear subscription agreements. Deferred revenue that is expected to be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent in the consolidated balance sheets. All deferred revenue was recorded as current for all periods presented.

Cost of Revenue

Cost of revenue primarily consists of costs related to supporting and hosting the Company's product offerings. These costs include salaries, benefits, incentive compensation and stock-based compensation for the Company's customer support team, and third-party service provider costs such as data center and networking expenses, allocated overhead costs, depreciation and amortization expense associated with the Company's property and equipment, and amortization of capitalized website development costs.

Stock-Based Compensation

For stock-based awards issued under the Company's stock-based compensation plans, which are more fully described in Note 11, the fair value of each award is determined on the date of grant. The Company recognizes compensation expense for service-based awards on a straight-line basis over the requisite service period for each separate vesting portion of the award, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

For restricted stock units ("RSUs") granted subsequent to the Initial Public Offering ("IPO"), the fair value is determined based on the closing price of the Company's Class A common stock as reported on the Nasdaq Global Select Market on the date of grant.

The Company issues shares for stock option exercises and RSUs out of its shares available for issuance. No options were granted during the years ended December 31, 2020, 2019, and 2018.

The Company accounts for forfeitures when they occur. The tax effect of differences between tax deductions related to stock compensation and the corresponding financial statement expense compensation are recorded to tax expense. Excess tax benefits recognized on stock-based compensation expense are classified as an operating activity in the consolidated statements of cash flows.

During 2020, the Company recorded immaterial tax demerits related to stock-based compensation as compared to excess tax benefits of $11,115 and $40,765 recorded for the years ended December 31, 2019 and 2018 respectively.

See Note 11 of consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a summary of the stock option and RSU activity for the year ended December 31, 2020.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense, which is included within sales and marketing expense in the consolidated income statements, was $155,580, $287,107, and $238,640 for the years ended December 31, 2020, 2019, and 2018, respectively.

Comprehensive Income

Comprehensive income is defined as the change in stockholders' equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income consists of net income and other comprehensive income (loss), which includes certain changes in equity that are excluded from net income. Specifically, cumulative foreign currency translation adjustments are included in accumulated other comprehensive income (loss). As of December 31, 2020 and 2019, accumulated other comprehensive income (loss) is presented separately on the consolidated balance sheets and consists entirely of cumulative foreign currency translation adjustments.

Recent Accounting Pronouncements Adopted

Goodwill and Intangibles

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment by eliminating Step 2 of the goodwill impairment test. Under previous guidance, Step 2 of the goodwill impairment test required entities to calculate the implied fair value of goodwill in the same manner as the amount of goodwill recognized in a business combination by assigning the fair value of a reporting unit to all of the assets and liabilities of the reporting unit. The carrying value in excess of the implied fair value was recognized as goodwill impairment. Under ASU 2017-04, goodwill impairment is recognized based on Step 1 of the goodwill impairment test, which calculates the carrying value in excess of the reporting unit's fair value. The standard was effective beginning in January 2020, with early adoption permitted. The Company adopted the guidance on January 1, 2020 and applied it on a prospective basis. The adoption did not have a material impact on its consolidated financial statements.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 and its subsequent related updates establish a forward-looking "expected loss model" that requires entities to estimate current expected credit losses on accounts receivable and financial instruments by using all practical and relevant information. ASU 2016-13 and its subsequent related updates were effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company adopted the guidance on January 1, 2020 and applied it on a prospective basis. The adoption did not have a material impact on the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

From time to time, new accounting pronouncements are issued by the FASB or other standard-setting bodies and adopted by the Company on or prior to the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In December 2019, the FASB issued ASU 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes ("ASU 2019-12"). ASU 2019-12 simplifies the accounting for income taxes by removing several exceptions in the current standard and adding guidance to reduce complexity in certain areas, such as requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company does not expect the impact of ASU 2019-12 to be material to its consolidated financial statements.

3. Revenue Recognition

The following table summarizes revenue from contracts with customers by revenue source for the years ended December 31, 2020, 2019 and 2018.

	2020	2019	2018
United States			
Marketplace subscription revenue	$ 456,505	$ 496,730	$ 390,254
Advertising and other revenue	63,330	58,277	46,912
Total	519,835	555,007	437,166
International			
Marketplace subscription revenue	28,473	29,313	15,526
Advertising and other revenue	3,143	4,596	1,394
Total	31,616	33,909	16,920
Total Revenue			
Marketplace subscription revenue	484,978	526,043	405,780
Advertising and other revenue	66,473	62,873	48,306
Total	$ 551,451	$ 588,916	$ 454,086

The Company provides disaggregation of revenue based on the marketplace subscription versus advertising and other revenue classification in the table above and based on geographic region (see Note 14 of consolidated financial statements included elsewhere in this Annual Report on Form 10-K) as it believes these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

ASC 606 requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as the relevant year end.

For contracts with an original expected duration greater than one year, the aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied as of December 31, 2020 is approximately $17.7 million, which the Company expects to recognize over the next twelve months.

For contracts with an original expected duration of one year or less, the Company has applied the practical expedient available under ASC 606 to not disclose the amount of transaction price allocated to unsatisfied performance obligations as of December 31, 2020. For performance obligations not satisfied as of December 31, 2020, and to which this expedient applies, the nature of the performance obligations, the variable consideration and any consideration from contracts with customers not included in the transaction price is consistent with performance obligations satisfied as of December 31, 2020.

Revenue recognized during the year ended December 31, 2020 and 2019 from amounts included in deferred revenue at the beginning of the period was $9,984 and $8,811, respectively.

In response to the COVID-19 pandemic, the Company reduced the subscription fees for paying dealers by at least 50% on all marketplace subscriptions for the April and May 2020 service periods, as well as provided a fee reduction on all June 2020 marketplace subscriptions of 20% for paying dealers in the United States and Canada and 50% for paying dealers in the United Kingdom. These fee reductions resulted in a modification to contracts with initial contractual periods greater than one month. For any contract modified, the Company calculated the remaining transaction price and allocated the consideration over the remaining performance obligations. These fee reductions materially and adversely impacted revenue for the year ended December 31, 2020, resulting in an approximately $50 million decrease in marketplace subscription revenue. During the December 2020 and February 2021 service periods, the Company also suspended charging subscription fees for subscribing dealers in the United Kingdom. These fee reductions did not materially impact revenue for the year ended December 31, 2020 and are not expected to materially impact revenue for the year ending December 31, 2021. These fee reductions are included in the Company's variable consideration assessment.

4. Acquisitions

On January 16, 2020, the Company acquired Autolist, an automotive shopping platform based in San Francisco, California, pursuant to an Agreement and Plan of Merger by and among the Company, Alpine Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), Auto List, Inc., a Delaware corporation ("Target"), and the securityholders' representative therein, pursuant to which, among other things, the Company acquired Target through the merger of Merger Sub with and into Target (the "Merger"), with Target surviving as a wholly owned subsidiary of the Company. The Company paid an aggregate of $21.1 million, net of cash acquired, to consummate the Merger, which amount included $2.2 million that was set aside in escrow to secure post-closing claims. The Merger was intended to both expand the Company's consumer audience in the United States and enhance its value proposition for subscribing dealers.

As of December 31, 2020, the Company incurred total acquisition-related costs of $1.4 million related to the Merger, of which $1.0 million was incurred during the year ended December 31, 2020 and $0.4 million incurred during the year ended December 31, 2019. Acquisition-related costs were excluded from the purchase price allocation as they were primarily comprised of one-time severance and bonus related expenses. For the year ended December 31, 2020, $0.5 million, $0.3 million, and $0.2 million of acquisition-related costs were recorded as operating expense and allocated to product, technology, and development, general and administrative, and sales and marketing, respectively, within the consolidated income statement.

The acquisition has been accounted for as a business combination under the acquisition method and, accordingly, the total purchase price is allocated to the acquired assets and assumed liabilities. The following table presents the adjusted purchase price allocation recorded in the Company's consolidated balance sheet as of the acquisition date, which was finalized as of December 31, 2020:

	Adjusted Fair Value at Date of Acquisition (4)
Cash and cash equivalents	$ 50
Restricted cash	220
Accounts receivable	1,862
Intangible assets (1)	7,600
Goodwill (2)	12,477
Operating lease right-of-use assets	2,169
Other assets, net	162
Accounts payable and accrued expenses	(358)
Operating lease liabilities - current	(446)
Operating lease liabilities - non-current	(1,723)
Deferred tax liabilities (3)	(687)
Total purchase price	$ 21,326

(1) Identifiable definite-lived intangible assets were comprised of brand, developed technology, and customer relationships of $5,600, $1,200, and $800, respectively, with estimated useful lives of 9 years, 3 years, and 3 years, respectively, which will be amortized on a straight-line basis over their estimated useful lives. The fair value of the brand has been estimated using the multi-period excess earnings method which is a variation of the income approach. The fair value of the developed technology and customer relationships has been estimated using a cost approach, which assesses the cost to redevelop the mobile application and technology, and relationships, respectively.

(2) The goodwill represents the excess value of the purchase price over net assets acquired. The goodwill in this transaction is primarily attributable to expected consumer traffic growth and shopper connections for dealers across both the CarGurus and Autolist websites, creating additional value for the Company's premium subscription customers. All goodwill is assigned to the United States reporting segment. The acquisition of Autolist is treated as a stock acquisition for tax purposes and goodwill is not deductible for tax purposes.

(3) The estimated deferred tax liability corresponds to the acquired intangible assets which have no tax basis.

(4) The Company refined its estimates of the fair value of certain accounts included within the preliminary purchase price allocation, which resulted in an immaterial adjustment to accounts receivable, cash paid, deferred tax liability and goodwill.

Actual and pro forma results for this acquisition have not been presented as the financial impact to the Company's consolidated financial statements is not material.

5. Fair Value of Financial Instruments Including Cash, Cash Equivalents and Investments

The following tables present, for each of the fair value levels, the Company's assets that are measured at fair value on a recurring basis at December 31, 2020 and 2019:

	December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	Total
Cash equivalents:				
Money market funds	$ 112,431	$ —	$ —	$ 112,431
Investments:				
Certificates of deposit	—	100,000	—	100,000
Total	$ 112,431	$ 100,000	$ —	$ 212,431

	December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	Total
Cash equivalents:				
Money market funds	$ 29,196	$ —	$ —	$ 29,196
Investments:				
Certificates of deposit	—	111,692	—	111,692
Total	$ 29,196	$ 111,692	$ —	$ 140,888

The following is a summary of investments as of December 31, 2020 and 2019.

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Investments:				
Certificates of deposit due in one year or less	$ 100,000	$ —	$ —	$ 100,000
Total	$ 100,000	$ —	$ —	$ 100,000

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Investments:				
Certificates of deposit due in one year or less	$ 111,692	$ —	$ —	$ 111,692
Total	$ 111,692	$ —	$ —	$ 111,692

6. Property and Equipment, Net

Property and equipment, net consists of the following:

	At December 31,	
	2020	2019
Capitalized equipment	$ 8,108	$ 7,923
Capitalized software	149	181
Capitalized website development costs	16,328	11,083
Furniture and fixtures	7,320	6,809
Leasehold improvements	20,507	19,507
Construction in progress	1,024	524
Finance lease right-of-use assets	41	78
	53,477	46,105
Less accumulated depreciation and amortization	(25,994)	(18,155)
Property and equipment, net	$ 27,483	$ 27,950

Depreciation and amortization expense, excluding amortization of intangible assets, was $9,349 for the year ended December 31, 2020, including write-offs of $1,151. Depreciation and amortization expense, excluding amortization of intangible assets, was $7,168, and $5,029 for the years ended December 31 2019 and 2018, respectively. Capitalized website development costs increased $5,245 due to continued investment in our product offerings.

7. Goodwill and Other Intangible Assets

Goodwill

The changes in the carrying value of goodwill were as follows:

	United States	International	Total
Balance at December 31, 2019	$ —	$ 15,207	$ 15,207
Autolist acquisition (1)	12,477	—	12,477
Foreign currency translation adjustment	—	1,445	1,445
Balance at December 31, 2020	$ 12,477	$ 16,652	$ 29,129

(1) See Note 4 of consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

The Company assessed its goodwill for impairment and concluded that there was no impairment as of December 31, 2020.

Other Intangible Assets

Intangible assets as of December 31, 2020 and 2019 consist of the following:

	At December 31, 2020			
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Brand	8.4	$ 9,405	$ 1,235	$ 8,170
Customer relationships	1.6	1,886	938	948
Developed Technology	1.0	2,213	469	1,744
Total		$ 13,504	$ 2,642	$ 10,862

	At December 31, 2019			
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Brand	10.0	$ 3,524	$ 313	$ 3,211
Customer relationships	2.0	1,045	336	709
Total		$ 4,569	$ 649	$ 3,920

The Company recorded amortization expense related to intangible assets of $1,993 and $649 for the year ended December 31, 2020 and 2019, respectively.

The Company assessed its intangible assets for impairment and concluded that there was no impairment as of December 31, 2020.

Estimated amortization expense of intangible assets for future periods as of December 31, 2020, is as follows:

Year Ending December 31,	Amortization Expense
2021	$ 2,371
2022	1,984
2023	1,254
2024	972
2025	972
Thereafter	3,309
Total	$ 10,862

8. Accrued Expenses, Accrued Income Taxes and Other Current Liabilities

Accrued expenses, accrued income taxes and other current liabilities consist of the following:

	At December 31,	
	2020	2019
Accrued bonus	$ 10,845	$ 8,637
Accrued commissions	3,941	3,153
Other accrued expenses, accrued income taxes and other current liabilities	9,965	6,472
Total	$ 24,751	$ 18,262

9. Restructuring

On April 13, 2020, the Board of Directors of the Company approved an expense reduction plan to address the impact of the COVID-19 pandemic on the Company's business (the "Expense Reduction Plan"), pursuant to which the Company initiated a reduction in its workforce of approximately 13%, ceased operation of its Germany, Italy and Spain marketplaces, and halted expansion efforts in any new international markets.

The Expense Reduction Plan was completed in the second quarter of 2020 and during such quarter resulted in restructuring charges of $3,248 for employee severance and related benefits expense and $1,019 for write-off of capitalized website development costs and deferred contract costs from international marketplaces.

The following table summarizes restructuring accrual activity for employee severance and related benefits expense for the year ended December 31, 2020:

	Employee Severance and Related Benefits
Balance at December 31, 2019	$ —
Charges	3,248
Cash disbursements	(2,581)
Noncash settlements	(667)
Balance at December 31, 2020	$ —

For the year ended December 31, 2020, $2,160, $737, $207, and $144 of employee severance and related benefits expense was recorded as product, technology, and development, general and administrative, sales and marketing, and cost of revenue, respectively, within the consolidated income statement. All of the accrued employee severance and related benefits were paid as of December 31, 2020 and were recorded within accrued expenses, accrued income taxes and other current liabilities on the consolidated balance sheets, prior to being paid. For the year ended December 31, 2020, $667 of employee severance and related benefits expense was recorded as stock-based compensation expense within the consolidated statements of cash flows.

For the year ended December 31, 2020, $844 and $175 of the write-off of capitalized website development costs and deferred contract costs from international marketplaces were recorded as cost of revenue and sales and marketing, respectively, within the consolidated income statement. For the year ended December 31, 2020, $844 of the write-off of capitalized website development costs from international marketplaces was recorded as depreciation and amortization within the consolidated statements of cash flows.

10. Commitments and Contingencies

Contractual Obligations and Commitments

All of the Company's property, equipment, and internal-use software have been purchased with cash with the exception of amounts related to unpaid property and equipment and internal-use software as disclosed in the consolidated financial statements and immaterial amounts related to obligations under one finance lease as of December 31, 2020. The Company has no material long-term purchase obligations outstanding with any vendor or third party.

Leases

The Company's primary operating lease obligations consist of various leases for office space in: Boston, Massachusetts; Cambridge, Massachusetts; San Francisco, California; and Dublin, Ireland. The Company also has an operating lease obligation for data center space in Needham, Massachusetts.

On June 12, 2020, the Company amended its operating lease agreement in Boston, Massachusetts at 1001 Boylston Street, which was originally entered into on December 19, 2019 for the lease of 273,595 square feet of office space (the "Original Boston Lease Agreement"). Pursuant to this amendment, the Company exercised its right to reduce the amount of office space agreed to under the lease to 225,428 square feet, and the parties agreed to certain other changes to the lease as set forth in the amendment. As the lease has been signed but the lease term has not commenced, there is no impact to the consolidated financial statements.

The Original Boston Lease Agreement provides for leasehold improvement incentives and provides for annual rent increases through the term of the lease. The "Commencement Date" of the lease term is the earlier to occur of (i) the date that is twelve months following the Delivery Date (as defined in the lease) and (ii) the date that the Company first occupies the premises for the normal conduct of business for the Permitted Use (as defined in the lease). The initial term will commence on the Commencement Date and expire on the date that is one hundred and eighty full calendar months after the Commencement Date (plus the partial month, if any, immediately following the Commencement Date). The lease provides for the option to terminate early under certain circumstances including if there is a material delay in construction (subject to the terms and conditions of the lease), and contains two Company options to extend the lease term (including for a portion of the office space thereunder) for an additional period of five years.

On August 30, 2019, the Company amended its operating lease agreement in Cambridge, Massachusetts at 55 Cambridge Parkway, which was originally entered into on March 11, 2016 and subsequently amended on July 30, 2016, for the lease of 51,923 square feet of office space. The 2019 amendment granted the Company an additional 36,689 square feet of office space and extended the non-cancellable lease term through 2025 for the office space currently occupied. The Company accounted for the additional 36,689 square feet of office space as a new lease as it provides an additional right-of-use asset that is not included in the original lease and the additional lease payments were determined to be commensurate with the standalone price of the additional space. The non-cancellable lease term of the additional space ends in 2025, with a portion ending in 2023. The term extension of the existing 51,923 square feet of office space was recorded as a lease modification within the consolidated balance sheet as of December 31, 2019. The lease, as amended, provides for (i) an option to extend the lease term with respect to a portion of the office space for an additional period of five years, (ii) leasehold improvement incentives and (iii) annual rent increases through the term of the lease.

On May 1, 2019, the Company entered into an operating lease in Needham, Massachusetts for the lease of data center space with a non-cancellable term through 2022 with automatic renewal for one year thereafter if not terminated. The lease provides for annual rent increases through the term of the lease.

On January 10, 2019, Auto List, Inc., which the Company acquired on January 16, 2020, entered into an operating lease in San Francisco, California at 332 Pine St. for the lease of 6,345 square feet of office space with a non-cancellable lease term through 2024. The lease provides for annual rent increases through the term of the lease.

On June 19, 2018, the Company entered into an operating lease in Cambridge, Massachusetts at 121 First Street for the lease of 48,393 square feet of office space with a non-cancellable lease term through 2033 with an option to extend the lease term for two additional periods of five years each. The lease provides for leasehold improvement incentives and annual rent increases through the term of the lease. The Company subleased the fifth floor and recorded the sublease income in other income, net within the consolidated income statement. The sublease expired in August 2020. The sublease income is immaterial as of December 31, 2020 and 2019.

On September 26, 2017, the Company assumed an operating lease, which was entered into by the original lessee on August 12, 2013, for the lease of 13,345 square feet of office space in Dublin, Ireland at Styne House, Upper Hatch Street with a non-cancellable term through 2023. The lease provided for a rent increase at the end of year five of the original lease term.

On October 8, 2014, the Company entered into an operating lease in Cambridge, Massachusetts at 2 Canal Park for the lease of 48,059 square feet of office space with a non-cancellable lease term through 2022 with an option to extend the lease term for one additional period of five years. The lease provides for leasehold improvement incentives and annual rent increases through the term of the lease.

The Company's financing lease obligations consist of a lease for office equipment and are immaterial.

The leases in Boston, Massachusetts and Cambridge, Massachusetts have associated letters of credit, which are recorded as restricted cash within the consolidated balance sheet. At December 31, 2020 and 2019, restricted cash was $10,627 and $10,803, respectively, and primarily related to cash held at a financial institution in an interest-bearing cash account as collateral for the letters of credit related to the contractual provisions for the Company's building leases. At December 31, 2020 and 2019, portions of restricted cash were classified as short-term assets and long-term assets.

During the years ended December 31, 2020, 2019 and 2018, the Company recognized $14,157, $10,260, and $7,711 respectively, of lease costs for leases that have commenced.

For leases that have commenced as of December 31, 2020 and 2019, the weighted average remaining lease term was 7.7 years and 8.8 years, respectively, and the weighted average discount rate was 5.3% and 5.2%, respectively. As the Company's leases do not provide an implicit rate, the Company uses an estimated incremental borrowing rate based on the information available at lease commencement in determining the present value of lease payments. The Company estimated the incremental borrowing rate based on the rate of interest the Company would have to pay to borrow a similar amount on a collateralized basis over a similar term. The Company has no historical debt transactions and a collateralized rate is estimated based on a group of peer companies. The Company used the incremental borrowing rate on January 1, 2019 for leases that commenced prior to that date.

Future minimum lease payments as of December 31, 2020 are as follows:

Year Ending December 31,	Operating Lease Commitments
2021	$ 14,424
2022	15,886
2023	12,757
2024	11,304
2025	4,227
Thereafter	30,392
Total lease payments	88,990
Less imputed interest	(19,095)
Total	$ 69,895

The chart above does not include options to extend lease terms that are not reasonably certain of being exercised or leases signed but not yet commenced as of December 31, 2020. Total estimated future minimum lease payments for leases signed but not yet commenced as of December 31, 2020, which consists only of the 1001 Boylston Street lease, are estimated to be $253,570 and has an expected commencement date of June 2023.

Legal Matters

From time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. The Company is not presently subject to any pending or threatened litigation that it believes, if determined adversely to the Company, individually, or taken together, would reasonably be expected to have a material adverse effect on its business or financial results.

Guarantees and Indemnification Obligations

In the ordinary course of business, the Company enters into agreements with its customers, partners and service providers that include commercial provisions with respect to licensing, infringement, indemnification, and other common provisions. The Company does not, in the ordinary course, agree to guaranty or indemnification obligations for the Company under its contracts with customers. Based on historical experience and information known at December 31, 2020 and 2019, the Company has not incurred any costs for guarantees or indemnities.

11. Stock-based Compensation

Equity Incentive Plans

The Company's Amended and Restated 2006 Equity Incentive Plan (the "2006 Plan") provided for the issuance of non-qualified stock options, restricted stock and stock awards to the Company's employees, officers, directors and consultants. The 2006 Plan authorized up to an aggregate of 3,444,668 shares of the Company's Class B common stock for such issuances. In conjunction with the effectiveness of the Company's 2015 Equity Incentive Plan (the "2015 Plan"), the Board voted that no further stock options or other equity-based awards may be granted under the 2006 Plan.

In 2015, the Board first adopted the 2015 Plan, which became effective on June 26, 2015. The 2015 Plan provided for the issuance of stock-based incentives to employees, consultants and non-employee directors. As of the effective date of the 2015 Plan, up to 603,436 shares of common stock were authorized for issuance under the 2015 Plan. The 2015 Plan was amended and restated effective August 6, 2015 to permit the granting of restricted stock units ("RSUs") under the 2015 Plan, to remove Class B common stock from the pool of shares available for issuance under the 2015 Plan and to make certain other desired changes. The 2015 Plan was further amended and restated at October 15, 2015 to add a ten-year term and to make certain other desired changes.

The 2015 Plan was further amended and restated effective August 22, 2016 to merge the 2006 Plan into the 2015 Plan, to increase the number of shares of Class A common stock that may be issued under the 2015 Plan, and to lengthen the term of the 2015 Plan to expire on August 21, 2026. In addition, pursuant to this amendment and restatement of the 2015 Plan, prior to giving effect to the recapitalization that occurred on June 21, 2017, there were (i) 618,691 shares of Class A common stock, plus (ii) 802,562 shares of Class B common stock authorized under the 2015 Plan; provided, however, that (1) the number of shares of Class A common stock was increased, on a share for share basis, by the number of shares of Class B common stock that were (a) subject to outstanding options granted under the 2006 Plan that expired, terminated, or were cancelled for any reason without having been exercised, (b) surrendered in payment of the exercise price of outstanding options granted under the 2006 Plan or (c) withheld in satisfaction of tax withholding upon exercise of outstanding options granted under the 2006 Plan, and the number of shares of Class B common stock reserved under the amended and restated 2015 Plan was decreased, on a corresponding share for share basis, (2) no new awards of Class B common stock could be granted under the amended and restated 2015 Plan, and (3) except with respect to outstanding options granted under the 2006 Plan that were exercised on or after the date of the amendment and restatement, no Class B common stock could be issued under the 2015 Plan.

In connection with the recapitalization that occurred on June 21, 2017, the 2015 Plan was further amended and restated to account for each outstanding common stock option being adjusted such that each share of common stock underlying such option became two shares of Class A common stock and four shares of Class B common stock underlying such option, and each outstanding RSU being adjusted such that each share of common stock issuable upon settlement of such RSU became two shares of Class A common stock and four shares of Class B common stock issuable upon settlement of such RSU. Pursuant to the 2015 Plan as further amended in connection with the recapitalization, there were (i) 3,181,740 shares of Class A common stock and (ii) 5,161,644 shares of Class B common stock authorized for issuance under the 2015 Plan.

In connection with the IPO, in October 2017, the Board adopted, and the Company's stockholders approved, the Omnibus Incentive Compensation Plan (the "2017 Plan") for the purpose of granting incentive stock options, non-qualified stock options, stock awards, stock units, other share-based awards and cash awards to employees, advisors and consultants to the Company and its subsidiaries and non-employee members of the Board. The 2017 Plan is the successor to the 2015 Plan. The 2017 Plan authorizes the issuance or transfer of the sum of: (i) 7,800,000 shares of the Company's Class A common stock, plus (ii) the number of shares of our Class A common stock (up to 4,500,000 shares) equal to the sum of (x) the number of shares of Class A common stock and Class B common stock of the Company subject to outstanding awards under the 2015 Plan as of October 10, 2017 that terminate, expire or are cancelled, forfeited, exchanged, or surrendered on or after October 10, 2017 without having been exercised, vested, or paid prior to October 10, 2017, including shares tendered or withheld to satisfy tax withholding obligations with respect to outstanding grants under the 2015 Plan, plus (y) the number of shares of Class A common stock reserved for issuance under the 2015 Plan that remain available for grant under the 2015 Plan as of October 10, 2017. The aggregate number of shares of Class A common stock that may be issued or transferred under the 2017 Plan pursuant to incentive stock options will not exceed 12,300,000 shares of Class A common stock. Unless determined otherwise by the Compensation Committee of the Board, as of the first trading day of January of each calendar year during the term of the 2017 Plan (excluding any extensions), eligible beginning with calendar year 2019, an additional number of shares of Class A common stock will be added to the number of shares of the Company's Class A common stock authorized to be issued or transferred under the 2017 Plan and the number of shares authorized to be issued or transferred pursuant to incentive stock options, equal to 4% of the total number of shares of our Class A common stock outstanding on the last trading day in December of the immediately preceding calendar year, or 6,000,000 shares, whichever is less, or such lesser amount as determined by the Board (the "Evergreen Increase"). The Compensation Committee of the Board determined to not effectuate the Evergreen Increase that was otherwise scheduled to have occurred on each of January 2, 2019, January 2, 2020 and January 4, 2021. In conjunction with the adoption of the 2017 Plan, options and RSUs outstanding under the 2015 Plan will remain outstanding but no additional grants will be made from the 2015 Plan.

At December 31, 2020, 4,589,386 shares of Class A common stock were available for issuance under the 2017 Plan.

Stock Options

The following is a summary of the stock option activity for all stock-based compensation plans during the year ended December 31, 2020:

	Common Stock	Weighted-Average Exercise Price for Equity	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value(1)
Outstanding, December 31, 2019	942,885	$ 2.45	5.0	$ 30,859
Granted	—	—		
Exercised	(352,212)	3.23		8,401
Forfeited	(276)	6.78		
Outstanding, December 31, 2020	590,397	$ 1.99	4.0	$ 17,560
Options exercisable at December 31, 2020	590,397	$ 1.99	4.0	$ 17,560

(1) The aggregate intrinsic value as of December 31, 2020 and 2019 was calculated based on the positive difference, if any, between the estimated fair value of our common stock on December 31, 2020 and 2019, respectively, or the date of exercise, as appropriate, and the exercise price of the underlying options.

There were no options granted in the years ended December 31, 2020, 2019 and 2018.

The aggregate intrinsic value for options exercised during the years ended December 31, 2019 and 2018 was $28,902 and $111,227, respectively.

As of December 31, 2020, there was no unrecognized stock-based compensation expense related to unvested stock options.

Restricted Stock Units

The following is a summary of the RSU activity during the year ended December 31, 2020:

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Unvested outstanding, December 31, 2019	3,083,301	$ 33.89	$ 108,471
Granted	2,348,836	28.47	
Vested	(1,347,464)	30.14	
Forfeited	(600,857)	29.04	
Unvested outstanding, December 31, 2020	3,483,816	$ 32.52	$ 110,538

The weighted-average grant-date fair value of RSUs granted was $39.07 and $35.79 per share in 2019 and 2018, respectively.

RSUs that vested and settled during the year ended December 31, 2019 totaled 1,317,736. RSUs that vested and settled during the year ended December 31, 2018 totaled 1,781,201, which included 1,087,279 and 693,922 RSUs that vested in 2018 and 2017, respectively. RSUs that vested prior to April 10, 2018 did not settle until the expiration of shareholder lock-up agreements on such date.

The total fair value of RSUs vested was $40,613, $31,533 and $15,994 in the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, there was $95,138 of unrecognized stock-based compensation expense related to unvested RSUs that is expected to be recognized over a weighted-average period of 2.6 years.

Stock-based Compensation Expense

For the years ended December 31, 2020, 2019, and 2018, total stock-based compensation expense was $45,321, $34,301, and $20,794, respectively. The following two tables show stock compensation expense by award type and where the stock compensation expense is recorded in the Company's consolidated income statements:

	Year Ended December 31,		
	2020	2019	2018
Options	$ 17	$ 155	$ 247
Restricted stock units	45,304	34,146	20,547
Total stock-based compensation expense	$ 45,321	$ 34,301	$ 20,794

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	$ 293	$ 354	$ 354
Sales and marketing expense	10,564	9,989	5,111
Product, technology, and development expense	20,741	15,159	9,865
General and administrative expense	13,723	8,799	5,464
Total stock-based compensation expense	$ 45,321	$ 34,301	$ 20,794

Excluded from stock-based compensation expense is $1,906, $1,381, and $490 of capitalized website development costs and internal-use software costs in 2020, 2019 and 2018, respectively.

The income tax benefit from stock-based compensation expense was $4,796, $2,953, and $1,945 in the years ended December 31, 2020, 2019, and 2018, respectively.

During the years ended December 31, 2020, 2019, and 2018, the Company withheld 447,160, 452,678, and 658,931 shares of Class A common stock, respectively, to satisfy employee tax withholding requirements and option costs due to net share settlements and cashless exercises of options. The shares withheld return to the authorized, but unissued, pool under the 2017 Plan and can be reissued by the Company. Total payments for the employees' tax obligations to the taxing authorities and for option costs due to net share settlements and cashless exercises of options were $11,184, $16,470, and 25,885 for the years ended December 31, 2020, 2019 and 2018, respectively, and are reflected as a financing activity within the consolidated statements of cash flows.

Common Stock Reserved for Future Issuance

At December 31, 2020, the Company had reserved the following shares of Class A common stock for future issuance:

Common stock options outstanding	590,397
Restricted stock units outstanding	3,483,816
Shares available for issuance under the 2017 Plan	4,589,386
Total shares of authorized common stock reserved for future issuance	8,663,599

12. Earnings Per Share

Net income per share for the years ended December 31, 2020, 2019, and 2018 was computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period. The Company computes the weighted-average number of common shares outstanding during the reporting period using the total number of shares of Class A common stock and Class B common stock outstanding as of the last day of the previous year end reporting period plus the weighted-average of any additional shares issued and outstanding during the reporting period.

The Company has two classes of common stock authorized: Class A common stock and Class B common stock. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder at any time or automatically upon certain events described in the Company's amended and restated certificate of incorporation, including upon either the death or voluntary termination of the Company's Executive Chairman. The Company allocates undistributed earnings attributable to common stock between the common stock classes on a one-to-one basis when computing net income per share. As a result, basic and diluted net income per share of Class A common stock and per share of Class B common stock are equivalent.

During the years ended December 31, 2020, 2019, and 2018, holders of Class B common stock converted 1,238,144 shares, 387,440 shares and 7,534,710 shares, respectively, of Class B common stock to Class A common stock.

Diluted net income per share gives effect to all potentially dilutive securities. Potential diluted securities for the years ended December 31, 2020, 2019 and 2018 consist of shares of common stock issuable upon the exercise of stock options and shares of common stock issuable upon the vesting of RSUs. The dilutive effect of these common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method.

For the years ended December 31, 2020, 2019, and 2018, dilutive net income per share was calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period plus the dilutive impact of stock options and shares of common stock issuable upon the vesting of RSUs.

The following table presents a reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per share:

	Year Ended December 31,		
	2020	2019	2018
Numerator:			
Net income	$ 77,553	$ 42,146	$ 65,170
Denominator:			
Weighted–average number of shares of common stock used in computing net income per share attributable to common stockholders — basic	112,854,524	111,450,443	108,833,028
Dilutive effect of share equivalents resulting from stock options	674,018	1,155,906	3,009,748
Dilutive effect of share equivalents resulting from unvested restricted stock units	321,273	825,501	1,521,936
Weighted–average number of shares of common stock used in computing net income per share — diluted	113,849,815	113,431,850	113,364,712
Net income per share attributable to common stockholders:			
Basic	$ 0.69	$ 0.38	$ 0.60
Diluted	$ 0.68	$ 0.37	$ 0.57

The following potentially dilutive common stock equivalents have been excluded from the calculation of diluted weighted-average shares outstanding for the years ended December 31, 2020, 2019, and 2018, as their effect would have been anti-dilutive for the periods presented:

	Year Ended December 31,		
	2020	2019	2018
Restricted stock units outstanding	2,722,226	1,144,287	126,816

13. Income Taxes

The domestic and foreign components of income before income taxes are as follows:

	Year Ended December 31,		
	2020	2019	2018
United States	$ 97,120	$ 37,476	$ 24,426
Foreign	1,990	1,229	1,058
Income before income taxes	$ 99,110	$ 38,705	$ 25,484

The provision for (benefit from) income taxes contained the following components:

	Year Ended December 31,		
	2020	2019	2018
Current (benefit) provision:			
Federal	$ (3,733)	$ —	$ (860)
State	2,288	(220)	92
Foreign	767	513	122
	(678)	293	(646)
Deferred provision (benefit):			
Federal	19,539	(2,377)	(27,675)
State	2,734	(1,306)	(11,499)
Foreign	(38)	(51)	134
	22,235	(3,734)	(39,040)
Income tax provision (benefit)	$ 21,557	$ (3,441)	$ (39,686)

The Company's effective tax rate for the year ended December 31, 2020 is greater than the U.S. federal statutory rate primarily due to state and local income taxes with partial offset by the benefits from the U.S. federal and state research and development credits and the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The Company’s effective tax rates for the years ending December 31, 2019 and 2018 are less than the U.S. federal statutory rate primarily due to federal and state research and development credits and excess tax deductions related to stock-based compensation awards.

	Year Ended December 31,		
	2020	2019	2018
U.S. federal taxes at statutory rate	21.0%	21.0%	21.0%
State taxes, net of federal benefit	6.2	0.2	(25.6)
Nondeductible expenses	0.4	2.9	4.1
Stock compensation	0.2	(22.0)	(127.2)
Foreign rate differential	(0.2)	(0.3)	(0.4)
Credits	(3.2)	(10.3)	(28.4)
CARES Act	(2.4)	—	—
Other	(0.2)	(0.2)	0.7
Total	21.8%	(8.7)%	(155.8)%

The approximate income tax effect of each type of temporary difference and carryforward as of December 31, 2020 and 2019 is as follows:

	As of December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 3,735	$ 35,977
Credit carryforwards	17,572	10,472
Stock-based compensation	4,796	2,953
Lease liability	18,671	17,965
Intangible Assets	—	62
Accruals and reserves	3,249	1,185
	48,023	68,614
Valuation Allowance	(158)	(62)
	47,865	68,552
Deferred tax liabilities:		
Prepaid expenses	(1,482)	(1,523)
Deferred commissions	(5,144)	(5,100)
Right of use assets	(15,920)	(15,270)
Intangible assets	(1,025)	—
Fixed assets	(4,811)	(4,230)
	(28,382)	(26,123)
Net deferred tax assets	$ 19,483	$ 42,429

The Company accounts for income taxes in accordance with the liability method. Under this method, deferred income taxes are recognized for the future tax consequences of differences between the tax and financial accounting bases of assets and liabilities at each reporting period. Deferred income taxes are based on enacted tax laws and statutory tax rates applicable to the period in which these differences are expected to affect taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company has provided an immaterial valuation allowance against its net deferred tax assets at December 31, 2020 and 2019. Based upon the level of historical U.S. earnings and future projections over the period in which the net deferred tax assets are deductible, at this time, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, with the exception of the deferred tax asset related to intangible assets in Ireland. The change in the valuation allowance for the years ended December 31, 2020 and 2019 was $96 and $62, respectively.

As of December 31, 2020, the Company has federal and state net operating loss ("NOL") carryforwards of $8,463 and $29,741, respectively. Prior to the enactment of the CARES Act on March 27, 2020, federal NOLs would generally carryforward indefinitely, subject to an annual limitation of 80% of taxable income. The CARES Act temporarily removed the 80% limitation on NOLs to offset taxable income for tax years prior to 2021. The 80% annual taxable income limitation will resume for tax years 2021 and on. The federal NOL carryforward does not expire and the state NOL carryforwards, excluding Florida and Georgia which carryforward indefinitely, expire at various dates beginning in 2028. As of December 31, 2020, the Company has federal and state tax credit carryforwards of $11,931 and $7,141, respectively, available to reduce future tax liabilities that expire at various dates through 2040. Utilization of the NOL and tax credit carryforwards, respectively, may be subject to an annual limitation due to ownership change limitations that have occurred previously or that could occur in the future, as provided by Section 382 of the Internal Revenue Code ("Section 382"), as well as similar state provisions. Ownership changes may limit the amount of NOL or tax credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions that increase the ownership of five-percent stockholders in the stock of a corporation by more than 50 percent in the aggregate over a three-year period.

The Company previously adopted the provision for uncertain tax positions under ASC 740. At December 31, 2020 and 2019, the Company had no recorded liabilities for uncertain tax positions and had no accrued interest or penalties related to uncertain tax positions.

The Company permanently reinvests the earnings, if any, of its foreign subsidiaries and, therefore, does not provide for U.S. income taxes that could result from the distribution of those earnings to the Company. As of December 31, 2020, the amount of unrecognized deferred U.S. taxes on these earnings would be de minimis.

The Company and its subsidiaries are subject to various U.S. federal, state, and foreign income tax examinations. The Company is currently not subject to income tax examination as a result of applicable statute of limitations of the Internal Revenue Service ("IRS") and state jurisdictions for the tax years of 2016 and prior. The Company is currently open to examination in its foreign jurisdictions for tax years 2018 and after. In 2019, the IRS commenced a federal employment tax audit with respect to the 2018, 2017 and 2016 calendar years, which is still open. In 2020, the IRS initiated a federal income tax audit associated with tax year 2017, which closed in January 2021. In 2020, the Company received notifications from the State of New York where the Company is under sales tax audit for the tax years 2014 to 2020 and from the State of Ohio where the Company is under commercial activity tax audit for the tax years 2013 to 2019. Both state audits remain open.

14. Segment and Geographic Information

The Company has two reportable segments, United States and International. Segment information is presented in the same manner as the Company's chief operating decision maker, (the "CODM"), reviews the Company's operating results in assessing performance and allocating resources. The CODM reviews revenue and operating income (loss) for each reportable segment as a proxy for the operating performance of the Company's United States and International operations. The Company's Chief Executive Officer is the CODM on behalf of both reportable segments.

The United States segment derives revenues from marketplace subscriptions, advertising services, and other revenues from customers within the United States. The International segment derives revenues from marketplace subscriptions, advertising services, and other revenues from customers outside of the United States. A majority of the Company's operational overhead expenses, including technology and personnel costs, and other general and administrative costs associated with running the Company's business, are incurred in the United States and not allocated to the International segment. Revenue and costs discretely incurred by reportable segments, including depreciation and amortization, are included in the calculation of reportable segment income (loss) from operations. Segment operating income (loss) does not reflect the transfer pricing adjustments related to the Company's foreign subsidiaries, which are recorded for statutory reporting purposes. Asset information is assessed and reviewed on a global basis.

Information regarding the Company's operations by segment and geographical area is presented as follows:

	Year Ended December 31,		
	2020	2019	2018
Segment revenue:			
United States	$ 519,835	$ 555,007	$ 437,166
International	31,616	33,909	16,920
Total revenue	$ 551,451	$ 588,916	$ 454,086

	Year Ended December 31,		
	2020	2019	2018
Segment income (loss) from operations:			
United States	$ 120,836	$ 73,872	$ 58,387
International	(23,080)	(39,550)	(35,196)
Total income from operations	$ 97,756	$ 34,322	$ 23,191

As of December 31, 2020, total assets held outside of the United States were $32,012, primarily attributable to $16,652 of goodwill and $3,571 of intangible assets. As of December 31, 2019, total assets held outside of the United States were $32,528, primarily attributable to $15,207 of goodwill and $3,920 of intangible assets.

For the year ended December 31, 2020, employee severance and related benefits expense attributable to the United States and International segments were $2,492 and $756, respectively. For the year ended December 31, 2020, the entirety of the write-off of capitalized website development costs and deferred contract costs from international marketplaces was attributable to the International segment. The Company ceased the operations of the International segment online marketplaces in Germany, Italy, and Spain in the second quarter of 2020.

15. Employee Benefit Plans

The Company maintains a defined contribution savings plan for all eligible U.S. employees under Section 401(k) of the Code. Effective July 1, 2017, the Company implemented a matching policy, under which the Company matches 50% of an employee's annual contributions to the 401(k) plan, up to a maximum of the lesser of (i) 6% of the employee's base salary, bonus and commissions paid during the year or (ii) $5,000. Matching contributions are subject to vesting based on the employee's start date and length of service. Employees can designate the investment of their 401(k) accounts into several mutual funds. The Company does not allow investment in its common stock through the 401(k) plan.

Total employer contributions to the 401(k) plan were $2,675, $2,708, and $1,953 during the years ended December 31, 2020, 2019 and 2018, respectively.

16. Subsequent Events

CarOffer

Membership Interest Purchase Agreement

On January 14, 2021, the Company acquired a 51% interest in CarOffer, an automated instant vehicle trade platform based in Plano, Texas, pursuant to the terms of a Membership Interest Purchase Agreement (the "Purchase Agreement") dated as of December 9, 2020 (the "Agreement Date"), as amended, by and among the Company, CarOffer, CarOffer Investors Holding, LLC, a Delaware limited liability company ("TopCo"), each of the Members of TopCo (the "Members"), and Bruce T. Thompson, an individual residing in Texas (the "Members' Representative"). The acquisition is intended to add wholesale vehicle purchasing and selling capabilities to CarGurus' portfolio of dealer offerings and create a complete and efficient digital solution for dealers to sell and acquire vehicles at both retail and wholesale.

Upon consummation of the transactions contemplated by the Purchase Agreement (the "Closing"), the Company acquired a 51% interest in CarOffer for an aggregate consideration of $140,250,000 (the "Total Consideration"), such Total Consideration consisting of (a) shares of Class A common stock of the Company, par value $0.001 per share (the "Company Class A Common Stock"), in the aggregate amount of $70,125,000 (the "Stock Consideration") and (b) $70,125,000 in cash (the "Cash Consideration"), subject to certain adjustments set forth in the Purchase Agreement. The Cash Consideration, which was paid out at the Closing, includes the following amounts paid into escrow by the Company: (i) $4.0 million to secure certain payment obligations of the Members in respect of the Purchase Price Adjustment Amount (as defined in the Purchase Agreement) under the Purchase Agreement; (ii) $0.7 million to secure certain indemnification payment obligations of the Members under the Purchase Agreement; and (iii) $175,000 to secure certain indemnification payment obligations of the Members in respect of certain specified matters under the Purchase Agreement. The number of shares of Company Class A Common Stock issued following the Closing in connection with the Stock Consideration was 3,115,282, which was calculated by reference to a value of $22.51 per share, which equals the volume-weighted average closing price per share of Company Class A Common Stock on the Nasdaq Stock Market for the 28 consecutive trading days ending on the third Business Day (as defined in the Purchase Agreement) preceding the Agreement Date. Pursuant to the Purchase Agreement, the remaining equity in CarOffer (the "Remaining Equity") is being indirectly retained by the existing equity holders of CarOffer and subject to certain call and put arrangements.

Pursuant to the Purchase Agreement, the Company also established a retention pool in an aggregate amount of $8.0 million in the form of RSUs to be issued pursuant to the Company's standard form of RSU agreement under the 2017 Plan, (i) $6.0 million of which was granted to certain CarOffer employees following the Closing in accordance with the terms of the Purchase Agreement and (ii) $2.0 million of which is being made available for issuance to future CarOffer employees in accordance with the terms of the Purchase Agreement.

Second Amended and Restated Limited Liability Company Agreement

In addition, the Company, TopCo, each Member and CarOffer MidCo, LLC, a Delaware limited liability company, entered into the Second Amended and Restated Limited Liability Company Agreement, dated December 9, 2020 (the "CarOffer Operating Agreement"), pursuant to which, among other matters, the Company secured the right to appoint a majority of the members of the Board of Managers of CarOffer, other rights customary for a transaction of this nature and the put and call rights described below.

In the second half of 2022, the Company will have a call right (the "2022 Call Right"), exercisable in its sole discretion, to acquire a portion of the Remaining Equity representing up to twenty-five percent (25%) of the fully diluted capitalization of CarOffer (such acquired Remaining Equity, the "2022 Acquired Remaining Equity") at an implied CarOffer value (the "2022 Call Right Value") of seven (7) times CarOffer's trailing twelve months gross profit as of June 30, 2022 (calculated in accordance with the defined terms and subject to the adjustments set forth in the CarOffer Operating Agreement). If the 2022 Call Right is exercised by the Company, the 2022 Acquired Remaining Equity will be purchased ratably across all of the non-Company holders of CarOffer equity securities. The consideration to be paid by the Company in connection with the exercise of the 2022 Call Right will be in the form of cash and/or shares of Company Class A Common Stock, as determined by the Company in its sole discretion.

In the second half of 2024, (a) the Company will have a call right (the "2024 Call Right"), exercisable in its sole discretion, to acquire all, and not less than all, of the Remaining Equity that it has not acquired pursuant to the 2022 Call Right and the Closing, at the greater of (i) (x) one hundred million dollars ($100,000,000), and (y) the 2022 Call Right Value, whichever is less, and (ii) an implied CarOffer value of twelve (12) times CarOffer's trailing twelve months EBITDA as of June 30, 2024 (in each case calculated in accordance with the defined terms and subject to the adjustments set forth in the CarOffer Operating Agreement), and (b) the representative of the holders of the Remaining Equity will have a put right (the "2024 Put Right"), exercisable in his, her or their sole discretion, to have the holders of the Remaining Equity sell to the Company, all, and not less than all, of the Remaining Equity at an implied CarOffer value of twelve (12) times CarOffer's trailing twelve months EBITDA as of June 30, 2024 (calculated in accordance with the defined terms and subject to the adjustments set forth in the CarOffer Operating Agreement). The determination of whether the 2024 Call Right or the 2024 Put Right is ultimately exercised is as set forth in the CarOffer Operating Agreement. The consideration to be paid by the Company in connection with the exercise of either the 2024 Call Right or the 2024 Put Right, as applicable, will be in the form of cash and/or shares of Company Class A Common Stock, as determined by the Company in its sole discretion.

The Company issued the Stock Consideration described herein and intends to issue any additional shares of Company Class A Common Stock described herein, as applicable, in reliance upon the exemptions from registration afforded by Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

The foregoing summary of the Purchase Agreement, the CarOffer Operating Agreement and the transactions contemplated thereby do not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Purchase Agreement and the CarOffer Operating Agreement, which are filed as exhibits to this Annual Report on Form 10-K.

For the year ended December 31, 2020, the Company incurred total acquisition-related costs of $1.9 million related to the CarOffer acquisition, which were recorded as general and administrative operating expense within the consolidated income statement. Acquisition-related costs will be excluded from the purchase price allocation as they were primarily comprised of legal, professional and consulting expenses.

As the transaction occurred subsequent to period-end, the Company is still evaluating the purchase price allocation of the transaction but expects the primary assets acquired to be intangible assets, tangible assets and goodwill and expects to assume liabilities. The allocation is expected to be finalized during the first half of 2021.

Sublease

On January 25, 2021, CarOffer entered into a sublease for approximately 61,826 square feet of office space in Addison, Texas. The sublease is for a period of 118 months and commences on March 1, 2021. CarOffer's monthly base rent for the premises, which is payable from January 1, 2022, will initially be approximately $151,989, and will increase each year up to a maximum monthly base rent of approximately $185,184.

Executive Leadership Changes

On January 21, 2021, the Company announced that (i) Langley Steinert has transitioned from his role as Chief Executive Officer of the Company to Executive Chairman of the Company, (ii) Jason Trevisan, the Company's former Chief Financial Officer, Treasurer, and President, International, has been appointed to serve as the Company's Chief Executive Officer, and (iii) Scot Fredo, the Company's former Senior Vice President, Financial Planning & Analysis, has been appointed to serve as the Company's Chief Financial Officer and Treasurer, in each case, effective January 18, 2021 (the "Effective Date").

In addition, the Board increased the size of the Board from seven members to eight, and filled the newly created vacancy on the Board by appointing Mr. Trevisan as a Class I director of the Company, with such appointment becoming effective as of the Effective Date. Mr. Trevisan will serve as a director of the Company until the Company's 2021 annual meeting of stockholders, at which Mr. Trevisan will be nominated to stand for election to the Board.

As Executive Chairman, Mr. Steinert will continue to serve as Chairman of the Board and, in addition to the responsibilities applicable to all other members of the Board, Mr. Steinert will be responsible for, among other things: (i) providing leadership and direction to, and facilitating the operations and deliberations of, the Board, (ii) managing and presiding at Board and shareholder meetings and ensuring the Board oversees key developments and issues critical to the Company's business and strategy, (iii) coordinating with the Board and the Chief Executive Officer to develop the strategy for the Company's future operations and product development, to identify opportunities for value-enhancing strategic initiatives and merger and acquisition opportunities, and to provide guidance on the Company's annual budget and capital allocation plans and (iv) acting as the principal liaison between the members of the Board and the Chief Executive Officer.

In connection with his appointment as Chief Executive Officer, Mr. Trevisan replaced Mr. Steinert as the Company's Principal Executive Officer. As Chief Executive Officer, Mr. Trevisan will be responsible for overseeing the Company's overall strategic direction, planning and execution.

In connection with his appointment as Chief Financial Officer, Mr. Fredo replaced Mr. Trevisan as the Company's Principal Financial Officer.

In connection with Mr. Trevisan's appointment as the Company's Chief Executive Officer and Principal Executive Officer, Yann Gellot, the Company's Vice President, Finance & Accounting, replaced Mr. Trevisan as the Company's Principal Accounting Officer.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of December 31, 2020, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed 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, and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013). Based on this assessment and those criteria, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fourth quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of CarGurus, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited CarGurus, Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, CarGurus, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Company and our report dated February 11, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 11, 2021

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item is incorporated herein by reference from the information in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we will file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates.

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference from the information in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we will file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated herein by reference from the information in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we will file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated herein by reference from the information in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we will file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates.

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated herein by reference from the information in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we will file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as a part of this Report:

(1) Financial Statements

The financial statements of CarGurus, Inc. are included in Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

All financial statements schedules are omitted as they are either not required or the information is otherwise included in the consolidated financial statements and related notes.

(3) Index to Exhibits

The documents listed in the Exhibit Index immediately preceding the signature page of this Annual Report on Form 10-K are incorporated by reference or are filed or furnished with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Item 16. Form 10-K Summary.

Not applicable.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Filing Date	Exhibit Number	
2.1	Membership Interest Purchase Agreement dated as of December 9, 2020, as amended, by and among the Registrant, CarOffer, LLC, CarOffer Investors Holding, LLC ("TopCo"), the Members of TopCo and Bruce T. Thompson.					X
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-38233	October 16, 2017	3.1	
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-38233	October 16, 2017	3.2	
4.1	Specimen Class A common stock certificate of the Registrant.	S-1/A	333-220495	September 29, 2017	4.1	
4.2	Amended and Restated Investors' Rights Agreement, dated August 23, 2016, by and among the Registrant and certain of its stockholders.	S-1	333-220495	September 15, 2017	4.2	
4.3	Description of the Registrant's Securities Registered Under Section 12 of the Securities Exchange Act of 1934.	10-K	001-38233	February 14, 2020	4.3	
10.1	Form of Indemnification Agreement between the Registrant and each of its directors and officers.	S-1	333-220495	September 15, 2017	10.1	
10.2#	Amended and Restated 2006 Equity Incentive Plan.	S-1	333-220495	September 15, 2017	10.2	
10.3#	Amended and Restated 2015 Equity Incentive Plan and forms of agreements thereunder.	S-1/A	333-220495	September 29, 2017	10.3	
10.4#	Omnibus Incentive Compensation Plan and forms of agreements thereunder.					X
10.4.1#	Form of Executive Nonqualified Stock Option Grant Agreement.					X
10.4.2#	Form of Executive Time-Based Restricted Stock Unit Agreement.	10-Q	001-38233	May 3, 2018	10.3	
10.4.3#	Form of Executive Performance-Based Restricted Stock Unit Agreement.					X
10.4.4#	Form of Non-Employee Director Restricted Stock Unit Agreement.	8-K	001-38233	March 26, 2018	10.1	
10.5#	Offer Letter, dated March 17, 2006, by and between the Registrant and Langley Steinert.	S-1	333-220495	September 15, 2017	10.5	
10.6#	Offer Letter, dated August 10, 2015, by and between the Registrant and Jason Trevisan.	S-1	333-220495	September 15, 2017	10.6	
10.7#	Offer Letter, dated October 24, 2014, by and between the Registrant and Samuel Zales.	S-1	333-220495	September 15, 2017	10.7	
10.8#	Offer Letter, dated November 18, 2016, by and between the Registrant and Thomas Caputo.	10-K	001-38233	February 28, 2019	10.8	
10.9#	Offer Letter, dated August 2, 2017, by and between the Registrant and Kathleen Patton.	10-K	001-38233	February 28, 2019	10.9	
10.10#	Offer Letter, dated December 4, 2015, by and between the Registrant and Scot Fredo.					X
10.11#	Offer Letter, dated March 7, 2008, by and between the Registrant and Kyle Lomeli.	10-Q	001-38233	August 6, 2020	10.1	
10.12#	Offer Letter, dated December 29, 2015, by and between the Registrant and Sarah Welch.	10-Q	001-38233	August 6, 2020	10.2	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Filing Date	Exhibit Number	
10.13	Lease, dated as of October 8, 2014, by and between the Registrant and BCSP Cambridge Two Property LLC.	S-1	333-220495	September 15, 2017	10.8	
10.14	Office Lease Agreement, dated as of March 11, 2016, by and between 55 Cambridge Parkway, LLC and the Registrant.	S-1	333-220495	September 15, 2017	10.9	
10.15	First Amendment to Lease, dated as of July 30, 2016 by and between 55 Cambridge Parkway, LLC and the Registrant.	S-1	333-220495	September 15, 2017	10.10	
10.16#	CarGurus, Inc. Annual Incentive Plan.	8-K/A	001-38233	April 6, 2018	10.1	
10.17	Lease Agreement, dated as of June 19, 2018, by and between US Parcel A, LLC and the Registrant.	8-K	001-38233	June 20, 2018	10.1	
10.18	Second Amendment to Lease, dated as of August 30, 2019 by and between 55 Cambridge Parkway, LLC and the Registrant.	10-Q	001-38233	November 5, 2019	10.1	
10.19	Indenture of Lease between S&A P-12 Property LLC and the Registrant, dated as of December 19, 2019.	8-K	001-38233	December 20, 2019	10.1	
10.20	First Amendment to Lease between S&A P-12 Property LLC and the Registrant, dated as of June 12, 2020.	10-Q	001-38233	August 6, 2020	10.3	
10.21	Third Amendment to Lease, dated as of July 1, 2020, between 55 Cambridge Parkway, LLC and the Registrant.	10-Q	001-38233	November 5, 2020	10.1	
10.22	First Amendment to Lease, dated as of October 27, 2015, between BCSP Cambridge Two Property, LLC and the Registrant.	10-Q	001-38233	November 5, 2020	10.2	
10.23	Second Amendment to Lease, dated as of September 28, 2020, between Two Canal Park Massachusetts, LLC, as successor-in-interest to BCSP Cambridge Two Property, LLC, and the Registrant.	10-Q	001-38233	November 5, 2020	10.3	
10.24#	Separation Agreement, dated November 13, 2020, by and between the Registrant and Kyle Lomeli.	8-K	001-38233	November 17, 2020	10.1	
10.25#	Consulting Agreement, dated November 13, 2020, by and between the Registrant and Kyle Lomeli.	8-K	001-38233	November 17, 2020	10.2	
10.26	Second Amended and Restated Limited Liability Company Agreement, dated December 9, 2020, by and among the Registrant, TopCo, the Members of TopCo, and CarOffer MidCo, LLC.	8-K	001-38233	December 10, 2020	10.1	
21.1	List of Subsidiaries of the Registrant.					X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Filing Date	Exhibit Number	
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020 has been formatted in Inline XBRL.					X

# Indicates a management contract or compensatory plan.

* The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CarGurus, Inc.

Date: February 11, 2021

By: /s/ Jason Trevisan
Jason Trevisan
Chief Executive Officer

POWER OF ATTORNEY

Each person whose individual signature appears below hereby constitutes and appoints Jason Trevisan and Scot Fredo, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Jason Trevisan Jason Trevisan	Chief Executive Officer and Director *(Principal Executive Officer)*	February 11, 2021
/s/ Scot Fredo Scot Fredo	Chief Financial Officer *(Principal Financial Officer)*	February 11, 2021
/s/ Yann Gellot Yann Gellot	Vice President, Finance & Accounting *(Principal Accounting Officer)*	February 11, 2021
/s/ Langley Steinert Langley Steinert	Executive Chairman and Chairman of the Board of Directors	February 11, 2021
/s/ Steven Conine Steven Conine	Director	February 11, 2021
/s/ Lori Hickok Lori Hickok	Director	February 11, 2021
/s/ Stephen Kaufer Stephen Kaufer	Director	February 11, 2021
/s/ Anastasios Parafestas Anastasios Parafestas	Director	February 11, 2021
/s/ Greg Schwartz Greg Schwartz	Director	February 11, 2021
/s/ Ian Smith Ian Smith	Director	February 11, 2021

EXHIBIT 2.1

EXECUTION COPY

MEMBERSHIP INTEREST PURCHASE AGREEMENT

by and among

CARGURUS, INC.,

CAROFFER, LLC,

CAROFFER INVESTORS HOLDING, LLC,

THE MEMBERS
(as defined herein),

and

BRUCE THOMPSON,
as the Members' Representative

December 9, 2020

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MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (the "**Agreement**") is made and entered into as of December 9, 2020 (the "**Agreement Date**"), by and among CarGurus, Inc., a Delaware corporation (the "**Buyer**"), CarOffer, LLC, a Delaware limited liability company (the "**Company**"), CarOffer Investors Holding, LLC, a Delaware limited liability company ("**TopCo**"), each of the Members of TopCo (each, a "**Member**" and collectively, the "**Members**"), and Bruce T. Thompson, an individual residing in Texas (the "**Members' Representative**"), in his capacity as the Members' Representative and as a Member.

A. Prior to the Agreement Date, the following transactions were completed: (i) the Company caused TopCo to be formed; (ii) TopCo formed CarOffer MidCo, LLC, a Delaware limited liability company ("**MidCo**"); (iii) the Members contributed all of the outstanding membership interests of the Company to TopCo in exchange for membership interests in TopCo, resulting in TopCo owning all of the outstanding equity interests of the Company; (iv) pursuant to a duly adopted Plan of Conversion and a Certificate of Conversion filed with each of the Secretary of State of the State of Texas and the Secretary of State of the State of Delaware, the Company converted from a Texas limited liability company to a Delaware limited liability company under the Delaware Act (the "**Conversion**"); (v) pursuant to the Conversion, all of the outstanding membership interests of the Company were either cancelled and extinguished or recapitalized and converted into Class CO Units and Incentive Units; (vi) TopCo contributed one percent (1%) of the equity interests of the Company to MidCo in exchange for membership interests of MidCo, resulting in TopCo owning ninety-nine percent (99%) of the membership interests of the Company, consisting of Class CO Units and Incentive Units, and MidCo owning one percent (1%) of the membership interests of the Company, consisting of Class CO Units; and (vii) the Company issued TopCo that certain Promissory Note, dated December 9, 2020 in an amount equal to the Net Closing Payment (the "**Company Note**");

B. Buyer desires to purchase from the Company, and the Company desires to sell to Buyer, the Membership Units set forth on Schedule 1 hereto, on the terms and subject to the conditions set forth herein;

C. Immediately following the Closing, the Company shall pay the Net Closing Cash Consideration and the Closing Buyer Shares Consideration to TopCo as full payment and satisfaction of the Company Note (the "**Company Note Repayment**");

D. Immediately following the Company Note Repayment, TopCo shall redeem certain membership interests in TopCo held by the Members (the "**Redemption**") pursuant to a form of Redemption Agreement attached hereto as Exhibit A (the "**Redemption Agreement**") in exchange for the aggregate payment in an amount equal to the Net Closing Payment and delivery of the Closing Buyer Shares Consideration as more fully described in Schedule 2, together with the obligations hereunder with respect to payment of the adjustments to the Final Purchase Price pursuant to Section 1.9 and the release to or on behalf of TopCo of any amounts from the Escrow Fund, the PPP Loan Escrow Fund, or the Representative Expense Fund, pursuant to Sections 10.7 and 1.3(d), respectively;

E. TopCo and MidCo are the direct beneficial equityholders of the Company and collectively own all of the issued and outstanding equity interests in the Company;

F. The Members are (i) the direct beneficial equityholders of TopCo and collectively own all of the issued and outstanding equity interests in TopCo, (ii) the indirect beneficial equityholders of the Company and collectively beneficially own all of the issued and outstanding equity interests of the Company, and (iii) shall receive cash, shares of Buyer Common Stock, and other consideration in connection with this Agreement and the Transactions, and as consideration therefor are agreeing to, among other things, certain covenants pursuant to Article VI, and certain indemnification obligations pursuant to Article X, hereof;

G. A portion of the consideration otherwise payable to the Members in connection with the Transactions shall be placed in escrow by Buyer as partial security for certain adjustments to the cash portion of the Purchase Price and the indemnification obligations of the Members set forth in this Agreement;

H. Each of the Members and TopCo desire to make certain representations, warranties, covenants and other agreements in connection with the Transactions;

I. Prior to the Agreement Date, the Company has established an equity incentive pool for the issuance of equity awards principally to future hires of the Company; and

J. As a condition and material inducement to Buyer to enter into this Agreement, concurrently with the execution of this Agreement: (i) each employee identified on Schedule 3 hereto (each, a "**Key Employee**") is executing a Restrictive Covenant Agreement (each, an "**Restrictive Covenant Agreement**"), in the form attached hereto as Exhibit B; (ii) each Member and TopCo and MidCo is delivering a duly executed signature page to the Operating Agreement; (iii) each of the Members listed on Schedule 4 hereto is executing a Lock-Up Agreement (each, a "**Lock-Up Agreement**") in the form attached hereto as Exhibit C; (iv) the Member set forth on Schedule 5 hereto is executing a Vesting Agreement (a "**Vesting Agreement**") in the form attached hereto as Exhibit D; (v) the designated beneficial owner of each Member set forth on Schedule 6 shall deliver a duly executed Guarantee (a "**Guarantee**") in the form attached hereto as Exhibit E; and (vi) Bruce Thompson is executing an offer letter that describes, among other matters, the terms of his employment with the Company following Closing (the "**Thompson Offer Letter**").

NOW THEREFORE, in consideration of the premises and of the representations, warranties, covenants and agreements which are to be made and performed by the respective parties hereto, it is agreed as follows:

ARTICLE I

DEFINITIONS; PURCHASE AND SALE OF MEMBERSHIP INTERESTS

1.1 Definitions. The following terms when used in this Agreement have the meanings set forth below:

"**Accounting Principles**" means (a) the specific accounting policies set forth in the attached Schedule 1.1(a) (the "**Specific Policies**"), (b) to the extent not expressly set forth in the Specific Policies and only to the extent consistent with GAAP, the accounting principles, policies, procedures, definitions, methods, and practices adopted by the Company in preparation of the financial statements as of and for the period ended December 31, 2019 (the "**Consistent Policies**"), and (c) to the extent not considered in the Specific Policies and the Consistent Policies, in accordance with GAAP at the Closing.

"**Accredited Investor**" means a Member who is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

"**Acquisition Transaction**" means any transaction or series of transactions involving:

(a) the sale, license, sublicense, disposition or pledge of all or a material portion of the Company's Business or assets, including Intellectual Property Rights;

(b) the issuance, disposition, transfer, or acquisition of: (i) any Membership Units, membership interest, units, or other equity security of the Company, TopCo, or MidCo; (ii) any option, call, warrant or right (whether or not immediately exercisable) to acquire any Membership Unit, unit or other equity security of the Company, TopCo, or MidCo; or (iii) any security, instrument or obligation that is or may become convertible into or exchangeable for any Membership Unit, membership interest, unit or other equity security of the Company, TopCo, or MidCo;

(c) any joint venture, partnership, merger, consolidation, business combination, reorganization or similar transaction involving the Company, TopCo, or MidCo;

(d) any direct or indirect financing or capital raising transaction involving the Company, TopCo, or MidCo;

(e) any restructuring transaction or any sale or divestment of any business or product line; or

(f) any other transaction or series of transactions which has substantially similar economic effects of any of the foregoing or that impair the Company's or TopCo's ability to consummate the Transactions.

"**Action**" means any action, order, writ, injunction, written demand, written claim, suit, litigation, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, arbitration, mediation, audit, inquiry, dispute, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Authority or any arbitrator or arbitration panel.

"**Adjustment Amount**" means the positive or negative number that is equal to the difference of (i) the Closing Date Net Working Capital, *minus* (ii) the Base Working Capital.

"**Affiliate**" means, with respect to any Person, if such Person is not an individual, any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Affordable Care Act**" shall mean the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, and regulations promulgated thereunder.

"**AFG**" means Automotive Financing Group, LLC, a Delaware limited liability company.

"**AFG Line of Credit**" means that certain Company Note and the Line of Credit Loan and Security Agreement, dated as of November 12, 2019, by and between AFG and the Company.

"**Agreement Date**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Anti-Corruption Laws**" means the United States Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder, or any other applicable anti-corruption or anti-bribery Law or any similar Law of any other jurisdiction where the Company operates or conducts business.

"**Antitrust Laws**" means the Sherman Antitrust Act, the Clayton Antitrust Act of 1914, the HSR Act, the Federal Trade Commission Act of 1914, and all other Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or significant impediments to or lessening of competition or the creation or strengthening of a dominant

position through merger or acquisition, in any case that are applicable to the transactions contemplated herein.

"**Antitrust Restraint**" has the meaning set forth in Section 6.5(c).

"**Balance Sheet Date**" has the meaning set forth in Section 4.6.

"**Base Working Capital**" means $9,277,000.

"**Books and Records**" means the business records, financial books and records, personnel records, ledgers, sales accounting records, tax records and related work papers, sales order files, purchase order files, engineering order files, supplier lists, customer lists, studies, surveys, analyses, strategies, plans, forms, specifications, technical data, and other books and records of the Company.

"**Business**" means the business as presently conducted, and currently proposed to be conducted, by the Company as of the Agreement Date.

"**Business Day**" means any day on which banking institutions in Boston, Massachusetts are open for the purpose of transacting business.

"**Buy Center Cash**" means cash and cash equivalents of the Company that are generated by, associated with, or held for use in connection with, the Company's "Buy Center" program, including cash located in that certain bank account with Comerica Bank having an account number ending in x4199.

"**Buyer**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Buyer Closing Certificate**" has the meaning set forth in Section 8.4.

"**Buyer Common Stock**" means the shares of Class A Common Stock of Buyer, par value $0.001 per share.

"**Buyer Cure Period**" has the meaning set forth in Section 9.1(e).

"**Buyer Fundamental Representations**" means the representations of Buyer set forth in Section 5.1 (*Authorization; Enforceability*), Section 5.6 (*Buyer Shares; Authorization and Delivery*) and Section 5.7 (*Brokers' Finders' Fees, etc.*)

"**Buyer Indemnified Parties**" has the meaning set forth in Section 10.2(a).

"**Buyer Line of Credit**" has the meaning set forth in Section 6.20.

"**Buyer Parties**" has the meaning set forth in Section 11.16(c).

"**Buyer RSUs**" has the meaning set forth in Section 6.18.

"**Buyer SEC Documents**" has the meaning set forth in Section 5.4.

"**Buyer Share Value**" means $70,125,000.

"**Buyer Shares**" means shares of Buyer Common Stock (rounded to the nearest whole share) with an aggregate value (based on the Closing Reference Price) equal to the Buyer Share Value.

"**CARES Act**" means the Coronavirus Aid, Relief and Economic Security Act of 2020.

"**Cash Consideration**" means an amount in cash equal to (i) the Gross Cash Consideration, (ii) *minus* the Company Cash Deficiency (if any), (iii) *minus* the Closing Indebtedness Amount, (iv) *plus* the Adjustment Amount, (v) *minus* the Company Transaction Expenses, (vi) *plus* an amount equal to the product of 51% *multiplied by* the Company Cash.

"**Check-the-Box Election**" has the meaning set forth in Section 6.7(g)(i).

"**Claim Certificate**" has the meaning set forth in Section 10.5(a).

"**Class CG Units**" means the membership interests of the Company designated as Class CG Units in the Operating Agreement.

"**Class CO Units**" means the membership interests of the Company designated as Class CO Units in the Operating Agreement.

"**Closing**" has the meaning set forth in Section 1.4.

"**Closing Buyer Shares Consideration**" has the meaning set forth in Section 1.5(b)(ii).

"**Closing Cash Consideration**" has the meaning set forth in Section 1.5(b)(i).

"**Closing Date**" has the meaning set forth in Section 1.4.

"**Closing Date Balance Sheet**" has the meaning set forth in Section 1.9(b).

"**Closing Date Dispute Notice**" has the meaning set forth in Section 1.9(c).

"**Closing Date Net Working Capital**" means: (a) the Current Assets of the Company, *less* (b) the Current Liabilities of the Company, determined as of the Measurement Time.

"**Closing Date Statement**" has the meaning set forth in Section 1.9(b).

"**Closing Indebtedness Amount**" means the aggregate amount of outstanding Indebtedness as of the Measurement Time, *provided, however*, that the following Indebtedness shall be excluded therefrom, (a) the AFG Line of Credit and (b) the PPP Loan, to the extent fully secured by cash collateral through the PPP Loan Escrow Fund on or before the Closing.

"**Closing Payment**" has the meaning set forth in Section 1.5(b)(ii).

"**Closing Reference Price**" means $22.51, as adjusted to appropriately reflect any stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization or other like change with respect to Buyer Common Stock occurring after the Agreement Date.

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Company**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Company Assets**" has the meaning set forth in Section 4.6.

"**Company Benefit Plan**" has the meaning set forth in Section 4.16(a).

"**Company Cash**" means, as of the Measurement Time, the Company's cash (excluding Restricted Cash and Buy Center Cash) and cash equivalents held in bank accounts owned and controlled by the Company. For the avoidance of doubt, Company Cash shall be net of outstanding checks, drafts, wire transfers, and debit transactions not yet cashed or settled.

"**Company Cash Deficiency**" means an amount, if any, by which the Minimum Company Cash exceeds Company Cash as of the Measurement Time, such amount expressed as an absolute value.

"**Company Closing Certificate**" has the meaning set forth in Section 7.11.

"**Company Contract**" has the meaning set forth in Section 4.14(b).

"**Company Core IP Representations**" means, collectively, the representations and warranties contained in subsections (c), (d), (h), (i) and (v) of Section 4.13 (*Intellectual Property*).

"**Company Data**" has the meaning set forth in Section 4.13(o).

"**Company Financial Statements**" has the meaning set forth in Section 4.7(a).

"**Company Fundamental Representations**" means, collectively, the representations and warranties contained in Article II (*Representations and Warranties of the Members*), Article III (*Representations and Warranties of TopCo*), Section 4.1 (*Authorization; Enforceability*), Section 4.2 (*Subsidiaries*), Section 4.3(a)-(e) (*Capitalization; Indebtedness*), Section 4.5(v) (*Non-Contravention*), Section 4.15 (*Taxes*), and Section 4.17(a) (*Brokers', Finders' Fees, etc.*).

"**Company Intellectual Property**" has the meaning set forth in Section 4.13(a)(i).

"**Company Intellectual Property Rights**" has the meaning set forth in Section 4.13(a)(ii).

"**Company Note**" has the meaning set forth in the Recitals.

"**Company Note Repayment**" has the meaning set forth in the Recitals.

"**Company Privacy Policy**" has the meaning set forth in Section 4.13(a)(v).

"**Company Products**" has the meaning set forth in Section 4.13(a)(iii).

"**Company Registered Intellectual Property**" has the meaning set forth in Section 4.13(b).

"**Company Sites**" has the meaning set forth in Section 4.13(n).

"**Company Transaction Expenses**" means, without duplication, all fees, costs, expenses, payments, expenditures or Liabilities (collectively, "**Expenses**"), unpaid as of the Measurement Time, whether incurred prior to the Agreement Date, during the Pre-Closing Period or at or after the Closing, and whether or not invoiced prior to the Closing, incurred by or on behalf of the Company, or to or for which the Company is or becomes subject or liable, in connection with any of the transactions contemplated by the Agreement, including: (a) Expenses payable to legal counsel or to any financial advisor, broker, accountant or other Person, including any brokerage fees, commissions, finders' fees, or financial advisory

fees, and, in each case, related costs and expenses, who performed services for or on behalf of, or provided advice to the Company, or who is otherwise entitled to any compensation or payment from the Company, in connection with or relating to the Agreement, any of the transactions contemplated by the Agreement, or the process resulting in such transactions; (b) any other expenses that arise or are expected to arise, or are triggered, accelerated or become due or payable, as a direct or indirect result of the consummation (whether alone or in combination with any other event or circumstance) of the transactions contemplated by the Agreement, including any fees and expenses related to any retention, transaction, equity, discretionary, bonus, severance, profit sharing or change of control payment or benefit (or similar payment obligation), made or provided, or required to be made or provided, by the Company to any Person, including any service provider to the Company, as a result of or in connection with the transactions contemplated herein or any of the other Transactions or any other Transaction Document; (c) any social security, Medicare, unemployment or other employment, withholding or payroll Tax or similar amount owed by the Company with respect to any of the transactions contemplated by the Agreement; (d) Expenses incurred by or on behalf of any Member or service provider to the Company in connection with the transactions contemplated herein that the Company is or will be obligated to pay or reimburse; (e) any forgiveness by the Company of any Indebtedness; (f) any Expenses incurred to obtain consents, waivers or approvals under any Company Contract as a result of or in connection with the transactions contemplated by the Agreement; and (g) one-half of the total R&W Insurance Policy Costs; *provided, however*, that Company Transaction Expenses shall not include any amount included in the Closing Indebtedness Amount or the Closing Date Net Working Capital.

"**Confidential Information**" has the meaning set forth in Section 6.6.

"**Consents**" means consents, assignments, Permits, Orders, certification, concession, franchises, approvals, authorizations, registrations, filings, registrations, waivers, declarations or filings with, of or from any Governmental Authority, parties to Contracts or any other third Person.

"**Consideration Spreadsheet**" has the meaning set forth in Section 1.3(c).

"**Contaminants**" has the meaning set forth in Section 4.13(u).

"**Contingent Workers**" has the meaning set forth in Section 4.17(d).

"**Continuing Claim**" has the meaning set forth in Section 10.7(a).

"**Contract**" means any contract, mortgage, indenture, lease, covenant or other agreement, instrument or commitment, permit, concession, franchise or license (including any purchase or sales order), whether written or oral.

"**Conversion**" has the meaning set forth in the Recitals.

"**Copyrights**" has the meaning set forth in Section 4.13(a)(viii).

"**Current Assets**" means the combined current assets of the Company as of the Measurement Time, determined in accordance with the Accounting Principles, but specifically excluding any Company Cash, Restricted Cash, Buy Center Cash, or any Tax assets (including prepaid Taxes)). An illustrative calculation of Net Working Capital including Current Assets is provided on Part II of Schedule 1.1(a).

"**Current Liabilities**" means the combined current liabilities of the Company as of the Measurement Time, determined in accordance with the Accounting Principles, but specifically excluding any Indebtedness, Company Transaction Expenses and Tax liabilities. An illustrative calculation of Net Working Capital including Current Liabilities is provided on Part II of Schedule 1.1(a).

"**Customer Data**" has the meaning set forth in Section 4.13(a)(vi).

"**Deal Communications**" has the meaning set forth in Section 11.16(b).

"**Deductible Amount**" has the meaning set forth in Section 10.3(a).

"**Derivative Instruments**" has the meaning set forth in Section 6.16.

"**Domain Names**" has the meaning set forth in Section 4.13(a)(viii).

"**End Date**" has the meaning set forth in Section 9.1(b).

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" means any entity, trade or business that is, or at any applicable time was, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes the Company.

"**Escrow Agent**" has the meaning set forth in Section 1.6(a).

"**Escrow Agreement**" has the meaning set forth in Section 1.6(a).

"**Escrow Amount**" means (i) the Purchase Price Escrow Amount *plus* (ii) the Retention Escrow Amount, and *plus* (iii) the Specified Matters Escrow Amount.

"**Escrow Contribution Amount**" for each Member shall be as provided in the Initial Consideration Spreadsheet.

"**Escrow Fund**" has the meaning set forth in Section 1.6(a).

"**Estimated Balance Sheet**" has the meaning set forth in Section 1.9(a).

"**Estimated Cash Consideration**" has the meaning set forth in Section 1.9(a).

"**Estimated Purchase Price**" has the meaning set forth in Section 1.9(a).

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Exchange Agent**" means Broadridge Corporate Issuer Solutions.

"**Expiration Date**" has the meaning set forth in Section 10.1(a).

"**Final Closing Date Statement**" has the meaning set forth in Section 1.9(c).

"**Final Purchase Price**" has the meaning set forth in Section 1.9(c).

"**Future Consideration Spreadsheet**" has the meaning set forth in Section 1.3(c).

"**GAAP**" means United States generally accepted accounting principles.

"**General Enforceability Exceptions**" has the meaning set forth in Section 2.2**.**

"**Generally Commercially Available Code**" has the meaning set forth in Section 4.13(a)(vii).

"**Governmental Authority**" means any governmental, regulatory or administrative authority, agency, body, commission or other entity, whether international, multinational, national, regional, state, provincial or of a political subdivision; any court, judicial body, arbitration board or arbitrator; any tribunal of a self-regulatory organization; or any instrumentality of any of the foregoing (including other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange or professional association).

"**Gross Cash Consideration**" means an amount in cash equal to $70,125,000.

"**Gross Consideration**" means the sum of (i) the Buyer Shares *plus* (ii) the Gross Cash Consideration.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**Inbound Licenses**" has the meaning set forth in Section 4.13(e).

"**Incentive Units**" means the membership interests of the Company designated as Incentive Units in the Operating Agreement.

"**Indebtedness**" means, without duplication, all obligations, contingent or otherwise, of the Company, including (i) for borrowed money; (ii) evidenced by notes, bonds, debentures, or similar instruments; (iii) all lease obligations required to be capitalized in accordance with GAAP or classified as capital or finance leases in Financial Statements of such Person; (iv) for the deferred purchase price of assets, property, goods or services, including all earn-out payments, seller notes and other similar payments (whether contingent or otherwise) calculated as the maximum amount payable under or pursuant to such obligation; (v) for reimbursement obligations, whether contingent or matured, with respect to letters of credit (whether drawn or undrawn), bankers' acceptances, performance bonds, surety bonds or interest rate cap agreements, interest rate swap agreements, foreign currency exchange contracts or other hedging contracts; (vi) all conditional sale obligations and all obligations under any title retention agreement; (vii) all obligations of any other Person of the type referred to in clauses (i) through (vi) which is secured by a Lien on any property or asset of the Company, the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset or the amount of the obligation; (viii) in the nature of guarantees of the types of obligations described in (i)-(vi) above; (ix) any amendment, supplement, modification, deferral, renewal, extension, refunding or refinancing or any Liability of the types referred to in clauses (i) through (viii) above; (x) for all accrued or unpaid interest on or any fees, premiums, penalties or other amounts (including prepayment and early termination fees and penalties) due with respect to any of the obligations described in (i)-(viii) above; (xi) all Pre-Closing Taxes determinable as of the Closing Date, including for this purpose, any Taxes deferred by the Company pursuant to Section 2302 of the CARES Act (or any similar provision of federal, state, local or non-U.S. Law); (xii) all Liabilities for reserves for any of the foregoing; (xiii) any obligations not officially forgiven or that are outstanding under the PPP Loan or any other government loan assistance program; (xiv) any declared but unpaid distributions; and (xv) all accrued but unpaid severance obligations (including the employer portion of any applicable payroll taxes).

"**Independent Accounting Firm**" means BDO USA, LLP.

"**Information Security Reviews**" has the meaning set forth in Section 3.13(p).

"**Initial Consideration Spreadsheet**" has the meaning set forth in Section 1.3(b).

"**Insider Payables**" has the meaning set forth in Section 4.7(c).

"**Insider Receivables**" has the meaning set forth in Section 4.7(c).

"**Intellectual Property Rights**" has the meaning set forth in Section 4.13(a)(viii).

"**IRS**" means the United States Internal Revenue Service.

"**Key Employees**" has the meaning set forth in the Recitals.

An individual shall be deemed to have "**Knowledge**" of a particular fact or other matter if: (a) such individual is actually aware of such fact or other matter; or (b) such individual would have known such fact or other matter had such individual made reasonable inquiry of the Persons who would reasonably be expected to have actual knowledge of such fact or other matter. The Company shall be deemed to have "Knowledge" of a particular fact or other matter if any officer or manager of the Company or any other Person identified on Schedule 1.1(b) has Knowledge of such fact or other matter.

"**Laws**" mean any common law or any code, law, ordinance, regulation, Order (administrative or other), treaty, rule, statute or reporting or licensing requirements, applicable to a Person or its assets, properties, Liabilities or business promulgated, interpreted or enforced by any Governmental Authority.

"**Lease Agreement**" has the meaning set forth in Section 4.21.

"**Legal Request**" has the meaning set forth in Section 11.16(c).

"**Liability**" or "**Liabilities**" means, with respect to any Person, any and all liabilities of any kind (whether known or unknown, contingent, accrued, due or to become due, secured or unsecured, matured or otherwise) including, but not limited to, Indebtedness, accounts payable, royalties payable, and other reserves, accrued bonuses and commissions, accrued vacation and any other form of leave, termination payment obligations, employee expense obligations and all other liabilities of such Person or any of its Subsidiaries or Affiliates, regardless of whether such liabilities are required to be reflected on a balance sheet in accordance with GAAP.

"**Liens**" means any and all liens, encumbrances, mortgages, charges, claims, pledges, security interests, title defects, voting agreements or trusts, transfer restrictions or other restrictions of any nature, other than restrictions under applicable securities laws.

"**Lock-Up Agreement**" has the meaning set forth in the Recitals.

"**Loss**" and "**Losses**" means any and all losses, Liabilities, claims, suits, obligations, judgments, liens, penalties, fines, Taxes, damages (other than punitive damages unless such punitive damages are actually awarded to a third party), and reasonable costs and expenses, including, but not limited to, reasonable attorneys' fees and accounting fees and other expert fees (and other expenses related to litigation or other proceedings) and related disbursements, and any costs and expenses incurred in connection with investigating, defending against or settling any of the foregoing.

"**made available**" means as provided in that certain virtual data room titled "Project Maverick" on Intralinks at least two Business Days prior to the Agreement Date and not removed from such virtual data room prior to the Closing Date.

"**Management RSUs**" has the meaning set forth in Section 6.18.

"**Material Adverse Effect**" means (a) any change, event, violation, inaccuracy, circumstance or effect (each, an "**Effect**") that, individually or taken together with all other Effects, and regardless of whether such Effect constitutes a breach of any representations or warranties made by, or a breach of the covenants, agreements, or obligations of, the Company, has, or would reasonably be likely to have a material adverse effect on the Business, operations, assets, liabilities (absolute, accrued, contingent, or otherwise), financial condition, or prospects of the Company, taken as a whole; *provided* that none of the following shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect: (i) changes in general economic conditions in the United States; (ii) changes affecting the industry generally in which the Company operates; (iii) the outbreak or escalation of war, hostilities, or terrorist activities, either in the United States or any other country or region in the world; (iv) changes in Law or GAAP; or (v) any failure, in and of itself, by the Company to meet internal or external projections or forecasts or revenue or earnings predictions (*provided* that the cause or basis for the Company failing to meet such projections or forecasts or revenue or earnings predictions may be considered in determining the existence of a Material Adverse Effect unless such cause or basis is otherwise excluded by this definition); unless, in the case of each of the foregoing clauses (i) through (iv), such changes disproportionately and materially affect the Company as compared to other Persons that operate in the industry in which the Company operates, or (b) any effect or circumstance that could reasonably be expected to materially impair or materially delay the Company's, TopCo's, or any Member's ability to perform under this Agreement or the other Transaction Documents.

"**Material Contract**" has the meaning set forth in Section 4.14(a).

"**Measurement Time**" means 11:59 p.m. (Central Time) on the day immediately prior to the Closing Date.

"**Member Cure Period**" has the meaning set forth in Section 9.1(d).

"**Member Cap**" has the meaning set forth in Section 10.3(c)(ii).

"**Member-Related Claims**" means any claim by any current, former or purported equityholder of the Company (including such holders of rights or instruments convertible or exercisable into equity securities) or any other Person, seeking to assert, or based upon (i) ownership or rights to ownership of any equity securities or securities convertible into or exercisable for equity securities, including, without limitation, preemptive, notice and voting rights, (ii) errors in formulas, definitions or provisions related to TopCo's payment of any proceeds in connection with the Redemption, including, without limitation, inaccurate calculation of the Members' Purchase Price Escrow Pro Rata Portion or the Members' Pro Rata Portion, (iii) rights under the Organizational Documents of the Company or TopCo, (iv) wrongful repurchase or cashing out of options, membership interests, or profits interests, of the Company or TopCo, or (v) otherwise in connection with the Transactions.

"**Members**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Members' Representative**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Membership Units**" means, collectively, the Class CG Units and the Class CO Units.

"**MidCo**" has the meaning set forth in the Recitals.

"**Minimum Company Cash**" means an amount of Company Cash equal to $2,000,000.

"**MWM**" has the meaning set forth in Section 11.16(a).

"**New Hire RSUs**" has the meaning set forth in Section 6.18.

"**Net Closing Cash Consideration**" means the Closing Cash Consideration *less* the Pearl Purchase Price.

"**Net Closing Payment**" means the Closing Payment *less* the Pearl Purchase Price.

"**Non-Disclosure Agreement**" means the Non-Disclosure Agreement, dated as of November 22, 2019, by and between the Company and Buyer, as amended by Amendment 1 thereto, dated as of November 17, 2020.

"**Offer Letter**" has the meaning set forth in the Recitals.

"**Open Source Software**" has the meaning set forth in Section 4.13(a)(ix).

"**Operating Agreement**" means that certain Second Amended and Restated Limited Liability Company Agreement of the Company, dated December 9, 2020, by and among the Members, the manager, and the Company, as the same may be amended and/or restated from time to time.

"**Order**" means any order, directive, judgment, assessment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.

"**Ordinary Course of Business**" means the ordinary and usual course of business of the Company consistent with past practices and customs.

"**Organizational Documents**" means (a) in the case of a Person that is a corporation, its articles or certificate of incorporation and its by-laws, regulations or similar governing instruments required by the laws of its jurisdiction of formation or organization; (b) in the case of a Person that is a partnership, its articles or certificate of partnership, formation or association, and its partnership agreement (in each case, limited, limited liability, general or otherwise); (c) in the case of a Person that is a limited liability company, its articles or certificate of formation or organization, and its limited liability company agreement or operating agreement; and (d) in the case of a Person that is none of a corporation, partnership (limited, limited liability, general or otherwise), limited liability company or natural person, its governing instruments as required or contemplated by the laws of its jurisdiction of organization.

"**Outbound Licenses**" has the meaning set forth in Section 4.13(g).

"**Pass-Through Returns**" has the meaning set forth in Section 6.7(a)(i).

"**Patents**" has the meaning set forth in Section 4.13(a)(viii).

"**Payment Agent**" means Acquiom Financial LLC, a Colorado limited liability company.

"**Payment Agent Agreement**" means the payment agent agreement to be entered into among Buyer, TopCo, the Members' Representative and the Payment Agent on the Closing Date, substantially in the form of Exhibit F to this Agreement.

"**Payoff Letters**" has the meaning set forth in Section 6.12.

"**Pearl**" means Pearl Technology Holdings, LLC, a Texas limited liability company.

"**Pearl Acquisition**" has the meaning set forth in Section 1.5(a)(vi).

"**Pearl Acquisition Agreement**" means that certain Asset Purchase Agreement, dated as of December 9, 2020, by and among the Company, Pearl and T5 Holdings, L.P., a Texas limited partnership.

"**Pearl Purchase Price**" means $15,000,000.00.

"**Permits**" means any permit, license, authorization, registration, certificate, variance or similar right issued or granted by any Governmental Authority (but excluding registrations of Intellectual Property Rights).

"**Permitted Liens**" means (i) statutory Liens for Taxes not yet due and payable, (ii) mechanics', carriers', workers', repairers' and other similar liens arising or incurred in the Ordinary Course of Business relating to obligations which are not individually, or in the aggregate, material, (iii) purchase money security interests in respect of personal property arising or incurred in the Ordinary Course of Business, and (iv) Liens under the AFG Line of Credit.

"**Person**" means a natural person, a partnership, a corporation, a company (limited liability or otherwise), an association, a joint stock company, a trust, a joint venture, an unincorporated organization, a Governmental Authority, or any department, agency or subdivision thereof.

"**Personally Identifiable Information**" has the meaning set forth in Section 4.13(a)(x).

"**PPP Application**" is defined in Section 4.27.

"**PPP Enforcement Action**" means any acceleration or demand for repayment of the PPP Loan by the PPP Lender or any Governmental Authority (including the U.S. Small Business Administration).

"**PPP Forgiveness Application**" is defined in Section 1.5(a)(xv).

"**PPP Forgiveness Board Authorization**" is defined in Section 1.5(a)(xv).

"**PPP Forgiveness Date**" has the meaning set forth in Section 10.7(c).

"**PPP Lender**" means JPMorgan Chase Bank, N.A.

"**PPP Loan**" means that certain SBA Loan by and between the Company and the PPP Lender.

"**PPP Loan Escrow Amount**" means an amount in cash equal to all accrued principal and interest under the PPP Loan.

"**PPP Loan Escrow Fund**" has the meaning set forth in Section 1.6(b).

"**PPP Termination Date**" has the meaning set forth in Section 10.1(d).

"**Pre-Closing Period**" has the meaning set forth in Section 6.1.

"**Pre-Closing Tax Period**" means (i) any taxable period ending on or before the Closing Date and (ii) the portion of any Straddle Period beginning on the first (1st) day of such Straddle Period and ending on (and including) the Closing Date.

"**Pre-Closing Taxes**" mean all (i) Taxes of the Company with respect to any Pre-Closing Tax Period, including, for the avoidance of doubt, the portion of any Straddle Period ending on the Closing Date determined in accordance with Section 6.7(c) (including, for this purpose, any "imputed underpayment" within the meaning of Section 6225 of the Code (or any similar or corresponding provision of state, local or foreign Law) paid or payable by the Company relating or attributable to a Pre-Closing Tax Period), (ii) Taxes for which the Company is held liable under Treasury Regulations Section 1.1502-6 (or any corresponding or similar provision of state, local or foreign Tax Law) by reason of the Company being included in any consolidated, affiliated, combined or unitary group in any Pre-Closing Tax Period, (iii) Taxes of another Person for which the Company is held liable as a result of being a successor or transferee of such Person on or prior to the Closing Date or as a result of any express or implied obligation existing on or prior to the Closing Date to indemnify any such Person, by Contract or otherwise, (iv) Transfer Taxes for which TopCo and the Members are responsible pursuant to Section 6.7(e), and (v) the employer's share of any payroll or employment Tax attributable to compensatory payments made by the Company in connection with the Transactions.

"**Privacy Laws**" means any Laws that govern the receipt, collection, compilation, use, storage, processing, sharing, safeguarding, security, disposal, destruction, disclosure or transfer of Personally Identifiable Information and any such legal requirement governing privacy, data security, data or security breach notification, any penalties and compliance with any order, including, without limitation, the Gramm-Leach-Bliley Act, the California Online Privacy Protection Act, the California Consumer Privacy Act, the CAN-SPAM Act, the Telephone Consumer Protection Act of 1991, state Laws regulating the use of Personally Identifiable Information in connection with marketing purposes , the UK Data Protection Act 2018, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation or "**GDPR**") and any analogous legislation in any jurisdiction in which the Company carries on its business and/or from which Company collects Personally Identifiable Information and all Laws regulating the privacy, security, and/or protection of Personally Identifiable Information.

"**Privacy Requirements**" has the meaning set forth in Section 3.13(n).

"**Privileged Deal Communications**" has the meaning set forth in Section 11.16(b).

"**Pro Rata Portion**" means, with respect to a Member, the percentage set forth next to the Member's name in the applicable Consideration Spreadsheet. For purposes of clarity, the sum of all "**Pro Rata Portions**" shall at all times equal one hundred percent (100%).

"**PTO**" has the meaning set forth in Section 4.13(b).

"**Purchase Price**" has the meaning set forth in Section 1.3(a).

"**Purchase Price Allocation**" has the meaning set forth in Section 1.8(b).

"**Purchase Price Escrow Amount**" means an amount in cash equal to $6,000,000.

"**Purchase Price Escrow Contribution Amount**" for each Member shall be as provided in the applicable Consideration Spreadsheet. For purposes of clarity, the sum of all "**Purchase Price Escrow Contribution Amounts**" shall equal the Purchase Price Escrow Amount.

"**Purchase Price Escrow Fund**" has the meaning set forth in Section 1.6(a).

"**Purchase Price Escrow Pro Rata Portion**" means, with respect to a Member, the percentage set forth next to the Member's name in the applicable Consideration Spreadsheet. For purposes of clarity, the sum of all "**Purchase Price Escrow Pro Rata Portions**" shall at all times equal one hundred percent (100%).

"**Purchase Price Excess**" has the meaning set forth in Section 1.9(d).

"**Purchased Units**" has the meaning set forth in Section 1.2.

"**R&W Insurance Policy**" means that certain representation and warranties insurance policy underwritten by the R&W Insurer, Policy No. BC-BS-2020-99225-0459.

"**R&W Insurance Policy Costs**" means all costs and expenses associated with the R&W Insurance Policy (including all premiums, underwriting fees, surplus line taxes, premium taxes, brokerage fees and commissions), but excluding the costs of each party's legal counsel in negotiating and advising with respect to such R&W Insurance Policy.

"**R&W Insurer**" means BlueChip Underwriting Services LLC.

"Reclassified Employee" has the meaning set forth in Section 7.14(d).

"**Redemption**" has the meaning set forth in the Recitals.

"**Redemption Agreement**" has the meaning set forth in the Recitals.

"**Registered Intellectual Property**" has the meaning set forth in Section 4.13(a)(xi).

"**Released Causes of Action**" has the meaning set forth in Section 6.10.

"**Released Parties**" has the meaning set forth in Section 6.10.

"**Releasing Parties**" has the meaning set forth in Section 6.10.

"**Representative Expense Fund**" has the meaning set forth in Section 1.3(d).

"**Representatives**" means directors, managers, officers, employees, agents, attorneys, accountants, advisors and representatives.

"**Restricted Cash**" means any cash which is not freely usable by the Company because it is subject to restrictions, limitations or taxes on use or distribution by Law, contract or otherwise, including, without limitation, restrictions on dividends and repatriations or any other form of restriction.

"**Restrictive Covenant Agreement**" has the meaning set forth in the Recitals.

"**Retained Escrow Amount**" has the meaning set forth in Section 10.7(a).

"**Retention Escrow Amount**" means an amount in cash equal to $4,000,000.

"**Retention Escrow Fund**" has the meaning set forth in Section 1.6(a).

"**Revised Purchase Price Allocation**" has the meaning set forth in Section 1.8(b).

"**Sanctioned Country**" has the meaning set forth in Section 4.22(c).

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Specially Designated Nationals and Blocked Persons List**" has the meaning set forth in Section 4.22(c).

"**Specified Matters**" has the meaning set forth in Section 10.2(a)(ix).

"**Specified Matters Escrow Amount**" means an amount equal to $175,000.

"**Specified Matters Escrow Fund**" has the meaning set forth in Section 1.6(a).

"**Specified Matters Expiration Date**" has the meaning set forth in Section 10.7(c).

"**Specified Matters Retained Escrow Amount**" has the meaning set forth in Section 10.7(c).

"**Standard Form Agreements**" has the meaning set forth in Section 4.13(f).

"**Straddle Period**" means any taxable period beginning before or on the Closing Date and ending after the Closing Date.

"**Subject Provision**" has the meaning set forth in Section 10.5(a).

"**Subsidiary**" means, with respect to any Person, any other Person of which more than 50% of the securities or other ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or of other Persons performing similar functions, or to receive more than 50% of the profits or losses, of such other Person is directly or indirectly owned or controlled by such Person, by one or more of such Person's Subsidiaries (as defined in the preceding clause) or by such Person and any one or more of such Person's Subsidiaries.

"**Tax**" or "**Taxes**" means (i) any net income, alternative or add-on minimum tax, gross income, estimated, gross receipts, sales, use, ad valorem, value added, transfer, franchise, fringe benefit, membership interest, profits, license, registration, withholding, payroll, social security (or equivalent), employment, unemployment, disability, excise, severance, stamp, occupation, premium, property (real, tangible or intangible), environmental, escheat or windfall profit tax, custom duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount (whether disputed or not) imposed by any Governmental Authority responsible for the imposition of any such tax, (ii) any Liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being (or ceasing to be) a member of an affiliated, consolidated, combined, unitary or aggregate group for any taxable period, and (iii) any Liability for the payment of any amounts of the type described in clause (i) or (ii) of this sentence as a result of being a transferee of or successor to any Person or as a result of any express or implied obligation to assume such Taxes or to indemnify any other Person.

"**Tax Contest**" has the meaning set forth in Section 6.7(d).

"**Tax Return**" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"**Technology**" has the meaning set forth in Section 4.13(a)(xii).

"**Third Party Claim**" has the meaning set forth in Section 10.6(a).

"**Third Party Dispute**" has the meaning set forth in Section 11.16(c).

"**TopCo**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Trademarks**" has the meaning set forth in Section 4.13(a)(viii).

"**Transaction Documents**" means this Agreement, the Operating Agreement, the Restrictive Covenant Agreements, the Vesting Agreement, the Lock-Up Agreements, the Guarantee, the Redemption Agreements, the Non-Disclosure Agreement, and each agreement, document, schedule, certificate or other instrument executed or delivered in connection with this Agreement.

"Transactions" means the transactions contemplated by this Agreement and the Transaction Documents.

"**Transfer**" means, with respect to any security, to sell, offer, pledge, contract to sell, grant any option, right or contract to purchase, or otherwise transfer (including by gift or operation of law), dispose of, hypothecate or encumber, directly or indirectly, such security.

"**Transfer Taxes**" has the meaning set forth in Section 6.7(e).

"**Unaccredited Investor**" means any Member who is not an Accredited Investor.

"**Unaudited Interim Balance Sheet**" has the meaning set forth in Section 4.7(a).

"**URLs**" has the meaning set forth in Section 4.13(a)(viii).

"**Vesting Agreement**" has the meaning set forth in the Recitals.

"**WARN Act**" has the meaning set forth in Section 4.17(g).

1.2 Purchase and Sale of Membership Units. Subject to the terms and conditions set forth herein, at the Closing, and in reliance on the representations, warranties, covenants and agreements made herein, the Company shall sell to Buyer, and Buyer shall purchase from the Company, the number of Class CG Units set forth on Schedule 1 (the "**Purchased Units**"), free and clear of all Liens, for the consideration specified in Section 1.3.

1.3 Purchase Price; Consideration Spreadsheets.

(a) Subject to the terms and conditions hereof, the aggregate consideration to be paid or issued by Buyer as consideration for the Purchased Units shall be the Gross Consideration (the "**Purchase Price**"), subject to adjustment as provided in Section 1.9. At the Closing, Buyer shall deliver the portion of the Purchase Price constituting the Closing Payment as provided in Section 1.5(b)(i) and

Section 1.5(b)(ii) in exchange for the Purchased Units. The Company and TopCo each acknowledge and agree that upon delivery of the Net Closing Payment, the Company Note Repayment shall be effectuated and the Company Note shall be cancelled and terminated in its entirety as of the Closing with no further liability or obligation of the Company thereunder and the Company will forever be released from any and all further obligations under the Company Note.

(b) The Company and TopCo shall prepare and deliver to Buyer, no less than three (3) Business Days prior to the Closing, a spreadsheet (the "**Initial Consideration Spreadsheet**"), duly executed by the Chief Executive Officer of each of the Company and TopCo, setting forth all of the following information, as of the Closing Date: (i) the names of all Members and their respective addresses and email addresses (and such other information as the Payment Agent may reasonably request) and whether such Member is an Unaccredited Investor or an Accredited Investor; (ii) the equity interests of TopCo held by such Members immediately prior to the Closing; (iii) the calculation of the Purchase Price, (iv) the Adjustment Amount, the Closing Buyer Shares Consideration and the Closing Cash Consideration; (v) the amount of Company Transaction Expenses (including an itemized list of each such Company Transaction Expense and, if applicable, the Person to whom such expense is owed and the wire transfer information for each such Person); (vi) the Closing Indebtedness Amount (including an itemized list of each such item of Indebtedness and the Person, if any, to whom such Indebtedness is owed and the wire transfer information for each such Person); (vii) the amount of the Pearl Purchase Price payable to Pearl (and the wire transfer information for Pearl); (viii) the amount of the Net Closing Cash Consideration and Closing Buyer Share Consideration payable or issuable to each Member (subject to the terms and conditions of this Agreement) on behalf of TopCo in connection with the Redemption; (ix) the Purchase Price Escrow Amount; (x) the Retention Escrow Amount; (xi) the PPP Loan Escrow Amount; (x) the Specified Matters Escrow Amount; (xi) the Representative Expense Fund (and the wire transfer information for the segregated account established by the Members' Representative for that purpose); (xii) each Member's Pro Rata Portion (as of the Closing Date) of the amounts contributed to the Retention Escrow Amount, the PPP Loan Escrow Amount, the Specified Matters Escrow Amount and the Representative Expense Fund as of the Closing Date; (xiii) each Member's Purchase Price Escrow Pro Rata Portion (as of the Closing Date) of the amounts contributed to the Purchase Price Escrow Amount as of the Closing Date; (xiv) wire instructions for each Member; and (xv) information regarding each Member as reasonably requested by Buyer in connection with the issuance of the Closing Buyer Shares to the Members in book entry (electronic form), in each case, together with documentation reasonably satisfactory to Buyer in support of any calculation of amounts set forth therein.

(c) The Members' Representative shall prepare and deliver to Buyer one or more spreadsheet(s) (each, a "**Future Consideration Spreadsheet**" and together with the Initial Consideration Spreadsheet, the "**Consideration Spreadsheets**"), which sets forth the allocation of each payment to be made to the Members after the Closing Date on behalf of TopCo in connection with the payment of the adjustments to the Final Purchase Price pursuant to Section 1.9 or the release of any amounts from the Escrow Fund or the Representative Expense Fund, together with such supporting documentation and access to the Company's Books and Records as is reasonably requested by Buyer to permit Buyer to review the calculation of amounts set forth therein. The Members' Representative shall deliver to Buyer each applicable Future Consideration Spreadsheet (i) with respect to the payment of the Final Purchase Price (if any is payable to the Members on behalf of TopCo) no less than three (3) Business Days after receipt of the Final Closing Date Statement with respect to the payment of adjustments to the Final Purchase Price pursuant to Section 1.9, and (ii) with respect to the release of any portion of the Escrow Fund or the Representative Expense Fund (if any is payable to the Members on behalf of TopCo) no less than three (3) Business Days prior to the scheduled release of any amount of the Escrow Fund or Representative Expense Fund, in each case together with such documentation as is reasonably requested by Buyer to permit Buyer to review the calculation of amounts set forth therein.

(d) $200,000 (the "**Representative Expense Fund**") shall be withheld from the Cash Consideration and paid to the Members' Representative to be used, in the sole and absolute discretion of the Members' Representative, to pay the costs and expenses, if any, incurred by the Members' Representative in accordance with or otherwise related to this Agreement and the Transactions, and any other costs or expenses incurred by the Members' Representative in the performance of its obligations, which shall be retained by the Members' Representative in a segregated account designated for that purpose until such time as the Members' Representative shall determine, and, subject to the terms of this Agreement, the balance of such Representative Expense Fund shall be delivered by the Members' Representative in the amounts set forth on the applicable Future Consideration Spreadsheet to the Payment Agent, for further distribution to the Members on behalf of TopCo in accordance with their respective Pro Rata Portions; *provided, however*, that neither Buyer nor the Company shall have any Liability or be responsible in any capacity in connection with the Members' Representative's failure to deliver such balance.

1.4 Closing. Unless this Agreement is validly terminated pursuant to Article IX, the closing of the Transactions (the "**Closing**") shall take place at 10:00 a.m. Eastern Time at the offices of Goodwin Procter LLP at 100 Northern Avenue, Boston, Massachusetts on the later of (i) January 14, 2021 or such earlier date determined by Buyer in its sole discretion, and (ii) the third (3rd) Business Day after the satisfaction or waiver of the last to be satisfied or waived of the conditions set forth in Article VII and Article VIII (other than those conditions which are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions) or at such other time and/or date as Buyer and the Company may jointly designate. The Closing and exchange of documents may take place by facsimile or other electronic transmission. The date on which the Closing actually takes place is referred to in this Agreement as the "**Closing Date**."

1.5 Deliveries at Closing.

(a) At or prior to the Closing, the Company, TopCo, or the Members' Representative shall deliver, or cause to be delivered, to Buyer:

(i) evidence of the issuance of the Purchased Units in a form reasonably acceptable to Buyer, vesting all right, title and interest in such Purchased Units in Buyer;

(ii) the Transaction Documents executed by the Company, TopCo, and the Members, as applicable, and all other agreements, documents, instruments or certificates required to be delivered by the Company, TopCo, and the Members at or prior to the Closing pursuant to Article VII;

(iii) the Escrow Agreement, duly executed by the Members' Representative and TopCo;

(iv) the Payment Agent Agreement, duly executed by the Members' Representative, TopCo, and the Payment Agent;

(v) the Company Closing Certificate;

(vi) written certification by the Chief Executive Officer of each of the Company and Pearl of the closing of the acquisition of the assets of Pearl in accordance with the Pearl Acquisition Agreement on the Closing Date (such acquisition, the "**Pearl Acquisition**"), including, without limitation, the execution and delivery of all documents required for closing and the satisfaction of all other conditions to closing subject only to funding of the Pearl Purchase Price on the Closing Date pursuant to this Agreement;

(vii) the Payoff Letters and evidence in form satisfactory to Buyer that all Liens relating to the Company and Company Assets shall have been released in full, other than Permitted Liens;

(viii) a written acknowledgement by TopCo in form satisfactory to Buyer that the Company Note is to be satisfied in full upon the payment of the Purchase Price;

(ix) an IRS Form W-9 (or other proof of exemption from withholding under Section 1445 and 1446(f) of the Code in connection with the Transactions reasonably satisfactory to Buyer) validly executed by each Member and TopCo;

(x) evidence reasonably satisfactory to Buyer that all security interests and other Liens, other than Permitted Liens, in any assets of the Company have been released prior to or shall be released simultaneously with the Closing;

(xi) evidence of termination of the agreements listed on Schedule 7.9;

(xii) the deliverables of the Company and Members set forth in Article VII;

(xiii) completion of the RSM Sarbanes-Oxley audit and delivery of the RSM report;

(xiv) a finalized forgiveness application in the form prescribed by the PPP Lender (the "**PPP Forgiveness Application**") with all supporting documentation including, but not limited to, evidence of each of the amounts used in the forgiveness amount calculation therein, together with a certificate executed by the Chief Executive Officer of the Company, in form and substance reasonably satisfactory to Purchaser, certifying that the PPP Loan Forgiveness Application was submitted to the PPP Lender and attaching a copy of each of the PPP Forgiveness Application and the resolutions of the Managers of the Company approving the PPP Forgiveness Application (such resolutions the "**PPP Forgiveness Board Authorization**").

(b) At or prior to the Closing, Buyer shall deliver or cause to be delivered the following:

(i) by wire transfer of immediately available funds to the account of the Payment Agent on behalf of the Company for further payment to the Members on behalf of TopCo pursuant to the Redemption, cash in an amount equal to the Estimated Cash Consideration, *less* the sum of (y) the Escrow Funds, *plus* (z) the Representative Expense Fund (the "**Closing Cash Consideration**"), and *less* the Pearl Purchase Price;

(ii) to the Exchange Agent the Buyer Shares for the account of the Company for immediate distribution to TopCo in connection with the Company Note Repayment, and then to the Members pursuant to the Redemptions (the "**Closing Buyer Shares Consideration**" and, together with the Closing Cash Consideration, the "**Closing Payment**"), which Buyer Shares will be delivered in book entry (electronic form);

(iii) cash in an amount equal to the Pearl Purchase Price to Pearl on behalf of the Company, by wire transfer of immediately available funds as set forth in the Initial Consideration Spreadsheet;

(iv) cash in an amount equal to the Representative Expense Fund to the Members' Representative, by wire transfer of immediately available funds as set forth in the Initial Consideration Spreadsheet;

(v) cash in an amount equal to the Company Transaction Expenses set forth in the Initial Consideration Spreadsheet, by wire transfer of immediately available funds, to each of the payees set forth in such Initial Consideration Spreadsheet;

(vi) cash in an amount equal to the Closing Indebtedness Amount set forth in the Initial Consideration Spreadsheet each of the payees set forth in such Initial Consideration Spreadsheet, to the extent applicable;

(vii) cash in an amount equal to the PPP Loan Escrow Amount, by wire transfer of immediately available funds, to the PPP Lender as set forth in the Initial Consideration Spreadsheet;

(viii) the Buyer Closing Certificate to the Members' Representative;

(ix) the Escrow Agreement, duly executed by Buyer and the Escrow Agent, to the Members' Representative and TopCo;

(x) the Payment Agent Agreement, duly executed by Buyer, to the Members' Representative; and

(xi) to the Members' Representative and TopCo, the Transaction Documents executed by Buyer, as applicable, including all other agreements, documents, instruments or certificates required to be delivered by Buyer at or prior to the Closing pursuant to Article VIII.

1.6 Escrows.

(a) TopCo, the Company and the Members acknowledge and agree that at the Closing, Buyer shall withhold from the Estimated Cash Consideration payable pursuant hereto, and deposit into an escrow account with Acquiom Clearinghouse LLC (the "**Escrow Agent**"): (i) an amount in cash equal to the Purchase Price Escrow Amount (the "**Purchase Price Escrow Fund**"), to secure any payment obligations of the Members in respect of the Purchase Price under Section 1.9 of this Agreement, (ii) an amount in cash equal to the Retention Escrow Amount to secure any indemnification payment obligations of the Members in respect of Article X of this Agreement (the "**Retention Escrow Fund**"), and (iii) an amount in cash equal to the Specified Matters Escrow Amount to secure any indemnification payment obligations of the Members in respect of those specified matters set forth in Section 10.2(a)(ix) of this Agreement (the "**Specified Matters Escrow Fund**" and, collectively with the Purchase Price Escrow Fund, and the Retention Escrow Fund, the "**Escrow Fund**"). The Escrow Fund shall be held by the Escrow Agent and disbursed by it solely for the purposes and in accordance with the terms of this Agreement and the provisions of the escrow agreement to be entered into among Buyer, the Members' Representative, TopCo, and the Escrow Agent on the Closing Date, substantially in the form of Exhibit G to this Agreement (the "**Escrow Agreement**"). The terms and provisions of the Escrow Agreement and the transactions contemplated thereby are specific terms of this Agreement, and the approval and execution of this Agreement by TopCo and the Members shall constitute approval by TopCo and the Members, and the irrevocable agreement of TopCo and the Members to be bound by and comply with, the Escrow Agreement and all of the arrangements and provisions of this Agreement relating thereto, including the deposit of the Escrow Amount into escrow and the indemnification obligations set forth in Article X hereof.

(b) Prior to the Closing, the Company has deposited into an escrow account with the PPP Lender an amount in cash equal to the PPP Loan Escrow Amount (the "**PPP Loan Escrow Fund**"), to secure any payment obligations of the Company or the Members in respect of the repayment and discharge of the PPP Loan to the extent the PPP Loan is not forgiven. The PPP Loan Escrow Fund shall be held by the PPP Lender in accordance with the terms of the PPP Forgiveness Application and the Laws applicable thereto. The terms and provisions of the Forgiveness Application and the transactions contemplated thereby are specific terms of this Agreement, and the approval and execution of this Agreement by TopCo and the Members shall constitute approval by TopCo and the Members, and the irrevocable agreement of TopCo and the Members to be bound by and comply with, the PPP Loan Escrow Fund and the Loan Forgiveness Application and all of the arrangements and provisions of this Agreement relating thereto, including the deposit of the PPP Loan Escrow Fund into escrow with the PPP Lender.

1.7 Payment.

(a) Within one (1) Business Day of the Closing Date (subject to the Payment Agent's timely receipt with respect to each Member of wire transfer information and executed Form W-9 or other applicable tax form), the Company, TopCo, and Buyer shall cause the Payment Agent to pay to each Member the amount of the Net Closing Cash Consideration as provided in the Initial Consideration Spreadsheet in connection with the Redemption (in accordance with, and subject to, the terms and conditions of this Agreement and the Redemption Agreements).

(b) If payment of a portion of the Cash Consideration payable to a Member is to be made to a Person other than the Member set forth on the Consideration Spreadsheet, it shall be a condition to such payment that the Person requesting such payment shall have paid any transfer and other Taxes required by reason of such payment in a name other than that of the Member set forth in the Consideration Spreadsheet or shall have established to the satisfaction of Buyer that such Tax either has been paid or is not payable.

(c) Any portion of the Cash Consideration that remains undistributed to Members as of the date that is one hundred eighty (180) days after the Agreement Date shall be delivered to Buyer upon demand, and Members who have not theretofore received their share of the Cash Consideration, shall thereafter look only to Buyer for satisfaction of their claims for the Cash Consideration without any interest thereon.

(d) Notwithstanding anything in this Agreement to the contrary neither Buyer nor any other Person shall be liable to TopCo, the Members, or to any other Person for any amount paid to a public official pursuant to applicable abandoned property law, escheat law or similar applicable Law. Any Purchase Price or other amounts remaining unclaimed by Members three (3) years after the Closing (or such earlier date immediately prior to such time as such amounts would otherwise escheat to or become property of any Governmental Authority) shall, to the extent permitted by applicable Laws, become the property of Buyer free and clear of any Lien.

(e) Each of the Payment Agent, the Exchange Agent, the Escrow Agent, Buyer, TopCo, and the Company shall be entitled to deduct and withhold from any amount otherwise payable pursuant to this Agreement (including all amounts to be contributed to the Escrow Fund in accordance with Section 1.6(a)) such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign Tax law or under any other applicable Law. To the extent such amounts are so deducted or withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

(f) No fractional shares of Buyer Common Stock will be issued in connection with the consummation of the Transactions.

1.8 Tax Treatment and Purchase Price Allocation.

(a) The parties hereto acknowledge and agree that, for U.S. federal (and applicable state and local) income Tax purposes, the Transactions will be reported in a manner that is consistent with the treatment described in this Section 1.8(a), and each party hereto (and each of their respective Affiliates) shall prepare and file all Tax Returns on a basis consistent with this Section 1.8(a) and shall take no inconsistent position on any Tax Return, in any audit or similar proceeding before any Governmental Authority, or otherwise. In particular:

(i) Following the Members' contribution of all of the outstanding membership interests of the Company to TopCo in exchange for equivalent membership interests in TopCo, TopCo shall be treated as a continuation of the existing tax partnership under Section 708(a) of the Code.

(ii) Effective as of January 1, 2021, upon filing of the Check-the-Box Election, the Company shall be treated as a newly formed partnership for income Tax purposes.

(iii) The sale of the Purchased Units by the Company to Buyer pursuant to this Agreement is intended to be treated as a contribution of property by Buyer to the Company pursuant to Section 721 of the Code.

(iv) The Company Note Repayment is intended to be treated as a "disguised sale" (pursuant to Section 707(a)(2) of the Code and the Treasury Regulations thereunder) of property by TopCo to the Company.

(b) Buyer and the Members shall allocate the amount of the Company Note Repayment, all other applicable capitalized costs, and other relevant items among the assets of the Company in accordance with the allocation to be determined by Buyer in good faith within ninety (90) days following the Closing (the "**Purchase Price Allocation**"). The Purchase Price Allocation Schedule will be prepared in accordance with the rules under Sections 743, 751, 755 and 1060 of the Code, as applicable, and the Treasury Regulations promulgated thereunder and in a manner consistent with the methodologies set forth on Schedule 1.8(b). Buyer shall permit the Members' Representative, at the Members' expense, to review and comment on the Purchase Price Allocation within fifteen (15) days of the Purchase Price Allocation being delivered by Buyer. Buyer will consider any comments to the Purchase Price Allocation that are consistent with the methodologies set forth on Schedule 1.8(b) and the rules under Sections 743, 751, 755 and 1060 of the Code, as applicable, and the Treasury Regulations promulgated thereunder, in good faith; *provided, however*, if Buyer does not receive comments from the Members' Representative within the fifteen (15)-day review period, the Members' Representative shall be deemed to have no comments to the Purchase Price Allocation and Buyer shall have final control over the Purchase Price Allocation. Buyer shall prepare and deliver to the Members' Representative, from time to time, revised or supplemental copies of the Purchase Price Allocation (a "**Revised Purchase Price Allocation**") so as to report any necessary updates to the Purchase Price Allocation or as may be required by Sections 743, 751, 755 and 1060 of the Code, as applicable, and the Treasury Regulations promulgated thereunder (including any adjustments to the Purchase Price, if any). Buyer and the Members shall file all Tax Returns consistent with the Purchase Price Allocation and any Revised Purchase Price Allocation and no party hereto shall take any position for Tax purposes inconsistent with such allocation; *provided*, that the parties acknowledge that Buyer and its Affiliates may use a different allocation for financial reporting purposes.

1.9 Closing Adjustment.

(a) The Company shall deliver to Buyer no later than five (5) Business Days prior to the Closing Date a statement that sets forth the Company's good faith estimate of (i) the balance sheet of the Company as of the Measurement Time (the "**Estimated Balance Sheet**"), which shall be prepared in accordance with the Accounting Principles; (ii) the Closing Date Net Working Capital and, based thereon, the Adjustment Amount; (iii) the Company Cash and, based thereon, the amount of the Company Cash Deficiency (if any), (iv) the Closing Indebtedness Amount, (v) the Company Transaction Expenses and, based thereon, (vi) the Purchase Price (the "**Estimated Purchase Price**") and the Cash Consideration (the "**Estimated Cash Consideration**"), together with reasonably detailed calculations demonstrating each component thereof and such documentation and access to the Company's Books and Records as is reasonably requested by Buyer to permit Buyer to review the calculation of amounts set forth therein. Buyer shall have the ability to review and provide comments to (i) – (vi) above and the Company shall consider in good faith Buyer's comments.

(b) No later than ninety (90) days after the Closing Date, Buyer shall prepare and deliver to the Members' Representative a statement that sets forth Buyer's calculation of (i) the balance sheet of the Company as of the Measurement Time (the "**Closing Date Balance Sheet**") which shall be prepared in accordance with the Accounting Principles, (ii) the Closing Date Net Working Capital and, based thereon, the Adjustment Amount, (iii) the Company Cash and, based thereon, the amount of the Company Cash Deficiency (if any), (iv) the Closing Indebtedness Amount, (v) the Company Transaction Expenses and, based thereon, (vi) the Purchase Price and the Cash Consideration, together with reasonably detailed supporting calculations demonstrating each component thereof (the "**Closing Date Statement**").

(c) The Members' Representative shall have thirty (30) days after delivery of the Closing Date Statement in which to notify Buyer in writing (such notice, a "**Closing Date Dispute Notice**") of any discrepancy in, or disagreement with, the items reflected on the Closing Date Statement (and specifying the amount of each item in dispute and setting forth in reasonable detail the basis for each such discrepancy or disagreement), and upon agreement by Buyer regarding the adjustment requested by the Members' Representative, an appropriate adjustment shall be made thereto. If the Members' Representative does not deliver a Closing Date Dispute Notice to Buyer during such thirty (30)-day period, the Closing Date Statement shall be deemed to be accepted in the form presented to the Members' Representative. If the Members' Representative timely delivers a Closing Date Dispute Notice and Buyer and the Members' Representative do not agree, within thirty (30) days after timely delivery of the Closing Date Dispute Notice, to resolve any discrepancy or disagreement therein, either the Members' Representative or Buyer may submit the discrepancy or disagreement for review and final determination by the Independent Accounting Firm, it being understood that in making such determination, the Independent Accounting Firm shall be functioning as an expert and not as an arbitrator. The review by the Independent Accounting Firm shall be limited solely to the discrepancies and disagreements set forth in the Closing Date Dispute Notice and a single written submission to the Independent Accounting Firm by each of Buyer and the Members' Representative with respect to such discrepancies and disagreements (which shall also be provided to the other party). The resolution of such discrepancies and disagreements and the determination of the Closing Date Net Working Capital and the resulting Adjustment Amount, the Company Cash and the resulting Company Cash Deficiency (if any), the Closing Indebtedness Amount, and the Company Transaction Expenses by the Independent Accounting Firm shall be (i) in writing, (ii) made in accordance with the Accounting Principles, definitions and relevant provisions of this Agreement, (iii) with respect to any specific discrepancy or disagreement, no greater than the higher amount calculated by Buyer or the Members' Representative, as the case may be, and no lower than the lower amount calculated by Buyer or the Members' Representative as the case may be, (iv) made as promptly as practicable after the submission of such discrepancies and disagreements to the Independent Accounting Firm (but in no event later than thirty (30) days after the date of submission), and (v) final and binding

upon, and non-appealable by, the parties hereto and their respective successors and assigns for all purposes hereof, and not subject to collateral attack for any reason absent manifest error or fraud. The fees, costs and expenses of the Independent Accounting Firm shall be allocated to and borne by Buyer and the Members (in accordance with their respective Purchase Price Escrow Pro Rata Portions, which may be paid out of the Representative Expense Fund to the extent thereof) based on the inverse of the percentage that the Independent Accounting Firm's determination (before such allocation) bears to the total amount of the total items in dispute as originally submitted to the Independent Accounting Firm. For example, should the aggregate value of the items in dispute equal $1,000 and the Independent Accounting Firm awards $600 in favor of the Members' Representative's position and $400 in favor of Buyer, then sixty percent (60%) of the costs of its review would be borne by Buyer and forty percent (40%) of such costs would be borne by the Members' Representative (on behalf of the Members). Within five (5) Business Days of the resolution of all matters set forth in the Closing Date Dispute Notice, by mutual agreement of Buyer and the Members' Representative or by the Independent Accounting Firm, Buyer shall prepare a revised version of the Closing Date Statement including an updated Purchase Price and Cash Consideration (the "**Final Purchase Price**") reflecting such resolution and shall deliver copies thereof to the Members' Representative, and such revised version (and all amounts set forth therein) shall be considered final and binding on the parties (the "**Final Closing Date Statement**").

(d) If the Final Purchase Price exceeds the Estimated Purchase Price, Buyer shall pay to the Payment Agent for distribution to the Members on behalf of TopCo in connection with the Redemption the entire amount of such difference in cash by wire transfer of immediately available funds, and Buyer and the Members' Representative shall instruct the Escrow Agent to release to the Payment Agent the entire balance of the Purchase Price Escrow Fund, in each case for further distribution to the Members in accordance with the applicable Consideration Spreadsheet and such Members' Purchase Price Escrow Pro Rata Portions. If the Estimated Purchase Price exceeds the Final Purchase Price, the Members' Representative (on behalf of each Member) and Buyer shall instruct the Escrow Agent to pay the entire amount of such difference to Buyer out of the Purchase Price Escrow Fund, with any remaining balance of the Purchase Price Escrow Fund to be paid by the Escrow Agent to the Payment Agent (for further distribution to the Members in accordance with the applicable Consideration Spreadsheet and such Members' Purchase Price Escrow Pro Rata Portions); *provided, however*, that if the amount payable to Buyer under this Section 1.9(d) exceeds the Purchase Price Escrow Fund (a "**Purchase Price Excess**"), Buyer shall have the right to require the Members, severally and not jointly, in each case based on their then current respective Purchase Price Escrow Pro Rata Portions to pay to Buyer the Purchase Price Excess in cash by wire transfer of immediately available funds. If the Final Purchase Price is equal to the Estimated Purchase Price, there shall not be any adjustment.

(e) Any payments made pursuant to Section 1.9 shall be treated as an adjustment to the Purchase Price by the parties for Tax purposes, unless otherwise required by Law.

1.10 Further Action. If, at any time after the Closing, any further action is reasonably determined by Buyer to be necessary or desirable to carry out the purposes of this Agreement or to vest Buyer with full right, title and possession of and to all rights and interests to the Purchased Units, the officers and directors of the Company and Buyer shall be fully authorized (in the name of the Company and otherwise) to take such action.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE MEMBERS

Each Member hereby severally, and not jointly, represents and warrants to Buyer, on the Agreement Date and (except where a representation or warranty is made herein as of a specified date) as of the Closing, as though made at the Closing, as follows:

2.1 Ownership. Such Member is the beneficial and record owner of, has good and valid title to, and, in the case of equity interests with voting power, has unrestricted power to vote, all of the equity interests of TopCo set forth opposite such Member's name on Section 2.1 of the Disclosure Schedule, in each case free and clear of all Liens, other than restrictions on Transfer set forth in the TopCo Organizational Documents.

2.2 Authorization; Enforceability. Such Member has the necessary power, authority, right and capacity to execute and deliver this Agreement and each of the other Transaction Documents to which it is a party, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated herein and therein. The execution, delivery and performance by such Member of this Agreement and each of the other Transaction Documents to which it is a party, and the consummation by such Member of the Transactions and thereby have been duly authorized by all necessary action on the part of such Member (if any). This Agreement and each other Transaction Document to which such Member is a party intended to be executed on or before the Agreement Date have been, and each other Transaction Document to which such Member is a party will be, duly executed and delivered by such Member and, assuming the due authorization, execution and delivery thereof by Buyer to the extent a party thereto, each constitutes or, with respect to such other Transaction Documents to be executed after the Agreement Date, will each constitute a valid and binding agreement of such Member, enforceable against such Member in accordance with its terms, subject to limitations on enforcement and other remedies imposed by or arising under or in connection with (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting rights of creditors generally, and (ii) rules of law and general principles of equity, including those governing specific performance, injunctive relief and other equitable remedies (the "**General Enforceability Exceptions**").

2.3 Non-Contravention. The execution, delivery and performance by such Member of this Agreement and each other Transaction Document to which it is a party, and the consummation by such Member of the Transactions and thereby, do not and will not (i) contravene or conflict with or constitute a violation of any contract, agreement, Permit, license, authorization or obligation to which such Member is a party or by which its assets are bound; (ii) contravene or conflict with or constitute a violation of any provision of any Law binding upon or applicable to such Member; (iii) constitute a default or breach under or give rise to any right of termination, cancellation or acceleration of any right or obligation of such Member or to a loss of any benefit to which such Member is entitled.

2.4 Ownership of Equity Interests. Such Member has not (i) transferred any of the equity interests of TopCo set forth opposite such Member's name on Section 2.1 of the Disclosure Schedule, or any interest therein, (ii) granted any options, warrants, calls or any other rights to purchase or otherwise acquire any such equity interests or any interest therein, or (iii) entered into any Contract with respect to any of the matters contemplated by clauses (i) or (ii).

2.5 No Actions. There is no Action of any nature pending, or to the Knowledge of such Member, threatened, against such Member or any of such Member's properties (whether tangible or intangible) or, if such Member is an entity, any of such Member's officers, managers or directors (in their capacities as such), arising out of or relating to: (i) such Member's beneficial ownership of securities of TopCo or any right to acquire the same, (ii) this Agreement, any Transaction Document to which such Member is a party or any of the Transactions or thereby, or (iii) any other Contract between such Member (or any of its Affiliates) and the Company or any of its Affiliates, nor to the Knowledge of such Member, is there any reasonable basis therefor. There is no Action pending or, to the Knowledge of such Member, threatened against such Member with respect to which such Member has the right, pursuant to Contract, the Laws of the State of Delaware or otherwise, to indemnification from the Company or any of its Affiliates related to facts and circumstances existing prior to the Agreement Date, nor to the Knowledge of such Member, are there any facts or circumstances that would reasonably be expected to give rise to such an Action.

2.6 Consents. There are no Contracts binding upon such Member requiring notice, consent, waiver, authorization or approval as a result of the execution, delivery and performance of this Agreement or the Transaction Documents to which such Member is a party or the consummation of the Transactions and thereby. Neither the execution, delivery or performance by such Member of this Agreement or the Transaction Documents to which it is a party, nor the consummation by such Member of the Transactions and thereby, requires any consent of, authorization by, exemption from, filing with, or notice to any Person, other than such filings and notifications as may be required to be made by a Member in connection with the transactions contemplated herein under the HSR Act and the expiration or early termination of the applicable waiting period under the HSR Act.

2.7 Brokers', Finders' Fees, etc. Such Member has not employed any broker, finder, investment banker or financial advisor (i) as to whom such Member may have any obligation to pay any brokerage or finders' fees, commissions or similar compensation in connection with the Transactions, or (ii) who might be entitled to any fee or commission from Buyer, the Company or any of their respective Affiliates upon consummation of the Transactions.

2.8 Principal Residence. Such Member represents and warrants that its principal residence is as set forth opposite such Member's name on Section 2.1 of the Disclosure Schedule.

2.9 Securities Laws. Such Member understands that the Buyer Shares (i) have not been registered under the Securities Act by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act, (ii) must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, and (iii) will bear a legend to such effect and Buyer will make a notation on its transfer books to such effect. Such Member represents that it is familiar with SEC Rule 144 and Rule 506, as presently in effect, and understands and agrees to be bound by the resale limitations imposed thereunder and by the Securities Act.

2.10 Disclosure of Information. Such Member has received all the information it considers necessary or appropriate for deciding whether to execute and deliver this Agreement and to consummate the Transactions. Such Member further represents that it has had an opportunity to ask questions and receive answers from Buyer regarding the Buyer Shares and the business, properties, prospects and financial condition of Buyer. Such Member has (i) received a copy of this Agreement and each other Transaction Document to which it is a party (if any), (ii) had the opportunity to carefully read each such agreement and the Buyer SEC Documents, (iii) has discussed the foregoing with such Member's professional advisors to the extent such Member has deemed necessary and (iv) understands his, her or its obligations hereunder or thereunder.

2.11 Investment Experience. Such Member understands and acknowledges that such Member's investment in the Buyer Common Stock involves a high degree of risk and has sought such accounting, legal and tax advice as such Member has considered necessary to make an informed investment decision with respect to such Member's acquisition of the Buyer Common Stock. Such Member is fully aware of: (i) the highly speculative nature of an investment in the Buyer Common Stock, (ii) the financial hazards involved, (iii) the lack of liquidity of the Buyer Common Stock including the restrictions on Transfer and other obligations with respect thereto set forth in this Agreement, (iv) the qualifications and backgrounds of the management of Buyer, and (v) the tax consequences of acquiring the Buyer Common Stock. Such Member has such knowledge and experience in financial and business matters such that such Member is capable of evaluating the merits and risks associated with consummating the transactions contemplated herein and accepting the Buyer Common Stock as consideration in accordance with the terms of this Agreement, has the capacity to protect such Member's own interests in connection with the Transactions, and is financially capable of bearing a total loss of the Buyer Common Stock. Such Member, by reason of his, her or its business or financial experience or that of its, his or her professional advisers who are unaffiliated with and who are not compensated by Buyer or any Affiliate or selling agent of Buyer, directly or indirectly, has the capacity to protect such Member's own interests in connection with the Transactions.

2.12 Accredited Investor. Such Member is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, as presently in effect.

2.13 Purchase Entirely for Own Account. This Agreement is made with such Member in reliance upon such Member's representation to Buyer, which by such Member's execution of this Agreement such Member hereby confirms, that the Buyer Shares to be received by such Member will be acquired for investment for such Member's own account, not as a nominee or agent, and not with a view to the distribution of any part thereof, and that such Member has no present intention of selling, granting any participation in, or otherwise distributing the same.

2.14 Spousal Consent. If such Member is married, he or she represents that true and complete copies of this Agreement and all Transaction Documents to be executed by such Member have been furnished to his or her spouse; that such spouse has read this Agreement and all Transaction Documents to be executed by such Member; that such spouse is familiar with each of their terms; and that such spouse has agreed to be bound to the obligations of such Member hereunder and thereunder.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF TOPCO

TopCo represents and warrants to Buyer, on the Agreement Date and (except where a representation or warranty is made herein as of a specified date) as of the Closing, as though made at the Closing, as follows:

3.1 Ownership. Each of TopCo and MidCo is the beneficial and record owner of, has good and valid title to, and, in the case of equity interests of the Company, has unrestricted power to vote, all of the equity interests of the Company set forth opposite TopCo's or MidCo's name, as applicable, on Section 3.1 of the Disclosure Schedule, in each case free and clear of all Liens, other than restrictions on Transfer set forth in the Operating Agreement. TopCo is the beneficial and record owner of, has good and valid title to, and, in the case of interests in the capital of MidCo, has unrestricted power to vote, all of the equity interests of MidCo free and clear of all Liens, other than restrictions on Transfer set forth in the MidCo Organizational Documents.

3.2 Authorization; Enforceability. TopCo has the necessary power, authority, right and capacity to execute and deliver this Agreement and each of the other Transaction Documents to which it is a party, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated herein and therein. The execution, delivery and performance by TopCo of this Agreement and each of the other Transaction Documents to which it is a party, and the consummation by TopCo of the Transactions and thereby have been duly authorized by all necessary action on the part of TopCo. This Agreement and each other Transaction Document to which TopCo is a party intended to be executed on or before the Agreement Date have been, and each other Transaction Document to which TopCo is a party will be, duly executed and delivered by TopCo and, assuming the due authorization, execution and delivery thereof by Buyer to the extent a party thereto, each constitutes or, with respect to such other Transaction Documents to be executed after the Agreement Date, will each constitute a valid and binding agreement of TopCo, enforceable against TopCo in accordance with its terms, subject to the General Enforceability Exceptions.

3.3 Non-Contravention. The execution, delivery and performance by TopCo of this Agreement and each other Transaction Document to which it is a party, and the consummation by TopCo of the Transactions and thereby, do not and will not (i) contravene or conflict with or constitute a violation of any contract, agreement, Permit, license, authorization or obligation to which TopCo is a party or by which its assets are bound; (ii) contravene or conflict with or constitute a violation of any provision of any Law binding upon or applicable to TopCo; or (iii) constitute a default or breach under or give rise to any right of termination, cancellation or acceleration of any right or obligation of TopCo or to a loss of any benefit to which TopCo is entitled.

3.4 Ownership of Equity Interests. Neither TopCo nor MidCo has (i) transferred any of the equity interests of the Company set forth opposite TopCo's or MidCo's name on Section 3.1 of the Disclosure Schedule, or any interest therein, (ii) granted any options, warrants, calls or any other rights to purchase or otherwise acquire any such equity interests or any interest therein, or (iii) entered into any Contract with respect to any of the matters contemplated by clauses (i) or (ii).

3.5 No Actions. There is no Action of any nature pending, or to the Knowledge of TopCo, threatened, against TopCo or any of TopCo's properties (whether tangible or intangible) or any of TopCo's officers, managers or directors (in their capacities as such), arising out of or relating to: (i) TopCo's beneficial ownership of securities of the Company or any right to acquire the same, (ii) this Agreement, any Transaction Document to which TopCo is a party or any of the Transactions or thereby, or (iii) any other Contract between TopCo (or any of its Affiliates) and the Company or any of its Affiliates, nor to the Knowledge of TopCo, is there any reasonable basis therefor. There is no Action pending or, to the Knowledge of TopCo, threatened against TopCo with respect to which TopCo has the right, pursuant to Contract, the Laws of the State of Delaware or otherwise, to indemnification from the Company or any of its Affiliates related to facts and circumstances existing prior to the Agreement Date, nor to the Knowledge of TopCo, are there any facts or circumstances that would reasonably be expected to give rise to such an Action.

3.6 Consents. There are no Contracts binding upon TopCo requiring notice, consent, waiver, authorization or approval as a result of the execution, delivery and performance of this Agreement or the Transaction Documents to which TopCo is a party or the consummation of the Transactions and thereby. Neither the execution, delivery or performance by TopCo of this Agreement or the Transaction Documents to which it is a party, nor the consummation by TopCo of the Transactions and thereby, requires any consent of, authorization by, exemption from, filing with, or notice to any Person.

3.7 Brokers', Finders' Fees, etc. TopCo has not employed any broker, finder, investment banker or financial advisor (i) as to whom TopCo may have any obligation to pay any brokerage or finders' fees, commissions or similar compensation in connection with the Transactions, or (ii) who might be entitled to any fee or commission from Buyer, the Company, or any of their respective Affiliates upon consummation of the Transactions.

3.8 Securities Laws. TopCo understands that the Buyer Shares (i) have not been registered under the Securities Act by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act, (ii) must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, and (iii) will bear a legend to such effect and Buyer will make a notation on its transfer books to such effect. TopCo represents that it is familiar with SEC Rule 144 and Rule 506, as presently in effect, and understands and agrees to be bound by the resale limitations imposed thereunder and by the Securities Act.

3.9 Disclosure of Information. TopCo has received all the information it considers necessary or appropriate for deciding whether to execute and deliver this Agreement and to consummate the Transactions. TopCo further represents that it has had an opportunity to ask questions and receive answers from Buyer regarding the Buyer Shares and the business, properties, prospects and financial condition of Buyer. TopCo has (i) received a copy of this Agreement and each other Transaction Document to which it is a party, (ii) had the opportunity to carefully read each such agreement and the Buyer SEC Documents, (iii) has discussed the foregoing with TopCo's professional advisors to the extent TopCo has deemed necessary and (iv) understands its obligations hereunder or thereunder.

3.10 Investment Experience. TopCo understands and acknowledges that TopCo's investment in the Buyer Common Stock involves a high degree of risk and has sought such accounting, legal and tax advice as TopCo has considered necessary to make an informed investment decision with respect to TopCo's acquisition of the Buyer Common Stock. TopCo is fully aware of: (i) the highly speculative nature of an investment in the Buyer Common Stock, (ii) the financial hazards involved, (iii) the lack of liquidity of the Buyer Common Stock including the restrictions on Transfer and other obligations with respect thereto set forth in this Agreement, (iv) the qualifications and backgrounds of the management of Buyer, and (v) the tax consequences of acquiring the Buyer Common Stock. TopCo has such knowledge and experience in financial and business matters such that TopCo is capable of evaluating the merits and risks associated with consummating the transactions contemplated herein and accepting the Buyer Common Stock as consideration in accordance with the terms of this Agreement, has the capacity to protect TopCo's own interests in connection with the Transactions, and is financially capable of bearing a total loss of the Buyer Common Stock. TopCo, by reason of its business or financial experience or that of its professional advisers who are unaffiliated with and who are not compensated by Buyer or any Affiliate or selling agent of Buyer, directly or indirectly, has the capacity to protect TopCo's own interests in connection with the Transactions.

3.11 Accredited Investor. TopCo is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, as presently in effect.

3.12 Purchase Entirely for Own Account. This Agreement is made with TopCo in reliance upon TopCo's representation to Buyer, which by TopCo's execution of this Agreement TopCo hereby confirms, that the Buyer Shares to be received by TopCo will be acquired for investment for TopCo's own account, not as a nominee or agent, and not with a view to the distribution of any part thereof, and that TopCo has no present intention of selling, granting any participation in, or otherwise distributing the same, except in connection with the Redemption.

3.13 Capitalization.

(a) Authorized and Outstanding Equity Securities of TopCo. The authorized equity securities of TopCo consists solely of: (i) 1,750,000 Class A Interests (of which there are currently 1,750,000 Class A Interests issued and outstanding); (ii) 4,693,243 Class B Interests (of which there are currently 4,693,243 Class B Interests issued and outstanding); (iii) 256,875 Non-Incentive Class C Interests (of which there are currently 256,875 Non-Incentive Class C Interests issued and outstanding); and (iv) 535,596 Incentive Class C Interests (of which there are currently 535,596 Incentive Class C Interests issued and outstanding).

(b) Outstanding Membership Interests. The number, class, and series of issued and outstanding equity securities of TopCo held by each Member is set forth on Section 3.13(b) of the Disclosure Schedule, no equity securities are issued or outstanding that are not set forth on Section 3.13(b) of the Disclosure Schedule, and no equity securities will be issued or outstanding as of the Closing Date that are not set forth on Section 3.13(b) of the Disclosure Schedule. All issued and outstanding equity securities of TopCo (x) have been duly authorized and validly issued, (y) were offered, issued, sold and delivered by TopCo in compliance in all material respects with applicable Law, TopCo's Organizational Documents, and all requirements set forth in applicable Contracts, and (z) except with respect to certain of the Incentive Class C Interests as to vesting, as set forth on Section 3.13(b) of the Disclosure Schedule, are not subject to vesting, forfeiture, any right of rescission, right of first refusal or preemptive right under applicable Law, TopCo's Organizational Documents or any Contract to which TopCo is a party, except with respect to vesting requirements with respect to certain of the Incentive Class C Interests as set forth on Section 3.13(b) of the Disclosure Schedule. There is no Liability for distributions accrued and unpaid by TopCo.

(c) No Other Rights. There is no outstanding (x) equity appreciation right, option, restricted equity, "phantom" equity or any similar security or right that is derivative or provides any economic benefit based, directly or indirectly, on the value or price of any security of TopCo or (y) warrant, call, right, commitment, conversion privilege or preemptive or other right or Contract to purchase or otherwise acquire any equity security or debt convertible into or exchangeable for equity securities of TopCo or obligating TopCo to grant, extend or enter into any such equity appreciation right, option, restricted equity, "phantom" equity, warrant, call, right, commitment, conversion privilege or preemptive or other right or Contract. Except for the operating agreement of TopCo, there is no voting agreement, registration right, rights of first refusal, preemptive right, co-sale right or other similar right or restriction applicable to any outstanding security of TopCo.

(d) Ungranted Interests. No employee of TopCo or any other Person, has an offer letter or other Contract that contemplates or commits to making a grant of any equity interests or any other security of TopCo, or has otherwise been promised any option to purchase any equity interests or any other security of TopCo, which option has not been granted, or security has not been issued.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Buyer, subject to such exceptions as are specifically disclosed in the Disclosure Schedule attached hereto as Exhibit H (which disclosure should reference the appropriate section and subsection numbers of this Article IV; *provided, however*, that any disclosures made therein shall apply to any other section or subsection without repetition where it is readily apparent on the face of such disclosure, without any independent knowledge on the part of the reader regarding the matter disclosed, that the disclosure is intended to apply to such other section or subsection), on the Agreement Date and (except where a representation or warranty is made herein as of a specified date) as of the Closing, as though made at the Closing, as follows:

4.1 Authorization; Enforceability. The Company is a limited liability company duly organized and validly existing under the Laws of the State of Delaware and has the requisite corporate power and authority to carry on its business as it is now being conducted. The Company is duly qualified or licensed to do business, and is in good standing (to the extent applicable), in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary. Section 4.1(a) of the Disclosure Schedule sets forth each jurisdiction in which the Company is qualified or licensed to do business as of the Agreement Date. The Company has the necessary power and authority to execute and deliver this Agreement and each of the other Transaction Documents to which it is a party, to perform its obligations hereunder and thereunder, and to consummate the Transactions and thereby. The Company has made available to Buyer true and complete copies of its Organizational Documents. The Company is not in violation of its Organizational Documents. Section 4.1(b) of the Disclosure Schedule sets forth a list of all of the current officers and directors of the Company. The execution, delivery and performance by the Company of this Agreement and each of the other Transaction Documents to which it is a party, and the consummation by the Company of the transactions contemplated hereby and thereby, have been duly authorized by all necessary action on the part of the Company and its managers, officers and members, and no other proceedings on the part of the Company is necessary to authorize this Agreement or such Transaction Documents or to consummate the transactions contemplated hereby or thereby. This Agreement and each other Transaction Document intended to be executed on or before the Agreement Date have been, and each other Transaction Document to which the Company is a party will be, duly executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by Buyer to the extent a party thereto, each constitutes or, with respect to such other Transaction Documents to be executed after the Agreement Date, will each constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to the General Enforceability Exceptions.

4.2 Subsidiaries. The Company does not have, and has never had, any Subsidiaries, and does not currently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity. The Company is not a participant in any joint venture, partnership or similar arrangement.

4.3 Capitalization; Indebtedness.

(a) Authorized and Outstanding Equity Securities of the Company. The authorized equity securities of the Company consist solely of: (i) 5,714,285 Class CG Units (none of which are currently issued and outstanding); (ii) 4,950,118 Class CO Units (of which there are currently 4,950,118 Class CO Units issued and outstanding); and (iii) 535,596 Incentive Units (of which there are currently 535,596 Incentive Units issued and outstanding).

(b) Outstanding Membership Interests. The number and class and series of issued and outstanding equity securities held by each of TopCo and MidCo is set forth on Section 4.3(b) of the Disclosure Schedule, no equity securities are issued or outstanding that are not set forth on Section 4.3(b) of the Disclosure Schedule, and no equity securities will be issued or outstanding as of the Closing Date that are not set forth on Section 4.3(b) of the Disclosure Schedule. All such equity securities (x) have been duly authorized and validly issued, (y) were offered, issued, sold and delivered by the Company in compliance in all material respects with applicable Law, the Company's Organizational Documents, and all requirements set forth in applicable Contracts, and (z) are not subject to vesting, forfeiture, any right of rescission, right of first refusal or preemptive right under applicable Law, the Company's Organizational Documents or any Contract to which the Company is a party. There is no Liability for distributions accrued and unpaid by the Company.

(c) No Other Rights. There is no outstanding (x) equity appreciation right, option, restricted equity, "phantom" equity or any similar security or right that is derivative or provides any economic benefit based, directly or indirectly, on the value or price of any security of the Company or (y) warrant, call, right, commitment, conversion privilege or preemptive or other right or Contract to purchase or otherwise acquire any equity security or debt convertible into or exchangeable for equity securities of the Company or obligating the Company to grant, extend or enter into any such equity appreciation right, option, restricted equity, "phantom" equity, warrant, call, right, commitment, conversion privilege or preemptive or other right or Contract. Except for the Operating Agreement, there is no voting agreement, registration right, rights of first refusal, preemptive right, co-sale right or other similar right or restriction applicable to any outstanding security of the Company.

(d) Ungranted Membership Interests. The Company is not a party to or bound by any offer letter or Contract with any employee of the Company or any other Person that contemplates or commits to making a grant of any Membership Units or any other security of the Company, and no employee has otherwise been promised any option to purchase any Membership Units or any other security of the Company, which option has not been granted, or security has not been issued.

(e) Post-Closing Capitalization. Immediately following Buyer's acquisition of the Purchased Units at the Closing, the capitalization of the Company will be as set forth in Section 4.3(e) of the Disclosure Schedule.

(f) Indebtedness. Section 4.3(f) of the Disclosure Schedule sets forth a true, correct and complete list of all Indebtedness of the Company as of the Agreement Date, including, for each item of Indebtedness, the Contract(s) governing such item of Indebtedness. All Indebtedness may be prepaid at the Closing without penalty under the terms of the Contract(s) governing such Indebtedness.

4.4 Governmental Authorization. The execution, delivery and performance by the Company of this Agreement and each other Transaction Document to which it is a party, and the consummation by the Company of the transactions contemplated hereby and thereby, do not and will not require any action by or in respect of, or filing with, any Governmental Authority, other than such filings and notifications as may be required to be made by the Company in connection with the transactions contemplated herein under the HSR Act and the expiration or early termination of the applicable waiting period under the HSR Act.

4.5 Non-Contravention. The execution, delivery and performance by the Company of each Transaction Document to which it is a party, and the consummation by the Company of the transactions contemplated thereby, do not and will not (i) contravene or conflict with or constitute a violation of any Contract, Permit, or obligation to which the Company is a party or by which its assets are bound; (ii) contravene or conflict with or constitute a violation of any provision of any Law binding upon or applicable to the Company or to the Business or relating to or affecting the Membership Units; (iii) constitute a default or breach under or give rise to any right of termination, cancellation or acceleration of any right or obligation of the Company or to a loss of any benefit relating to or affecting the Business or to the Company to which the Company is entitled under any provision of any Contract binding upon the Company or any Permit; (iv) result in the creation or imposition of any Lien on any Company Asset; or (v) conflict with or result in a violation or breach of, or default under, any provision of the Organizational Documents of the Company.

4.6 Title to Assets; Sufficiency. Except as set forth on Section 4.6 of the Disclosure Schedule, the Company has good and marketable title to (or, in the case of assets that are leased or licensed, valid leasehold interests or licenses in) all personal property and other assets (such assets, "**Company Assets**") reflected in the Financial Statements or acquired after September 30, 2020 (the "**Balance Sheet Date**"), free and clear of any Liens (other than Permitted Liens), other than assets sold or otherwise disposed of in

the Ordinary Course of Business since the Balance Sheet Date. No one other than the Company (or, in the case of assets that are leased or licensed, the lessor or licensor thereof) owns or has any rights in or to the Company Assets. The Company Assets constitute all of the assets, properties and rights used in, relating to or necessary for the operation of the Business by Buyer, as operated by the Company during the twelve (12) month period prior to the Closing. All Company Assets are reasonably adequate for the uses to which they are being put, are in good condition and repair (ordinary wear and tear excepted) and are adequate for the conduct of the Business by Buyer, as operated by the Company prior to the Closing. There are no breaches or defaults by the Company under, and no events or circumstances have occurred which, with or without notice or lapse of time or both, would constitute a breach of or a default by the Company under, any instrument, agreement or other document that creates, evidences or constitutes any Lien on any Company Asset or that evidences, secures or governs the terms of any Indebtedness or obligation secured by any Lien on any Company Asset.

4.7 Financial Statements.

(a) Financial Statements. Section 4.7(a) of the Disclosure Schedules set forth a true, correct and complete copy of the following financial statements and notes (collectively, the "**Company Financial Statements**"): (i) the unaudited balance sheet of the Company as of December 31, 2019, and the related unaudited statement of operations, statement of changes in members' equity and statement of cash flows for the year then-ended, together with the notes thereto; and (ii) a true, complete and correct copy of the unaudited balance sheet of the Company as of October 31, 2020 (the "**Unaudited Interim Balance Sheet**"), and the related unaudited statement of operations, statement of changes in members' equity and statement of cash flows for the ten months then-ended. The Company Financial Statements present fairly in all material respects the financial position of the Company as of the respective dates thereof and the results of operations and cash flows of the Company for the periods covered thereby. The Company Financial Statements have been prepared in all material respects in accordance with GAAP applied on a consistent basis throughout the periods covered.

(b) Internal Controls. The Company has maintained systems of internal accounting controls sufficient to (i) provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements, (ii) maintain records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (iii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations of management, (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company and (v) implement disclosure controls and procedures designed to ensure that material information is made known to the management of the Company by others within the Company. Neither the Company, nor any of its officers or auditors has identified or been made aware of (A) any significant deficiency or material weakness in the system of internal accounting controls utilized by the Company, (B) any fraud, whether or not material, that involves the Company's management's role in the preparation of financial statements or the internal accounting controls utilized by the Company or (C) any claim or allegation regarding any of the foregoing or the Company Financial Statements.

(c) Insider Receivables and Insider Payables. Section 4.7(c) of the Disclosure Schedule provides an accurate and complete breakdown as of November 30, 2020 of: (i) all amounts (including any Indebtedness) owed to the Company by any Member, TopCo, MidCo or any Affiliate thereof ("**Insider Receivables**"); and (ii) all amounts owed by the Company to any Member, TopCo (other than the Company Note), MidCo, or any Affiliate thereof ("**Insider Payables**"). Except as set forth in Section 4.7(c) of the Disclosure Schedule, there will be no outstanding Insider Receivables or Insider Payables as of the Closing.

4.8 No Undisclosed Liabilities. The Company does not have any Liabilities of any nature, whether accrued, absolute, contingent, matured, unmatured or otherwise (whether or not required to be reflected in financial statements prepared in accordance with GAAP, and whether due or to become due), other than: (i) Liabilities identified as such in the "liabilities" column of the Unaudited Interim Balance Sheet; (ii) accounts payable, including trade payables and accrued salaries and other employee compensation that have been incurred by the Company since the date of the Unaudited Interim Balance Sheet in the Ordinary Course of Business; (iii) Liabilities relating to future performance under the Company Contracts that are expressly set forth in and identifiable by reference to the text of such Company Contracts (other than Liabilities arising out of or resulting from a breach by the Company thereunder); and (iv) the Company Transaction Expenses.

4.9 Litigation. Except as set forth on Section 4.9 of the Disclosure Schedule, since the Company's formation there has not been, and there is presently no, action, suit, claim, investigation or proceeding (or any basis therefor) pending against, or to the Knowledge of the Company threatened against, or relating to or affecting, the Business, the Company or its activities before any Governmental Authority or by any other Person or entity, and there are no existing facts or circumstances that could reasonably be expected to result in such an action, suit, claim, investigation or proceeding. The Company is not subject to any outstanding Order which could interfere with the Company's ability to consummate the Transactions. There is no action, suit, investigation or proceeding by the Company currently pending or that the Company intends to initiate.

4.10 Permits. The Company has all Permits used in, relating to, or necessary for the Business. Such Permits are valid and in full force and effect and will not be terminated or impaired or become terminable as a result of the Transactions.

4.11 Compliance with Laws.

(a) The Company is not in violation of, has not violated since its inception, and, to the Knowledge of the Company, is not under investigation with respect to or has been threatened to be charged with or given notice of any violation of, any Law applicable to the Company or the conduct of the Business. No violation of any Law by the Company currently exists or has existed at any time. There are no legal or regulatory developments relating to or affecting the Company pending or, to the Knowledge of the Company, threatened, which might reasonably be expected to detract from the value of or otherwise interfere with, the Company or the Business. The Company is not, nor, since the Company's formation, has been (except as to routine security investigations) under administrative, civil or criminal investigation, indictment or information by a Governmental Authority and there are no facts or circumstances that could constitute a reasonable basis therefor.

(b) (i) No current or former officer, manager or employee of the Company, in each case during the course of or arising out of such Person's employment or service with the Company, has been the subject of a criminal proceeding or has been found by any Governmental Authority to have violated any applicable Law (excluding minor traffic violations), (ii) to the Knowledge of the Company, no petition under the federal bankruptcy or other similar applicable Law or any state or foreign insolvency or other similar applicable Law has been filed by or against, or a receiver or similar officer appointed for, any manager, officer, or employee of the Company within the last five (5) years, and (iii) to the Knowledge of the Company, no current manager, officer, or employee of the Company is the subject of any Order, or has entered into any agreement with any Governmental Authority, permanently or temporarily enjoining him or her, or otherwise limiting him or her, from engaging in any business, profession, or business practice and, in the case of clauses (ii) and (iii) hereof, the Company does not have Knowledge of any facts or circumstances that could constitute a reasonable basis therefor.

4.12 Absence of Changes. Since the Balance Sheet Date:

(a) there has not been any Material Adverse Effect, and no event has occurred or circumstance has arisen that, in combination with any other events or circumstances, will or would reasonably be expected to, individually or in the aggregate, have or result in a Material Adverse Effect;

(b) there has not been any material loss, damage or destruction to, or any material interruption in the use of, the Company's material assets (whether or not covered by insurance); and

(c) the Company has not taken any action that would have been prohibited or otherwise restricted under Section 6.2 hereof, had such action been taken during the Pre-Closing Period.

4.13 Intellectual Property.

(a) Definitions. For all purposes of this Agreement, the following terms shall have the following respective meanings:

(i) "**Company Intellectual Property**" means any and all Technology and Intellectual Property Rights owned or purported to be owned by, or used or held for use by, the Company, Pearl or any Subsidiary of Pearl.

(ii) "**Company Intellectual Property Rights**" means any and all Intellectual Property Rights owned or purported to be owned by, or used or held for use by, the Company, Pearl or any Subsidiary of Pearl.

(iii) "**Company Owned Intellectual Property**" means any Company Intellectual Property owned or purported to be owned by the Company, Pearl or any Subsidiary of Pearl or exclusively licensed to the Company, Pearl or any Subsidiary of Pearl.

(iv) "**Company Products**" means all products and services developed, manufactured, made commercially available, performed, marketed, distributed, sold, imported for resale or licensed by or on behalf of the Company, Pearl or any Subsidiary of Pearl since the Company's, Pearl's or such Subsidiary's inception, respectively, and all products and services which the Company, Pearl or any Subsidiary of Pearl intends to manufacture, make commercially available, perform, market, distribute, sell, import for resale, or license within twelve (12) months after the Agreement Date.

(v) "**Company Privacy Policy**" means any external or internal, past or present privacy policy of the Company including any policy relating to: (A) the privacy of users of any Company Product or of any Company Site (as defined below), (B) the collection, storage, disclosure, and transfer of any Customer Data or Personally Identifiable Information, or (iii) any employee information.

(vi) "**Customer Data**" means all data, meta data, information or other content (A) transmitted to the Company by users or customers of the Company Products, or (B) otherwise stored or hosted by or on behalf of the Company or the Company Products.

(vii) "**Generally Commercially Available Code**" means any generally commercially available software in executable code form, licensed to the Company, Pearl or any Subsidiary of Pearl on a perpetual license basis for a single up front license fee, for a cost of not more than $1,000 per user or work station, and not more than $5,000 in the aggregate for all users and work stations; provided that Generally Commercially Available Code shall exclude any development tools or development environments, or any other software that is or will to any extent be incorporated into, integrated or bundled with, linked with, used in the development or compilation of, or require any payment with respect to, any Company Product.

(viii) "**Intellectual Property Rights**" means any or all of the following and all rights in, arising out of, or associated therewith in each case throughout the world: (A) all United States and foreign patents and utility models and applications therefor and all reissues, divisions, re-examinations, renewals, extensions, provisionals, continuations and continuations-in-part thereof, and equivalent or similar rights in inventions and discoveries including, without limitation, invention disclosures ("**Patents**"); (B) all rights in trade secrets and other rights in know-how and confidential or proprietary information; (C) all rights associated with works of authorship, including exclusive exploitation rights, copyrights, copyrights registrations and applications therefor and all other rights corresponding thereto, including moral rights ("**Copyrights**"); (D) all industrial designs and any registrations and applications therefor; (E) all World Wide Web addresses and domain names, uniform resource locators ("**URLs**"), other names and locators associated with the Internet, and applications and registrations therefor ("**Domain Names**"), (F) all trade names, logos, common law trademarks and service marks, trademark and service mark registrations and applications therefor and all goodwill associated therewith ("**Trademarks**"); and (G) any and all other intellectual property rights and/or proprietary rights.

(ix) "**Open Source Software**" means any software (in source or object code form) that is subject to (A) a license or other agreement commonly referred to as an open source, free software, copyleft or community source code license (including, but not limited to, any code or library licensed under the GNU Affero General Public License, GNU General Public License, GNU Lesser General Public License, BSD License, Apache Software License, or any other public source code license arrangement) or (B) any other license or other agreement that requires, as a condition of the use, modification or distribution of software subject to such license or agreement, that such software or other software linked with, called by, combined or distributed with such software be (w) disclosed, distributed, made available, offered, licensed or delivered in source code form, (x) licensed for the purpose of making derivative works, (y) licensed under terms that allow reverse engineering, reverse assembly, or disassembly of any kind, or (z) redistributable at no charge, including, without limitation, any license defined as an open source license by the Open Source Initiative as set forth on www.opensource.org.

(x) "**Personally Identifiable Information**" means any information that alone or in combination with other information held by or on behalf of the Company can be used to specifically identify, locate and/or contact a Person or an individual computer, device or application including, but not limited to, a natural person's name, street address, telephone number, e-mail address, photograph, social security number, driver's license number, passport number, credit or debit card number, customer or financial account number or IP address.

(xi) "**Registered Intellectual Property**" means all Intellectual Property Rights that are the subject of an application, certificate, filing, registration or other document issued by, filed with, or recorded by, any state, government or other public legal authority or domain name registrar at any time anywhere in the world.

(xii) "**Technology**" means any or all of the following: (A) works of authorship including algorithms, diagrams, formulae, APIs and computer programs and software, whether in source code or in executable code form, subroutines, user interfaces, architecture, schematics, configuration and documentation; (B) inventions (whether or not patentable), discoveries and improvements; (C) proprietary and confidential information, trade secrets and know how; (D) databases, data compilations and collections and technical data; (E) methods, protocols, techniques, and processes; (F) devices, prototypes, designs and schematics; and (G) other forms of technology (whether or not embodied in any tangible form, and including all tangible embodiments of the foregoing).

(b) Registered Intellectual Property. Section 4.13(a)(ii) of the Disclosure Schedule (i) lists all Registered Intellectual Property that is Company Owned Intellectual Property ("**Company Registered Intellectual Property**") including any application, registration or serial numbers, (ii) lists any actions that must be taken by the Company, Pearl or any Subsidiary of Pearl within one hundred twenty (120) days of the Agreement Date with respect to any of the foregoing, including the payment of any registration, maintenance or renewal fees or the filing of any documents, applications or certificates, and (iii) lists any proceedings or actions before any court or tribunal (including the United States Patent and Trademark Office (the "**PTO**") or equivalent authority anywhere in the world) related to any Company Registered Intellectual Property. All registration, maintenance and renewal-related actions (including the payment of fees, or the filing of any documents or certificates) currently due (or which will be due on or before the Closing Date) in connection with such Company Registered Intellectual Property have been (or will be) timely taken. The Company Registered Intellectual Property is, and as and immediately following the Closing, will be valid, subsisting, and enforceable, and there are no facts or circumstances to the Knowledge of the Company that would render any Company Registered Intellectual Property invalid or enforceable. There are no pending or, to the Knowledge of the Company, threatened claims against the Company, Pearl or any Subsidiary of Pearl alleging that any of the Company Intellectual Property is invalid or unenforceable.

(c) Transferability of Company Intellectual Property. All Company Intellectual Property as of the Agreement Date is, and, as of and immediately following the Closing, will be fully transferable, alienable and licensable by Company without restriction and without payment of any kind to any Person.

(d) Title to Company Intellectual Property. The Company, Pearl or a Subsidiary of Pearl, as applicable, is the sole and exclusive owner of each item of Company Owned Intellectual Property, free and clear of any Liens other than non-exclusive, term-limited licenses granted under Standard Form Agreements. The Company, Pearl or a Subsidiary of Pearl, as applicable, has the sole and exclusive right to bring a claim or suit against a third party for infringement or misappropriation of the Company Owned Intellectual Property. Neither the Company, Pearl nor any Subsidiary of Pearl has (i) transferred to any Person ownership of, or granted any exclusive license with respect to, any Intellectual Property Rights that are or would have been, but for such transfer or grant, Company Intellectual Property Rights or (ii) permitted the rights of the Company, Pearl or any Pearl Subsidiary in any Intellectual Property Rights that are or were, at the time, material Company Intellectual Property to terminate, lapse or enter into the public domain. No Company Intellectual Property or Company Product is subject to any claim, proceeding or outstanding Order, or stipulation or Contract restricting in any material manner, the use, transfer, or licensing thereof by the Company, Pearl or any Subsidiary of Pearl, or which may affect the validity, use or enforceability of such Company Intellectual Property or Company Product.

(e) Third Party Intellectual Property Rights. Section 4.13(e) of the Disclosure Schedule sets forth all Contracts under which the Company, Pearl or any Subsidiary of Pearl is granted any right under any Intellectual Property Rights or with respect to any Technology of any other Person, in each case as related to the Business (collectively, "**Inbound Licenses**"), other than (i) licenses for Open Source Software listed in Section 4.13(e) of the Disclosure Schedule and (ii) licenses for Generally Commercially Available Code.

(f) Standard Form Agreements. Copies of the Company's, Pearl's and each Subsidiary of Pearl's standard form(s) of non-disclosure agreement and the Company's standard form(s), including attachments, of non-exclusive licenses of the Company Products to end-users (collectively, the "**Standard Form Agreements**") have been made available to Buyer.

(g) Outbound License Agreements. Section 4.13(g) of the Disclosure Schedule lists all Contracts to which the Company, Pearl or a Subsidiary of Pearl is a party and under which the Company, Pearl or such Affiliate, as applicable, has licensed, provided or assigned or granted any right to any Company Intellectual Property to third parties ("**Outbound Licenses**"), other than Standard Form Agreements. No Company Intellectual Property has been supplied or provided by the Company, Pearl or any Subsidiary of Pearl to any Person, other than pursuant to the Outbound Licenses and Standard Form Agreements.

(h) No Infringement by the Company. The operation of the Business, Pearl and each Subsidiary of Pearl as it is currently conducted or currently contemplated to be conducted by the Company, Pearl and such Subsidiary of Pearl, including the design, development, use, import, branding, advertising, promotion, marketing, manufacture, delivery, sale and/or licensing of any Company Product, does not and will not, when conducted in substantially the same manner by Buyer following the Closing, infringe or misappropriate (and it has not in the past infringed or misappropriated) any Intellectual Property Rights of any third Person, violate (and it has not in the past violated) any right (including any right to privacy or publicity) of any third Person, or constitute (and it has not in the past constituted) unfair competition or trade practices under the Laws of any jurisdiction. Neither the Company, Pearl nor any Subsidiary of Pearl has received written notice from any Person claiming that such operation, any Company Product, or any Company Intellectual Property infringes or misappropriates any Intellectual Property Rights of any third Person, violates any rights (including any right to privacy or publicity) of any third Person or constitutes unfair competition or trade practices under the Laws of any jurisdiction (nor does the Company have Knowledge of any basis therefor).

(i) Restrictions on Business. Neither the Company, Pearl nor any Subsidiary of Pearl is restricted or limited from engaging in any line of business or from developing, using, making, selling, offering for sale any product, service or Technology. Neither this Agreement nor the Transactions will result in: (i) Buyer granting to any third Person any right to or with respect to any Intellectual Property Rights owned by, or licensed to, Buyer or any of its Subsidiaries, (ii) the Company, Pearl or any Subsidiary of Pearl granting to any third Person any right to or with respect to any Intellectual Property Rights owned by, or licensed to the Company, Pearl or such Subsidiary of Pearl or being required to provide any source code for any Company Product, (iii) Buyer or the Company being bound by, or subject to, any non-compete or other restriction on its freedom to engage in, participate in, operate or compete in any line of business, or (iv) Buyer or the Company being obligated to pay any royalties or other license fees with respect to Intellectual Property Rights of any third Person in excess of those payable by the Company in the absence of this Agreement or the Transactions.

(j) No Third Party Infringement. To the Company's Knowledge, no Person is infringing or misappropriating (and no Person has in the past infringed or misappropriated) any Company Intellectual Property.

(k) Proprietary Information Agreements. All current and former employees, consultants and contractors of the Company, Pearl and each Subsidiary of Pearl who have been involved in the creation or development of any Technology or Intellectual Property Rights for the Company, Pearl or a Subsidiary of Pearl, or have had access to Technology or Intellectual Property Rights of the Company, Pearl or a Subsidiary of Pearl, have executed a written agreement pursuant to which such employee, consultant or contractor has assigned to the Company, Pearl or such Subsidiary of Pearl, as applicable to all of such Person's rights, title and interest in and to any and all Technology relating to the Business, Pearl or such Subsidiary of Pearl, as applicable, and Intellectual Property Rights relating thereto, and waived for the benefit of the Company, Pearl or such Subsidiary of Pearl, as applicable, all of such Person's moral rights in any such Technology and Intellectual Property Rights, to the fullest extent in accordance with applicable Law. Without limiting the foregoing, no current or former employee, consultant or contractor owns any Company Products (or any portion thereof) or Company Intellectual Property, nor has any employee, consultant or contractor made any assertions with respect to any alleged ownership. Without limiting the foregoing, all rights in, to and under all Intellectual Property Rights and Technology created by the Company's, Pearl's and each Subsidiary of Pearl's founders for or on behalf of or in contemplation of the Company, Pearl or any Subsidiary of Pearl (or the Company's, Pearl's or any Subsidiary of Pearl's business) prior to their commencement of employment with the Company, Pearl or such Subsidiary of Pearl, as applicable, have been duly and validly assigned to the Company, Pearl or such Subsidiary of Pearl, as applicable.

(l) Open Source Software. Section 4.13(l) of the Disclosure Schedule lists all Open Source Software that is or has been incorporated into, linked to, called by, distributed with, used in the development of or otherwise used in any Company Product in any way, or from which any part of any Company Product has been derived, or that has otherwise been made available by the Company, Pearl or any Subsidiary of Pearl to any third party, and accurately describes the manner in which such Open Source Software was or is incorporated, linked, called, distributed or otherwise used, including, without limitation, whether the Open Source Software is or has been modified and/or distributed by the Company, Pearl or any Subsidiary of Pearl and whether (and if so, how) such Open Source Software was incorporated into, linked to or called by any Company Product. Section 4.13(l) of the Disclosure Schedule also describes the applicable licenses for each such item of Open Source Software, and the Company Product(s) (if any) to which each such item of Open Source Software relates, and the licenses have been made available to Buyer. Neither the Company, Pearl nor any Subsidiary of Pearl has used Open Source Software in any manner that (i) requires the disclosure or distribution in source code form of any Company Intellectual Property, including any portion of any Company Product other than such Open Source Software, (ii) requires the licensing of any Company Intellectual Property or any portion of any Company Product, other than such Open Source Software, (iii) imposes any restriction on the consideration to be charged for the distribution of any Company Intellectual Property, (iv) creates any obligation for the Company, Pearl or any Subsidiary of Pearl with respect to Company Intellectual Property or grants to any third Person, any rights or immunities under Company Intellectual Property, or (v) imposes any other limitation, restriction or condition on the right of the Company, Pearl or any Subsidiary of Pearl to use or distribute any Company Intellectual Property, other than such Open Source Software. With respect to any Open Source Software that is used by the Company, Pearl or any Subsidiary of Pearl in the operation of its business (including all Open Source Software listed on Section 4.13(l) of the Disclosure Schedule), the Company, Pearl and such Subsidiary of Pearl is in compliance with all applicable licenses with respect thereto.

(m) Source Code. Neither the Company, Pearl nor any Subsidiary of Pearl, nor any other Person acting on any of their behalf, has disclosed, delivered or licensed to any Person, agreed to disclose, deliver or license to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of, any source code for any Company Product.

(n) Personally Identifiable Information and Customer Data. Section 4.13(n) of the Disclosure Schedule describes the types of Personally Identifiable Information and Customer Data collected (and the process by which such information is collected) by or on behalf of the Company through Internet websites owned, maintained or operated by the Company in connection with the Business ("**Company Sites**"), and through any Company Products, and also lists each Company Privacy Policy and identifies, with respect to each Company Privacy Policy, the period of time during which such policy was or has been in effect, whether the terms of a later Company Privacy Policy apply to the data or information collected under such Company Privacy Policy, and, if so, the mechanism (e.g., opt-in, opt-out, notice) used to apply the later Company Privacy Policy to such data or information. The Company has complied with each Company Privacy Policy, all applicable Privacy Laws, all contractual and fiduciary obligations, requirements of self-regulatory organizations, and consumer-facing statements of the Company in any marketing or promotional materials, relating to the collection, storage, transfer, retention, disposal and any other processing by the Company of any Personally Identifiable Information and Customer Data collected, used or maintained by or on behalf of the Company, and to the transmission of unsolicited communications (collectively, the "**Privacy Requirements**"). Neither this Agreement, nor the Transactions, nor the Company's possession or use (as such information has been used by the Company) of any Personally Identifiable Information, Customer Data, or any other data contained in the Company's databases will result in any violation of any Privacy Requirements.

(o) Protection of Personally Identifiable Information and Customer Data; Security. The Company has at all times taken commercially reasonable steps (including, without limitation, implementing and monitoring compliance with industry standard measures with respect to technical and physical security) consistent with industry standards and all applicable Privacy Requirements, to ensure the confidentiality, availability, security and integrity of the Company's information technology assets and the Personally Identifiable Information, Customer Data and all other content, data and information collected, processed, transmitted or maintained by or on behalf of the Company (collectively, "**Company Data**"), and to ensure that such Company Data are protected against damage, loss and against unauthorized access, modification, disclosure or other use. There has been no unauthorized access to or other misuse of any such information technology assets or Company Data. All such information technology assets and Company Data are and have at all times been collected, processed, transmitted, stored, and used, as applicable, in the U.S., and the Company is not subject to the jurisdiction of any non-U.S. Governmental Authority with respect to the collection, processing, transmission, storage or use thereof. There is no, nor has there ever been, any complaint to, or any audit, proceeding, investigation (formal or informal), or claim against, the Company or, to the Knowledge of the Company, any of its customers, initiated by any private Person or any Governmental Authority with respect to the security, confidentiality, transmission, availability, or integrity of such information technology assets or Company Data. The Company has and maintains adequate disaster recovery and security plans, procedures and facilities for the Business, which plans, procedures and facilities have been made available to the Buyer by the Company.

(p) Information Security Reviews. The Company has: (i) regularly conducted vulnerability testing, risk assessments, and external audits of, and tracks security incidents related to, the Company's systems and products (collectively, "**Information Security Reviews**"); (ii) timely corrected any material exceptions or vulnerabilities identified in such Information Security Reviews; (iii) made available true and accurate copies of all Information Security Reviews; and (iv) timely installed software security patches and other fixes to identified technical information security vulnerabilities. The Company provides its employees with regular training on privacy and data security matters.

(q) Data Processing Agreements. With respect to each third Person that services, outsources, processes, or otherwise uses Personally Identifiable Information collected, held, or processed by or on behalf of the Company, the Company has in accordance with Privacy Laws entered into valid, binding an enforceable written data processing agreements with any such third party to (i) comply with

applicable Privacy Requirements with respect to Personally Identifiable Information, (ii) act only in accordance with the instructions of the Company, (iii) take appropriate steps to protect and secure Personally Identifiable Information from data security incidents, (iv) restrict use of Personal Information to those authorized or required under the servicing, outsourcing, processing, or similar arrangement, and (v) certify or guarantee the return or adequate disposal or destruction of Personally Identifiable Information. The Company has disclosed to Buyer all such data processing agreements to which it is a party.

(r) No Sale of Personally Identifiable Information of Third Parties. The Company has not supplied or provided access to Personally Identifiable Information processed by it to a third party for remuneration or other consideration.

(s) Products. Section 4.13(p) of the Disclosure Schedule contains a complete and accurate list (by name and version number) of all Company Products. Each Company Product performs in accordance with its documented specifications and as the Company has warranted to its customers.

(t) Bugs. Section 4.13(t) of the Disclosure Schedule sets forth the Company's, Pearl's and each Subsidiary of Pearl's current (as of the Agreement Date) list of known bugs maintained by its development or quality control groups with respect to any of the Company Products and Company Owned Intellectual Property. The Company, Pearl and each Subsidiary of Pearl has and enforces a policy to document all known bugs, errors and defects in the Company Products, and such documentation is retained and is available internally at the Company and has been made available to Buyer. There are no bugs, errors or defects in the Company Products that do, or may reasonably be expected to, adversely affect the value, functionality or fitness of the intended purpose of such Company Product or that would reasonably be expected to adversely affect the Company's, Pearl's or any Subsidiary of Pearl's ability to perform any of its contractual obligations; nor, in the five (5) years prior to the Agreement Date, has there been any, and there are presently no, claims asserted against the Company, Pearl or any Subsidiary of Pearl or any of their respective customers or distributors related to the Company Products or any Company Owned Intellectual Property; and neither the Company, Pearl nor any Subsidiary of Pearl has been or is required to recall any Company Products.

(u) Contaminants. Neither the Company, Pearl nor any Subsidiary of Pearl has included in any Company Products or Company Owned Intellectual Property any disabling codes or instructions or any "back door," "time bomb," "Trojan horse," "worm," "drop dead device," "virus" or other software routines or hardware components that permit unauthorized access or the unauthorized disablement or erasure of Company Products, Company Data, Company Owned Intellectual Property or data, information, content or other Technology of the Company, Pearl, any Subsidiary of Pearl or any third Person ("**Contaminants**"). The Company, Pearl and each Subsidiary of Pearl has taken commercially reasonable steps to protect the information technology systems used in connection with the operation of the Company, Pearl and each Subsidiary of Pearl from Contaminants.

(v) IP Sufficiency. The Company Owned Intellectual Property, together with any Intellectual Property Rights or Technology licensed to the Company pursuant to Inbound Licenses, includes all Intellectual Property Rights and Technology that are used in or necessary to conduct the Business as it currently is conducted or as currently proposed to be conducted by the Company within twelve (12) months following the Closing Date, including the design, development, manufacture, use, marketing, import for resale, distribution, licensing out and sale of any Company Product.

(w) Trade Secrets. The Company, Pearl and each Subsidiary of Pearl have taken all reasonable security measures to protect the confidentiality and value of all trade secrets and other confidential information within the Company Intellectual Property.

4.14 Contracts and Commitments.

(a) Except as specifically contemplated by this Agreement or as set forth in Section 4.14(a) of the Disclosure Schedule, the Company is not a party to or bound by, whether written or oral, any of the following Contracts (each, a "**Material Contract**"):

(i) Contract providing for payments (whether fixed, contingent or otherwise) by the Company in an aggregate annual amount of $50,000.00 or more, or to the Company in an aggregate annual amount of $50,000.00 or more;

(ii) bonus, commission, pension, profit sharing, retirement or any other form of deferred compensation or incentive plan or agreement or any membership unit purchase, unit option, warrant or similar employee benefit plan or practice;

(iii) employment agreement for the employment of any officer, individual employee or other Person, contract or agreement with consultants or independent contractors, severance agreements, or any agreement with a change-of-control provision;

(iv) Contract relating to Indebtedness (including guaranty arrangements) or to mortgaging, pledging or otherwise placing a Lien on any of the Company Assets, the Membership Units, or any guaranty of an obligation of a third party;

(v) royalty, dividend or similar arrangement based on the revenues or profits of the Company or any contract or agreement involving fixed price or fixed volume arrangements;

(vi) Contract which contains any provisions requiring the Company to indemnify any other party, other than independent sales representative Contracts that are based upon and do not deviate in any material respect from the Standard Form Agreements;

(vii) Contract containing Inbound Licenses and/or Outbound Licenses, other than licenses for Open Source Software listed in Section 4.13(l) of the Disclosure Schedule, licenses for Generally Available Commercial Code and Standard Form Agreements;

(viii) Contract or group of related Contracts which are not cancellable by the Company without penalty on not less than thirty (30)-days' notice;

(ix) Contract relating to the ownership of or investment in any business or enterprise (including investments in joint ventures and minority equity investments);

(x) lead generation, dealer, distributor, reseller, OEM (original equipment manufacturer), VAR (value added reseller), sales representative or similar Contract under which any third party is authorized to sell, license, sublicense, lease, distribute, market or take orders for any Company Product or provide marketing services (including referral partners) for the foregoing, other than independent sales representative Contracts that are based upon and do not deviate in any material respect from the Standard Form Agreements;

(xi) Contract limiting the freedom of the Company, or that would limit the freedom of Buyer or any of its Affiliates after the Closing Date, to freely engage in any line of business or with any Person anywhere in the world or during any period of time or otherwise including provisions on joint price-fixing, market or customer sharing, exclusivity or market classification, or preferred pricing provisions, such as a "most favored nation" provision;

(xii) Contract with any Governmental Authority, university, college or research center;

(xiii) Contract relating to the lease of any real property or the lease of any tangible personal property;

(xiv) other than this Agreement and the Pearl Acquisition Agreement, acquisition agreement, whether by merger, share or asset sale or otherwise;

(xv) Contract relating to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any equity securities (including Membership Units) or any options, warrants or other rights to purchase or otherwise acquire any such equity securities (including Membership Units), other securities or options, warrants or other rights for the foregoing;

(xvi) Contract with any labor union or any collective bargaining agreement or similar Contract with any labor union or labor organization or other person purporting to act as exclusive bargaining representative of any employees or Contingent Workers;

(xvii) Contract relating to the settlement or other resolution of any Action or threatened Action (including any agreement under which any employment-related claim is settled);

(xviii) Contract to provide or deliver any Company Product, or to support or maintain any Company Product, on, in conjunction with, or interoperating with any third party's products or services, and each commitment to develop, improve or customize any Company Product;

(xix) Contracts with any customer or other Person under which the Company agreed to develop or customize any product or services of the Business, or to provide support for, customize or develop any third-party product, service or platform if such Company obligations have not been fully satisfied and completed as of the Agreement Date;

(xx) Contract not executed in the Ordinary Course of Business, not consistent with fair market terms, conditions and prices or with applicable Laws and regulations or otherwise not made on arm's length terms and conditions; or

(xxi) other Contract material to the Company, taken as a whole.

(b) Each Contract that is listed or should have been listed in Section 4.14(a) of the Disclosure Schedule (or would have been required to be so listed if entered into after the Agreement Date but prior to Closing) to which the Company is a party or any of its properties or assets (whether tangible or intangible) are subject, together with the Standard Form Agreements and licenses for Generally Commercially Available Code (each, a "**Company Contract**") is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, and is in full force and effect with respect to the Company and, to the Knowledge of the Company, any other party thereto subject to the General Enforceability Exceptions. Except as set forth in Section 4.14(b) of the Disclosure Schedule, the Company has not violated nor is in violation of, in any material respect, any provision of, nor has committed or failed to perform any act which, with or without notice, lapse of time or both, would constitute a material breach of, a default or an event of default under the provisions of, any Company Contract. To the

Knowledge of the Company, (i) no Person other than the Company that is party to any Company Contract, has violated or is in violation of, in any material respect, any provision of, or has committed or failed to perform any act which, with or without notice, lapse of time or both, would constitute a material breach of, a default or an event of default under the provisions of any Company Contract, (ii) there are no facts or circumstances that would reasonably be expected to result in a violation of, in any material respect, any provision of, or the failure to perform any act which, with or without notice, lapse of time or both, would constitute a material breach of, a default or an event of default under the provisions of any Company Contract by the Company or any other Person, and (iii) the Company has not received any written notice of any other party to any Company Contract intending to terminate, fail or refuse to renew, renegotiate or change the scope of rights or obligations or materially modify the terms thereof. To the Knowledge of the Company, none of the Company Contracts are subject to any claims, charges, set offs or defenses. As of the Agreement Date, there are no new Contracts that are being actively negotiated and that would be required to be listed in Section 4.14(a) of the Disclosure Schedule.

4.15 Taxes.

(a) The Company has, and as of the Closing Date shall have, prepared and timely filed (taking into account any extension of time within which to file) all income and other material required Tax Returns due on or before the Closing Date, and all such Tax Returns are true, correct and complete in all material respects and have been completed in accordance with applicable Law. The Company has paid all material Taxes owed (whether or not shown on any Tax Return) and has no material Liability for due and unpaid Taxes. There has been no audit or investigation by, or dispute with, any Governmental Authority involving the Company related to the Business or the Company nor has the Company received correspondence from any Tax authority related to such an audit, investigation or dispute. The Company is currently not the beneficiary of an extension of time within which to file any Tax Return required to be filed.

(b) The Company has withheld with respect to employees, agents, contractors, nonresidents, shareholders, lenders and other third parties all Taxes required to have been withheld, and such withheld amounts have been timely paid over and properly reported to the appropriate Governmental Authority.

(c) There are (and immediately following the Closing Date there will be) no Liens for material Taxes upon any of the Company Assets, except for Liens for Taxes not yet due and payable.

(d) There is no Tax deficiency outstanding, assessed or proposed against or with respect to the Company, nor has any outstanding waiver of any statute of limitations on or extension of the period for which the assessment or collection of any material Tax of or with respect to the Company been executed or requested. The Company has not applied for any Tax ruling or entered into a closing agreement with respect to material Taxes as described in Section 7121 of the Code or any similar provision of state or local Law. No power of attorney granted by the Company with respect to any material Taxes is currently in force.

(e) No written claim has ever been made that the Company is or may be subject to taxation in a jurisdiction in which it does not file Tax Returns by virtue of the operation of the Business or ownership of the Company Assets.

(f) The unpaid Taxes of the Company did not, as of the date of the Unaudited Interim Balance Sheet, exceed the accruals and reserves for Taxes (excluding accruals and reserves for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Unaudited Interim Balance Sheet (rather than in any notes thereto).

(g) The Company has made available to Buyer copies of the Company's income Tax Returns and all other material Tax Returns relating to the Company since its formation that are true, correct and complete in all material respects.

(h) At all times prior to the Members' contribution of the outstanding membership interests of the Company to TopCo in exchange for membership interests in TopCo, the Company was treated as a partnership for U.S. federal (and applicable state and local) income Tax purposes. At all times after such contribution in the immediately preceding sentence, the Company has been treated as either a disregarded entity (as described in Treasury Regulations Section 301.7701-3) or a partnership for U.S. federal (and applicable state and local) income Tax purposes. The Company uses the accrual method of accounting for federal and applicable state income Tax purposes.

(i) The Company has not participated in any "listed transaction," as defined in Section 6706A(c)(2) of the Code and Treasury Regulations Sections 1.6011-4(b)(2).

(j) The Company has received from each Member who previously held an interest in the Company that was subject to a substantial risk of forfeiture as of the Agreement Date, if any, a copy of the election(s) made under Section 83(b) of the Code with respect to all such interests, and, to the Company's Knowledge, such elections were validly made and filed with the IRS in a timely fashion.

(k) The Company is not a party to or bound by any Tax sharing, Tax indemnity, Tax allocation or similar agreement, arrangement or understanding (excluding, for this purpose, any agreement entered into in the Ordinary Course of Business the primary purpose of which is unrelated to Taxes). The Company has never been a member of an affiliated group (within the meaning of Code Section 1504(a)) filing a consolidated federal income Tax Return or have any liability for the Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local, or non-U.S. law), as a transferee or successor, by Contract, or otherwise, other than under Chapter 63 of the Code.

(l) For purposes of Sections 897 and 1445 of the Code, either (i) fifty percent (50%) or more of the value of the gross assets of the Company do not consist of United States real property interests (within the meaning of Section 897(c) of the Code) or (ii) ninety percent (90%) or more of the value of the gross assets do not consist of United States real property interests (within the meaning of Section 897(c) of the Code) plus cash or cash equivalents.

(m) The Company is not a party or member to any joint venture, partnership or other arrangement or Contract treated or that could reasonably be expected to be treated as a partnership for federal income Tax purposes.

(n) The Company will not be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) change in method of accounting of the Company for a taxable period ending on or prior to the Closing Date, (ii) use of an improper method of accounting for a taxable period ending on or prior to the Closing Date, (iii) "closing agreement" as described in Code Section 7121 (or any corresponding or similar provision of state, local or foreign Law) executed on or prior to the Closing Date by the Company, (iv) installment sale or open transaction disposition made by the Company on or prior to the Closing Date, (v) prepaid amount or any other income eligible for deferral under the Code or Treasury Regulations promulgated thereunder (including, without limitation, pursuant to Code Sections 455 or 456, Regulations Section 1.451-5 and Revenue Procedure 2004-34, 2004-33 I.R.B. 991) received by the Company on or prior to the Closing Date, (vi) election made by the Company under Code Section 108(i) prior to the Closing, or (vii) Tax incurred pursuant to Section 965 of the Code.

(o) The Company has not made an election to defer any Taxes under Section 2302 of the CARES Act (or any similar election under state or local Law). The Company has properly complied with all applicable Laws and duly accounted for any available Tax credits under Sections 7001 through 7005 of the Families First Coronavirus Response Act for 2020 (or any similar election under state or local Tax Law) and Section 2301 of the CARES Act.

4.16 Benefit Plans.

(a) Section 4.16(a) of the Disclosure Schedule sets forth a true, complete, and correct list of every Company Benefit Plan. For purposes of this Agreement, "**Company Benefit Plan**" means (A) an employee benefit plan within the meaning of Section 3(3) of ERISA whether or not subject to ERISA; (B) stock option plans, stock purchase plans, bonus or incentive plans, severance pay plans, programs or arrangements, deferred compensation arrangements or agreements, employment agreements, compensation plans, programs, agreements or arrangements, change in control plans, programs or arrangements, supplemental income arrangements, vacation plans, and all other employee benefit plans, agreements, and arrangements, not described in (A) above; and (C) plans or arrangements providing compensation to employee and non-employee directors, in each case in which the Company or any ERISA Affiliate sponsors, contributes to, or provides benefits under or through such plan, or has any obligation to contribute to or provide benefits under or through such plan, or if such plan provides benefits to or otherwise covers any current or former employee, officer or director of the Company or any ERISA Affiliate (or their spouses, dependents, or beneficiaries).

(b) True, complete and correct copies of the following documents, with respect to each Company Benefit Plan, where applicable, have previously been delivered to Buyer: (i) all documents embodying or governing such Company Benefit Plan (or for unwritten Company Benefit Plans a written description of the material terms of such Company Benefit Plan) and any funding medium for the Company Benefit Plan; (ii) the most recent IRS determination or opinion letter; (iii) the filed Form 5500 for the last three years; (iv) the most recent actuarial valuation report; (v) the most recent summary plan description (or other descriptions provided to employees) and all modifications thereto; and (vi) all non-routine correspondence to and from any governmental agency.

(c) The Company does not maintain or sponsor any benefit plan that is intended to qualify under Section 401(a) of the Code.

(d) (i) Each Company Benefit Plan is and has been established, operated, and administered in all material respects in accordance with applicable laws and regulations and with its terms, including, without limitation, ERISA, the Code, the Affordable Care Act, and applicable state insurance laws and regulations. (ii) No Company Benefit Plan is, or within the past six years has been, the subject of an application or filing under a government sponsored amnesty, voluntary compliance, or similar program, or been the subject of any self-correction under any such program. (iii) No litigation or governmental administrative proceeding, audit or other proceeding (other than those relating to routine claims for benefits) is pending or, to the Knowledge of the Company, threatened with respect to any Company Benefit Plan or any fiduciary or service provider thereof, and, to the Knowledge of the Company, there is no reasonable basis for any such litigation or proceeding. (iv) All payments and/or contributions required to have been timely made with respect to all Company Benefit Plans either have been made or have been accrued in accordance with the terms of the applicable Company Benefit Plan and applicable law. (v) The Company Benefit Plans satisfy in all material respects the minimum coverage, affordability and non-discrimination requirements under the Code.

(e) Neither the Company nor any ERISA Affiliate has ever maintained, contributed to, or been required to contribute to or had any liability or obligation (including on account of any ERISA Affiliate) with respect to (whether contingent or otherwise) (i) any employee benefit plan that is or was subject to Title IV of ERISA, Section 412 of the Code, Section 302 of ERISA, (ii) a "multiemployer plan" within the meaning of Section 3(37) of ERISA, (iii) any funded welfare benefit plan within the meaning of Section 419 of the Code, (iv) any "multiple employer plan" (within the meaning of Section 210 of ERISA or Section 413(c) of the Code), or (v) any "multiple employer welfare arrangement" (as such term is defined in Section 3(40) of ERISA), and neither the Company nor any ERISA Affiliate has ever incurred any liability under Title IV of ERISA that has not been paid in full

(f) Neither the Company nor any ERISA Affiliate provides or has any obligation to provide health care or any other non-pension benefits to any employees after their employment is terminated (other than as required by Part 6 of Subtitle B of Title I of ERISA or similar state law) and the Company has never promised to provide such post-termination benefits.

(g) Each Company Benefit Plan may be amended, terminated, or otherwise modified (including cessation of participation) by the Company to the greatest extent permitted by applicable law, and no employee communications or provision of any Company Benefit Plan has failed to effectively reserve the right of the Company or the ERISA Affiliate to so amend, terminate or otherwise modify such Company Benefit Plan. (ii) Neither the Company nor any of its ERISA Affiliates has announced its intention to modify or terminate any Company Benefit Plan or adopt any arrangement or program which, once established, would come within the definition of a Company Benefit Plan. (iii) Each asset held under each Company Benefit Plan may be liquidated or terminated without the imposition of any redemption fee, surrender charge or comparable liability. (iv) No Company Benefit Plan provides major medical health or long-term disability benefits that are not fully insured through an insurance contract.

(h) Each Company Benefit Plan that constitutes in any part a nonqualified deferred compensation plan within the meaning of Section 409A of the Code has been operated and maintained in all material respects in operational and documentary compliance with Section 409A of the Code and applicable guidance thereunder. No payment to be made under any Company Benefit Plan is, or to the Knowledge of the Company, will be, subject to the penalties of Section 409A(a)(1) of the Code.

(i) No Company Benefit Plan is subject to the laws of any jurisdiction outside the United States.

(j) No Company Benefit Plan provides for any tax "gross-up" or similar "make-whole" payments.

(k) Neither the execution and delivery of this Agreement, the shareholder approval of this Agreement, nor the consummation of the Transactions could (either alone or in conjunction with any other event) (i) result in, or cause the accelerated vesting payment, funding or delivery of, or increase the amount or value of, any payment or benefit to any employee, officer, director or other service provider of the Company or any of its ERISA Affiliates; (ii) further restrict any rights of the Company to amend or terminate any Company Benefit Plan; (iii) result in any "parachute payment" as defined in Section 280G(b)(2) of the Code (whether or not such payment is considered to be reasonable compensation for services rendered).

4.17 Employees; Labor Relations.

(a) Section 4.17(a)(i) of the Disclosure Schedule contains a complete and accurate list as of the Agreement Date of the name of each current employee of the Company, together with the following for each employee: (i) date of hire; (ii) position; (iii) location of employment (city/town and state); (iv) annual base salary or hourly wage rate; (v) any incentive or bonus arrangement with respect to such person; (vi) any benefits; (vii) any promises or commitments made to them with respect to changes or additions to their compensation or benefits; (viii) current accrued but unused vacation/paid time off; (ix) whether classified as exempt or non-exempt for wage and hour purposes; (x) average scheduled hours per week; (xi) any visa or work permit status and the date of expiration, if applicable; (xii) whether paid on a commission basis and the employee's potential commission; and (xiii) status (i.e., active or inactive and if inactive, the type of leave and estimated duration). The Company is not delinquent in payments to any of its employees or Contingent Workers for any wages, salaries, commissions, bonuses, fees or other direct compensation for any services performed for the Company or amounts required to be reimbursed to such employees or Contingent Workers. No labor union, labor organization, or any representative thereof represents, or has made any attempt to organize or represent, employees or Contingent Workers of the Company. The Company is not a party to any collective bargaining agreements, work rules or practices, letters of understanding or similar agreements with any labor union, labor organization, or other person purporting to act as exclusive bargaining representative of any employees or Contingent Workers. There are no strikes or lockouts or work stoppages or slowdowns pending or, to the Knowledge of the Company, threatened against or affecting the Business of the Company. The Company is not currently engaged in any negotiation with any labor union, labor organization, or other person purporting to act as exclusive bargaining representative of any employees or Contingent Workers. The Company has not engaged in any unfair labor practice. Since the Company's formation, no officer's or employee's employment with the Company has been terminated by the Company for any reason and no discussions in which the Company has participated have been held relating to such possible termination.

(b) The Company: (i) is in compliance, and has been in such compliance at all times, in all material respects with all applicable Laws, Contracts and Orders, or arbitration awards of any arbitrator or any court or other Governmental Authority respecting employment and labor matters, including fair employment practices, terms and conditions of employment, pay equity, restrictive covenants, wages, hours, discrimination, payment of minimum wages, meal and rest breaks, overtime, classification of workers as independent contractors and consultants, classification of employees as exempt or non-exempt for purposes of the Fair Labor Standards Act and state and local wage and hour laws, labor relations, leave of absence requirements, occupational health and safety, privacy, harassment, retaliation, work authorization and immigration, accessibility, workers' compensation, unemployment compensation, affirmative action, wrongful termination or violation of the personal rights of employees or prospective employees, and COVID-19-related Laws, standards, and guidance (including, without limitation, the Families First Coronavirus Response Act and any other applicable COVID-19 related leave law, whether state, local or otherwise); (ii) has withheld and reported all amounts required by any Law or Contract to be withheld and reported with respect to wages, salaries and other payments to any employee; (iii) has no Liability for any arrears of wages or any Taxes or any penalty for failure to comply with any of the foregoing; and (iv) has no Liability for any payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Authority with respect to unemployment compensation benefits, social security or other benefits or obligations for any employee (other than routine payments to be made in the normal course of business and consistent with past practice). The Company is not a government contractor or subcontractor for purposes of any law with respect to the terms and conditions of employment.

(c) To the Knowledge of the Company, no employee of the Company at the level of senior manager or above: (i) intends to terminate his employment with the Company; (ii) has received an offer to join a business that may be competitive with the Business; or (iii) is a party to or is bound by any confidentiality agreement, noncompetition, nonsolicitation, or invention assignment agreement or other Contract (with any Person) that may have an adverse effect on: (A) the performance by such employee of any of his duties or responsibilities as an employee of the Company; or (B) the Business or operations. Except as set forth in Section 4.17(c) of the Disclosure Schedule, every former employee whose employment with the Company was terminated by the Company has signed a valid and enforceable release agreement. No employee or Contingent Worker is eligible to earn commission, incentive compensation, or other post-employment or post-engagement compensation payments from the Company after the end of their employment or engagement with the Company.

(d) Section 4.17(d) of the Disclosure Schedule contains a complete and accurate list as of the Agreement Date of all of the current and former independent contractors, consultants, temporary employees, leased employees or other agents employed or used by the Company and classified by the Company as other than employees, or compensated other than through wages paid by the Company through the Company's payroll ("**Contingent Workers**"), showing for each Contingent Worker: (i) the name of such Contingent Worker, (ii) the date as of which such Contingent Worker was originally engaged by the Company, (iii) (as applicable) the date such engagement ended or the date such engagement is scheduled to end; (iv) fee or compensation arrangements; (v) any termination of contract provision, including required notice or payment due upon termination; and (vi) average hours worked per month. No Contingent Worker is eligible to participate in any Company Benefit Plan.

(e) Currently and since the formation of the Company, the Company is not, and has not been involved in any way in, any form of litigation, governmental audit, governmental investigation, administrative agency proceeding, private dispute resolution procedure, or internal or, to the Company's Knowledge, external investigation of alleged employee misconduct, in each case with respect to employment or labor matters (including, but not limited to, allegations of employment discrimination, retaliation, noncompliance with wage and hour laws, the misclassification of independent contractors, violation of restrictive covenants, sexual harassment, other unlawful harassment or unfair labor practices). Since the formation of the Company, no allegations of sexual harassment have been made to the Company against any employee or Contingent Worker of the Company and the Company has not otherwise become aware of any such allegations. There are no facts, to the Company's Knowledge, that would reasonably be expected to give rise to a claim of sexual harassment, other unlawful harassment or unlawful discrimination or retaliation against or involving the Company or any Company employee, director or Contingent Worker.

(f) All employees of the Company are employed at-will and no employee is subject to any employment contract with the Company, whether oral or written. Section 4.17(f) of the Disclosure Schedule identifies each employee of the Company who is subject to a non-competition, non-solicitation, confidentiality and/or invention assignment agreement with the Company and a form of each such agreement has been provided to Buyer.

(g) The Company has not experienced a "plant closing," "business closing," or "mass layoff" or similar group employment loss as defined in the federal Worker Adjustment and Retraining Notification Act (the "**WARN Act**") or any similar state, local or foreign law or regulation affecting any site of employment of the Company or one or more facilities or operating units within any site of employment or facility of the Company. During the ninety (90)-day period preceding the Agreement Date, no employee or Contingent Worker has suffered an "employment loss" as defined in the WARN Act with respect to the Company.

4.18 Brokers', Finders' Fees, etc. The Company has not employed any broker, finder, investment banker or financial advisor (i) as to whom the Company, TopCo, MidCo, or any Member may have any obligation to pay any brokerage or finders' fees, commissions or similar compensation in connection with the Transactions, or (ii) who might be entitled to any fee or commission from Buyer, the Company or any of their respective Affiliates upon consummation of the Transactions.

4.19 Affiliate Transactions. Neither (i) the Members, (ii) TopCo, (iii) MidCo, nor (iv) any present or former employee, officer or manager of the Company or any other individual related by blood or marriage to any of the foregoing, or any entity in which any such Person owns any outstanding equity interest, is a party to any Contract, lease, loan, contract, commitment or transaction with the Company or which is pertaining to the Business or has any interest in any property, real or personal or mixed, tangible or intangible, used in or pertaining to the Business. Neither (i) the Members, (ii) TopCo, (iii) MidCo, nor (iv) any present or former employee, officer or manager of the Company or any other individual related by blood or marriage to any of the foregoing, or any entity in which any such Person owns any outstanding equity interest, owns directly or indirectly, on an individual or joint basis, any interest in, or serves as an officer or director or in another similar capacity of, any competitor, customer or supplier of the Company, or any organization which has a Contract with the Company.

4.20 Bank Accounts. Section 4.20 of the Disclosure Schedule provides the following information with respect to each account maintained by or for the benefit of the Company at any bank or other financial institution: (a) the name of the bank or other financial institution at which such account is maintained; (b) the account number; (c) the type of account; and (d) the names of all Persons who are authorized to: (i) sign checks or other documents with respect to such account; (ii) access such account, view the account balance and view the transactions with respect to such account, including all Persons with online and remote access; and (iii) input or release payments from such account.

4.21 Real Property. The Company has never owned any real property. The Company is not obligated or bound by any options, obligations or rights of first refusal or contractual rights to sell, lease or acquire any real property. The Company does not own any interest in real property, except for the leaseholds created under the real property leases, subleases, licenses and occupancy agreements identified in Section 4.21 of the Disclosure Schedule (collectively, the "**Lease Agreements**" and each, a "**Lease Agreement**"). Section 4.21 of the Disclosure Schedule sets forth a complete and accurate list of (i) all real property leased by the Company (the "**Properties**"), and (ii) the amount of any deposit or other security or guarantee granted by the Company in connection with the Lease Agreements. The Company has not assigned, transferred or pledged any interest in any of the Lease Agreements. Neither the whole nor any part of the Properties is subject to any pending suit for condemnation or other taking by any Governmental Authority, and, to the Knowledge of the Company, no such condemnation or other taking is threatened or contemplated. There are no leases, subleases, licenses, or other agreements granting to any Person the right of use or occupancy of any portion of the Properties (except under the Lease Agreements). The Company currently occupies all of the Properties for the operation of its business pursuant to a valid and subsisting Lease Agreement. The Company does not owe any brokerage commissions or finders' fees with respect to any such Properties nor would owe any such fees if any of the Lease Agreements related to such Properties were extended or renewed pursuant to any extension or renewal option continued in such Lease Agreement. The Company has performed all of its obligations under any termination agreements pursuant to which it has terminated any leases, subleases, licenses or other occupancy agreements for real property that are no longer in effect and has no continuing liability with respect to such terminated agreements. All of the Properties are in good operating condition and repair and otherwise suitable for the conduct of the Business and are, to the Company's Knowledge, free from structural, physical and mechanical defects, are maintained in a manner consistent with standards generally followed with respect to similar properties in the jurisdictions in which the Properties are located and are sufficient for the conduct of the Business. The Company's operations on the Properties do not violate any Lease Agreement, building code, zoning requirement or statute governing such Properties or the operations thereon, and any such non-violation is not dependent on so-called legal non-conforming use exceptions.

4.22 Compliance.

(a) Individual Compliance. The Company's officers, managers and employees (in their capacity as such on behalf of the Company) are, and since the Company's formation, have been, in compliance with each applicable Law.

(b) Foreign Corrupt Practices and Anti-Bribery. The Company has not, nor has any of its officers, managers and employees (in their capacity as such on behalf of the Company) with respect to any matter relating to the Company: (i) used any funds for unlawful contributions, loans, donations, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made or agreed to make any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns; or (iii) taken any action that would constitute a violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd 1 et seq. or any anti-bribery or anti-corruption law where the Company conducts business, if the Company was subject thereto.

(c) Neither the Company nor any Person acting on its behalf (including any Representative of the Company) has, directly or indirectly, violated any applicable export control Law, trade economic sanctions Law, import Law, or antiboycott Law, in the United States or any other jurisdiction in which the Company does Business, including: the Arms Export Control Act (22 U.S.C.A. § 2278), the Export Control Reform Act (50 U.S.C. § 4801 et seq.), the International Traffic in Arms Regulations (22 C.F.R. 120-130), the Export Administration Regulations (15 C.F.R. Part 730 et seq.), the Office of Foreign Assets Control Regulations (31 C.F.R. Chapter V), the Customs Laws of the United States (19 U.S.C. § 1 et seq.), the International Emergency Economic Powers Act (50 U.S.C. § 1701-1706), the U.S. Commerce Department antiboycott regulations (15 C.F.R. Part 760), the U.S. Treasury Department antiboycott requirements (26 U.S.C. § 999), any other trade control regulations issued by the agencies listed in Part 730 of the Export Administration Regulations, or any applicable non-U.S. Law of a similar nature. Neither the Company, its officers, managers, employees, nor any Person acting on its behalf (including any Representative of the Company) is a Sanctioned Party, defined as (a) a party listed on a prohibited or restricted party list published by the United States government, including the U.S. Office of Foreign Assets Control "**Specially Designated Nationals and Blocked Persons List**" or any other similar lists, including, but not limited to, the OFAC Consolidated List, or "blocked" or subject to other sanctions pursuant to any applicable Laws of the Treasury Department's Office of Foreign Assets Control, Bureau of Industry and Security of the U.S. Department of Commerce or the Directorate of Defense Trade Controls of the U.S. State Department or any applicable non-U.S. Law of a similar nature; (b) the government, including any political subdivision, agency, or instrumentality thereof, of any country against which a U.S. Governmental Authority maintains comprehensive economic sanctions or an embargo, which as of the Agreement Date include the Crimea region of Ukraine, Cuba, Iran, North Korea, Syria and Venezuela ("**Sanctioned Country**"); (c) an ordinary resident of, or entity registered in or established under the jurisdiction of a Sanctioned Country; (d) a party acting or purporting to act, directly or indirectly, on behalf of, or a party owned or controlled by, any of the parties listed in clauses (a), (b) or (c). Further, the Company, its officers, managers, employees, or any Person acting on its behalf, has not, directly or indirectly, conducted any business or other dealings involving any Sanctioned Party or Sanctioned Country.

(d) Neither the Company, nor its Representatives, Affiliates, or other Person associated with or acting on its behalf, has at any time taken or failed to take any action, or engaged in any activity, practice, or conduct that would result in a violation by the Company, or its Representatives, Affiliates, or other Person associated with or acting on its behalf, of the Anti-Corruption Laws in any jurisdiction where the Company or its Affiliates conduct business directly or indirectly. Without limiting the generality of this representation, neither the Company, nor its Representatives, Affiliates, or other Person associated with or acting on its behalf, has at any time, directly or indirectly: (i) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political

activity; (ii) authorized, offered, promised or made any unlawful payment to foreign or domestic officials; (iii) made or taken any action in furtherance of any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment; or (iv) otherwise taken any action which would cause it to be in violation of the Anti-Corruption Laws. The Company has in place, and have caused each of its Affiliates to maintain, a compliance program and internal controls and procedures appropriate to the applicable requirements of the Anti-Corruption Laws, if the Company were subject thereto in each of the jurisdictions in which its business is currently conducted, either directly or indirectly. There are no actions, conditions or circumstances pertaining to any the Company's, or its Representatives', Affiliates', or other Persons' associated with or acting on its behalf, activities that would reasonably be expected to give rise to any future claims, allegations, charges, investigations, violations, settlements, prosecutions, civil or criminal actions, lawsuits, or other court or enforcement actions under the Anti-Corruption Laws. No employee, agent, Representative, Affiliate, or other Person associated with or acting on behalf of the Company is the subject of any pending or, to the Company's Knowledge, threatened claims, allegations, charges, investigations, violations, settlements, voluntary disclosures, prosecutions, civil or criminal actions, lawsuits, or other court or enforcement actions with respect to the Anti-Corruption Laws.

4.23 Environmental. The Company is, and at all times has been, in compliance in all material respects with all applicable Environmental Laws. The Company holds and is, and at all times has been, in compliance in all material respects with all Environmental Permits required to operate at the Properties and to carry on their respective businesses as now conducted, all such Environmental Permits are identified in Section 4.23 of the Disclosure Schedule and are in full force and effect, and there are no Actions pending or, to the Knowledge of the Company, threatened, that seeks the revocation, cancellation, suspension or adverse modification of any such Environmental Permit. The Company has not received any written notice from any Governmental Authority or any other Person, and there are no Actions pending or, to the Knowledge of the Company, threatened against the Company, regarding any actual or alleged violation of Environmental Laws, or any liabilities or potential liabilities for investigation costs, cleanup costs, response costs, corrective action costs, personal injury, property damage, natural resources damages or attorney's fees under Environmental Laws, which remain unresolved. The Company has not assumed or provided indemnity against any material Liability of any other Person under any Environmental Laws. The Company has made available to Buyer accurate and complete copies of all environmental site assessments, compliance audits, notices of violation, consent orders, and other material environmental reports related to the current or former business of, or the operation of, the Company, or to any property or facility currently or formerly owned, leased or operated by the Company, that are in the possession or control of the Company.

4.24 Insurance. Section 4.24 of the Disclosure Schedule identifies each insurance policy maintained by, at the expense of or for the benefit of the Company and identifies any material claims made thereunder. The Company has made available to Buyer accurate and complete copies of the insurance policies identified on Section 4.24 of the Disclosure Schedule. Each of the insurance policies identified in Section 4.24 of the Disclosure Schedule is in full force and effect, the Company is in compliance with the terms of such policies in all material respects and all premiums with respect thereto covering all periods up to the Agreement Date have been paid. Since the Company's formation, the Company has not received any notice or other communication regarding any actual or possible: (i) cancellation or invalidation of any insurance policy; (ii) refusal of any coverage or rejection of any claim under any insurance policy; or (iii) material adjustment in the amount of the premiums payable with respect to any insurance policy. Other than claims made in the Ordinary Course of Business, there are no pending claims under any such policies, including any claim for loss or damage to the properties, assets or business of the Company. Such policies are sufficient for compliance with all Laws and with all Contracts to which the Company is a party. There are no self-insurance arrangements affecting the Company.

4.25 Significant Business Relationships. Section 4.25 of the Disclosure Schedule sets forth an accurate and complete list of the Company's top fifteen (15) customers and top fifteen (15) vendors, in each case by dollar amount of payments received or made, as applicable, by the Company, in each case, for both the year ended December 31, 2019 and the ten (10)-month period ended October 31, 2020, together with the amount of payments attributable to each such customer and vendor during such period. Since December 31, 2019, no customer or vendor listed in Section 4.25 of the Disclosure Schedule has terminated its relationship with the Company or demanded a material reduction or change in the pricing or other terms of its relationship with the Company. The Company is not engaged in any material dispute with any customer or any vendor in Section 4.25 of the Disclosure Schedule and, to the Knowledge of the Company, no such customer or vendor intends to terminate, fail or refuse to renew, renegotiate or change the scope of rights or obligations, limit or reduce its business relations with the Company, or adversely change the pricing or other terms of its business with the Company.

4.26 Complete Copies of Materials. The Company has made available to Buyer true, correct and complete copies of (a) all documents identified on the Disclosure Schedule, including all exhibits, schedules, amendments and the like, (b) the Company's Organizational Documents, as currently in effect and (c) the minute books containing records of all proceedings, consents, actions and meetings of the managers and members of the Company. The minute books of the Company have been made available to Buyer, are complete and correct and have been maintained in accordance with sound business practices. The minute books of the Company contain accurate and complete records of all meetings, and actions taken by written consent of, the members and the managers, and no meeting, or action taken by written consent, of any such members or managers has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of the Company (directly or through counsel).

4.27 PPP Matters. The Company received the PPP Loan under the Paycheck Protection Program established pursuant to the Coronavirus Aid, Relief and Economic Security Act (the "**CARES Act**"), which is the only loan received by the Company in connection with the CARES Act. As of the date of the Company's submission of the application for the PPP Loan (the "**PPP Application**"), the Company satisfied all eligibility requirements for the PPP Loan. All information included in the PPP Application was true, correct, and complete as of the date of its submission, and all certifications made pursuant to the PPP Application were true and made in good faith. The proceeds from the PPP Loan have been used in compliance with the requirements of the CARES Act. The Company has not used the PPP Loan proceeds in any manner, or taken any other action, that would cause the PPP Loan or any portion thereof to not be forgivable or that would otherwise violate the terms of the CARES Act or any other applicable Law.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

As a material inducement to the Company and the Members to enter into this Agreement, Buyer hereby represents and warrants to the Company that:

5.1 Authorization; Enforceability. Buyer is a corporation duly organized and is validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to carry on its business as it is now being conducted. Buyer is duly qualified or licensed to do business, and is in good standing (to the extent applicable), in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not, individually or in the aggregate, reasonably be expected to result in a material adverse effect on Buyer's ability to consummate the transactions contemplated herein or to perform its respective obligations under this Agreement and the

Transaction Documents. Buyer has the necessary power and authority to execute and deliver this Agreement and the Transaction Documents to which it is a party, to perform its obligations hereunder and thereunder, and to consummate the Transactions and thereby. The execution, delivery and performance by Buyer of this Agreement and each of the other Transaction Documents to which it is a party, and the consummation by Buyer of the Transactions and thereby have been duly authorized by all necessary action on the part of Buyer, its directors, officers and members and no other proceedings on the part of Buyer is necessary to authorize this Agreement or such Transaction Documents or to consummate the Transactions or thereby. This Agreement and each other Transaction Document to which Buyer is a party has been duly executed and delivered by Buyer and constitutes a valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms, subject to the General Enforceability Exceptions.

5.2 Governmental Authorization. The execution, delivery and performance by Buyer of this Agreement and each other Transaction Document to which it is a party, and the consummation by Buyer of the transactions contemplated thereby, do not and will not require any action by or in respect of, or filing with, any Governmental Authority, other than such filings and notifications as may be required to be made by Buyer in connection with the transactions contemplated herein under the HSR Act and the expiration or early termination of the applicable waiting period under the HSR Act.

5.3 Non-Contravention. Neither the execution and delivery of this Agreement or any of the Transaction Documents to which Buyer is a party, nor the consummation of the Transactions or thereby, shall conflict with, or (with or without notice or lapse of time, or both) result in a breach, impairment, violation of or an acceleration of an obligation or loss of material benefit, or constitute a default under (a) any provision of the certificate of incorporation or bylaws of Buyer, each as currently in effect, or (b) any Law applicable to Buyer or any of their respective material assets or properties, except in the case of clause (b) where such conflict, breach, impairment, violation or default would not reasonably be expected to result in a material adverse effect on Buyer's ability to consummate the transactions contemplated herein or to perform its respective obligations under this Agreement and the Transaction Documents.

5.4 Buyer SEC Documents. Since December 31, 2018, Buyer has filed all annual, quarterly and other reports, registration statements and definitive proxy statements required to be filed by Buyer with the SEC (the "**Buyer SEC Documents**"). As of their respective filing dates, the Buyer SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Buyer SEC Documents.

5.5 Financing. Buyer shall have at the Closing sufficient cash and available credit facilities from recognized financial institutions to (a) pay the Closing Cash Consideration and (b) pay all of its related fees and expenses.

5.6 Buyer Shares; Authorization and Delivery. The Buyer Shares to be issued and sold as herein described have been authorized and reserved for issuance and are validly issued and fully paid and nonassessable.

5.7 Brokers', Finders' Fees, etc. Buyer has not employed any broker, finder, investment banker or financial advisor (i) as to whom Buyer may have any obligation to pay any brokerage or finders' fees, commissions or similar compensation in connection with the Transactions, or (ii) who might be entitled to any fee or commission from Buyer, the Company or any of their respective Affiliates upon consummation of the Transactions.

ARTICLE VI

COVENANTS

6.1 Access and Investigation. During the period from the Agreement Date and continuing until the earlier of the termination of this Agreement pursuant to Article IX or the Closing (the "**Pre-Closing Period**"), the Company shall, and shall cause its Representatives to: (a) provide Buyer and Buyer's Representatives with reasonable access during normal business hours to the Company's Representatives, personnel and assets and to all existing Books and Records, Tax Returns, work papers and other documents and information relating to the Company; and (b) provide Buyer and Buyer's Representatives with copies of such existing Books and Records, Tax Returns, work papers and other documents and information relating to the Company, and with such additional financial, operating and other data and information regarding the Company, as Buyer may reasonably request, subject in all cases to reasonable restrictions imposed from time to time upon advice of counsel in respect of applicable Laws relating to the confidentiality of information (including any Antitrust Laws). During the Pre-Closing Period, Buyer may, following reasonable advance notice to the Company, make inquiries of Persons having business relationships with the Company (including suppliers, licensors, distributors and customers) and the Company shall facilitate (and shall cooperate fully with Buyer in connection with) such inquiries, in each case in compliance with all applicable Laws (including any Antitrust Laws). No investigation by Buyer or its Representatives or other information received by Buyer or its Representatives shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by the Company in this Agreement.

6.2 Operation of the Business of the Company. During the Pre-Closing Period, the Company shall conduct its business and operations in the Ordinary Course of Business and in substantially the same manner as such business and operations have been conducted prior to the Agreement Date and the Company shall use reasonable best efforts to preserve intact its current business organization, keep available the services of its current officers and employees and maintain its relations and good will with all suppliers, distributors, customers, landlords, creditors, employees, merchants and other Persons having business relationships with the Company. Without limiting the generality of the foregoing, during the Pre-Closing Period, the Company shall not, unless specifically permitted in Schedule 6.2:

(a) cancel or fail to renew any of its respective insurance policies identified in Section 4.24 of the Disclosure Schedule or reduce the amount of any insurance coverage provided by such insurance policies;

(b) declare, accrue, set aside or pay any dividend or make any other distribution in respect of any Membership Units or other securities, or repurchase, redeem or otherwise reacquire any Membership Units or other securities; *provided, however*, that that the Company shall distribute all Company Cash in excess of the Minimum Company Cash to the Members prior to Closing;

(c) sell, issue or authorize the issuance of: (i) any Membership Units or other security; (ii) any option or right to acquire any Membership Units (or cash based on the value of Membership Units) or other security; or (iii) any instrument convertible into or exchangeable for any Membership Units (or cash based on the value of Membership Units) or other security;

(d) amend or waive any of its rights under, or permit the acceleration of vesting under, any compensation obligation;

(e) amend or permit the adoption of any amendment to the Company's Organizational Documents, or effect or permit the Company to become a party to any Acquisition Transaction (other than the Transactions), recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction;

(f) form any Subsidiary or acquire any equity interest or other interest in any other entity;

(g) make any capital expenditure, except for capital expenditures that, when added to all other capital expenditures made on behalf of the Company during the Pre-Closing Period, do not exceed $25,000;

(h) (i) enter into, or permit any of the assets owned or used by it to become bound by, any Contract that is or would constitute a Material Contract; or (ii) amend, extend or prematurely terminate, or waive any material right or remedy under, any Contract that is or would constitute a Material Contract, in each case other than (A) any Contract, amendment, extension or renewal with a term of less than one year that involves $25,000 or less, and (B) any Contract, amendment, extension or renewal with end-users that are based upon and do not deviate in any material respect from the Standard Form Agreements.

(i) allow or suffer any material Permit to lapse, expire, be cancelled, suspended, limited, revoked or materially modified, or not be renewed (if due prior to Closing);

(j) (i) acquire, lease or license any right or other asset from any other Person for an aggregate value in excess of $25,000; (ii) sell or otherwise dispose of, or lease or license (or grant any other right with respect to), any right or other asset to any other Person; or (iii) waive or relinquish any right, except in the case of each of clauses (i)-(iii), in the Ordinary Course of Business;

(k) (i) lend money to any Person (except that the Company may make routine travel and business expense advances to current employees of the Company in the Ordinary Course of Business); or (ii) incur, assume or guarantee any Indebtedness, except borrowings under the AFG Line of Credit;

(l) release or waive any claims or rights or Liabilities, other than in the Ordinary Course of Business;

(m) (i) enter into any collective bargaining agreement or negotiations related to any such agreement; (ii) establish, adopt, amend, terminate or provide discretionary benefits under any Company Benefit Plan (or arrangement that would be an Company Benefit Plan if in effect on the Agreement Date); (iii) pay any bonus or profit-sharing payment, cash incentive payment or similar payment, except in accordance with Company bonus plans or commissions plans established prior to the Agreement Date and made available to Buyer; (iv) modify or make any commitment to modify the commissions, bonuses, fringe benefits or other employee benefits or compensation (including equity-based compensation, whether payable in cash or otherwise) payable to any of its employees, officers or managers; (v) modify or make any commitment to modify the base salary payable to any Key Employee or any other employee with annual base compensation in excess of $75,000.00; (vi) modify or make any commitment to modify the compensation or remuneration payable to any of its Contingent Workers; (vii) demote or replace any of its Key Employees or any other employee with annual base compensation in excess of $75,000.00 (retroactively or otherwise) except following reasonable consultation with Buyer; (viii) promote or change the title of any of its employees (retroactively or otherwise); (ix) fund, other than in the Ordinary Course of Business, or make any commitment to fund, any compensation obligation (whether by grantor trust or otherwise); (x) hire or make an offer to hire any Contingent Worker or new employee on a full-time, part-time, consulting or other basis with annual base compensation in excess of $150,000.00, other

than hires to replace persons who terminate employment with the Company during the Pre-Closing Period; (xi) terminate the employment or services of any Key Employee or any other employee with annual base compensation in excess of $75,000.00 other than termination for cause and following reasonable consultation with Buyer; (xii) terminate the employment or services of any other employee or any Contingent Worker other than termination for cause; or (xiii) communicate with any employee regarding any compensation or benefits to be provided by Buyer after the Closing without the prior written consent of Buyer;

(n) change any of its methods of accounting or accounting practices in any material respect (other than as required by applicable Law or accounting or auditing standards or by Buyer);

(o) prepare or file any Tax Return inconsistent with past practice or, on any such Tax Return, take any position, make any election, or adopt any method that is inconsistent with positions taken, elections made or methods used in preparing or filing similar Tax Returns in prior periods (including positions, elections or methods that would have the effect of deferring income to periods ending after the Closing Date or accelerating deductions to periods beginning before the Closing Date), file any amended Tax Return or file a Tax Return of a type or in a jurisdiction not previously filed, settle or otherwise compromise any claim relating to Taxes, enter into any closing agreement or similar agreement relating to Taxes, otherwise settle any dispute relating to Taxes, surrender any right to claim a Tax refund, offset or other reduction in Tax liability, or request any ruling or similar guidance with respect to Taxes, in each case to the extent such action could materially affect Buyer, the Company or any of its Affiliates in a taxable period (or portion thereof) ending after the Closing Date;

(p) commence or settle any Action or threatened Action;

(q) accelerate the collection of any accounts receivable or delay the payment of any accounts payable beyond their regular due dates;

(r) except as required by applicable accounting or auditing standards and consistent with past practices, revalue any of its assets (whether tangible or intangible), write off as uncollectible, or establish any extraordinary reserve with respect to, any account receivable or other Indebtedness;

(s) sell, dispose of, assign, license, sublicense, covenant not to sue with respect to, or otherwise transfer or grant or receive any rights with respect to any Technology or Intellectual Property Rights, or abandon or permit to lapse or expire any Intellectual Property Rights or acquire any Intellectual Property Rights from any Person, except for granting or receiving non-exclusive licenses of Intellectual Property Rights in the Ordinary Course of Business;

(t) fail to take any action or pay any fees in a timely manner to maintain and preserve any Company Owned Intellectual Property, or otherwise allow any actions or fees to become delinquent or subject to surcharge with respect to any Company Owned Intellectual Property;

(u) set aside, transfer, use, Encumber, or distribute any Buy Center Cash, other than in connection with the Company's "Buy Center" program in the Ordinary Course of Business; and

(v) agree or commit to take any of the actions described in clauses "(a)" through "(u)" above.

Notwithstanding the foregoing, the Company may take any action described in clauses "(a)" through "(v)" above if: (i) Buyer gives its prior written consent to the taking of such action by the Company; or (ii) such action is expressly listed in Schedule 6.2.

6.3 Notification. Each of the parties hereto shall refrain from taking any action which would render any representation or warranty contained in this Agreement inaccurate as of the Closing. During the Pre-Closing Period, the Company shall promptly notify Buyer in writing of the Company obtaining Knowledge of: (i) any event, condition, fact or circumstance that occurred or existed on or prior to the Agreement Date and that caused or constitutes a breach of or an inaccuracy in any material respect in any representation or warranty made by the Company, TopCo, or any Member in this Agreement; (ii) any event, condition, fact or circumstance that occurs, arises or exists after the Agreement Date and that would cause or constitute a breach of or an inaccuracy in any material respect in any representation or warranty made by the Company, TopCo, or any Member in this Agreement if (A) such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event, condition, fact or circumstance or (B) such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the Agreement Date; (iii) any breach of any covenant or obligation of the Company, TopCo, or any Member such that the condition in Section 7.2 would not be satisfied; (iv) any notice or other communication from any third Person alleging that the consent of such third Person is or may be required in connection with the Transactions or any Transaction Document; and (v) any event, condition, fact or circumstance that would make the timely satisfaction of any of the conditions set forth in Article VII impossible or unlikely. No notification under this Section 6.3 shall be required with respect to matters consented to in writing by Buyer pursuant to the last paragraph of Section 6.2 or the actual taking of actions contemplated by Schedule 6.2.

6.4 No Negotiation. During the Pre-Closing Period, neither the Company, TopCo, nor any Member shall, and neither the Company, TopCo, nor any Member shall authorize or permit any Representative or Affiliate of the Company, TopCo, or any Member to: (a) solicit, encourage, make or facilitate the initiation or submission of any expression of interest, inquiry, proposal or offer from any Person (other than Buyer) relating to a possible Acquisition Transaction; (b) participate in any discussions or negotiations or enter into any agreement, understanding or arrangement with, or provide any non-public information to, any Person (other than Buyer or its Representatives) relating to or in connection with a possible Acquisition Transaction; or (c) entertain or accept any proposal or offer from any Person (other than Buyer) relating to a possible Acquisition Transaction. The Company, each of TopCo and MidCo, and each Member shall immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted with respect to, or that could lead to, a possible Acquisition Transaction. The Company, TopCo, and each Member shall promptly (and in any event within 24 hours of receipt thereof) notify Buyer orally and in writing of any inquiry, indication of interest, proposal, offer or request for non-public information relating to a possible Acquisition Transaction that is received by the Company, TopCo, or such Member during the Pre-Closing Period, which notice shall include: (i) the identity of the Person making or submitting such inquiry, indication of interest, proposal, offer or request, and the terms and conditions thereof; and (ii) an accurate and complete copy of all written materials, and an accurate and complete summary of all other non-written communications, in each case that are provided in connection with such inquiry, indication of interest, proposal, offer or request. The Company, TopCo, and each Member agrees that the rights and remedies for noncompliance with this Section 6.4 shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Buyer and that money damages would not provide an adequate remedy to Buyer.

6.5 Further Action.

(a) The Company, TopCo, each of the Members, and Buyer shall use their respective reasonable best efforts to take any actions reasonably necessary or appropriate to consummate the transactions contemplated herein and fulfill the conditions to the Closing set forth herein as promptly as practicable following the Agreement Date, including, with respect to the Company, delivering to Buyer such certificates and other documents as required to satisfy each of the conditions set forth in Article VII. The Company, TopCo, each of the Members, and Buyer shall take any further actions reasonably necessary

or desirable to carry out the purposes of this Agreement or any other Transaction Document as may be requested by the other parties hereto.

(b) In furtherance and not in limitation of the terms of Section 6.5(a), (i) each of Buyer and the Company shall file, or cause to be filed, a Notification and Report Form pursuant to the HSR Act with respect to the transactions contemplated herein within five (5) Business Days following the Agreement Date and (ii) each of Buyer and the Company shall, to the extent permitted under applicable Law, (A) cooperate and coordinate, subject to all applicable privileges (including the attorney-client privilege), with the other in connection with any filings, analyses, appearances, presentations, memoranda, briefs, arguments, opinions, submissions and proposals submitted by or on behalf of Buyer or the Company relating to proceedings under the HSR Act or any applicable Antitrust Laws in connection with the transactions contemplated herein, (B) supply the other or its outside counsel with any information that may be required or requested by any Governmental Authority in connection with such filings or submissions, (C) supply any additional information that may be required or requested by the Federal Trade Commission, the Department of Justice, or other Governmental Authorities in which any such filings or submissions are made under any applicable Antitrust Laws as promptly as practicable, and (D) use their respective reasonable best efforts consistent with applicable Law to cause the expiration or termination of the applicable waiting periods under any applicable Antitrust Laws as soon as reasonably practicable; provided that for each of clauses (A)–(D) above, each of the Company and Buyer shall provide the other party with advance copies and an opportunity to provide its comment to any materials to be submitted to any Governmental Authority. Each of the parties hereto may, as it deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other party as "Outside Counsel Only." Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials. Each of Buyer and the Company shall provide to the other copies of all correspondence between it (or its outside counsel) and any Governmental Authority relating to the transactions contemplated herein or any of the matters described in this Section 6.5. Each of Buyer and the Company shall promptly inform the other of any substantive oral communication with, and provide copies of any written communications with, any Governmental Authority regarding any such filings or any such transaction, unless prohibited by reasonable request of any Governmental Authority. Neither Buyer nor the Company shall independently participate in any meeting or substantive conference call with any Governmental Authority in respect of any such filings, investigation or other inquiry without giving the other prior notice of the meeting or substantive conference call and, to the extent permitted by such Governmental Authority, the opportunity to attend or participate.

(c) In furtherance of this Section 6.5(c) and subject to the limitations set forth in this Section 6.5(c), if any objections are asserted with respect to the transactions contemplated herein under the HSR Act, any other applicable Antitrust Law or any other applicable Law or if any Action is instituted (or threatened to be instituted) by the Federal Trade Commission, the Department of Justice, or any other Governmental Authority challenging the transactions contemplated herein or that would otherwise prohibit or materially impair or delay the consummation of the transactions contemplated herein, the Company and Buyer shall use their respective reasonable best efforts to resolve any such objections or lawsuits or other proceedings (or threatened Actions) so as to permit consummation of the transactions contemplated herein as soon as reasonably practicable. Notwithstanding anything to the contrary herein, neither Buyer nor any of its Affiliates shall be required, in order to resolve any such objections or Actions (or threatened Actions) or otherwise, to (i) litigate or contest any Action challenging any of the transactions contemplated herein as violative of any Antitrust Law, (ii) (A) sell, lease, license, transfer, dispose of, divest or otherwise encumber, or hold separate pending any such action, or (B) propose, negotiate or offer to effect, or consent or commit to, any such sale, lease, license, transfer, disposal, divestiture of, or other Lien on, or holding separate of, before or after the Closing, any assets, licenses, operations, rights, product lines, businesses, or interest therein of Buyer or the Company (or any of their respective Subsidiaries or other Affiliates), (iii)

take or agree to take any other action or agree or consent to any limitations or restrictions on freedom of actions with respect to, or its ability to retain, or make changes in, any such assets, licenses, operations, rights, product lines, businesses, or interest therein of Buyer or the Company (or any of their respective Subsidiaries or other Affiliates), (iv) take or agree to take any other action or agree or consent to the holding separate of the Membership Units or any limitation or regulation on the ability of Buyer or any of its Affiliates to exercise full rights of ownership of the shares of Membership Units, or (v) take or agree to take any other action that is not conditioned on the consummation of the Transactions (any one or more of the foregoing actions, an "**Antitrust Restraint**"). Buyer may compel the Company to take any Antitrust Restraint (or agree to take such Antitrust Restraint) if such Antitrust Restraint is effective only after the Closing, and the Company may not take any Antitrust Restraint in connection with the matters contemplated by this Section 6.5(c) without the prior written consent of Buyer; *provided, however*, that the Company shall not be required, in order to resolve any such objections or Actions (or threatened Actions) or otherwise, to litigate or contest any Action challenging any of the transactions contemplated herein as violative of any Antitrust Law.

6.6 Confidentiality. At all times on and after the Agreement Date, the Members, TopCo, and the Company shall (a) treat and hold, and shall cause their respective Affiliates and Representatives to treat and hold, as confidential any information concerning the Company, the Business, this Agreement and the terms hereof and otherwise pertaining to the Transactions, including any notes, analyses, compilations, studies, forecasts, interpretations or other documents that are derived from, contain, reflect or are based upon any such information (the "**Confidential Information**"), (b) refrain from using any of the Confidential Information, except (i) by the Company in the Ordinary Course of Business and (ii) by Topco or the Members in connection with evaluating or consummating the Transactions or as otherwise reasonably may be necessary in connection with the evaluation or administration of its direct or beneficial ownership of the Membership Units, *provided* that neither TopCo nor the Members shall disclose the Confidential Information except to its respective Representative with a *bona fide* need to know and subject to contractual, regulatory or ethical non-disclosure and use obligations, and (c) with respect to TopCo and the Members only, deliver promptly to Buyer, at the request and option of Buyer, all tangible embodiments (and all copies) of the Confidential Information which are in its possession or under its control, other than such Confidential Information constituting financial information of the Company that TopCo or a Member would reasonably need to retain in connection with clause (b)(ii) above. Notwithstanding the foregoing, Confidential Information shall not include information that is generally available to the public other than as a result of a breach of this Section 6.6 or other act or omission of TopCo, the Members, or any of their respective Affiliates or Representatives. In the event that the Company, TopCo, the Members, or any of their respective Affiliates or Representatives are requested or required to produce information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process to disclose any Confidential Information, the Company, TopCo, or the Members, as applicable, shall notify Buyer promptly of the request or requirement so that Buyer may seek an appropriate protective Order or waive compliance with the provisions of this Section 6.6. If, in the absence of a protective Order or the receipt of a waiver hereunder, the Company, TopCo, the Members, or any of their respective Affiliates or Representatives are, on the advice of counsel, compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt, the Company, TopCo, the Members, or their respective Affiliates or Representatives (as applicable) may disclose the Confidential Information to the tribunal; *provided*, that the Company, TopCo, the Members, or their respective Affiliates or Representatives (as applicable) shall use their reasonable best efforts to obtain, at the written request of Buyer, an Order or other assurance that confidential treatment shall be accorded to such portion of the Confidential Information required to be disclosed as Buyer shall designate.

6.7 Tax Matters.

(a) Preparation of Tax Returns.

(i) The Members' Representative, at the Members' cost and expense, shall file or cause to be filed, all income Tax Returns with respect to the Company for all taxable periods ending on or before the Closing Date (taking into account extensions) for which items of income, deduction, credits, gains or losses are passed through to the Members under applicable Law (the "**Pass-Through Returns**"). All Pass-Through Returns shall be prepared in accordance with existing procedures, practices, and accounting methods of the Company, unless otherwise required by applicable Law. Each Pass-Through Return shall be submitted to Buyer for Buyer's review and comment at least twenty (20) days prior to the due date of such Pass-Through Return (taking into account extensions), and the Members' Representative shall consider in good faith any reasonable comments made by Buyer on any such Tax Return prior to filing such Pass-Through Return. The Members shall pay all Taxes due based upon any such Tax Return.

(ii) Buyer and the Company shall prepare or cause to be prepared, and Buyer shall cause the Company to file, all Tax Returns of the Company for Pre-Closing Tax Periods that are due after the Closing Date, other than Pass-Through Returns. All such Tax Returns shall be prepared in accordance with existing procedures, practices, and accounting methods of the Company, unless otherwise required by applicable Law. Each such income Tax Return or other material Tax Return shall be submitted to the Members' Representative for the Members' Representative's review and comment (A) in the case of any income Tax Return, at least twenty (20) days prior to the due date of such income Tax Return (taking into account extensions) and (B) in the case of any other material Tax Return that shows an amount for which the Members are responsible for pursuant to the terms of this Agreement, as soon as reasonably practicable prior to the due date of such Tax Return (taking into account extensions), and Buyer shall consider in good faith any reasonable comments made by the Members' Representative in any such Tax Return prior to filing such Tax Return. The Members' Representative shall pay to Buyer those Taxes shown as due on any such Tax Return (and with respect to any Tax Returns for any Straddle Period allocated to the Company in a manner consistent with Section 6.7(c)) no later than five (5) Business Days before Buyer is required to file such Tax Returns with the applicable Governmental Authority (taking into account any extensions timely filed by the Company), except to the extent the amount of any such Taxes was included in the Closing Indebtedness Amount, as finally determined.

(b) Cooperation. The parties to this Agreement shall provide assistance to each other as reasonably requested in preparing and filing Tax Returns and responding to any audits or other proceedings relating to Taxes, provide reasonably detailed notice of any such audits or other proceedings sufficient to apprise each other of the nature of the claim, make available to each other as reasonably requested all relevant information, records, and documents, including workpapers, relating to Taxes of the Company, and retain any books and records that could reasonably be expected to be necessary or useful in connection with any preparation of any Tax Return, or for any audits or other proceedings relating to Taxes.

(c) Straddle Periods. In the case of any Straddle Period, the amount of any Taxes of the Company (i) based on or measured by income or receipts, sales or use, employment, or withholding for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business on the Closing Date (and for such purpose, the taxable period of any partnership or other pass-through entity or non-U.S. entity in which the Companies hold a beneficial interest shall be deemed to

terminate at such time) and (ii) the amount of other Taxes of the Company for a Straddle Period for the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction, the numerator of which is the number of days in the Straddle Period prior to and including the Closing Date and the denominator of which is the number of days in such Straddle Period.

(d) Tax Contests. Buyer shall promptly notify the Members' Representative upon the receipt of any notice, or becoming aware, of any audit or other similar examination with respect to any Taxes for which the Members would reasonably be expected to be liable pursuant to this Agreement, including with respect to any Pre-Closing Tax Period (a "**Tax Contest**"); *provided,* that no failure or delay of Buyer in providing such notice shall reduce or otherwise affect the obligations of the Members pursuant to this Agreement, except to the extent that the Members' Representative demonstrates that the defense of such Tax Contest is prejudiced by such failure or delay. Buyer shall control, or cause the Company to control the conduct of any Tax Contest; *provided*, that if a Tax Contest relates solely to a Pass-Through Return, the Members' Representative shall have the right to assume control, at Members' expense, of such Tax Contest if (x) within fifteen (15) days of receiving notice of the Tax Contest the Members' Representative notifies Buyer of its intent to take control of such Tax Contest and (y) the resolution of such Tax Contest could not have a material adverse effect for the Company in a taxable period (or portion thereof) beginning after the Closing Date (as reasonably determined by Buyer); *provided, further*, that (i) Buyer, at its cost and expense, shall have the right to participate in any such Tax Contest and (ii) the Members' Representative shall not settle any such Tax Contest without Buyer's written consent, not to be unreasonably withheld, conditioned or delayed. If the Members' Representative does not elect to control such Tax Contest, or for any other Tax Contest that relates to a Pre-Closing Tax Period, Buyer shall control such Tax Contest; *provided*, that the Members' Representative, at the Members' cost and expense, shall have the right to participate in any such Tax Contest. In the event of any conflict between the provisions of this Section 6.7(d) and the provisions of Section 10.6, the provisions of this Section 6.7(d) shall control.

(e) Transfer Taxes. The Members shall pay any transfer, sales, use, reporting, recording, filing and other similar fees, Taxes or charges imposed on any of the Members, TopCo, the Company, Buyer or any of Buyer's Affiliates as a result of the Transactions, including any penalties and interest with respect thereto (collectively, "**Transfer Taxes**"). The Members and TopCo agree to cooperate with Buyer in the filing of any returns with respect to the Transfer Taxes, including promptly supplying any information in their possession reasonably requested by Buyer that is reasonably necessary to complete such returns. The Members shall promptly reimburse Buyer for any Transfer Taxes payable by Buyer upon receipt of notice that such Transfer Taxes are payable.

(f) Miscellaneous. Unless otherwise required by applicable Law, neither Buyer nor any of Buyer's Affiliates (including the Company and any of its subsidiaries after the Closing) shall (i) make (or cause to be made) or change or (cause to be changed) any material Tax election of the Company that has retroactive effect to any Pre-Closing Tax Period, (ii) file any private letter ruling or similar request with respect to Taxes or Tax Returns of the Company for any Pre-Closing Tax Period, or (iii) initiate (or cause to be initiated) any voluntary disclosure or similar process with a taxing authority with respect to Taxes of the Company for any Pre-Closing Tax Period, in each case without the prior written consent of the Members' Representative, which consent shall not be unreasonably withheld, conditioned or delayed.

(g) Other Tax Matters.

(i) Within ten (10) Business Days after the Closing Date, MidCo shall validly execute and file an IRS Form 8832 electing to classify itself as an association taxable as a corporation for U.S. federal income Tax purposes, with an effective date prior to the Closing Date (the "**Check-the-Box Election**"), and MidCo shall deliver, or cause to be delivered, evidence reasonably satisfactory to Buyer that the Check-the-Box Election has been filed and is effective prior to the Closing Date, including a copy of such Check-the-Box Election.

(ii) The parties hereto agree that for purposes of determining the income, profit, loss, deduction or any other items of the Company for the taxable year that includes the Closing Date, the Company will determine such items by using the interim closing method under Section 706 of the Code and Treasury Regulations Section 1.706-4, using the "calendar day" convention, effective as of the end of the Closing Date.

(iii) In connection with any audit or other similar examination with respect to any Taxes or Tax Returns of the Company for a Pre-Closing Tax Period, the Company shall make, or shall cause the "partnership representative" of the Company within the meaning of Section 6223 of the Code to make, an election under Section 6226 of the Code (or any similar or comparable provision of state, local or foreign Law) for any "imputed underpayment" as defined in Section 6225 of the Code (or any comparable provision of state, local or foreign law) attributable to the Company.

6.8 Reasonable Efforts. Prior to the Closing: (a) the Company, TopCo, and each Member shall use their respective reasonable best efforts to cause the conditions set forth in Article VII to be satisfied on a timely basis; and (b) Buyer shall use its reasonable best efforts to cause the conditions set forth in Article VIII to be satisfied on a timely basis.

6.9 Further Assurances. Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates and Representatives to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the Transactions.

6.10 Release. For and in consideration of the amounts to be paid to the Members in connection with the Redemption and the Transactions and the other Transaction Documents, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Closing, each Member and TopCo, on behalf of themselves and their assigns, heirs, beneficiaries, creditors, Representatives, agents and Affiliates (the "**Releasing Parties**"), hereby fully, finally and irrevocably release, acquit and forever discharge the Business, the Company, Buyer, and their respective Representatives, shareholders, Affiliates, parents, Subsidiaries, joint ventures, predecessors, successors, assigns, and insurers (collectively, the "**Released Parties**") from any and all commitments, actions, debts, claims, suits, causes of action, damages, demands, Liabilities, obligations, costs, Losses and compensation of every kind and nature whatsoever, past, present, or future, at law or in equity, whether known or unknown, contingent or otherwise, which such Releasing Parties, or any of them, had, has, or may have had at any time in the past accruing prior to or as of the Closing Date against the Released Parties, or any of them, including, but not limited to, any claims which relate to or arise out of such Releasing Party's pre-Closing relationship with the Business, the Company, or his or her rights or status as a present or former member, officer or manager of the Company (collectively, "**Released Causes of Action**"); *provided, however*, that the Released Causes of Action shall not include (x) any rights and claims of any Releasing Party arising under the provisions of this Agreement or any Transaction Document, in each case arising after the Closing, (y) for any Releasing Party who is an employee of the Company, any rights or claims of such Releasing Party to employment compensation or benefits from the Company that are payable, accrue or vested as of the Closing Date, and (z) any rights and claims of any Releasing Party arising after the Closing under the provisions of the AFG Line of Credit. Each Member and TopCo represents to the Released Parties that (i) as of the Closing Date TopCo and such Member has not assigned any Released Causes of Action, (ii) TopCo or such Member has had access to adequate information regarding the terms of this Agreement, the scope and effect of the releases set forth herein, and all other matters encompassed by this Agreement to make an informed and knowledgeable decision with regard to entering into this Agreement, after receiving the advice of legal counsel, and (iii) TopCo or such Member has not relied upon Buyer or the other Released Parties in deciding to enter into this Agreement and have instead made their

own independent analysis and decision to enter into this Agreement. The Releasing Parties acknowledge that each of them has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** Each Releasing Party hereby expressly waives and relinquishes all rights and benefits under such section and any law of any jurisdiction of similar effect with respect to the Released Causes of Action, including, without limitation, releases of unknown claims.

6.11 Intentionally Omitted.

6.12 Payoff Letters; Release of Liens. The Company shall obtain one or more payoff letters, in form and substance reasonably satisfactory to Buyer, duly executed and delivered by each holder of Indebtedness, and duly and validly executed copies of all other agreements, instruments, certificates and other documents, including the appropriate Lien termination filings, each in form and substance reasonably satisfactory to Buyer, that are necessary or appropriate to evidence the release of all Liens related to any Indebtedness (the "**Payoff Letters**").

6.13 Public Announcements. Unless otherwise required by applicable Law (based upon the reasonable advice of counsel), from and after the Agreement Date no Member, nor TopCo or the Members' Representative shall make any public announcements in respect of this Agreement or the Transactions or otherwise communicate with any news media without the prior written consent of Buyer.

6.14 Consents. The Company shall use its reasonable best efforts to give all notices to, and obtain all consents from, all third parties that are described in Section 4.5 of the Disclosure Schedule. If any consent, approval or authorization necessary to preserve any right or benefit under any Contract to which the Company is a party is not obtained prior to the Closing, the Members and TopCo shall, subsequent to the Closing, cooperate with Buyer and the Company in attempting to obtain such consent, approval or authorization as promptly thereafter as practicable.

6.15 Expenses. Whether or not the Transactions are consummated, all third party expenses shall be the obligation of the respective party incurring such fees and expenses. The Initial Consideration Spreadsheet will reflect all Company Transaction Expenses incurred or expected to be incurred by the Company as a result of the negotiation and effectuation of this Agreement and the Transactions (it being understood that the Company Transaction Expenses shall be deducted in the calculation of the Purchase Price).

6.16 No Transfer of Buyer Shares. For one hundred and eighty (180) days from and after the Closing Date, neither TopCo nor any of the Members shall, and shall not cause, direct, or permit any of their respective Affiliates or Representatives to, (i) offer, sell, contract to sell, pledge, grant any option to purchase, lend or otherwise dispose of any Buyer Shares acquired pursuant to this Agreement, or any options or warrants to purchase any such Buyer Shares, or any securities convertible into, exchangeable for or that represent the right to receive any such Buyer Shares (such options, warrants or other securities, collectively, "**Derivative Instruments**"), or (ii) engage in any hedging or other transaction or arrangement (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) which is designed to or which reasonably could be expected to lead to or result in a sale, loan, pledge or other disposition (whether by TopCo, any Member or any Representative thereof), or transfer of any of the economic consequences of ownership, in whole or in part, directly or indirectly, of any such Buyer Shares or Derivative Instruments of Buyer Shares, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of Buyer Shares or other securities, in cash or otherwise without the prior written consent of Buyer.

6.17 No Transfers of TopCo or MidCo Equity Securities. During the Pre-Closing Period, no Member shall and TopCo shall not, nor shall any Member or TopCo cause, direct, or permit any of its Affiliates or Representatives to, (i) offer, sell, contract to sell, pledge, grant any option to purchase, lend or otherwise dispose of any equity securities of TopCo or MidCo, or any Derivative Instruments of TopCo or MidCo, including, without limitation, any such equity securities or Derivative Instruments of TopCo or MidCo now owned or hereafter acquired by such Member or TopCo (as applicable), or (ii) engage in any hedging or other transaction or arrangement (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) which is designed to or which reasonably could be expected to lead to or result in a sale, loan, pledge or other disposition (whether by such Member or TopCo or any Representative of such Member or TopCo), or transfer of any of the economic consequences of ownership, in whole or in part, directly or indirectly, of any equity securities or Derivative Instruments of TopCo or MidCo, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of equity securities of TopCo or MidCo or other securities, in cash or otherwise without the prior written consent of Buyer.

6.18 Buyer RSUs. Prior to the Closing Date, Buyer shall provide letter agreements to the Key Employees providing for the grant of restricted stock units following Closing pursuant to Buyer's 2017 Omnibus Incentive Compensation Plan with an aggregate value of $6,000,000 ("**Management RSUs**"). Following the Closing Date, Buyer shall make available additional restricted stock units pursuant to Buyer's 2017 Omnibus Incentive Compensation Plan with an aggregate value of up to $2,000,000, to be granted to new hires of the Company as mutually agreed upon by the Company and Buyer ("**New Hire RSUs**" and, together with the Management RSUs, the "**Buyer RSUs**").

6.19 Insurance. Following the Closing, the Company and Buyer will engage in a good faith review of the Company's existing insurance policies, including the scope and limits thereof, and will discuss reasonable modifications thereto to address deficiencies identified in such review.

6.20 Lines of Credit. On the Closing Date, Buyer and the Company will enter into a $15,000,000 line of credit agreement for the purposes of financing the Company's "Buy Center" vehicle purchases (the "**Buyer Line of Credit**"). Beginning no later than five (5) Business Days after the Closing Date, all of the Company's "Buy Center" purchases will be financed with proceeds from the Buyer Line of Credit. As Buy Center purchases entered into prior to such date, which were financed by the Company with proceeds from the AFG Line of Credit, are sold, the Company shall pay down the AFG Line of Credit in a prompt and orderly fashion after such date until the principal amount thereof is reduced to zero and all accrued and unpaid interest and fees thereunder have been paid in full.

ARTICLE VII

CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS

The obligations of Buyer under this Agreement shall be subject to the satisfaction, on or before the Closing, of each of the following conditions (any of which may be waived only by a specific writing executed by Buyer):

7.1 Representations and Warranties.

(a) Each of the Company Fundamental Representations shall be true and correct in all respects as of the Agreement Date and as of the Closing Date as if made on and as of the Closing Date (other than any such representations and warranties which by their terms are made as of a specific earlier date, which shall have been true and correct as of such earlier date).

(b) Each of the representations and warranties made by the Company in this Agreement (other than the Company Fundamental Representations) shall be true and correct in all respects (in the case of any such representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any such representation or warranty not qualified by materiality or Material Adverse Effect) as of the Agreement Date and as of the Closing Date as if made on and as of the Closing Date (other than any such representations and warranties which by their terms are made as of a specific earlier date, which shall have been true and correct as of such earlier date).

7.2 Covenants. The Company, TopCo, and each Member shall have performed and complied in all material respects with all covenants and obligations under this Agreement required to be performed and complied with by the Company, TopCo, and the Members prior to the Closing. The Company, TopCo, and each Member shall have delivered to Buyer all certificates and other documents that it is required to deliver to Buyer pursuant to this Agreement prior to the Closing.

7.3 Governmental Consent. All transfers of Permits and all approvals of or notices to any Governmental Authority the granting or delivery of which is necessary for the consummation of the transactions contemplated herein, or for the continued operation of the Business, shall have been obtained or made, as applicable. All filings with and approvals of any Governmental Authority required to be made or obtained in connection with the transactions contemplated herein shall have been made or obtained and shall be in full force and effect and the applicable waiting period under the HSR Act shall have expired or early termination of such waiting period shall have been granted by the applicable Governmental Authority.

7.4 No Material Adverse Effect. Since the Agreement Date, there shall not have occurred any Material Adverse Effect, and no event or other Effect shall have occurred or circumstance or other Effect shall exist that, in combination with any other events, circumstances or other Effects, would reasonably be expected to have or result in a Material Adverse Effect.

7.5 Effective Agreements. Each Transaction Document shall be in full force and effect.

7.6 No Restraints. No temporary restraining order, preliminary or permanent injunction or other Order preventing or otherwise impeding the consummation of the Transactions shall have been issued by any court of competent jurisdiction or other Governmental Authority and remain in effect, and there shall not be any Law enacted or deemed applicable to the Transactions that makes consummation of the Transactions illegal or otherwise prevents or impedes the consummation of the Transactions.

7.7 No Other Actions. No Governmental Authority and no other Person shall have commenced any Action: (a) challenging the Transactions or any of the other Transactions or seeking the recovery of Losses in connection with the Transactions or any of the other Transactions; (b) seeking to prohibit or limit the exercise by Buyer of any material right pertaining to its ownership of the Company; (c) that would be reasonably likely to have the effect of preventing, delaying, making illegal or otherwise interfering with the any of the Transactions; or (d) seeking to compel the Company, Buyer or any Affiliate of Buyer to dispose of or hold separate any material assets as a result of the Transactions.

7.8 Third Party Consents. The consents of the third parties listed on Section 4.5 of the Disclosure Schedule shall have been obtained by the Company at its expense, and Buyer shall have received evidence reasonably acceptable to Buyer that such approvals, consents and filings have been made or obtained, as appropriate, and copies of all such consents and approvals shall have been made available to Buyer.

7.9 Termination of Agreements. The Company shall have terminated each of those agreements listed on Schedule 7.9 and each such agreement shall be of no further force or effect.

7.10 Modification of Agreements. The Company shall have modified each of those agreements listed on Schedule 7.10 as requested by Buyer.

7.11 Officer's Certificate. Buyer will have received a certificate executed by the Chief Executive Officer of the Company certifying: (a) the names of the officers of the Company authorized to sign this Agreement and the Transaction Documents, together with the true signatures of such officers; (b) evidence that all of the members and managers of the Company have duly authorized the Transactions and the Transaction Documents and authorized appropriate officers of the Company to execute and deliver this Agreement and the Transaction Documents executed by the Company pursuant hereto, and to consummate the Transactions; (c) the Organizational Documents; and (d) that as of the Closing Date the conditions set forth in Sections 7.1, 7.2, 7.3, and 7.4 have been satisfied (the "**Company Closing Certificate**").

7.12 Certificate of Good Standing. A certificate of good standing from the Secretary of State of the State of Delaware which is dated within two Business Days prior to Closing with respect to the Company.

7.13 Transaction Documents. The other Transaction Documents to which the Company, TopCo and each Member is a party shall have been duly executed by the Company, TopCo, or such Member (as applicable) and delivered to Buyer.

7.14 Employment Matters; Restrictive Covenant Agreements.

(a) Buyer shall have received from each Key Employee a duly executed counterpart to a Restrictive Covenant Agreement and no Key Employee shall have evidenced any intention to terminate or renounce or repudiate the terms of his or her Restrictive Covenant Agreement.

(b) Each of the Key Employees and at least ninety percent (90%) of all other employees of the Company as of the Agreement Date shall remain employed by the Company as of the Closing Date.

(c) Mr. Thompson shall not have evidenced any intention to terminate or renounce or repudiate the terms of the Thompson Offer Letter.

(d) The Company shall have reclassified each employee with a job title listed on Schedule 7.14(d) (the "**Reclassified Employees**") as a non-exempt employee under applicable federal, state and local laws and shall be utilizing a time-tracking system for purpose of tracking the hours worked by Reclassified Employees (and other non-exempt employees), and shall pay Reclassified Employees (and other non-exempt employees) in accordance with applicable federal, state and local laws.

7.15 Form W-9. Buyer shall have received an original and duly executed IRS Form W-9 (or other proof of exemption from withholding under Section 1445 and 1446(f) of the Code in connection with the Transactions reasonably satisfactory to Buyer) from TopCo and each Member as contemplated in Section 1.5(a)(x).

7.16 Invention Assignment Agreements. Buyer shall have received copies of executed confirmatory assignments of Company Intellectual Property from (a) each of the Company's current employees, (b) the current Contingent Workers identified as "vehicle bookout" independent contractors, and (c) the former employees, who have not previously executed an invention assignment agreement, listed on Schedule 7.16, in each case in a form that is reasonably satisfactory to Buyer and having terms that are consistent with the form of intellectual property assignment and confidentiality agreement that is signed by Buyer employees.

7.17 Company Cash Distribution. The Company shall have distributed all Company Cash (excluding, for the avoidance of doubt, any Buy Center Cash) in excess of the Minimum Company Cash to the Members prior to Closing and Buyer shall have received evidence reasonably acceptable to Buyer that such distribution has been completed.

ARTICLE VIII

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY, TOPCO AND MEMBERS

The obligations of the Company, TopCo, and the Members under this Agreement shall be subject to the satisfaction, on or before the Closing, of each of the following conditions (any of which may be waived only by a specific writing executed by the Members' Representative):

8.1 Representations and Warranties.

(a) Each of the Buyer Fundamental Representations shall be true and correct in all respects as of the Agreement Date and as of the Closing Date as if made on and as of the Closing Date (other than any such representations and warranties which by their terms are made as of a specific earlier date, which shall have been true and correct as of such earlier date).

(b) Each of the representations and warranties made by Buyer in this Agreement (other than the Buyer Fundamental Representations) shall be true and correct in all respects (in the case of any such representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any such representation or warranty not qualified by materiality or Material Adverse Effect) as of the Agreement Date and as of the Closing Date as if made on and as of the Closing Date (other than any such representations and warranties which by their terms are made as of a specific earlier date, which shall have been true and correct as of such earlier date).

8.2 Covenants. Buyer shall have performed and complied in all material respects with all covenants and obligations under this Agreement required to be performed and complied with by Buyer prior to the Closing. Buyer shall have delivered to the Members' Representative all certificates and other documents that it is required to deliver to the Company pursuant to this Agreement.

8.3 Governmental Consent. All transfers of Permits and all approvals of or notices to any Governmental Authority the granting or delivery of which is necessary for the consummation of the transactions contemplated herein, or for the continued operation of the Business, shall have been obtained or made, as applicable. All filings with and approvals of any Governmental Authority required to be made or obtained in connection with the transactions contemplated herein shall have been made or obtained and shall be in full force and effect and the applicable waiting period under the HSR Act shall have expired or early termination of such waiting period shall have been granted by the applicable Governmental Authority.

8.4 Officer's Certificate. The Members' Representative shall have received a certificate duly executed on behalf of Buyer by an officer of Buyer and containing the representation and warranty of Buyer that the conditions set forth in Sections 8.1 and 8.2 have been satisfied (the "**Buyer Closing Certificate**").

8.5 No Restraints. No temporary restraining order, preliminary or permanent injunction or other Order preventing or otherwise impeding the consummation of the Transactions shall have been issued by any court of competent jurisdiction or other Governmental Authority and remain in effect, and there shall not be any Law enacted or deemed applicable to the Transactions that makes consummation of the Transactions illegal or otherwise prevents or impedes the consummation of the Transactions.

8.6 Transaction Documents. The Transaction Documents to which Buyer is a party shall have been duly executed by Buyer and delivered to the Members' Representative.

ARTICLE IX

TERMINATION

9.1 Termination Events. This Agreement may be terminated prior to the Closing:

(a) by the mutual written consent of Buyer and the Company;

(b) by either Buyer or the Company, if the Closing has not taken place on or before 5:00 p.m. (Eastern time) on March 9, 2021 (the "**End Date**"); *provided*, that (i) Buyer shall not be permitted to terminate this Agreement pursuant to this Section 9.1(b) if the failure to consummate the sale of the Purchased Units by the End Date results from, or is caused by, a material breach by Buyer of any of its representations, warranties, covenants or agreements contained herein, and (ii) the Company shall not be permitted to terminate this Agreement pursuant to this Section 9.1(b) if the failure to consummate the sale of the Purchased Units by the End Date results from, or is caused by, a material breach by the Company, TopCo, or any Member of any of its representations, warranties, covenants or agreements contained herein;

(c) (i) by Buyer or the Company if a court of competent jurisdiction or other Governmental Authority shall have issued a final and nonappealable Order, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the sale of the Purchased Units as contemplated herein; or (ii) by Buyer if a Governmental Authority provides notice that it is seeking, or intends to seek, the imposition of an Antitrust Restraint as a condition to the expiration or termination of any applicable waiting period under the HSR Act or other applicable Antitrust Law;

(d) by Buyer if: (i) any of the representations and warranties of TopCo, the Members, or the Company contained in this Agreement shall be inaccurate as of the Agreement Date, or shall have become inaccurate as of a date subsequent to the Agreement Date, such that the condition set forth in Section 7.1 would not be satisfied; (ii) any of the covenants of the Company, TopCo, or the Members contained in this Agreement shall have been breached such that the condition set forth in Section 7.2 would not be satisfied; or (iii) any Material Adverse Effect shall have occurred, or any event or other Effect shall have occurred or circumstance or other Effect shall exist that, in combination with any other events, circumstances or other Effects, would reasonably be expected to have or result in a Material Adverse Effect; *provided, however*, that, in the case of clauses "(i)" and "(ii)" only, if an inaccuracy in any of the representations and warranties of the Company, TopCo, or the Members as of a date subsequent to the Agreement Date or a breach of a covenant by the Company, TopCo, or any Member is curable by the Company, TopCo, or such Member through the use of reasonable efforts within ten (10) Business Days after Buyer notifies the Company in writing of the existence of such inaccuracy or breach (the "**Member Cure Period**"), then Buyer may not terminate this Agreement under this Section 9.1(d) as a result of such inaccuracy or breach prior to the expiration of the Member Cure Period, *provided* the Company, TopCo, or the applicable Member, during the Member Cure Period, continues to exercise reasonable efforts to cure such inaccuracy or breach (it being understood that Buyer may not terminate this Agreement pursuant to this Section 9.1(d) with respect to such inaccuracy or breach if such inaccuracy or breach is cured prior to the expiration of the Member Cure Period);

(e) by the Company if: (i) any of Buyer's representations and warranties contained in this Agreement shall be inaccurate as of the Agreement Date, or shall have become inaccurate as of a date subsequent to the Agreement Date, such that the condition set forth in Section 8.1 would not be satisfied; or (ii) if any of Buyer's covenants contained in this Agreement shall have been breached such that the condition set forth in Section 8.2 would not be satisfied; *provided, however*, that if an inaccuracy in any of Buyer's representations and warranties as of a date subsequent to the Agreement Date or a breach of a covenant by Buyer is curable by Buyer through the use of reasonable efforts within ten (10) Business Days after the Company notifies Buyer in writing of the existence of such inaccuracy or breach (the "**Buyer Cure Period**"), then the Company may not terminate this Agreement under this Section 9.1(e) as a result of such inaccuracy or breach prior to the expiration of the Buyer Cure Period, *provided* Buyer, during the Buyer Cure Period, continues to exercise reasonable efforts to cure such inaccuracy or breach (it being understood that the Company may not terminate this Agreement pursuant to this Section 9.1(e) with respect to such inaccuracy or breach if such inaccuracy or breach is cured prior to the expiration of the Buyer Cure Period).

9.2 Termination Procedures. If Buyer wishes to terminate this Agreement pursuant to Section 9.1, Buyer shall deliver to the Company a written notice stating that Buyer is terminating this Agreement and setting forth a brief description of the basis on which Buyer is terminating this Agreement. If the Company wishes to terminate this Agreement pursuant to Section 9.1, the Company shall deliver to Buyer a written notice stating that the Company is terminating this Agreement and setting forth a brief description of the basis on which the Company is terminating this Agreement.

9.3 Effect of Termination. If this Agreement is terminated pursuant to Section 9.1, all further obligations of the parties under this Agreement shall terminate; *provided, however*, that: (a) neither the Company, TopCo, any Member, nor Buyer shall be relieved of any obligation or Liability arising from any willful breach by such party of any provision of, contained in this Agreement; (b) the parties shall, in all events, remain bound by and continue to be subject to the provisions set forth in Article XI; and (c) the parties shall, in all events, remain bound by and continue to be subject to Sections 6.6, 6.13, and 6.15.

ARTICLE X

INDEMNIFICATION

10.1 Survival of Representations, Covenants and Agreements.

(a) General Survival. Subject to Section 10.1(c), the representations and warranties of the Company made in this Agreement and the Company Closing Certificate (in each case other than the Company Core IP Representations and the Company Fundamental Representations) shall survive the Closing until 11:59 pm (Eastern time) on the date that is twelve (12) months following the Closing Date (the "**Expiration Date**"); *provided, however*, that if, at any time on or prior to the Expiration Date, any Buyer Indemnified Party delivers a written notice in accordance with the terms hereof, alleging the existence of an inaccuracy in or a breach of any of such representations and warranties and asserting a claim for recovery under Section 10.2 based on such alleged inaccuracy or breach, then the claim asserted in such notice shall survive the Expiration Date until such time as such claim is fully and finally resolved. The representations and warranties of Buyer contained in this Agreement, the Transaction Documents or in any certificate or other instrument delivered pursuant to this Agreement shall terminate at the Closing.

(b) Fundamental Representations. Notwithstanding anything to the contrary contained in Section 10.1(a), but subject to Section 10.1(c), (i) the Company Core IP Representations shall survive the Closing until 11:59 pm (Eastern time) on the third anniversary of the Closing Date and (ii) the Company Fundamental Representations shall survive until the thirtieth (30th) day following the expiration of the longest statute of limitations applicable to the subject matter thereof; *provided, however*, that if, at any time on or prior to the expiration of all applicable statutes of limitation referred to in this sentence, any Buyer Indemnified Party delivers a written notice in accordance with the terms hereof, alleging the existence of an inaccuracy in or a breach of any Company Fundamental Representation and asserting a claim for recovery under Section 10.2 based on such alleged inaccuracy or breach, then the claim asserted in such notice shall survive the applicable expiration date until such time as such claim is fully and finally resolved.

(c) Fraud. Notwithstanding anything to the contrary contained in Section 10.1(a) or Section 10.1(b), the limitations set forth in Section 10.1(a) and Section 10.1(b) shall not apply in the event of any fraud, intentional misrepresentation or willful breach by or on behalf of the Company, TopCo, or any Member.

(d) PPP Loan Indemnification. Notwithstanding anything to the contrary contained in Section 10.1(a) or Section 10.1(b), the representations and warranties set forth in Section 4.27, and the indemnification obligations of the Members in Section 10.2(a)(vii) shall survive the Closing until 11:59 pm (Eastern time) on the date that is six (6) years following the date on which the PPP Loan has been discharged in full (whether by forgiveness or repayment) or such later date that is the final date of the period during which the U.S. Small Business Administration may conduct audits or reviews of the PPP Loan pursuant to the CARES Act (such date, the "**PPP Termination Date**").

(e) Covenants. Any covenant or obligation of the Company, TopCo, the Members, or the Members' Representative in this Agreement shall survive the Closing until the date fully performed.

(f) General. Except to the extent that a different time period is expressly set forth herein for a particular cause of action, actions hereunder may be brought at any time prior to the maximum period allowable under Section 8106(c) of Title 10 of the State of Delaware Code.

10.2 Indemnification.

(a) Indemnification of Buyer Indemnified Parties. From and after the Closing, each Member (severally and not jointly, in accordance with its Pro Rata Portion) shall indemnify and hold harmless Buyer and its respective officers, directors, employees, agents and Affiliates (including, from and after the Closing, the Company), and their respective direct and indirect partners, members, shareholders, directors, officers, employees and agents (collectively, the "**Buyer Indemnified Parties**") from and against any and all Losses directly or indirectly arising out of, related to, accrued or incurred in connection with:

(i) any breach of or inaccuracies in any representation or warranty made by the Company, TopCo, or the Members in this Agreement or in any certificate delivered to Buyer at the Closing (other than Losses arising out of, related to, accrued or incurred in connection with any breach of or inaccuracies in any representation or warranties in Article II, for which only the applicable Member responsible for such breach shall indemnify and hold harmless the Buyer Indemnified Parties);

(ii) any breach or nonperformance of any covenant or obligation in this Agreement to be performed by the Members, TopCo, or the Company hereunder (other than Losses arising out of, related to, accrued or incurred in connection with any breach or nonperformance of any covenant or obligation in this Agreement to be performed by a Member in his, her, or its capacity as a Member, for which only the applicable Member responsible for such breach or nonperformance shall indemnify and hold harmless the Buyer Indemnified Parties);

(iii) regardless of the disclosure of any matter set forth in the Disclosure Schedule, any inaccuracy in any information, or breach of any representation or warranty, set forth in a Consideration Spreadsheet, including any failure to properly calculate the Company Cash, Company Cash Deficiency, Company Transaction Expenses, the Closing Indebtedness Amount, the Purchase Price, the Purchase Price Escrow Pro Rata Portion, or the Pro Rata Portion;

(iv) (A) any fraud or intentional misrepresentation committed by the Company, the Members, TopCo, or any of its or their Representatives or Affiliates in connection with the Transactions or (B) any willful breach of this Agreement or any Transaction Documents committed by the Company, the Members, TopCo, or any of its or their Representatives or Affiliates;

(v) without duplication of any amounts treated as Indebtedness that reduced the Purchase Price, any Pre-Closing Taxes;

(vi) any Member-Related Claims;

(vii) the PPP Loan, including any obligation to repay the PPP Loan in whole or in part when due;

(viii) without duplication of any indemnifiable loss of the Company satisfied in full pursuant to the Pearl Acquisition Agreement, any indemnifiable loss of the Company under the Pearl Acquisition Agreement, including as a result of or arising from (A) any breach of the representations and warranties of Pearl set forth therein or in the other Transaction Documents, Schedules or certificates delivered in connection therewith (each capitalized term as defined in the Pearl Acquisition Agreement), (B) any breach or

nonfulfillment of any covenant or agreement on the part of Pearl under the Pearl Acquisition Agreement or the other Transaction Documents (as defined in the Pearl Acquisition Agreement), (C) the Excluded Liabilities (as defined in the Pearl Acquisition Agreement), or (D) all Taxes arising from the transactions contemplated by the Pearl Acquisition Agreement;

(ix) the matters set forth on Schedule 10.2(a)(ix) (collectively, "**Specified Matters**").

(x) any costs and expenses of enforcement to recover Losses due to any Buyer Indemnified Party under this Article X.

(b) Materiality. For purposes of determining whether or not there has been an inaccuracy or breach of a representation or warranty as well as the amount of any Loss incurred in connection with any inaccuracy or a breach of a representation or warranty for which a Buyer Indemnified Party is entitled to indemnification pursuant to Section 10.2(a)(i), all references to "material" or "Material Adverse Effect" or other similar qualifiers included in such representations and warranties shall be disregarded.

10.3 Limitations.

(a) Deductible. Subject to Section 10.3(c), no Buyer Indemnified Party shall be entitled to any indemnification payment pursuant to Section 10.2(a)(i) for any inaccuracy in or breach of any representation or warranty in this Agreement until such time as the total amount of all Loss (including the Loss arising from such inaccuracy or breach and all other Loss arising from any other inaccuracies or breaches of any representations or warranties) that have been directly or indirectly suffered or incurred by any one or more of such Buyer Indemnified Parties exceeds $ $701,250 in the aggregate (the "**Deductible Amount**"). If the total amount of such Loss exceeds the Deductible Amount, then the Buyer Indemnified Parties shall be entitled to be indemnified against and compensated and reimbursed for the portion of such Loss exceeding the Deductible Amount.

(b) Recourse to Escrow Fund. Subject to Section 10.3(c), recourse by the Buyer Indemnified Parties to the Retention Escrow Fund and R&W Insurance Policy shall be the Buyer Indemnified Parties' sole and exclusive remedy under this Agreement against Members for monetary Loss resulting from the matters referred to in Section 10.2(a)(i).

(c) Applicability of Escrow Amount Cap; Indemnification Cap.

(i) Notwithstanding anything in this Article X to the contrary, the limitations set forth in Section 10.3(a) and Section 10.3(a) shall not apply (and shall not limit the indemnification or other obligations of any Member): (A) in the event of any claim of fraud, intentional misrepresentation or willful breach by or on behalf of the Company, TopCo, or any Member; or (B) for inaccuracies in or breaches of the Company Fundamental Representations or the Company Core IP Representations.

(ii) The total amount of indemnification payments that each Member can be required to make to the Buyer Indemnified Parties pursuant to Section 10.2(a) (in excess of the amount, if any, that was withheld with respect to such Member as a contribution to the Retention Escrow Fund and paid to Buyer or any other Buyer Indemnified Party out of the Retention Escrow Fund) shall be limited to an amount equal to (A) the aggregate cash actually paid and Buyer Shares actually issued to such Member (or to TopCo for the benefit

of such Member) pursuant to his, her, or its Redemption Agreement (prior to deduction of any Taxes, if any), *plus* (B) the aggregate amount actually paid to such Member pursuant to Annex I of the Operating Agreement (the "**Member Cap**"), *provided, however*, that the maximum liability with respect to inaccuracies or breaches of the Company Core IP Representations, to the extent the Buyer Indemnified Parties do not receive payment in respect thereof from the R&W Insurance Policy, shall not exceed an amount equal to 50% of the Member Cap. For the avoidance of doubt, the foregoing shall not limit or otherwise restrict the right of any Buyer Indemnified Party to pursue remedies (X) under any Transaction Document against the parties thereto or (Y) in connection with any claim of fraud, intentional misrepresentation or willful breach by or on behalf of the Company, TopCo or any Member (for which there shall be no limitation of liability hereunder).

(iii) Except with respect to (X) any claim of fraud, intentional misrepresentation or willful breach by or on behalf of the Company, TopCo, or any Member, and (Y) inaccuracies in or breaches of any Company Fundamental Representations, for the matters referred to in Section 10.2(a)(i), the following order of priority shall apply for recovery: (1) first, after the Deductible Amount (except with respect to Company Core IP Representations, to which the Deductible Amount does not apply), from the Retention Escrow Fund until such funds are exhausted; (2) second, to the extent covered by R&W Insurance Policy, from the R&W Insurance Policy by collecting insurance proceeds therefrom, provided that with respect to inaccuracies or breaches of any Company Core IP Representation, if the retention under the R&W Insurance Policy is not satisfied, Loss shall be recovered from the Members to the extent necessary to satisfy the retention prior to recovery from the R&W Insurance Policy; and (3) third, with respect to inaccuracies in or breaches of any Company Core IP Representation, directly from the Members.

(iv) With respect to (X) any claim of fraud, intentional misrepresentation or willful breach by or on behalf of the Company, TopCo, or any Member; (Y) inaccuracies in or breaches of any Company Fundamental Representations; and (Z) any of the matters referred to in Sections 10.2(a)(ii) through 10.2(a)(x), inclusive, the Buyer Indemnified Parties may, in their sole and absolute discretion, seek to recover amounts in respect of such claims, without order of priority, (1) directly from the Members, (2) from the Retention Escrow Fund or (3) to the extent covered by R&W Insurance Policy, from the R&W Insurance Policy by collecting insurance proceeds therefrom.

(d) The right to indemnification based on representations, warranties, covenants and obligations in this Agreement will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification based on such representations, warranties, covenants and obligations.

(e) Notwithstanding any other provision of this Agreement to the contrary, but subject to Section 10.3(f) below, this Article X shall be the sole and exclusive remedy of the Buyer Indemnified Parties from and after the Closing for any claims arising under, or in connection with, this Agreement, including claims of any inaccuracy in or breach of any representation, warranty or covenant in this Agreement or any certificate delivered pursuant hereto; *provided, however*, that this Section 10.3(e) shall not be deemed a waiver by any party of any right to specific performance or injunctive relief; *provided, further*, that this Section 10.3(e) shall not prevent or limit any claim in the event of fraud, intentional misrepresentation or willful breach by or on behalf of the Company, TopCo, or any Member.

(f) Nothing in this Agreement shall limit the right of Buyer or any other Buyer Indemnified Party to pursue remedies under any Transaction Document against the parties thereto.

(g) All payments (if any) made to a Buyer Indemnified Party in connection with a breach of this Agreement will be treated as adjustments to the Purchase Price for Tax purposes and such agreed treatment will govern for purposes of this Agreement, unless otherwise required by Law.

(h) No Buyer Indemnified Party is to be entitled to recover any Losses pursuant to this Article X to the extent such Buyer Indemnified Party has recovered the full cash amount of such Losses pursuant to another provision of this Agreement or otherwise, so as to avoid duplication or "double counting" of the same Losses. For the avoidance of doubt, if a Buyer Indemnified Party is entitled to indemnification under more than one provision of this Agreement with respect to Losses, then such Buyer Indemnified Party shall be entitled to only one indemnification or recovery for such Losses to the extent it arises out of the same set of circumstances and events. This Section 10.3(h) is intended solely to preclude a duplicate recovery by a Buyer Indemnified Party. Nothing herein shall preclude a Buyer Indemnified Party from seeking the maximum amount of potential indemnifiable Losses in accordance with the terms of this Agreement.

10.4 No Contribution. TopCo and each Member waives, and acknowledges and agrees that TopCo or such Member shall not have and shall not exercise or assert (or attempt to exercise or assert), any right of contribution, right of indemnity or advancement of expenses or other right or remedy against the Company in connection with any indemnification obligation or any other Liability to which TopCo or such Member may become subject under or in connection with this Agreement or any other Transaction Document. Effective as of the Closing, the Members' Representative, on behalf of itself , TopCo, and each Member, and TopCo and each Member expressly waives and releases any and all rights of subrogation, contribution, advancement, indemnification or other claim against Buyer or the Company.

10.5 Claims Procedures. Other than in respect of claims to be made under the R&W Insurance Policy as set forth in this Article X, any claim for indemnification pursuant to this Article X (and, at the option of any Buyer Indemnified Party, any claim pursuant to Section 10.2(a)(iv)) shall be brought and resolved as follows:

(a) If any Buyer Indemnified Party has or claims in good faith to have incurred or suffered, or believes in good faith that it may incur or suffer, Loss for which it is or may be entitled to indemnification under this Article X or for which it is or may otherwise be entitled to a monetary remedy relating to this Agreement, the Transactions or any of the Transactions or thereby, such Buyer Indemnified Party may deliver a claim certificate (a "**Claim Certificate**") to the Members' Representative. Each Claim Certificate shall: (i) contain a brief description of the facts and circumstances supporting the Buyer Indemnified Party's claim; and (ii) if practicable, contain a non-binding, preliminary, good faith estimate of the amount to which the Buyer Indemnified Party might be entitled. Such Buyer Indemnified Party may update a Claim Certificate from time to time to reflect any change in circumstances following the date thereof. If a claim under this Article X may be brought under different or multiple sections, clauses or sub-clauses of Article X (or with respect to different or multiple representations, warrants or covenants), then, subject to the conditions, qualifications and limitations and other provisions of this Article X, the Buyer Indemnified Party shall have the right to bring such claim under any or each such section, clause, subclauses, representation, warranty or covenant (each a "**Subject Provision**") that it chooses, and the Buyer Indemnified Party will not be precluded from seeking indemnification under any Subject Provision by virtue of the Buyer Indemnified Party not being entitled to seek indemnification under any other Subject Provision.

(b) Notwithstanding the foregoing, to the extent permitted under this Article X, any Buyer Indemnified Party may make a claim directly against the Members by delivering a Claim Certificate to such Member. Such Buyer Indemnified Party may update a Claim Certificate from time to time to reflect any change in circumstances following the date thereof.

(c) After the giving of any Claim Certificate pursuant hereto, the amount of indemnification to which a Buyer Indemnified Party shall be entitled under this Article X shall be determined (i) by the written agreement between the Buyer Indemnified Party and the Members' Representative, (ii) by a final judgment or decree of any court of competent jurisdiction or (iii) by any other means to which the Buyer Indemnified Party and the Members' Representative shall agree. For purposes of this Agreement, the judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined.

(d) Subject to Section 10.7 and the limitations set forth in Section 10.3, in the event that any Losses are determined to be owed to any Buyer Indemnified Party, each Member shall promptly, and in no event later than five (5) Business Days after the determination of Losses hereunder, wire transfer to Buyer an amount equal to the product of (x) such Member's Pro Rata Portion, *multiplied by* (y) the aggregate amount of such Losses (other than Losses arising out of, related to or incurred or accrued in connection with any breach of or inaccuracies in any representation or warranties made by a Member in Article II or any fraud, intentional misrepresentation or willful breach by a Member, for which the applicable Member responsible for such breach or act shall wire transfer to Buyer an amount equal to the entire aggregate amount of such Loss).

(e) Notwithstanding anything to the contrary in this Agreement, the parties hereby acknowledge and agree, that in addition to any other right hereunder, if any Losses are determined to be owed to any Buyer Indemnified Party, then, subject to the limitations contained in Section 10.3, Buyer may, in its sole discretion, from time to time elect to set-off the amount of such Losses from any amount that is payable pursuant to Annex I of the Operating Agreement, including for the avoidance of doubt, if such amount becomes payable following the expiration of any of the survival periods set forth in Section 10.1 hereof.

10.6 Third Party Claims.

(a) Third Party Claims. If any Buyer Indemnified Party receives notice of the assertion or commencement of any claim or Action (whether against the Company, Buyer or any other Person) made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of any of the foregoing (a "**Third Party Claim**") against such Buyer Indemnified Party with respect to which the Members are obligated to provide indemnification under this Agreement, the Buyer Indemnified Party shall give the Members' Representative reasonably prompt written notice thereof. The failure to promptly give such written notice shall not, however, relieve the Members of their indemnification obligations, except and only to the extent that the Members are actually and materially prejudiced thereby. Such notice by the Buyer Indemnified Party shall describe the Third Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that have been or may be sustained by the Buyer Indemnified Party. With respect to any Third Party Claim for which any Buyer Indemnified Party is seeking indemnification hereunder, the Buyer Indemnified Party shall have the right to defend (at the expense of the Members) or to settle or compromise such claim; *provided* that any such settlement or compromise made without the Members' Representative's consent (not to be unreasonably conditioned, delayed or withheld) shall not be determinative of the amount of any Losses under this Agreement. The Members' Representative (at the expense of the Members) shall be entitled, at its sole option and expense, to

participate in, but not to determine or conduct, the defense of any such Third Party Claim; *provided*, *further*, that, for the sake of clarity, it is agreed that the Members shall not have the ability, without the prior written consent of such Buyer Indemnified Party, to petition, make any motion to, or take any other procedural action in connection with such Third Party Claim.

(b) Cooperation. The Members' Representative, TopCo, the Members, and the Buyer Indemnified Party shall each use commercially reasonable efforts in good faith to cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including, upon the reasonable request of Buyer, providing copies of records within the Company's, Member's, or TopCo's possession or control relating to such Third Party Claim and making available, without expense (other than reimbursement of actual out-of-pocket expenses), Representatives of the Company, Members, or TopCo as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

10.7 Release from Escrow.

(a) Within five (5) Business Days after the Expiration Date, Buyer will notify the Members' Representative in writing of the amount that Buyer determines in good faith to be necessary to satisfy all claims for indemnification that have been asserted against the Retention Escrow Fund, but not resolved on or prior to 11:59 p.m. (Eastern time) on the Expiration Date (each such claim a "**Continuing Claim**" and such amount, the "**Retained Escrow Amount**"). Subject to Section 10.7(d), within five (5) Business Days following the Expiration Date, Buyer and the Members' Representative shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release from the Retention Escrow Fund an amount in the aggregate equal to (i) the amount held in the Retention Escrow Fund as of the Expiration Date (as reduced from time to time pursuant to the terms of this Agreement) *minus* (ii) the Retained Escrow Amount, for distribution to each Member, it being acknowledged and agreed that such amount shall be released to the Payment Agent for distribution to the Members in accordance with their respective Pro Rata Portions. Upon the full and final resolution of any Continuing Claims, all remaining funds in the Retention Escrow Fund shall be distributed to the Members in accordance with the procedures set forth in this Section 10.7(a).

(b) Upon the forgiveness (in whole or in part) of the PPP Loan following a PPP Forgiveness Application submitted in accordance with the terms hereof, and confirmation of the discharge of the forgiven amount of such PPP Loan from the PPP Lender (the date of such occurrence, "**PPP Forgiveness Date**"), Buyer and the Members' Representative shall execute and deliver joint written instructions to the PPP Lender instructing the PPP Lender to promptly use the PPP Loan Escrow Amount to discharge any remaining obligations or liabilities outstanding in respect of the PPP Loan after giving effect to any forgiveness effected, and thereafter cause the full amount of any remaining amount of the PPP Loan Escrow Amount to be distributed to the Members, subject to Section 10.7(d).

(c) Within five (5) Business Days after the date that is three (3) years following the Closing Date (the "**Specified Matters Expiration Date**"), Buyer will notify the Members' Representative in writing of the amount that Buyer determines in good faith to be necessary to satisfy all Continuing Claims that have been asserted against the Specified Matters Escrow Fund, but not resolved on or prior to 11:59 p.m. (Eastern time) on the Specified Matters Expiration Date (such amount, the "**Specified Matters Retained Escrow Amount**"). Subject to Section 10.7(d), within five (5) Business Days following the Specified Matters Expiration Date, Buyer and the Members' Representative shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release from the Specified Matters Escrow Fund an amount in the aggregate equal to (i) the amount held in the Specified Matters Escrow Fund as of the Specified Matters Expiration Date (as reduced from time to time pursuant to the terms of this Agreement) *minus* (ii) the Specified Matters Retained Escrow Amount, for distribution to each Member, it being acknowledged and agreed that such amount shall be released to the Payment Agent for distribution

to the Members in accordance with their respective Pro Rata Portions. Upon the full and final resolution of any Continuing Claims in respect of any Specified Matters, all remaining funds in the Specified Matters Escrow Fund shall be distributed to the Members in accordance with the procedures set forth in this Section 10.7(c).

(d) With respect to any amount to be released to the Members pursuant to the Escrow Agreement or Section 10.7(b), as applicable: (i) each distribution to be made from the Retention Escrow Fund, the PPP Loan Escrow Fund, or the Specified Matters Escrow Fund to a particular Member shall be effected in accordance with the payment delivery instructions and in the amounts set forth in the applicable Consideration Spreadsheet; and (ii) all written instructions to be delivered to the Escrow Agent with respect to any distribution from the Escrow Fund shall be consistent with this Section 10.7(d).

ARTICLE XI
MISCELLANEOUS PROVISIONS

11.1 Amendment and Modification. Prior to Closing, this Agreement may be amended, modified, and supplemented only by written agreement of Buyer and the Company. From and after Closing, this Agreement may be amended, modified and supplemented only by written agreement of Buyer and the Members' Representative.

11.2 Waiver of Compliance. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power, or privilege under this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable Law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

11.3 Notices. All notices, requests, consents and other communications hereunder shall be deemed given: (i) when delivered if delivered personally (including by courier); (ii) on the third day after mailing, if mailed, postage prepaid, by registered or certified mail (return receipt requested); (iii) on the day after mailing if sent by a nationally recognized overnight delivery service which maintains records of the time, place, and recipient of delivery; or (iv) upon receipt of a confirmed transmission, if sent by telex, telecopy, email or facsimile transmission, in each case to the parties at the following addresses or to other such addresses as may be furnished in writing (in accordance with this Section 11.3) by one party to the others:

if to the Members, TopCo, or the Members' Representative, then to:

Bruce Thompson
CarOffer, LLC
2701 E. Plano Parkway, Suite 100
Plano, TX 75074
Email: bruce@caroffer.com

with a copy (which shall not constitute notice) to:

Munck Wilson Mandala, LLP
12770 Coit Road, Suite 600
Dallas, TX 75251
Attn: Randall G. Ray
Email: rray@munckwilson.com

if to Buyer, then to:

CarGurus, Inc.
2 Canal Park, 4th Floor
Cambridge, MA 02141
Attn: General Counsel
Email: legal@cargurus.com

with a copy to (which shall not constitute notice):

Goodwin Procter LLP
100 Northern Avenue
Boston, MA 02210
Attn: Robert E. Bishop and Nathan E. Hagler
Email: rbishop@goodwinlaw.com and nhagler@goodwinlaw.com

11.4 Binding Nature; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without prior written consent of the other parties. Notwithstanding the foregoing, Buyer may assign or transfer all or any part of its rights and obligations under this Agreement to an Affiliate of Buyer without written consent, provided that no such assignment or transfer shall relieve Buyer of its obligations under this Agreement. Nothing contained herein, express or implied, is intended to confer on any person other than the parties hereto or their successors and permitted assigns, any rights, claims, benefits, remedies, obligations or Liabilities under or by reason of this Agreement.

11.5 Entire Agreement. This Agreement, along with the other Transaction Documents and the schedules and exhibits hereto and thereto, embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein; *provided, however*, that this provision shall in no way limit a party's rights against any other party in connection with fraud, intentional misrepresentation or willful breach.

11.6 Expenses. Except as otherwise expressly provided herein, each party to this Agreement will pay its own costs and expenses in connection with the negotiation of this Agreement, the performance of its obligations hereunder, and the consummation of the transactions contemplated herein.

11.7 Press Releases and Announcements. No press release related to this Agreement or the transactions contemplated herein, or other public announcement or announcement to the employees, customers, or suppliers of the Company, will be issued by the Company, TopCo, or any Member without the prior written approval of Buyer, except as otherwise required by Law.

11.8 Governing Law. This Agreement shall be construed in accordance with, and governed in all respects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

11.9 Jurisdiction; Service of Process. Any legal proceeding, suit or other Action relating to this Agreement or the enforcement of any provision of this Agreement (including an legal proceeding, suit or other Action based upon fraud, intentional misrepresentation or willful breach) shall be brought or otherwise commenced exclusively in the Delaware Court of Chancery, and to the extent the Delaware Court of Chancery rejects jurisdiction, in any state or federal court located in the County of New Castle, State of Delaware. Each party to this Agreement: (i) expressly and irrevocably consents and submits to the exclusive jurisdiction in the Delaware Court of Chancery, and to the extent the Delaware Court of Chancery rejects jurisdiction, each state and federal court located in the County of New Castle, State of Delaware (and each appellate court located in the County of New Castle, State of Delaware) in connection with any such action, suit or Action; (ii) agrees that the Delaware Court of Chancery and each state and federal court located in the County of New Castle, State of Delaware shall be deemed to be a convenient forum; and (iii) agrees not to assert (by way of motion, as a defense or otherwise), in any such action, suit or Action commenced in the Delaware Court of Chancery or any state or federal court located in the County of New Castle, State of Delaware, any claim that such party is not subject personally to the jurisdiction of such court, that such action, suit or Action has been brought in an inconvenient forum, that the venue of such legal proceeding, suit or other Action is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

11.10 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.11 Interpretation. All references to immediately available funds or dollar amounts contained in this Agreement means United States dollars except where specifically provided to the contrary. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The parties acknowledge and agree that (i) each party and its counsel have reviewed the terms and provisions of this Agreement and have contributed to its revision, (ii) the normal rule of construction, to the effect that any ambiguities are resolved against the drafting party, shall not be employed in the interpretation of it, and (iii) the terms and provisions of this Agreement shall be constructed fairly as to all parties hereto and not in favor or against any party, regardless of which party was generally responsible for the preparation of this Agreement. All references to schedules and exhibits refer to the schedules and exhibits of this Agreement, unless otherwise expressly provided. The term "including" means "including without limitation."

11.12 Specific Performance. Each of the parties hereto acknowledges and agrees that the other parties hereto would be irreparably damaged in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of the parties hereto agrees that, in addition to any other remedy to which such party may be entitled at law or in equity, they each shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement, the terms and provisions hereof.

11.13 Severability. If any provision of this Agreement or the application of any such provision to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof. The parties further agree to replace any such invalid or unenforceable provisions of this Agreement with valid and enforceable provisions which will achieve, to the extent possible, the economic, business and other purposes of the invalid or unenforceable provisions.

11.14 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Any such counterpart may be executed by facsimile signature or other electronic means of delivery (including via portable document format (.pdf)) with only verbal confirmation, and when so executed and delivered shall be deemed an original and such counterpart(s) together shall constitute only one original.

11.15 Members' Representative.

(a) TopCo and each Member by the adoption of this Agreement and by their signature hereunder irrevocably and unconditionally authorizes the Members' Representative (i) to take any and all additional action as is contemplated to be taken or otherwise may be taken by or on behalf of the Company, TopCo, or the Members by or under the terms of this Agreement, including any waivers of Closing conditions or waivers of other TopCo or Member rights and any agreement to terminate or alter this Agreement, (ii) to take all action necessary to the defense and/or settlement of any claims for which the Members may be required to indemnify the Buyer Indemnified Parties pursuant to Article X hereof, and (iii) to give and receive all notices required to be given or received by TopCo or the Members under this Agreement.

(b) All decisions and actions by the Members' Representative, including, without limitation, any agreement between the Members' Representative and Buyer relating to the defense or settlement of any claims for which the Members may be required to indemnify the Buyer Indemnified Parties pursuant to Article X hereof, shall be binding upon TopCo and all Members, and neither the Company, TopCo, nor any Member shall have the right to object, dissent, protest or otherwise contest the same.

(c) The Members' Representative shall not have any liability to TopCo or any Member for any act done or omitted hereunder as Members' Representative while acting in good faith and in the exercise of reasonable judgment, and any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith. The Members shall severally but not jointly indemnify the Members' Representative and hold it harmless against any loss, Liability or expense incurred without gross negligence or bad faith on the part of the Members' Representative and arising out of or in connection with the acceptance or administration of its duties hereunder. The Members' Representative shall be entitled to be reimbursed for reasonable expenses incurred in the performance of its duties (including, without limitation, the reasonable fees of counsel) by the Members, *provided* that the Members' Representative shall first seek recourse with respect to such reasonable expenses from the Representative Expense Fund to the extent of the balance thereof.

(d) The Members' Representative shall have reasonable access to relevant information about the Business for purposes of performing its duties and exercising his rights hereunder; *provided* that the Members' Representative shall treat confidentially and not disclose any nonpublic information from or about the Business or Buyer to anyone (except on a need-to-know basis to individuals who agree to treat such information confidentially) and execute a non-disclosure agreement in the form provided by Buyer.

(e) By his, her or its adoption of this Agreement, TopCo and each Member agrees, in addition to the foregoing, that:

(i) Buyer shall be entitled to rely conclusively on the instructions and decisions of the Members' Representative as to the settlement of any claims for indemnification by Buyer pursuant to Article X hereof, or any other actions required or permitted to be taken by the Members' Representative hereunder, and no party hereunder shall have any cause of action against Buyer for any action taken by Buyer in reliance upon the instructions or decisions of the Members' Representative;

(ii) all actions, decisions and instructions of the Members' Representative shall be conclusive and binding upon TopCo and all of the Members, and neither TopCo nor any Member shall have any cause of action against the Members' Representative for any action taken, decision made or instruction given by the Members' Representative under this Agreement, except for fraud or willful misconduct by the Members' Representative in connection with the matters described in this Section 11.15;

(iii) the provisions of this Section 11.15 are independent and severable, are irrevocable and coupled with an interest and shall be enforceable notwithstanding any rights or remedies that TopCo or any Member may have in connection with the Transactions; and

(iv) the provisions of this Section 11.15 shall be binding upon the executors, heirs, legal representatives, personal representatives, successor trustees and successors of TopCo and each Member, and any references in this Agreement to TopCo or to a Member shall mean and include the successors to the rights of TopCo or such Member (as applicable) hereunder, whether pursuant to testamentary disposition, the laws of descent and distribution or otherwise.

11.16 Provisions Regarding Legal Representation; Attorney Client Privilege.

(a) Each of the parties hereto acknowledges that Munck Wilson Mandala, LLP ("**MWM**") has acted as joint counsel to the Company and the Members in connection with the negotiation of this Agreement and consummation of the Transactions. Buyer hereby consents and agrees to MWM representing any of the Members after the Closing, including with respect to disputes in which the interests of the Members may be directly adverse to Buyer. Buyer and the Company further consent and agree to the communication by MWM to the Members in connection with any such representation of any fact known to MWM arising by reason of MWM's representation of the Company prior to the Closing. In connection with the foregoing, Buyer hereby irrevocably waives and agrees not to assert, and agrees to cause the Company to irrevocably waive and not to assert, any claim that it has or may have a conflict of interest arising from or in connection with MWM's representation of the Company or any of the Members prior to the Closing.

(b) Buyer further agrees, on behalf of itself and, after the Closing, on behalf of the Company, that all communications in any form or format whatsoever between or among any of MWM, the Company, or any of the Members, or any of their respective Representatives, that relate to the negotiation, documentation and consummation of the transactions contemplated by this Agreement (other than communications related to the preparation of the Schedules) or, beginning on the Agreement Date and ending on the Closing, any dispute arising under this Agreement (the "**Deal Communications**") shall be deemed to be retained, owned and controlled collectively by the Members and shall not pass to or be claimed by Buyer or, after the Closing, the Company. All Deal Communications that are attorney-client privileged (the "**Privileged Deal Communications**") shall remain privileged after the Closing and the privilege and the expectation of client confidence relating thereto shall belong solely to and controlled by the Members and, except as provided below, shall not pass to or be claimed by Buyer or the Company.

(c) Notwithstanding the foregoing, in the event that the Buyer or the Company (the "**Buyer Parties**") requests access to the Privileged Deal Communications after the Closing, the Members agree that they will not unreasonably withhold, condition, or delay their consent to such access. The Members hereby agree that it would be unreasonable to withhold, condition, or delay their consent to access the Privileged Deal Communications if such access is necessary to permit the Buyer or the Company to (i) defend against any Action involving a third party, including a Governmental Authority, other than the Members or (ii) respond to any request or order, from a Governmental Authority, (a "**Legal Request**") to access or obtain a copy of all or a portion of the Privileged Deal Communications. Each of the parties hereto further understands and agrees that any future access to or disclosure of Privileged Deal Communications to the Buyer Parties will not prejudice or otherwise constitute a waiver of any claim of privilege. In the event of any Legal Request, Buyer or the Company shall promptly notify the Members in writing (prior to the disclosure by the Buyer Parties of any Privileged Deal Communications to the extent practicable) so that the Members can seek a protective order and Buyer agrees to use all commercially reasonable efforts (at the sole cost and expense of the Members) to assist therewith.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

BUYER:

CARGURUS, INC.

By: /s/ Jason Trevisan
Name: Jason Trevisan
Title: Chief Financial Officer

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

COMPANY:

CAROFFER, LLC

By: /s/ Bruce Thompson
Bruce Thompson, Chief Executive Officer

TOPCO:

CAROFFER INVESTORS HOLDING, LLC

By: /s/ Bruce Thompson
Bruce Thompson, Chief Executive Officer

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

HEALTH DIAGNOSTICS, LLC
a Delaware limited liability company

By: /s/ Bradford G. Peters
Bradford G. Peters, Managing Member

BLACKFIN CAPITAL, LLC,
a Delaware limited liability company

By: /s/ Bradford G. Peters
Bradford G. Peters. Managing Member

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

JOHN PAUL DEJORIA FAMILY TRUST

By: /s/ John Paul DeJoria
John Paul DeJoria, Trustee

JPD 2019 GIFT TRUST

By: /s/ John Paul DeJoria
John Paul DeJoria, Trustee

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

ORIENT EXPLORATION, LLC,
a Delaware limited liability company

By: /s/ Michael Lance
Michael Lance, President

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

REFFORAC HOLDINGS, LLC,
a Florida limited liability company

By: /s/ Mark S. Krejci
Mark S. Krejci, Manager

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

By: /s/ Matthew Lance
MATTHEW LANCE

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

SCHNITZER INTERESTS, LTD.,
a Texas limited partnership

By: KDGP LLC,
a Texas limited liability company
its general partner

By: /s/ Jack Kins
Jack Kins, Vice President

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

WONRAC, LLC,
a Texas limited liability company

By: /s/ Steven R. Burns
Steven R. Burns, Managing Member

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

T5 HOLDINGS, L.P.,
a Texas limited partnership

By: T1 Management Group, L.L.C.,
a Texas limited liability company,
its general partner

By: /s/ Bruce Thompson
Bruce Thompson, President

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

D BAR E, LTD.
a Texas limited partnership
By: Bellvis Management, L.L.C.,
a Texas limited liability company,
its general partner

By: /s/ Dwight H. Emanuelson Jr.
Dwight H. Emanuelson Jr., Managing Member

DWIGHT H. EMANUELSON JR. AND CLAIRE S. EMANUELSON TIC

/s/ Dwight H. Emanuelson, Jr.
Dwight H. Emanuelson, Jr.

/s/ Claire S Emanuelson
Claire S Emanuelson

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

PAUL B. STEVENSON TTEE U/A DTD 8/4/1993
DWIGHT H. EMANUELSON JR. BY CLAIRE S.
EMANUELSON ET AL

By: /s/ Paul B. Stevenson
Paul B. Stevenson, Trustee

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

/s/ Christian Mustad
CHRISTIAN MUSTAD

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

RL FREY, INC.,
an Oregon corporation

By: /s/ Ronald Frey
Ronald Frey, President

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

/s/ Mark Bland
MARK BLAND

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

/s/ Ziad Chartouni
ZIAD CHARTOUNI

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

/s/ Nicholas Gerlach
NICHOLAS GERLACH

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

/s/ Sherif Jitan
SHERIF JITAN

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

/s/ Scott Johnston
SCOTT JOHNSTON

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBERS:

/s/ David L. White
DAVID L. WHITE

[Signature Page to Membership Unit Purchase Agreement]

IN WITNESS WHEREOF, the parties have executed this Membership Unit Purchase Agreement as of the date first written above.

MEMBER REPRESENTATIVE:

/s/ Bruce Thompson
BRUCE THOMPSON

AMENDMENT TO MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS AMENDMENT TO MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "Amendment") is made as of January 14, 2021, by and between CarGurus, Inc., a Delaware corporation ("Buyer") and CarOffer, LLC, a Delaware limited liability company (the "Company"), pursuant to that certain Membership Interest Purchase Agreement (the "Membership Interest Purchase Agreement"), dated as of December 9, 2020, as amended, restated and/or modified to date, by and among Buyer, the Company, CarOffer Investors Holding, LLC, a Delaware limited liability company ("TopCo"), each of the Members of TopCo (each, a "Member" and collectively, the "Members"), and Bruce T. Thompson, an individual residing in Texas (the "Members' Representative"), in his capacity as the Members' Representative and as a Member. Buyer and the Company are each referred to herein as a "Party" and, collectively, as the "Parties". Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Membership Interest Purchase Agreement.

RECITALS

WHEREAS, the Parties are parties to the Membership Interest Purchase Agreement;

WHEREAS, pursuant to Section 11.1 of the Membership Interest Purchase Agreement, prior to Closing, the Membership Interest Purchase Agreement may be amended, modified, and supplemented only by written agreement of Buyer and the Company; and

WHEREAS, the Parties desire to amend the Membership Interest Purchase Agreement to modify certain defined terms therein.

NOW, THEREFORE, the Parties hereby agree as follows:

1. Amendment of Membership Interest Purchase Agreement. Pursuant to Section 11.1 of the Membership Interest Purchase Agreement, the Membership Interest Purchase Agreement shall be amended as follows:

(a) *The definition of Purchase Price Escrow Amount shall be amended and restated as follows:*

"**Purchase Price Escrow Amount**" means an amount in cash equal to $4,000,000.

(b) *The definition of Retention Escrow Amount shall be amended and restated as follows:*

"**Retention Escrow Amount**" means an amount in cash equal to $701,250.

2. Miscellaneous.

(a) No waiver or amendment in this Amendment shall be deemed to be a waiver or amendment to any other term or condition of the Membership Interest Purchase Agreement or any of the documents referenced to therein except as expressly set forth herein. Other than as expressly set forth in this Amendment, all of the terms, conditions

and other provisions of the Membership Interest Purchase Agreement are hereby ratified and confirmed and shall continue to be in full force and effect in accordance with their respective terms.

(b) The amendments to the Membership Interest Purchase Agreement provided in this Amendment are in accordance with Section 11.1 of the Membership Interest Purchase Agreement and shall be incorporated into the Membership Interest Purchase Agreement in the same manner as if they had been incorporated on the date of the Membership Interest Purchase Agreement.

(c) Article XI of the Membership Interest Purchase Agreement shall be incorporated herein by reference *mutatis mutandis*.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment as of the date first set forth above.

CARGURUS, INC.

By: /s/ Jason Trevisan
Name: Jason Trevisan
Title: Chief Financial Officer

CAROFFER, LLC

By: /s/ Bruce Thompson
Name: Bruce Thompson
Title: Chief Executive Officer

Exhibit 10.4

CARGURUS, INC.

OMNIBUS INCENTIVE COMPENSATION PLAN

Effective as of the Effective Date (as defined below), the CarGurus, Inc. Omnibus Incentive Compensation Plan (the "Plan") is hereby established as a successor to the CarGurus, Inc. Amended and Restated 2015 Equity Incentive Plan (the "Prior Plan"). No additional grants shall be made under the Prior Plan on and after the Effective Date. Outstanding grants under the Prior Plan shall continue in effect according to their terms, and the shares with respect to outstanding grants under the Prior Plan shall be issued or transferred under the Prior Plan.

The purpose of the Plan is to provide employees of CarGurus, Inc. (the "Company") and its subsidiaries, certain consultants and advisors who perform services for the Company or its subsidiaries, and non-employee members of the Board of Directors of the Company with the opportunity to receive grants of incentive stock options, nonqualified stock options, stock appreciation rights, stock awards, stock units, other stock-based awards and cash awards.

The Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefitting the Company's stockholders, and will align the economic interests of the participants with those of the stockholders.

Section 1. Definitions

The following terms shall have the meanings set forth below for purposes of the Plan:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Cash Award" shall mean a cash incentive payment awarded under the Plan as described under Section 11.

(c) "Cause" shall have the meaning given to that term in any written employment agreement, offer letter or severance agreement between the Employer and the Participant, or if no such agreement exists or if such term is not defined therein, and unless otherwise defined in the Grant Instrument, Cause shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty, (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information, (iv) has breached any written non-competition, non-solicitation, invention assignment or confidentiality agreement between the Participant and the Employer or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) "CEO" shall mean the Chief Executive Officer of the Company.

(e) Unless otherwise set forth in a Grant Instrument, a "Change of Control" shall be deemed to have occurred if:

(i) Any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act) becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the voting power of the then outstanding securities of the Company; provided that a Change of Control shall not be deemed to occur as a result of a transaction in which the Company becomes a subsidiary of another corporation and in which the stockholders of the Company, immediately prior to the transaction, will beneficially own, immediately after the transaction, shares entitling such stockholders to more than 50% of all votes to which all stockholders of the parent corporation would be entitled in the election of directors.

(ii) The consummation of (A) a merger or consolidation of the Company with another corporation where, immediately after the merger or consolidation, the stockholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, in substantially the same proportion as ownership immediately prior to the merger or consolidation, shares entitling such stockholders to more than 50% of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors, or where the members of the Board, immediately prior to the merger or consolidation, will not, immediately after the merger or consolidation, constitute a majority of the board of directors of the surviving corporation or (B) a sale or other disposition of all or substantially all of the assets of the Company.

(iii) A change in the composition of the Board over a period of 12 consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections, or threatened election contests, for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

(iv) The approval by the stockholders of the Company of a plan of complete dissolution or liquidation of the Company.

Notwithstanding the foregoing, if a Grant constitutes deferred compensation subject to section 409A of the Code and the Grant provides for payment upon a Change of Control, then no Change of Control shall be deemed to have occurred upon an event described in items (i) – (iv) above unless the event would also constitute a change in ownership or effective control of, or a change in the ownership of a substantial portion of the assets of, the Company under section 409A of the Code.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(g) "Committee" shall mean the Compensation Committee of the Board or another committee appointed by the Board to administer the Plan.

(h) "Company" shall mean CarGurus, Inc. and shall include its successors.

(i) "Company Stock" shall mean Class A common stock of the Company.

(j) "Disability" or "Disabled" shall mean, unless otherwise set forth in the Grant Instrument, a Participant's becoming disabled within the meaning of the Employer's long-term disability plan applicable to the Participant.

(k) "Dividend Equivalent" shall mean an amount determined by multiplying the number of shares of Company Stock subject to a Stock Unit or Other Stock-Based Award by the per-share cash dividend paid by the Company on its outstanding Company Stock, or the per-share Fair Market Value of any dividend paid on its outstanding Company Stock in consideration other than cash. If interest is credited on accumulated divided equivalents, the term "Dividend Equivalent" shall include the accrued interest.

(l) "Effective Date" shall mean the business day immediately preceding the date at which the registration statement for the initial public offering of the Company Stock is declared effective by the Securities and Exchange Commission and the Company Stock is priced for the initial public offering of such Company Stock, subject to approval of the Plan by the stockholders of the Company.

(m) "Employee" shall mean an employee of the Employer (including an officer or director who is also an employee), but excluding any person who is classified by the Employer as a "contractor" or "consultant," no matter how characterized by the Internal Revenue Service, other governmental agency or a court. Any change of characterization of an individual by the Internal Revenue Service or any court or government agency shall have no effect upon the classification of an individual as an Employee for purposes of this Plan, unless the Committee determines otherwise.

(n) "Employed by, or providing service to, the Employer" shall mean employment or service as an Employee, Key Advisor or member of the Board (so that, for purposes of exercising Options and SARs and satisfying conditions with respect to Stock Awards, Stock Units, Other Stock-Based Awards and Cash Awards, a Participant shall not be considered to have terminated employment or service until the Participant ceases to be an Employee, Key Advisor and member of the Board), unless the Committee determines otherwise. If a Participant's relationship is with a subsidiary of the Company and that entity ceases to be a subsidiary of the Company, the Participant will be deemed to cease employment or service when the entity ceases to be a subsidiary of the Company, unless the Participant transfers employment or service to an Employer.

(o) "Employer" shall mean the Company and its direct or indirect subsidiaries.

(p) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(q) "Exercise Price" shall mean the per share price at which shares of Company Stock may be purchased under an Option, as designated by the Committee.

(r) "Fair Market Value" shall mean:

(i) If the Company Stock is publicly traded, the Fair Market Value per share shall be determined as follows: (A) if the principal trading market for the Company Stock is a national securities exchange, the closing sales price during regular trading hours on the relevant date or, if there were no trades on that date, the latest preceding date upon which a sale was reported, or (B) if the Company Stock is not principally traded on any such exchange, the last reported sale price of a share of Company Stock during regular trading hours on the relevant date, as reported by the OTC Bulletin Board.

(ii) If the Company Stock is not publicly traded or, if publicly traded, is not subject to reported transactions as set forth above, the Fair Market Value per share shall be determined by the Committee through any reasonable valuation method authorized under the Code.

(iii) If a Grant is made effective on the date that the registration statement for the initial public offering of the Company Stock is declared effective by the Securities and Exchange Commission and the Company Stock is priced for the initial public offering of such Company Stock, then the Fair Market Value per share shall be equal to the per share price of Company Stock offered to the public in such initial public offering.

(s) "GAAP" shall mean United States Generally Accepted Accounting Principles.

(t) "Grant" shall mean an Option, SAR, Stock Award, Stock Unit, Other Stock-Based Award or Cash Award granted under the Plan.

(u) "Grant Instrument" shall mean the written agreement that sets forth the terms and conditions of a Grant, including all amendments thereto.

(v) "Incentive Stock Option" shall mean an Option that is intended to meet the requirements of an incentive stock option under section 422 of the Code.

(w) "Key Advisor" shall mean a consultant or advisor of the Employer.

(x) "Non-Employee Director" shall mean a member of the Board who is not an Employee.

(y) "Nonqualified Stock Option" shall mean an Option that is not intended to be taxed as an incentive stock option under section 422 of the Code.

(z) "Option" shall mean an option to purchase shares of Company Stock, as described in Section 6.

(aa) "Other Stock-Based Award" shall mean any Grant based on, measured by or payable in Company Stock (other than an Option, Stock Unit, Stock Award, or SAR), as described in Section 10.

(bb) "Participant" shall mean an Employee, Key Advisor or Non-Employee Director designated by the Committee to participate in the Plan.

(cc) "Plan" shall mean this CarGurus, Inc. Omnibus Incentive Compensation Plan, as in effect from time to time.

(dd) "Prior Plan" shall mean CarGurus, Inc. Amended and Restated 2015 Equity Incentive Plan.

(ee) "Reliance Period" shall have the meaning given to that term in Section 18(b).

(ff) "Restriction Period" shall have the meaning given that term in Section 7(a).

(gg) "SAR" shall mean a stock appreciation right, as described in Section 9.

(hh) "Stock Award" shall mean an award of Company Stock, as described in Section 7.

(ii) "Stock Unit" shall mean an award of a phantom unit representing a share of Company Stock, as described in Section 8.

(jj) "Substitute Awards" shall have the meaning given that term in Section 4(b).

Section 2. Administration

(a) Committee. The Plan shall be administered and interpreted by the Committee. The Committee may delegate authority to one or more subcommittees, as it deems appropriate. The Committee, when making Grants to officers and directors of the Company, or the subcommittee to which it delegates authority to make Grants to officers and directors of the Company shall consist of entirely of directors who are "non-employee directors" as defined under Rule 16b-3 promulgated under the Exchange Act. In addition, the Committee or subcommittee to which it delegates authority shall consist of directors who are "independent directors," as determined in accordance with the independence standards established by the stock exchange on which the Company Stock is at the time primarily traded, to the extent required thereunder. Subject to compliance with applicable law and the applicable stock exchange rules, the Board, in its discretion, may perform any action of the Committee hereunder. To the extent that the Board, the Committee, a subcommittee or the CEO, as described below, administers the Plan, references in the Plan to the "Committee" shall be deemed to refer to the Board, the Committee, such subcommittee or the CEO.

(b) Delegation to CEO. Subject to compliance with applicable law and applicable stock exchange requirements, the Committee may delegate all or part of its authority and power to the CEO, as it deems appropriate, with respect to Grants to Employees or Key Advisors who are not executive officers or directors under section 16 of the Exchange Act.

(c) Committee Authority. The Committee shall have the sole authority to (i) determine the individuals to whom Grants shall be made under the Plan, (ii) determine the type,

size, terms and conditions of the Grants to be made to each such individual, (iii) determine the time when the Grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, (v) amend the terms of any previously issued Grant, subject to the provisions of Section 18 below, and (vi) deal with any other matters arising under the Plan.

(d) Committee Determinations. The Committee shall have full power and express discretionary authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals.

(e) Indemnification. No member of the Committee or the Board, and no employee of the Company shall be liable for any act or failure to act with respect to the Plan, except in circumstances involving his or her bad faith or willful misconduct, or for any act or failure to act hereunder by any other member of the Committee or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated. The Company shall indemnify members of the Committee and the Board and any agent of the Committee or the Board who is an employee of the Company or a subsidiary against any and all liabilities or expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan, to the fullest extent permissible under applicable law and in accordance with any applicable agreements with the Company.

Section 3. Grants

Grants under the Plan may consist of Options as described in Section 6, Stock Awards as described in Section 7, Stock Units as described in Section 8, SARs as described in Section 9, Other Stock-Based Awards as described in Section 10 and Cash Awards as described in Section 11. All Grants shall be subject to the terms and conditions set forth herein and to such other terms and conditions consistent with this Plan as the Committee deems appropriate and as are specified in writing by the Committee to the individual in the Grant Instrument. All Grants shall be made conditional upon the Participant's acknowledgement, in writing or by acceptance of the Grant, that all decisions and determinations of the Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under such Grant. Grants under a particular Section of the Plan need not be uniform as among the Participants.

Section 4. Shares Subject to the Plan

(a) Shares Authorized. Subject to adjustment as described below in Section 4(d), the aggregate number of shares of Company Stock that may be issued or transferred under the Plan shall be equal to the sum of the following: (i) 7,800,000 shares of Company Stock, plus (ii) the number of shares of Company Stock (up to 4,500,000 shares) equal to the sum of (x) the number of shares of Company Stock and Class B Common Stock of the Company subject to

outstanding grants under the Prior Plan as of the Effective Date that terminate, expire or are cancelled, forfeited, exchanged or surrendered on or after the Effective Date without having been exercised, vested or paid prior to the Effective Date, including shares tendered or withheld to satisfy tax withholding obligations with respect to outstanding grants under the Prior Plan, plus (y) the number of shares of Company Stock reserved for issuance under the Prior Plan that remain available for grant under the Prior Plan as of the Effective Date. The aggregate number of shares of Company Stock that may be issued or transferred under the Plan pursuant to Incentive Stock Options shall not exceed 12,300,000 shares of Company Stock. In addition, as of the first trading day of January during the term of the Plan (excluding any extensions), beginning with calendar year 2019, an additional positive number of shares of Company Stock shall be added to the number of shares of Company Stock authorized to be issued or transferred under the Plan and the number of shares authorized to be issued or transferred pursuant to Incentive Stock Options, equal to 4% of the total number of shares of Company Stock outstanding on the last trading day in December of the immediately preceding calendar year or 6,000,000 shares, whichever is less, or such lesser amount as determined by the Board.

(b) Source of Shares; Share Counting. Shares issued or transferred under the Plan may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market for purposes of the Plan. If and to the extent Options or SARs granted under the Plan (including options granted under the Prior Plan) terminate, expire or are canceled, forfeited, exchanged or surrendered without having been exercised, or if any Stock Awards, Stock Units or Other Stock-Based Awards (including stock units granted under the Prior Plan) are forfeited, terminated or otherwise not paid in full, the shares subject to such Grants shall again be available for purposes of the Plan. If shares of Company Stock otherwise issuable under the Plan are surrendered in payment of the Exercise Price of an Option, then the number of shares of Company Stock available for issuance under the Plan shall be reduced only by the net number of shares actually issued by the Company upon such exercise and not by the gross number of shares as to which such Option is exercised. Upon the exercise of any SAR under the Plan, the number of shares of Company Stock available for issuance under the Plan shall be reduced by only by the net number of shares actually issued by the Company upon such exercise. If shares of Company Stock otherwise issuable under the Plan are withheld by the Company in satisfaction of the withholding taxes incurred in connection with the issuance, vesting or exercise of any Grant or the issuance of Company Stock thereunder, then the number of shares of Company Stock available for issuance under the Plan shall be reduced by the net number of shares issued, vested or exercised under such Grant, calculated in each instance after payment of such share withholding. To the extent any Grants are paid in cash, and not in shares of Company Stock, any shares previously subject to such Grants shall again be available for issuance or transfer under the Plan.

(c) Substitute Awards. Shares issued or transferred under Grants made pursuant to an assumption, substitution or exchange for previously granted awards of a company acquired by the Company in a transaction ("Substitute Awards") shall not reduce the number of shares of Company Stock available under the Plan and available shares under a stockholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Grants under the Plan and shall not reduce the Plan's share reserve (subject to applicable stock exchange listing and Code requirements).

(d) Adjustments. If there is any change in the number or kind of shares of Company Stock outstanding by reason of (i) a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) a merger, reorganization or consolidation, (iii) a reclassification or change in par value, or (iv) any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number and kind of shares of Company Stock available for issuance under the Plan, the kind and number of shares covered by outstanding Grants, the kind and number of shares issued and to be issued under the Plan, and the price per share or the applicable market value of such Grants shall be equitably adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the Plan and such outstanding Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. In addition, in the event of a Change of Control, the provisions of Section 13 of the Plan shall apply. Any adjustments to outstanding Grants shall be consistent with section 409A or 424 of the Code, to the extent applicable. The adjustments of Grants under this Section 4(d) shall include adjustment of shares, Exercise Price of Stock Options, base amount of SARs, performance goals or other terms and conditions, as the Committee deems appropriate. The Committee shall have the sole discretion and authority to determine what appropriate adjustments shall be made and any adjustments determined by the Committee shall be final, binding and conclusive.

Section 5. Eligibility for Participation

(a) Eligible Persons. All Employees and Non-Employee Directors shall be eligible to participate in the Plan. Key Advisors shall be eligible to participate in the Plan if the Key Advisors render bona fide services to the Employer, the services are not in connection with the offer and sale of securities in a capital-raising transaction and the Key Advisors do not directly or indirectly promote or maintain a market for the Company's securities.

(b) Selection of Participants. The Committee shall select the Employees, Non-Employee Directors and Key Advisors to receive Grants and shall determine the number of shares of Company Stock subject to a particular Grant in such manner as the Committee determines.

Section 6. Options

The Committee may grant Options to an Employee, Non-Employee Director or Key Advisor upon such terms as the Committee deems appropriate. The following provisions are applicable to Options:

(a) Number of Shares. The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees, Non-Employee Directors and Key Advisors.

(b) Type of Option and Exercise Price.

(i) The Committee may grant Incentive Stock Options or Nonqualified Stock Options or any combination of the two, all in accordance with the terms and conditions set

forth herein. Incentive Stock Options may be granted only to employees of the Company or its parent or subsidiary corporations, as defined in section 424 of the Code. Nonqualified Stock Options may be granted to Employees, Non-Employee Directors and Key Advisors.

(ii) The Exercise Price of Company Stock subject to an Option shall be determined by the Committee and shall be equal to or greater than the Fair Market Value of a share of Company Stock on the date the Option is granted. However, an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, or any parent or subsidiary corporation of the Company, as defined in section 424 of the Code, unless the Exercise Price per share is not less than 110% of the Fair Market Value of a share of Company Stock on the date of grant.

(c) Option Term. The Committee shall determine the term of each Option. The term of any Option shall not exceed ten years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, or any parent or subsidiary corporation of the Company, as defined in section 424 of the Code, may not have a term that exceeds five years from the date of grant. Notwithstanding the foregoing, in the event that on the last business day of the term of an Option (other than an Incentive Stock Option), the exercise of the Option is prohibited by applicable law, including a prohibition on purchases or sales of Company Stock under the Company's insider trading policy, the term of the Option shall be extended for a period of 30 days following the end of the legal prohibition, unless the Committee determines otherwise.

(d) Exercisability of Options. Options shall become exercisable in accordance with such terms and conditions, consistent with the Plan, as may be determined by the Committee and specified in the Grant Instrument. The Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason.

(e) Grants to Non-Exempt Employees. Notwithstanding the foregoing, Options granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such Options may become exercisable, as determined by the Committee, upon the Participant's death, Disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(f) Termination of Employment or Service. Except as provided in the Grant Instrument, an Option may only be exercised while the Participant is employed by, or providing services to, the Employer. The Committee shall determine in the Grant Instrument under what circumstances and during what time periods a Participant may exercise an Option after termination of employment or service.

(g) Exercise of Options. A Participant may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company or its delegate. The Participant shall pay the Exercise Price for an Option as specified by the Committee (i) in cash, (ii) unless the Committee determines otherwise, by delivering shares of Company Stock

owned by the Participant and having a Fair Market Value on the date of exercise at least equal to the Exercise Price or by attestation (in accordance with procedures prescribed by the Company) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise at least equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (iv) by such other method as the Committee may approve. In addition, to the extent an Option is at the time exercisable for vested shares of Company Stock, all or any part of that vested portion may be surrendered to the Company for an appreciation distribution payable in shares of Company Stock with a Fair Market Value at the time of the Option surrender equal to the dollar amount by which the then Fair Market Value of the shares of Company Stock subject to the surrendered portion exceeds the aggregate Exercise Price payable for those shares ("net exercise"). Shares of Company Stock used to exercise an Option shall have been held by the Participant for the requisite period of time necessary to avoid adverse accounting consequences to the Company with respect to the Option. Payment for the shares to be issued or transferred pursuant to the Option, and any required withholding taxes, must be received by the Company by the time specified by the Committee depending on the type of payment being made, but in all cases prior to the issuance or transfer of such shares.

(h) Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the Company Stock on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, exceeds $100,000, then the Option, as to the excess, shall be treated as a Nonqualified Stock Option.

Section 7. Stock Awards

The Committee may issue or transfer shares of Company Stock to an Employee, Non-Employee Director or Key Advisor under a Stock Award, upon such terms as the Committee deems appropriate. The following provisions are applicable to Stock Awards:

(a) General Requirements. Shares of Company Stock issued or transferred pursuant to Stock Awards may be issued or transferred for consideration or for no consideration, and subject to restrictions or no restrictions, as determined by the Committee. The Committee may, but shall not be required to, establish conditions under which restrictions on Stock Awards shall lapse over a period of time or according to such other criteria as the Committee deems appropriate, including, without limitation, restrictions based upon the achievement of specific performance goals. The period of time during which the Stock Awards will remain subject to restrictions will be designated in the Grant Instrument as the "Restriction Period."

(b) Number of Shares. The Committee shall determine the number of shares of Company Stock to be issued or transferred pursuant to a Stock Award and the restrictions applicable to such shares.

(c) Requirement of Employment or Service. If the Participant ceases to be employed by, or provide service to, the Employer during a period designated in the Grant Instrument as the Restriction Period, or if other specified conditions are not met, the Stock Award shall terminate as to all shares covered by the Grant as to which the restrictions have not lapsed, and those shares of Company Stock must be immediately returned to the Company. The

Committee may, however, provide for complete or partial exceptions to this requirement as it deems appropriate.

(d) Restrictions on Transfer and Legend on Stock Certificate. During the Restriction Period, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of a Stock Award except under Section 16 below. Unless otherwise determined by the Committee, the Company will retain possession of certificates for shares of Stock Awards until all restrictions on such shares have lapsed. Each certificate for a Stock Award, unless held by the Company, shall contain a legend giving appropriate notice of the restrictions in the Grant. The Participant shall be entitled to have the legend removed from the stock certificate covering the shares subject to restrictions when all restrictions on such shares have lapsed. The Committee may determine that the Company will not issue certificates for Stock Awards until all restrictions on such shares have lapsed.

(e) Right to Vote and to Receive Dividends. Unless the Committee determines otherwise, during the Restriction Period, the Participant shall have the right to vote shares of Stock Awards and to receive any dividends or other distributions paid on such shares, subject to any restrictions deemed appropriate by the Committee, including, without limitation, the achievement of specific performance goals. Dividends with respect to Stock Awards that vest based on performance shall vest if and to the extent that the underlying Stock Award vests, as determined by the Committee.

(f) Lapse of Restrictions. All restrictions imposed on Stock Awards shall lapse upon the expiration of the applicable Restriction Period and the satisfaction of all conditions, if any, imposed by the Committee. The Committee may determine, as to any or all Stock Awards, that the restrictions shall lapse without regard to any Restriction Period.

Section 8. Stock Units

The Committee may grant Stock Units, each of which shall represent one hypothetical share of Company Stock, to an Employee, Non-Employee Director or Key Advisor upon such terms and conditions as the Committee deems appropriate. The following provisions are applicable to Stock Units:

(a) Crediting of Units. Each Stock Unit shall represent the right of the Participant to receive a share of Company Stock or an amount of cash based on the value of a share of Company Stock, if and when specified conditions are met. All Stock Units shall be credited to bookkeeping accounts established on the Company's records for purposes of the Plan.

(b) Terms of Stock Units. The Committee may grant Stock Units that vest and are payable if specified performance goals or other conditions are met, or under other circumstances. Stock Units may be paid at the end of a specified performance period or other period, or payment may be deferred to a date authorized by the Committee. The Committee may accelerate vesting or payment, as to any or all Stock Units at any time for any reason, provided such acceleration complies with section 409A of the Code. The Committee shall determine the number of Stock Units to be granted and the requirements applicable to such Stock Units.

(c) Requirement of Employment or Service. If the Participant ceases to be employed by, or provide service to, the Employer prior to the vesting of Stock Units, or if other conditions established by the Committee are not met, the Participant's Stock Units shall be forfeited. The Committee may, however, provide for complete or partial exceptions to this requirement as it deems appropriate.

(d) Payment With Respect to Stock Units. Payments with respect to Stock Units shall be made in cash, Company Stock or any combination of the foregoing, as the Committee shall determine.

Section 9. Stock Appreciation Rights

The Committee may grant SARs to an Employee, Non-Employee Director or Key Advisor separately or in tandem with any Option. The following provisions are applicable to SARs:

(a) General Requirements. The Committee may grant SARs to an Employee, Non-Employee Director or Key Advisor separately or in tandem with any Option (for all or a portion of the applicable Option). Tandem SARs may be granted either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the time of the grant of the Incentive Stock Option. The Committee shall establish the base amount of the SAR at the time the SAR is granted. The base amount of each SAR shall be equal to or greater than the Fair Market Value of a share of Company Stock as of the date of grant of the SAR. The term of any SAR shall not exceed ten years from the date of grant. Notwithstanding the foregoing, in the event that on the last business day of the term of a SAR, the exercise of the SAR is prohibited by applicable law, including a prohibition on purchases or sales of Company Stock under the Company's insider trading policy, the term shall be extended for a period of 30 days following the end of the legal prohibition, unless the Committee determines otherwise.

(b) Tandem SARs. In the case of tandem SARs, the number of SARs granted to a Participant that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Participant may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock.

(c) Exercisability. An SAR shall be exercisable during the period specified by the Committee in the Grant Instrument and shall be subject to such vesting and other restrictions as may be specified in the Grant Instrument. The Committee may accelerate the exercisability of any or all outstanding SARs at any time for any reason. SARs may only be exercised while the Participant is employed by, or providing service to, the Employer or during the applicable period after termination of employment or service as specified by the Committee. A tandem SAR shall be exercisable only during the period when the Option to which it is related is also exercisable.

(d) Grants to Non-Exempt Employees. Notwithstanding the foregoing, SARs granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such

SARs may become exercisable, as determined by the Committee, upon the Participant's death, Disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(e) Value of SARs. When a Participant exercises SARs, the Participant shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised. The stock appreciation for an SAR is the amount by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as described in subsection (a).

(f) Form of Payment. The appreciation in an SAR shall be paid in shares of Company Stock, cash or any combination of the foregoing, as the Committee shall determine. For purposes of calculating the number of shares of Company Stock to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR.

Section 10. Other Stock-Based Awards

The Committee may grant Other Stock-Based Awards, which are awards (other than those described in Sections 6, 7, 8 and 9 of the Plan) that are based on or measured by Company Stock, to any Employee, Non-Employee Director or Key Advisor, on such terms and conditions as the Committee shall determine. Other Stock-Based Awards may be awarded subject to the achievement of performance goals or other conditions and may be payable in cash, Company Stock or any combination of the foregoing, as the Committee shall determine.

Section 11. Cash Awards

The Committee may grant Cash Awards to Employees who are executive officers and other key employees of the Company. The Committee shall determine the terms and conditions applicable to Cash Awards, including the criteria for the vesting and payment of Cash Awards. Cash Awards shall be based on such measures as the Committee deems appropriate and need not relate to the value of shares of Company Stock.

Section 12. Dividend Equivalents

The Committee may grant Dividend Equivalents in connection with Stock Units or Other Stock-Based Awards. Dividend Equivalents may be paid currently or accrued as contingent cash obligations and may be payable in cash or shares of Company Stock, and upon such terms and conditions as the Committee shall determine. Dividend Equivalents with respect to Stock Units or Other Stock-Based Awards that vest based on performance shall vest and be paid only if and to the extent the underlying Stock Units or Other Stock-Based Awards vest and are paid, as determined by the Committee.

Section 13. Consequences of a Change of Control

(a) Assumption of Outstanding Grants. Upon a Change of Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless the Committee determines otherwise, all outstanding Grants that are not exercised or paid at the time of the Change of Control shall be assumed by, or replaced with grants that have

comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation). After a Change of Control, references to the "Company" as they relate to employment matters shall include the successor employer in the transaction, subject to applicable law.

(b) Vesting Upon Certain Terminations of Employment. Unless the Grant Instrument provides otherwise, if a Participant's employment is terminated by the Employer without Cause upon or within 12 months following a Change of Control, the Participant's outstanding Grants shall become fully vested as of the date of such termination; provided that if the vesting of any such Grants is based, in whole or in part, on performance, the applicable Grant Instrument shall specify how the portion of the Grant that becomes vested pursuant to this Section 13(b) shall be calculated.

(c) Other Alternatives. In the event of a Change of Control, if any outstanding Grants are not assumed by, or replaced with grants that have comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the Committee may take any of the following actions with respect to any or all outstanding Grants, without the consent of any Participant: (i) the Committee may determine that outstanding Stock Options and SARs shall automatically accelerate and become fully exercisable and the restrictions and conditions on outstanding Stock Awards, Stock Units, Cash Awards and Dividend Equivalents shall immediately lapse; (ii) the Committee may determine that Participants shall receive a payment in settlement of outstanding Stock Units, Cash Awards or Dividend Equivalents, in such amount and form as may be determined by the Committee; (ii) the Committee may require that Participants surrender their outstanding Stock Options and SARs in exchange for a payment by the Company, in cash or Company Stock as determined by the Committee, in an amount equal to the amount, if any, by which the then Fair Market Value of the shares of Company Stock subject to the Participant's unexercised Stock Options and SARs exceeds the Stock Option Exercise Price or SAR base amount, and (iv) after giving Participants an opportunity to exercise all of their outstanding Stock Options and SARs, the Committee may terminate any or all unexercised Stock Options and SARs at such time as the Committee deems appropriate. Such surrender, termination or payment shall take place as of the date of the Change of Control or such other date as the Committee may specify. Without limiting the foregoing, if the per share Fair Market Value of the Company Stock does not exceed the per share Stock Option Exercise Price or SAR base amount, as applicable, the Company shall not be required to make any payment to the Participant upon surrender of the Stock Option or SAR.

Section 14. Deferrals

The Committee may permit or require a Participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to such Participant in connection with any Grant. If any such deferral election is permitted or required, the Committee shall establish rules and procedures for such deferrals and may provide for interest or other earnings to be paid on such deferrals. The rules and procedures for any such deferrals shall be consistent with applicable requirements of section 409A of the Code.

Section 15. Withholding of Taxes

(a) Required Withholding. All Grants under the Plan shall be subject to applicable United States federal (including FICA), state and local, foreign country or other tax withholding requirements. The Employer may require that the Participant or other person receiving Grants or exercising Grants pay to the Employer an amount sufficient to satisfy such tax withholding requirements with respect to such Grants, or the Employer may deduct from other wages and compensation paid by the Employer the amount of any withholding taxes due with respect to such Grants.

(b) Share Withholding. The Committee may permit or require the Employer's tax withholding obligation with respect to Grants paid in Company Stock to be satisfied by having shares withheld up to an amount that does not exceed the Participant's applicable withholding tax rate for United States federal (including FICA), state and local tax liabilities. The Committee may, in its discretion, and subject to such rules as the Committee may adopt, allow Participants to elect to have such share withholding applied to all or a portion of the tax withholding obligation arising in connection with any particular Grant. Unless the Committee determines otherwise, share withholding for taxes shall not exceed the participant's minimum applicable tax withholding amount.

Section 16. Transferability of Grants

(a) Nontransferability of Grants. Except as described in subsection (b) below, only the Participant may exercise rights under a Grant during the Participant's lifetime. A Participant may not transfer those rights except (i) by will or by the laws of descent and distribution or (ii) with respect to Grants other than Incentive Stock Options, pursuant to a domestic relations order. When a Participant dies, the personal representative or other person entitled to succeed to the rights of the Participant may exercise such rights. Any such successor must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Participant's will or under the applicable laws of descent and distribution.

(b) Transfer of Nonqualified Stock Options. Notwithstanding the foregoing, the Committee may provide, in a Grant Instrument, that a Participant may transfer Nonqualified Stock Options to family members, or one or more trusts or other entities for the benefit of or owned by family members, consistent with the applicable securities laws, according to such terms as the Committee may determine; provided that the Participant receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

Section 17. Requirements for Issuance or Transfer of Shares

No Company Stock shall be issued or transferred in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance or transfer of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant on the Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of the shares of Company Stock as the Committee shall deem necessary or advisable, and certificates representing such shares may be legended to

reflect any such restrictions. Certificates representing shares of Company Stock issued or transferred under the Plan may be subject to such stop-transfer orders and other restrictions as the Committee deems appropriate to comply with applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon.

Section 18. Amendment and Termination of the Plan

(a) Amendment. The Board may amend or terminate the Plan at any time; provided, however, that the Board shall not amend the Plan without stockholder approval if such approval is required in order to comply with the Code or other applicable law, or to comply with applicable stock exchange requirements.

(b) Stockholder Approval Requirements.

(i) The Plan is intended to comply with the transition relief set forth at Treas. Reg. §1.162-27(f)(1) for companies that become publicly held in connection with an initial public offering, which applies until the first to occur of (A) the expiration of the Plan, (B) a material modification of the Plan within the meaning of section 162(m) of the Code and the regulations thereunder, (C) the issuance of all Company Stock authorized under the Plan, or (D) the first meeting of stockholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the initial public offering occurs (the period commencing on the initial public offering and ending on the first to occur of the foregoing events shall be hereinafter referred to as the "Reliance Period").

(ii) Following the Reliance Period, if Grants are to be made as "qualified performance-based compensation" under section 162(m) of the Code, the Plan must be approved by the stockholders in accordance with section 162(m) of the Code, and the Plan must be reapproved by the stockholders no later than the first stockholders meeting that occurs in the fifth year following the year in which the stockholders previously approved the Plan, if required by section 162(m) of the Code or the regulations thereunder.

(c) Termination of Plan. The Plan shall terminate on the day immediately preceding the tenth anniversary of its Effective Date, unless the Plan is terminated earlier by the Board or is extended by the Board with the approval of the stockholders.

(d) Termination and Amendment of Outstanding Grants. A termination or amendment of the Plan that occurs after a Grant is made shall not materially impair the rights of a Participant unless the Participant consents or unless the Committee acts under Section 19(f) below. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant. Whether or not the Plan has terminated, an outstanding Grant may be terminated or amended under Section 19(f) below or may be amended by agreement of the Company and the Participant consistent with the Plan.

Section 19. Miscellaneous

(a) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in the Plan shall be construed to (i) limit the right of the Committee to make Grants under the Plan in connection with the acquisition, by purchase, lease, merger, consolidation or

otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees, or (ii) limit the right of the Company to grant stock options or make other awards outside of the Plan. The Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company, in substitution for a stock option or stock awards grant made by such corporation. Notwithstanding anything in the Plan to the contrary, the Committee may establish such terms and conditions of the new Grants as it deems appropriate, including setting the Exercise Price of Options or the base price of SARs at a price necessary to retain for the Participant the same economic value as the prior options or rights.

(b) Governing Document. The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

(c) Funding of the Plan. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under the Plan.

(d) Rights of Participants. Nothing in the Plan shall entitle any Employee, Non-Employee Director, Key Advisor or other person to any claim or right to receive a Grant under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employ of the Employer or any other employment rights.

(e) No Fractional Shares. No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. Except as otherwise provided under the Plan, the Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(f) Compliance with Law.

(i) The Plan, the exercise of Options and SARs and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and regulations, and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that Incentive Stock Options comply with the applicable provisions of section 422 of the Code, and that, to the extent applicable, Grants comply with the requirements of section 409A of the Code. To the extent that any legal requirement of section 16 of the Exchange Act or section 422 or 409A of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 422 or 409A of the Code, that Plan provision shall cease to apply. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt

rules regarding the withholding of taxes on payments to Participants. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(ii) The Plan is intended to comply with the requirements of section 409A of the Code, to the extent applicable. Each Grant shall be construed and administered such that the Grant either (A) qualifies for an exemption from the requirements of section 409A of the Code or (B) satisfies the requirements of section 409A of the Code. If a Grant is subject to section 409A of the Code, (I) distributions shall only be made in a manner and upon an event permitted under section 409A of the Code, (II) payments to be made upon a termination of employment or service shall only be made upon a "separation from service" under section 409A of the Code, (III) unless the Grant specifies otherwise, each installment payment shall be treated as a separate payment for purposes of section 409A of the Code, and (IV) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except in accordance with section 409A of the Code.

(iii) Any Grant that is subject to section 409A of the Code and that is to be distributed to a Key Employee (as defined below) upon separation from service shall be administered so that any distribution with respect to such Grant shall be postponed for six months following the date of the Participant's separation from service, if required by section 409A of the Code. If a distribution is delayed pursuant to section 409A of the Code, the distribution shall be paid within 15 days after the end of the six-month period. If the Participant dies during such six-month period, any postponed amounts shall be paid within 90 days of the Participant's death. The determination of Key Employees, including the number and identity of persons considered Key Employees and the identification date, shall be made by the Committee or its delegate each year in accordance with section 416(i) of the Code and the "specified employee" requirements of section 409A of the Code.

(iv) Notwithstanding anything in the Plan or any Grant agreement to the contrary, each Participant shall be solely responsible for the tax consequences of Grants under the Plan, and in no event shall the Company or any subsidiary or affiliate of the Company have any responsibility or liability if a Grant does not meet any applicable requirements of section 409A of the Code. Although the Company intends to administer the Plan to prevent taxation under section 409A of the Code, the Company does not represent or warrant that the Plan or any Grant complies with any provision of federal, state, local or other tax law.

(g) Establishment of Subplans. The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan setting forth (i) such limitations on the Committee's discretion under the Plan as the Board deems necessary or desirable and (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Employer shall not be required to provide copies of any supplement to Participants in any jurisdiction that is not affected.

(h) Clawback Rights. Subject to the requirements of applicable law, the Committee may provide in any Grant Instrument that, if a Participant breaches any restrictive

covenant agreement between the Participant and the Employer (which may be set forth in any Grant Instrument) or otherwise engages in activities that constitute Cause either while employed by, or providing service to, the Employer or within a specified period of time thereafter, all Grants held by the Participant shall terminate, and the Company may rescind any exercise of an Option or SAR and the vesting of any other Grant and delivery of shares upon such exercise or vesting (including pursuant to dividends and Dividend Equivalents), as applicable on such terms as the Committee shall determine, including the right to require that in the event of any such rescission, (i) the Participant shall return to the Company the shares received upon the exercise of any Option or SAR and/or the vesting and payment of any other Grant (including pursuant to dividends and Dividend Equivalents) or, (ii) if the Participant no longer owns the shares, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of any sale or other disposition of the shares (or, in the event the Participant transfers the shares by gift or otherwise without consideration, the Fair Market Value of the shares on the date of the breach of the restrictive covenant agreement (including a Participant's Grant Instrument containing restrictive covenants) or activity constituting Cause), net of the price originally paid by the Participant for the shares. Payment by the Participant shall be made in such manner and on such terms and conditions as may be required by the Committee. The Employer shall be entitled to set off against the amount of any such payment any amounts otherwise owed to the Participant by the Employer. In addition, all Grants under the Plan shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board from time to time.

(i) Governing Law; Jurisdiction. The validity, construction, interpretation and effect of the Plan and Grant Instruments issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof. Any action arising out of, or relating to, any of the provisions of the Plan and Grants made hereunder shall be brought only in the United States District Court for the District of Massachusetts, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Boston Massachusetts, and the jurisdiction of such court in any such proceeding shall be exclusive. Notwithstanding the foregoing sentence, on and after the date a Participant receives shares of Company Stock hereunder, the Participant will be subject to the jurisdiction provision set forth in the Corporation's bylaws.

OMNIBUS INCENTIVE COMPENSATION PLAN
NONQUALIFIED STOCK OPTION GRANT AGREEMENT

This NONQUALIFIED STOCK OPTION GRANT AGREEMENT (the "Agreement"), dated as of _____ (the "Date of Grant"), is delivered by CarGurus, Inc. (the "Company") to _____ (the "Participant").

RECITALS

The CarGurus, Inc. Omnibus Incentive Compensation Plan (the "Plan") provides for the grant of stock options to purchase shares of Class A common stock of the Company ("Company Stock"). The Committee has decided to make this nonqualified stock option grant as an inducement for the Participant to promote the best interests of the Company and its stockholders. The Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan, which is available by accessing the Company's intranet at _____. Paper copies of the Plan and the official Plan prospectus are available by contacting the General Counsel of the Company at 617.315.4900 or legal@cargurus.com. This Agreement is made pursuant to the Plan and is subject in its entirety to all applicable provisions of the Plan. Capitalized terms used herein and not otherwise defined will have the meanings set forth in the Plan.

1. Grant of Option. Subject to the terms and conditions set forth in this Agreement and in the Plan, the Company hereby grants to the Participant a nonqualified stock option (the "Option") to purchase _____ shares of Company Stock ("Shares") at an Exercise Price of $___ per Share. The Option shall become exercisable according to Section 2 below.

2. Exercisability of Option.

(a) The Option shall become vested and exercisable on the following dates (each, a "Vesting Date"), provided that the Participant continues to be employed by, or provide service to, the Employer from the Date of Grant until the applicable Vesting Date:

Vesting Date	Percentage of Shares for Which the Option is Exercisable as of the Vesting Date
_____	_____
_____	_____
_____	_____
_____	_____

(b) The vesting and exercisability of the Option is cumulative, but shall not exceed 100% of the Shares subject to the Option. If the foregoing schedule would produce fractional Shares, the number of Shares for which the Option becomes vested and exercisable shall be rounded down to the nearest whole Share and the fractional Shares will be accumulated so that the

resulting whole Shares will be included in the number of Shares for which the Option becomes vested and exercisable on the last Vesting Date.

(c) Except as otherwise provided in a written employment agreement or severance agreement entered into by and between the Participant and the Employer, in the event of a Change of Control before the Option is fully vested and exercisable, the provisions of the Plan applicable to a Change of Control shall apply to the Option, and, in the event of a Change of Control, the Committee may take such actions with respect to the vesting and exercisability of the Option as it deems appropriate pursuant to the Plan.

3. Term of Option.

(a) The Option shall have a term of ten years from the Date of Grant and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of this Agreement or the Plan. Notwithstanding the foregoing, in the event that on the last business day of the term of the Option, the exercise of the Option is prohibited by applicable law, including a prohibition on purchases or sales of Company Stock under the Company's insider trading policy, the term of the Option shall be extended for a period of 30 days following the end of the legal prohibition, unless the Committee determines otherwise.

(b) The Option shall automatically terminate upon the happening of the first of the following events:

(i) The expiration of the 90-day period after the Participant ceases to be employed by, or provide service to, the Employer, if the termination is for any reason other than Disability, death or Cause.

(ii) The expiration of the one-year period after the Participant ceases to be employed by, or provide service to, the Employer on account of the Participant's Disability.

(iii) The expiration of the one-year period after the Participant ceases to be employed by, or provide service to, the Employer, if the Participant dies while employed by, or providing service to, the Employer or the Participant dies within 90 days after the Participant ceases to be so employed or to provide services to the Employer for any reason other than Disability, death or Cause.

(iv) The date on which the Participant ceases to be employed by, or provide service to, the Employer for Cause. In addition, notwithstanding the prior provisions of this Section 3, if the Participant engages in conduct that constitutes Cause after the Participant's employment or service terminates, the Option shall immediately terminate.

Notwithstanding the foregoing, in no event may the Option be exercised after the date that is immediately before the tenth anniversary of the Date of Grant, except as provided under Section 3(a) above. Any portion of the Option that is not exercisable at the time the Participant ceases to be employed by, or provide service to, the Employer shall immediately terminate.

4. Exercise Procedures.

(a) Subject to the provisions of Sections 2 and 3 above, the Participant may exercise part or all of the exercisable Option by giving the Company or its delegate written notice of intent to exercise, specifying the number of shares of Company Stock as to which the Option is to be exercised and such other information as the Company or its delegate may require.

At such time as the Committee shall determine, the Participant shall pay the Exercise Price (i) in cash, (ii) unless the Committee determines otherwise, by delivering shares of Company Stock owned by the Participant, which shall be valued at their Fair Market Value on the date of exercise, or by attestation (in accordance with procedures prescribed by the Company) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise at least equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (iv) by surrendering shares of Company Stock subject to the exercisable Option for an appreciation distribution payable in Shares with a Fair Market Value on the date of exercise equal to the dollar amount by which the then Fair Market Value of the Shares subject to the surrendered portion exceeds the aggregate Exercise Price payable for the Shares ("net exercise"), or (v) by such other method as the Committee may approve, to the extent permitted by applicable law. The Committee may impose from time to time such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option.

(b) The obligation of the Company to deliver Shares upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as Company counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations.

(c) All obligations of the Company under this Agreement shall be subject to the rights of the Employer as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the Option. The Participant may elect to satisfy any tax withholding obligation of the Employer with respect to the Option by having Shares withheld to satisfy the applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities. Unless the Committee determines otherwise, share withholding for taxes shall not exceed the Participant's minimum applicable tax withholding amount.

(d) Upon exercise of the Option (or portion thereof), the Option (or portion thereof) will terminate and cease to be outstanding.

5. Restrictions on Exercise. Except as the Committee may otherwise permit pursuant to the Plan, only the Participant may exercise the Option during the Participant's lifetime and, after the Participant's death, the Option shall be exercisable (subject to the limitations specified in the Plan) solely by the legal representatives of the Participant, or by the person who acquires the right to exercise the Option by will or by the laws of descent and distribution, to the extent that the Option is exercisable pursuant to this Agreement.

6. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and exercise of the Option are subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the Shares, (c) changes in capitalization of the Company and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

7. No Employment or Other Rights. The grant of the Option shall not confer upon the Participant any right to be retained by or in the employ or service of any Employer and shall not interfere in any way with the right of any Employer to terminate the Participant's employment or service at any time. The right of any Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

8. No Stockholder Rights. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to the Shares subject to the Option, until certificates for Shares have been issued upon the exercise of the Option.

9. Assignment and Transfers. Except as the Committee may otherwise permit pursuant to the Plan, the rights and interests of the Participant under this Agreement may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option or any right hereunder, except as provided for in this Agreement, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Option by notice to the Participant, and the Option and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

10. Applicable Law; Jurisdiction. The validity, construction, interpretation and effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof. Any action arising out of, or relating to, any of the provisions of this Agreement shall be brought only in the United States District Court for the District of Massachusetts, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Boston, Massachusetts, and the jurisdiction of such court in any such proceeding shall be exclusive. Notwithstanding the foregoing sentence, on and after the date a Participant receives shares of Company Stock hereunder, the Participant will be subject to the jurisdiction provision set forth in the Corporation's bylaws.

11. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel, with copy to the Chief Financial Officer at the

corporate headquarters of the Company, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service or by the postal authority of the country in which the Participant resides or to an internationally recognized expedited mail courier.

12. Recoupment Policy. The Participant agrees that, subject to the requirements of applicable law, if the Participant breaches any restrictive covenant agreement between the Participant and the Employer or otherwise engages in activities that constitute Cause either while employed by, or providing service to, the Employer or within 12 months thereafter, the Option shall terminate, and the Company may rescind any exercise of the Option and delivery of Shares upon such exercise, as applicable on such terms as the Committee shall determine, including the right to require that in the event of any such rescission (a) the Participant shall return to the Company the Shares received upon the exercise of the Option or, (b) if the Participant no longer owns the Shares, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of any sale or other disposition of the Shares (or, in the event the Participant transfers the Shares by gift or otherwise without consideration, the Fair Market Value of the Shares on the date of the breach of any restrictive covenant agreement or activity constituting Cause), net of the price originally paid by the Participant for the Shares. The Participant agrees that payment by the Participant shall be made in such manner and on such terms and conditions as may be required by the Committee and the Employer shall be entitled to set off against the amount of any such payment any amounts otherwise owed to the Participant by the Employer. In addition, the Participant agrees that the Option shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board or imposed under applicable rule or regulation from time to time.

13. Application of Section 409A of the Code. This Agreement is intended to be exempt from section 409A of the Code and to the extent this Agreement is subject to section 409A of the Code, it will in all respects be administered in accordance with section 409A of the Code.

[***Signature Page Follows***]

IN WITNESS WHEREOF, the Company has caused an officer to execute this Agreement, and the Participant has executed this Agreement, effective as of the Date of Grant.

CARGURUS, INC.

Name:
Title:

I hereby accept the Option described in this Agreement, and I agree to be bound by the terms of the Plan and this Agreement. I hereby further agree that all decisions and determinations of the Committee shall be final and binding.

Participant:
Date:

OMNIBUS INCENTIVE COMPENSATION PLAN
INCENTIVE STOCK OPTION GRANT AGREEMENT

This INCENTIVE STOCK OPTION GRANT AGREEMENT (the "Agreement"), dated as of _____ (the "Date of Grant"), is delivered by CarGurus, Inc. (the "Company") to _____ (the "Participant").

RECITALS

The CarGurus, Inc. Omnibus Incentive Compensation Plan (the "Plan") provides for the grant of stock options to purchase shares of Class A common stock of the Company ("Company Stock"). The Committee has decided to make this incentive stock option grant as an inducement for the Participant to promote the best interests of the Company and its stockholders. The Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan, which is available by accessing the Company's intranet at _____. Paper copies of the Plan and the official Plan prospectus are available by contacting the General Counsel of the Company at 617.315.4900 or legal@cargurus.com. This Agreement is made pursuant to the Plan and is subject in its entirety to all applicable provisions of the Plan. Capitalized terms used herein and not otherwise defined will have the meanings set forth in the Plan.

1. Grant of Option.

(a) Subject to the terms and conditions set forth in this Agreement and in the Plan, the Company hereby grants to the Participant an incentive stock option (the "Option") to purchase _____ shares of Company Stock ("Shares") at an Exercise Price of $___ per Share. The Option shall become exercisable according to Section 2 below.

(b) The Option is designated as an incentive stock option, as described in Section 5 below. However, if and to the extent the Option exceeds the limits for an incentive stock option, as described in Section 5, the Option shall be a nonqualified stock option.

2. Exercisability of Option.

(a) The Option shall become vested and exercisable on the following dates (each, a "Vesting Date"), provided that the Participant continues to be employed by, or provide service to, the Employer from the Date of Grant until the applicable Vesting Date:

Vesting Date	Percentage of Shares for Which the Option is Exercisable as of the Vesting Date
_____	_____
_____	_____
_____	_____
_____	_____

(b) The vesting and exercisability of the Option is cumulative, but shall not exceed 100% of the Shares subject to the Option. If the foregoing schedule would produce fractional Shares, the number of Shares for which the Option becomes vested and exercisable shall be rounded down to the nearest whole Share and the fractional Shares will be accumulated so that the resulting whole Shares will be included in the number of Shares for which the Option becomes vested and exercisable on the last Vesting Date.

(c) Except as otherwise provided in a written employment agreement or severance agreement entered into by and between the Participant and the Employer, in the event of a Change of Control before the Option is fully vested and exercisable, the provisions of the Plan applicable to a Change of Control shall apply to the Option, and, in the event of a Change of Control, the Committee may take such actions with respect to the vesting and exercisability of the Option as it deems appropriate pursuant to the Plan.

3. Term of Option.

(a) The Option shall have a term of ten years from the Date of Grant and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of this Agreement or the Plan. Notwithstanding the foregoing, in the event that on the last business day of the term of the Option, the exercise of the Option is prohibited by applicable law, including a prohibition on purchases or sales of Company Stock under the Company's insider trading policy, the term of the Option shall be extended for a period of 30 days following the end of the legal prohibition, unless the Committee determines otherwise.

(b) The Option shall automatically terminate upon the happening of the first of the following events:

(i) The expiration of the 90-day period after the Participant ceases to be employed by, or provide service to, the Employer, if the termination is for any reason other than Disability, death or Cause.

(ii) The expiration of the one-year period after the Participant ceases to be employed by, or provide service to, the Employer on account of the Participant's Disability.

(iii) The expiration of the one-year period after the Participant ceases to be employed by, or provide service to, the Employer, if the Participant dies while employed by, or providing service to, the Employer or the Participant dies within 90 days after the Participant ceases to be so employed or to provide services to the Employer for any reason other than Disability, death or Cause.

(iv) The date on which the Participant ceases to be employed by, or provide service to, the Employer for Cause. In addition, notwithstanding the prior provisions of this Section 3, if the Participant engages in conduct that constitutes Cause after the Participant's employment or service terminates, the Option shall immediately terminate.

Notwithstanding the foregoing, in no event may the Option be exercised after the date that is immediately before the tenth anniversary of the Date of Grant, except as provided under Section

3(a) above. Any portion of the Option that is not exercisable at the time the Participant ceases to be employed by, or provide service to, the Employer shall immediately terminate.

4. Exercise Procedures.

(a) Subject to the provisions of Sections 2 and 3 above, the Participant may exercise part or all of the exercisable Option by giving the Company or its delegate written notice of intent to exercise, specifying the number of shares of Company Stock as to which the Option is to be exercised and such other information as the Company or its delegate may require.

At such time as the Committee shall determine, the Participant shall pay the Exercise Price (i) in cash, (ii) unless the Committee determines otherwise, by delivering shares of Company Stock owned by the Participant, which shall be valued at their Fair Market Value on the date of exercise, or by attestation (in accordance with procedures prescribed by the Company) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise at least equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (iv) by surrendering shares of Company Stock subject to the exercisable Option for an appreciation distribution payable in Shares with a Fair Market Value on the date of exercise equal to the dollar amount by which the then Fair Market Value of the Shares subject to the surrendered portion exceeds the aggregate Exercise Price payable for the Shares ("net exercise"), or (v) by such other method as the Committee may approve, to the extent permitted by applicable law. The Committee may impose from time to time such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option.

(b) The obligation of the Company to deliver Shares upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as Company counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations.

(c) All obligations of the Company under this Agreement shall be subject to the rights of the Employer as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the Option. The Participant may elect to satisfy any tax withholding obligation of the Employer with respect to the Option by having Shares withheld to satisfy the applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities. Unless the Committee determines otherwise, share withholding for taxes shall not exceed the Participant's minimum applicable tax withholding amount.

(d) Upon exercise of the Option (or portion thereof), the Option (or portion thereof) will terminate and cease to be outstanding.

5. Designation as Incentive Stock Option.

(a) This Option is designated an incentive stock option under Section 422 of the Code. If the aggregate fair market value of the stock on the date of the grant with respect to which incentive stock options are exercisable for the first time by the Participant during any calendar

year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, exceeds $100,000, then the Option, as to the excess, shall be treated as a nonqualified stock option that does not meet the requirements of Section 422. If and to the extent that the Option fails to qualify as an incentive stock option under the Code, the Option shall remain outstanding according to its terms as a nonqualified stock option.

(b) The Participant understands that favorable incentive stock option tax treatment is available only if the Option is exercised while the Participant is an employee of the Company or a parent or subsidiary of the Company or within a period of time specified in the Code after the Participant ceases to be an employee. The Participant understands that the Participant is responsible for the income tax consequences of the Option, and, among other tax consequences, the Participant understands that he or she may be subject to the alternative minimum tax under the Code in the year in which the Option is exercised. The Participant will consult with his or her tax adviser regarding the tax consequences of the Option.

6. Restrictions on Exercise. Only the Participant may exercise the Option during the Participant's lifetime. After the Participant's death, the Option shall be exercisable (subject to the limitations specified in the Plan) solely by the legal representatives of the Participant, or by the person who acquires the right to exercise the Option by will or by the laws of descent and distribution, to the extent that the Option is exercisable pursuant to this Agreement.

7. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and exercise of the Option are subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the Shares, (c) changes in capitalization of the Company and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

8. No Employment or Other Rights. The grant of the Option shall not confer upon the Participant any right to be retained by or in the employ or service of any Employer and shall not interfere in any way with the right of any Employer to terminate the Participant's employment or service at any time. The right of any Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

9. No Stockholder Rights. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to the Shares subject to the Option, until certificates for Shares have been issued upon the exercise of the Option.

10. Assignment and Transfers. The rights and interests of the Participant under this Agreement may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option or

any right hereunder, except as provided for in this Agreement, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Option by notice to the Participant, and the Option and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

11. Applicable Law; Jurisdiction. The validity, construction, interpretation and effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof. Any action arising out of, or relating to, any of the provisions of this Agreement shall be brought only in the United States District Court for the District of Massachusetts, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Boston, Massachusetts, and the jurisdiction of such court in any such proceeding shall be exclusive. Notwithstanding the foregoing sentence, on and after the date a Participant receives shares of Company Stock hereunder, the Participant will be subject to the jurisdiction provision set forth in the Corporation's bylaws.

12. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel, with copy to the Chief Financial Officer at the corporate headquarters of the Company, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service or by the postal authority of the country in which the Participant resides or to an internationally recognized expedited mail courier.

13. Recoupment Policy. The Participant agrees that, subject to the requirements of applicable law, if the Participant breaches any restrictive covenant agreement between the Participant and the Employer or otherwise engages in activities that constitute Cause either while employed by, or providing service to, the Employer or within 12 months thereafter, the Option shall terminate, and the Company may rescind any exercise of the Option and delivery of Shares upon such exercise, as applicable on such terms as the Committee shall determine, including the right to require that in the event of any such rescission (a) the Participant shall return to the Company the Shares received upon the exercise of the Option or, (b) if the Participant no longer owns the Shares, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of any sale or other disposition of the Shares (or, in the event the Participant transfers the Shares by gift or otherwise without consideration, the Fair Market Value of the Shares on the date of the breach of any restrictive covenant agreement or activity constituting Cause), net of the price originally paid by the Participant for the Shares. The Participant agrees that payment by the Participant shall be made in such manner and on such terms and conditions as may be required by the Committee and the Employer shall be entitled to set off against the amount of any such payment any amounts otherwise owed to the Participant by the Employer. In addition, the Participant agrees that the Option shall be subject to any applicable clawback or recoupment policies, share trading

policies and other policies that may be implemented by the Board or imposed under applicable rule or regulation from time to time.

14. Application of Section 409A of the Code. This Agreement is intended to be exempt from section 409A of the Code and to the extent this Agreement is subject to section 409A of the Code, it will in all respects be administered in accordance with section 409A of the Code.

[***Signature Page Follows***]

IN WITNESS WHEREOF, the Company has caused an officer to execute this Agreement, and the Participant has executed this Agreement, effective as of the Date of Grant.

CARGURUS, INC.

Name:
Title:

I hereby accept the Option described in this Agreement, and I agree to be bound by the terms of the Plan and this Agreement. I hereby further agree that all decisions and determinations of the Committee shall be final and binding.

Participant:
Date:

OMNIBUS INCENTIVE COMPENSATION PLAN
RESTRICTED STOCK UNIT AGREEMENT

This RESTRICTED STOCK UNIT AGREEMENT (the "Agreement"), dated as of _____ (the "Date of Grant"), is delivered by CarGurus, Inc. (the "Company") to _____ (the "Participant").

RECITALS

The CarGurus, Inc. Omnibus Incentive Compensation Plan (the "Plan") provides for the grant of restricted stock units. The Committee has decided to make this grant of restricted stock units as an inducement for the Participant to promote the best interests of the Company and its stockholders. The Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan, which is available by accessing the Company's intranet at _____. Paper copies of the Plan and the official Plan prospectus are available by contacting the General Counsel of the Company at 617.315.4900 or legal@cargurus.com. This Agreement is made pursuant to the Plan and is subject in its entirety to all applicable provisions of the Plan. Capitalized terms used herein and not otherwise defined will have the meanings set forth in the Plan.

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Agreement and in the Plan, the Company hereby grants the Participant _____ restricted stock units, subject to the restrictions set forth below and in the Plan (the "Stock Units"). Each Stock Unit represents the right of the Participant to receive a share of Class A common stock of the Company ("Company Stock") on the applicable payment date set forth in Section 5 below.

2. Stock Unit Account. Stock Units represent hypothetical shares of Company Stock, and not actual shares of stock. The Company shall establish and maintain a Stock Unit account, as a bookkeeping account on its records, for the Participant and shall record in such account the number of Stock Units granted to the Participant. No shares of Company Stock shall be issued to the Participant at the time the grant is made, and the Participant shall not be, and shall not have any of the rights or privileges of, a stockholder of the Company with respect to any Stock Units recorded in the Stock Unit account. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this award or the Stock Unit account established for the Participant.

3. Vesting.

(a) The Stock Units shall become vested according to the following schedule (each, a "Vesting Date"), provided that the Participant continues to be employed by, or provide service to, the Employer from the Date of Grant until the applicable Vesting Date:

Vesting Date	Vested Stock Units
_____	_____
_____	_____
_____	_____
_____	_____

(b) The vesting of the Stock Units shall be cumulative, but shall not exceed 100% of the Stock Units. If the foregoing schedule would produce fractional Stock Units, the number of Stock Units that vest shall be rounded down to the nearest whole Stock Unit and the fractional Stock Units will be accumulated so that the resulting whole Stock Units will be included in the number of Stock Units that become vested on the last Vesting Date.

(c) Except as otherwise provided in a written employment agreement or severance agreement entered into by and between the Participant and the Employer, in the event of a Change of Control before all of the Stock Units vest in accordance with Section 3(a) above, the provisions of the Plan applicable to a Change of Control shall apply to the Stock Units, and, in the event of a Change of Control, the Committee may take such actions with respect to the vesting of the Stock Units as it deems appropriate pursuant to the Plan.

4. Termination of Stock Units. If the Participant ceases to be employed by, or provide service to, the Employer for any reason before all of the Stock Units vest, any unvested Stock Units shall automatically terminate and shall be forfeited as of the date of the Participant's termination of employment or service. No payment shall be made with respect to any unvested Stock Units that terminate as described in this Section 4.

5. Payment of Stock Units.

(a) If and when the Stock Units vest, the Company shall issue to the Participant one share of Company Stock for each vested Stock Unit, subject to applicable tax withholding obligations. Payment shall be made within 30 days after the applicable Vesting Date.

(b) All obligations of the Company under this Agreement shall be subject to the rights of the Employer as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable. At the time of payment in accordance with Section 5(a) above, the number of shares issued to the Participant shall be reduced by a number of shares of Company Stock with a Fair Market Value (measured as of the Vesting Date) equal to an amount of the federal (including FICA), state, local and other tax liabilities required by law to be withheld with respect to the payment of the Stock Units. To the extent not withheld in accordance with the immediately preceding sentence, the Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the Stock Units. Unless

the Committee determines otherwise, share withholding for taxes shall not exceed the Participant's minimum applicable tax withholding amount.

(c) The obligation of the Company to deliver Company Stock shall also be subject to the condition that if at any time the Board shall determine in its discretion that the listing, registration or qualification of the shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares, the shares may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares to Participant pursuant to this Agreement is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

6. No Stockholder Rights; Dividend Equivalents. Neither the Participant, nor any person entitled to receive payment in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to shares of Company Stock, including voting or dividend rights, until certificates for shares have been issued upon payment of Stock Units. The Participant acknowledges that no election under Section 83(b) of the Code is available with respect to Stock Units. Notwithstanding the foregoing, the Participant shall be entitled to accrue Dividend Equivalents on the shares underlying the Stock Units prior to the Vesting Date, which shall be credited to the Stock Unit account for the Participant and will be paid or distributed in the form of shares Company Stock when the shares underlying the Stock Units vest and are issued in accordance with this Agreement.

7. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and payment of the Stock Units are subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Stock Units pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

8. No Employment or Other Rights. The grant of the Stock Units shall not confer upon the Participant any right to be retained by or in the employ or service of any Employer and shall not interfere in any way with the right of any Employer to terminate the Participant's employment or service at any time. The right of any Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

9. Assignment and Transfers. Except as the Committee may otherwise permit pursuant to the Plan, the rights and interests of the Participant under this Agreement may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Stock Units or any right hereunder, except as provided for in this Agreement, or in the event of the levy or any attachment, execution or

similar process upon the rights or interests hereby conferred, the Company may terminate the Stock Units by notice to the Participant, and the Stock Units and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

10. Applicable Law; Jurisdiction. The validity, construction, interpretation and effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof. Any action arising out of, or relating to, any of the provisions of this Agreement shall be brought only in the United States District Court for the District of Massachusetts, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Boston, Massachusetts, and the jurisdiction of such court in any such proceeding shall be exclusive. Notwithstanding the foregoing sentence, on and after the date a Participant receives shares of Company Stock hereunder, the Participant will be subject to the jurisdiction provision set forth in the Corporation's bylaws.

11. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel, with copy to the Chief Financial Officer, at the corporate headquarters of the Company, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service or by the postal authority of the country in which the Participant resides or to an internationally recognized expedited mail courier.

12. Recoupment Policy. The Participant agrees that, subject to the requirements of applicable law, if the Participant breaches any restrictive covenant agreement between the Participant and the Employer or otherwise engages in activities that constitute Cause either while employed by, or providing service to, the Employer or within 12 months thereafter, the Stock Units shall terminate, and the Company may rescind delivery of Shares upon payment of the Stock Units, as applicable on such terms as the Committee shall determine, including the right to require that in the event of any such rescission, (a) the Participant shall return to the Company the shares received upon payment of the Stock Units or, (b) if the Participant no longer owns the shares, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of any sale or other disposition of the shares (or, in the event the Participant transfers the Shares by gift or otherwise without consideration, the Fair Market Value of the shares on the date of the breach of any restrictive covenant agreement or activity constituting Cause), net of the price originally paid by the Participant for the Shares, if applicable. The Participant agrees that payment by the Participant shall be made in such manner and on such terms and conditions as may be required by the Committee and the Employer shall be entitled to set off against the amount of any such payment any amounts otherwise owed to the Participant by the Employer. In addition, the Participant agrees that the Stock Units shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board or imposed under applicable rule or regulation from time to time.

13. Application of Section 409A of the Code. This Agreement is intended to be exempt from section 409A of the Code under the "short-term deferral" exception and to the extent this Agreement is subject to section 409A of the Code, it will in all respects be administered in accordance with section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused an officer to execute this Agreement, and the Participant has executed this Agreement, effective as of the Date of Grant.

CARGURUS, INC.

_____

Name:
Title:

I hereby accept the award of Stock Units described in this Agreement, and I agree to be bound by the terms of the Plan and this Agreement. I hereby agree that all decisions and determinations of the Committee with respect to the Stock Units shall be final and binding.

_____ _____

Date Participant

EXHIBIT 10.4.1

EXECUTIVE FORM

OMNIBUS INCENTIVE COMPENSATION PLAN
NONQUALIFIED STOCK OPTION GRANT AGREEMENT

This NONQUALIFIED STOCK OPTION GRANT AGREEMENT (the "Agreement"), dated as of _____ (the "Date of Grant"), is delivered by CarGurus, Inc. (the "Company") to _____ (the "Participant").

RECITALS

The CarGurus, Inc. Omnibus Incentive Compensation Plan (the "Plan") provides for the grant of stock options to purchase shares of Class A common stock of the Company ("Company Stock"). The Committee has decided to make this nonqualified stock option grant as an inducement for the Participant to promote the best interests of the Company and its stockholders. The Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan, which is available by accessing the Company's intranet at _____. Paper copies of the Plan and the official Plan prospectus are available by contacting the General Counsel of the Company at 617.315.4900 or legal@cargurus.com. This Agreement is made pursuant to the Plan and is subject in its entirety to all applicable provisions of the Plan. Capitalized terms used herein and not otherwise defined will have the meanings set forth in the Plan.

1. Grant of Option. Subject to the terms and conditions set forth in this Agreement and in the Plan, the Company hereby grants to the Participant a nonqualified stock option (the "Option") to purchase ____ shares of Company Stock ("Shares") at an Exercise Price of $___ per Share. The Option shall become exercisable according to Section 2 below.

2. Exercisability of Option.

(a) The Option shall become vested and exercisable on the following dates (each, a "Vesting Date"), provided that the Participant continues to be employed by, or provide service to, the Employer from the Date of Grant until the applicable Vesting Date:

Vesting Date	Vested Stock Units
_____	_____
_____	_____
_____	_____
_____	_____

(b) The vesting and exercisability of the Option is cumulative, but shall not exceed 100% of the Shares subject to the Option. If the foregoing schedule would produce fractional Shares, the number of Shares for which the Option becomes vested and exercisable shall be rounded down to the nearest whole Share and the fractional Shares will be accumulated so that the resulting whole Shares will be included in the number of Shares for which the Option becomes vested and exercisable on the last Vesting Date.

(c) Except as otherwise provided in a written employment agreement or severance agreement entered into by and between the Participant and the Employer, in the event of a Change of Control before the Option is fully vested and exercisable, the provisions of the Plan applicable to a Change of Control shall apply to the Option, and, in the event of a Change of Control, the Committee may take such actions with respect to the vesting and exercisability of the Option as it deems appropriate pursuant to the Plan.

Notwithstanding the foregoing, if the Company is not the surviving corporation (or survives only as a subsidiary of another corporation) as a result of the Change of Control and the Option is assumed by, or replaced with an award with comparable terms by, the surviving corporation (or parent or subsidiary of the surviving corporation) and the Participant's employment is terminated by the Employer without Cause (as defined below) or by the Participant for Good Reason (as defined below) upon or within 12 months following a Change of Control and before the Option is fully vested and exercisable in accordance with the vesting schedule set forth in Section 2(a) above, any unvested and unexercisable portion of the Option shall become fully vested and exercisable upon such termination of employment.

(d) For purposes of this Agreement, the following terms have the following meanings:

(i) "Cause" shall have the meaning given to that term in any written employment agreement, offer letter or severance agreement between the Company and the Participant, or if no such agreement exists or if such term is not defined therein, Cause shall mean a finding by the Committee that the Participant has (I) materially breached his or her employment agreement or offer letter with Company, which breach has not been remedied by the Participant within 30 days after written notice has been provided to him or her of such breach, (II) engaged in disloyalty to the Company, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty, (III) disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information, (IV) breached any written non-competition, non-solicitation, invention assignment or confidentiality agreement between the Participant and the Company or (V) engaged in such other behavior detrimental to the interests of the Company as the Committee reasonably determines.

(ii) "Good Reason" means the Participant has complied with the Good Reason Process (as defined below) following the occurrence of any of the following events, without the Participant's consent: (I) a material diminution in the Participant's title, responsibilities, authority or duties; (II) a material diminution the Participant's base salary or target bonus, except for across-the-board reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; (III) a material change in the principal geographic location at which the Participant provides services to the Company (with the exception of travel related to the Participant's duties to the Company); or (IV) the material breach by the Company of the Participant's written employment agreement, offer letter or severance agreement between the Company and the Participant.

(iii) "Good Reason Process" means (I) the Participant reasonably determines in good faith that a "Good Reason" condition has occurred; (II) the Participant notifies the Company in writing of the first occurrence of the Good Reason condition within 30 days of the

first occurrence of such condition; (III) the Participant cooperates in good faith with the Company's efforts, for a period not less than 30 days following such notice (the "Cure Period"), to remedy the condition; (IV) notwithstanding such efforts, the Good Reason condition continues to exist; and (V) the Participant terminates his or her employment within 30 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

3. Term of Option.

(a) The Option shall have a term of ten years from the Date of Grant and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of this Agreement or the Plan. Notwithstanding the foregoing, in the event that on the last business day of the term of the Option, the exercise of the Option is prohibited by applicable law, including a prohibition on purchases or sales of Company Stock under the Company's insider trading policy, the term of the Option shall be extended for a period of 30 days following the end of the legal prohibition, unless the Committee determines otherwise.

(b) The Option shall automatically terminate upon the happening of the first of the following events:

(i) The expiration of the 90-day period after the Participant ceases to be employed by, or provide service to, the Employer, if the termination is for any reason other than Disability, death or Cause.

(ii) The expiration of the one-year period after the Participant ceases to be employed by, or provide service to, the Employer on account of the Participant's Disability.

(iii) The expiration of the one-year period after the Participant ceases to be employed by, or provide service to, the Employer, if the Participant dies while employed by, or providing service to, the Employer or the Participant dies within 90 days after the Participant ceases to be so employed or to provide services to the Employer for any reason other than Disability, death or Cause.

(iv) The date on which the Participant ceases to be employed by, or provide service to, the Employer for Cause. In addition, notwithstanding the prior provisions of this Section 3, if the Participant engages in conduct that constitutes Cause after the Participant's employment or service terminates, the Option shall immediately terminate.

Notwithstanding the foregoing, in no event may the Option be exercised after the date that is immediately before the tenth anniversary of the Date of Grant, except as provided under Section 3(a) above. Any portion of the Option that is not exercisable at the time the Participant ceases to be employed by, or provide service to, the Employer shall immediately terminate.

4. Exercise Procedures.

(a) Subject to the provisions of Sections 2 and 3 above, the Participant may exercise part or all of the exercisable Option by giving the Company or its delegate written notice of intent to exercise, specifying the number of shares of Company Stock as to which the Option is to be exercised and such other information as the Company or its delegate may require.

At such time as the Committee shall determine, the Participant shall pay the Exercise Price (i) in cash, (ii) unless the Committee determines otherwise, by delivering shares of Company Stock owned by the Participant, which shall be valued at their Fair Market Value on the date of exercise, or by attestation (in accordance with procedures prescribed by the Company) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise at least equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (iv) by surrendering shares of Company Stock subject to the exercisable Option for an appreciation distribution payable in Shares with a Fair Market Value on the date of exercise equal to the dollar amount by which the then Fair Market Value of the Shares subject to the surrendered portion exceeds the aggregate Exercise Price payable for the Shares ("net exercise"), or (v) by such other method as the Committee may approve, to the extent permitted by applicable law. The Committee may impose from time to time such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option.

(b) The obligation of the Company to deliver Shares upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as Company counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations.

(c) All obligations of the Company under this Agreement shall be subject to the rights of the Employer as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the Option. The Participant may elect to satisfy any tax withholding obligation of the Employer with respect to the Option by having Shares withheld to satisfy the applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities. Unless the Committee determines otherwise, share withholding for taxes shall not exceed the Participant's minimum applicable tax withholding amount.

(d) Upon exercise of the Option (or portion thereof), the Option (or portion thereof) will terminate and cease to be outstanding.

5. Restrictions on Exercise. Except as the Committee may otherwise permit pursuant to the Plan, only the Participant may exercise the Option during the Participant's lifetime and, after the Participant's death, the Option shall be exercisable (subject to the limitations specified in the Plan) solely by the legal representatives of the Participant, or by the person who acquires the right to exercise the Option by will or by the laws of descent and distribution, to the extent that the Option is exercisable pursuant to this Agreement.

6. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and exercise of the Option are subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the Shares, (c) changes in capitalization of the Company and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

7. No Employment or Other Rights. The grant of the Option shall not confer upon the Participant any right to be retained by or in the employ or service of any Employer and shall not interfere in any way with the right of any Employer to terminate the Participant's employment or service at any time. The right of any Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

8. No Stockholder Rights. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to the Shares subject to the Option, until certificates for Shares have been issued upon the exercise of the Option.

9. Assignment and Transfers. Except as the Committee may otherwise permit pursuant to the Plan, the rights and interests of the Participant under this Agreement may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option or any right hereunder, except as provided for in this Agreement, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Option by notice to the Participant, and the Option and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

10. Applicable Law; Jurisdiction. The validity, construction, interpretation and effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof. Any action arising out of, or relating to, any of the provisions of this Agreement shall be brought only in the United States District Court for the District of Massachusetts, or if such court does not have jurisdiction

or will not accept jurisdiction, in any court of general jurisdiction in Boston, Massachusetts, and the jurisdiction of such court in any such proceeding shall be exclusive. Notwithstanding the foregoing sentence, on and after the date a Participant receives shares of Company Stock hereunder, the Participant will be subject to the jurisdiction provision set forth in the Company's bylaws.

11. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel, with copy to the Chief Financial Officer, at the corporate headquarters of the Company, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service or by the postal authority of the country in which the Participant resides or to an internationally recognized expedited mail courier.

12. Recoupment Policy. The Participant agrees that, subject to the requirements of applicable law, if the Participant breaches any restrictive covenant agreement between the Participant and the Employer or otherwise engages in activities that constitute Cause either while employed by, or providing service to, the Employer or within 12 months thereafter, the Option shall terminate, and the Company may rescind any exercise of the Option and delivery of Shares upon such exercise, as applicable on such terms as the Committee shall determine, including the right to require that in the event of any such rescission (a) the Participant shall return to the Company the Shares received upon the exercise of the Option or, (b) if the Participant no longer owns the Shares, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of any sale or other disposition of the Shares (or, in the event the Participant transfers the Shares by gift or otherwise without consideration, the Fair Market Value of the Shares on the date of the breach of any restrictive covenant agreement or activity constituting Cause), net of the price originally paid by the Participant for the Shares. The Participant agrees that payment by the Participant shall be made in such manner and on such terms and conditions as may be required by the Committee and the Employer shall be entitled to set off against the amount of any such payment any amounts otherwise owed to the Participant by the Employer. In addition, the Participant agrees that the Option shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board or imposed under applicable rule or regulation from time to time.

13. Application of Section 409A of the Code. This Agreement is intended to be exempt from section 409A of the Code and to the extent this Agreement is subject to section 409A of the Code, it will in all respects be administered in accordance with section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused an officer to execute this Agreement, and the Participant has executed this Agreement, effective as of the Date of Grant.

CARGURUS, INC.

Name:
Title:

I hereby accept the Option described in this Agreement, and I agree to be bound by the terms of the Plan and this Agreement. I hereby agree that all decisions and determinations of the Committee with respect to the Option shall be final and binding.

Date Participant

EXHIBIT 10.4.3

EXECUTIVE FORM

OMNIBUS INCENTIVE COMPENSATION PLAN
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT

This PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT (the "Agreement"), dated as of _____ (the "Date of Grant"), is delivered by CarGurus, Inc. (the "Company") to _____ (the "Participant").

RECITALS

The CarGurus, Inc. Omnibus Incentive Compensation Plan (the "Plan") provides for the grant of performance-based restricted stock units. The Committee has decided to make this grant of performance-based restricted stock units ("PSUs") as an inducement for the Participant to promote the best interests of the Company and its stockholders. The Participant hereby acknowledges the receipt of a copy of the official prospectus for the Plan, which is available by accessing the Company's intranet at _____. Paper copies of the Plan and the official Plan prospectus are available by contacting the General Counsel of the Company at 617.315.4900 or legal@cargurus.com. This Agreement is made pursuant to the Plan and is subject in its entirety to all applicable provisions of the Plan. Capitalized terms used herein and not otherwise defined will have the meanings set forth in the Plan.

1. Grant of PSUs. Subject to the terms and conditions set forth in this Agreement and in the Plan, the Company hereby grants the Participant a target number of PSUs set forth in Schedule I ("Target PSUs"), assuming target performance, and, if applicable, up to a maximum number of PSUs set forth in Schedule I, with the actual number of PSUs earned based upon achievement of performance goals over one or more Performance Periods (as defined in Schedule I) and the terms and conditions described herein and in Schedule I. The award of PSUs represents the right of the Participant to receive one share of Class A common stock of the Company ("Company Stock"), for each PSU that vests, on the applicable payment date set forth in Section 5 below or Schedule I, subject to the terms of this Agreement.

2. PSU Account. PSUs represent hypothetical shares of Company Stock, and not actual shares of stock. The Company shall establish and maintain a PSU account, as a bookkeeping account on its records, for the Participant and shall record in such account the Target PSUs granted to the Participant. No shares of Company Stock shall be issued to the Participant at the time the grant is made, and the Participant shall not be, and shall not have any of the rights or privileges of, a stockholder of the Company with respect to any PSUs recorded in the PSU account. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this award or the PSU account established for the Participant.

3. Vesting. The PSUs shall vest in accordance with the terms and conditions set forth in Schedule I.

4. Termination of PSUs. Unless provided otherwise in Schedule I, if the Participant ceases to be employed by, or provide service to, the Employer for any reason before all of the PSUs

vest, any unvested PSUs shall automatically terminate and shall be forfeited as of the date of the Participant's termination of employment or service. No payment shall be made with respect to any unvested PSUs that terminate as described in this Section 4.

5. Payment of PSUs.

(a) If the PSUs vest in accordance with Schedule I, the Company shall issue to the Participant one share of Company Stock for each vested PSU, subject to applicable tax withholding obligations. Payment shall be made within 60 days after the last day of the applicable Performance Period, except as provided in Section 6 below or Schedule I.

(b) The obligation of the Company to deliver Company Stock shall be subject to the condition that if at any time the Board shall determine in its discretion that the listing, registration or qualification of the shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares, the shares may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares to the Participant pursuant to this Agreement is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

6. Change of Control. Except as otherwise provided in a written employment agreement or severance agreement entered into by and between the Participant and the Employer, or Schedule I, in the event a Change of Control occurs prior to the end of a Performance Period, the provisions of the Plan applicable to a Change of Control shall apply to the outstanding PSUs, and, the Committee may take such actions with respect to the outstanding PSUs as it deems appropriate pursuant to the Plan.

7. No Stockholder Rights; Dividend Equivalents. Neither the Participant, nor any person entitled to receive payment in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to shares of Company Stock, including voting or dividend rights, until certificates for shares have been issued upon payment of the PSUs. The Participant acknowledges that no election under Section 83(b) of the Code is available with respect to the PSUs. Notwithstanding the foregoing, the Participant shall be entitled to accrue Dividend Equivalents on the shares underlying the PSUs during the Performance Period, which shall be credited to the PSU account for the Participant and will be paid or distributed in the form of shares Company Stock when the shares underlying the PSUs vest and are issued in accordance with this Agreement.

8. Withholding. All obligations of the Company under this Agreement shall be subject to the rights of the Employer as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable. At the time of payment in accordance with Section 5(a) above , the number of shares issued to the Participant shall be reduced by a number of shares of Company Stock with a Fair Market Value (measured as of the vesting date) equal to an amount of the federal (including FICA), state, local and other tax liabilities required by law to be withheld with respect to the payment of the PSUs. To the extent not withheld in accordance with the immediately preceding sentence, the Participant shall be required to pay to the Employer, or

make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the PSUs. Unless the Committee determines otherwise, share withholding for taxes shall not exceed the Participant's minimum applicable tax withholding amount.

9. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and payment of the PSUs are subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe the PSUs pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

10. No Employment or Other Rights. The grant of the PSUs shall not confer upon the Participant any right to be retained by or in the employ or service of any Employer and shall not interfere in any way with the right of any Employer to terminate the Participant's employment or service at any time. The right of any Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

11. Assignment and Transfers. Except as the Committee may otherwise permit pursuant to the Plan, the rights and interests of the Participant under this Agreement may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the PSUs or any right hereunder, except as provided for in this Agreement, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the PSUs by notice to the Participant, and the PSUs and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

12. Applicable Law; Jurisdiction. The validity, construction, interpretation and effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof. Any action arising out of, or relating to, any of the provisions of this Agreement shall be brought only in the United States District Court for the District of Massachusetts, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Boston, Massachusetts, and the jurisdiction of such court in any such proceeding shall be exclusive. Notwithstanding the foregoing sentence, on and after the date a Participant receives shares of Company Stock hereunder, the Participant will be subject to the jurisdiction provision set forth in the Company's bylaws.

13. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel, with copy to the Chief Financial Officer, at the corporate headquarters of the Company, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service or by the postal authority of the country in which the Participant resides or to an internationally recognized expedited mail courier.

14. Recoupment Policy. The Participant agrees that, subject to the requirements of applicable law, if the Participant breaches any restrictive covenant agreement between the Participant and the Employer or otherwise engages in activities that constitute Cause either while employed by, or providing service to, the Employer or within 12 months thereafter, the PSUs shall terminate, and the Company may rescind delivery of shares upon payment of the PSUs, as applicable on such terms as the Committee shall determine, including the right to require that in the event of any such rescission, (a) the Participant shall return to the Company the shares received upon payment of the PSUs or, (b) if the Participant no longer owns the shares, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of any sale or other disposition of the shares (or, in the event the Participant transfers the shares by gift or otherwise without consideration, the Fair Market Value of the shares on the date of the breach of any restrictive covenant agreement or activity constituting Cause), net of the price originally paid by the Participant for the shares, if applicable. The Participant agrees that payment by the Participant shall be made in such manner and on such terms and conditions as may be required by the Committee and the Employer shall be entitled to set off against the amount of any such payment any amounts otherwise owed to the Participant by the Employer. In addition, the Participant agrees that the PSUs shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board or imposed under applicable rule or regulation from time to time.

15. Application of Section 409A of the Code. This Agreement (including Schedule I) is intended to be exempt from section 409A of the Code under the "short-term deferral" exception and to the extent this Agreement (including Schedule I) is subject to section 409A of the Code, it will in all respects be administered in accordance with section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused an officer to execute this Agreement, and the Participant has executed this Agreement, effective as of the Date of Grant.

CARGURUS, INC.

Name:
Title:

I hereby accept the award of PSUs described in this Agreement, and I agree to be bound by the terms of the Plan and this Agreement. I hereby agree that all decisions and determinations of the Committee with respect to the PSUs shall be final and binding.

Date

Participant

SCHEDULE I

DETAILS OF PERFORMANCE GOALS
AND
ILLUSTRATIONS OF RESULTING NUMBER OF EARNED PSUS

A. **Target PSUs**: [ ]

B. **Maximum PSUs**: [ ]% of the Target PSUs

C. **Performance Periods**:

- Performance Period One: [ ]
- Performance Period [ ]: [ ] (and together with Performance Period One, the "Performance Periods")

D. **Vesting**:

1. The number of PSUs that vest shall be based on the Company's TSR (as defined below) relative to the median TSR of the companies listed on the S&P 500 Index as of the day before the beginning of the applicable Performance Period (the "Peer Group" and each such company, a "Peer Group Company"), as follows:

(i) [ ]% of the Target PSUs (the "Performance One Target PSUs") (up to a maximum of [ ]% of the Performance One Target PSUs) shall be eligible to vest based on performance measured over Performance Period One, provided that the Participant continues to be employed by, or provide service to, the Employer from the Date of Grant until the last day of Performance Period One (the "First Vesting Date"), except as provided in Sections G and H below; and

(ii) [ ]% of the Target PSUs ("Performance [ ] Target PSUs") (up to a maximum of [ ]% of the Performance [ ] Target PSUs) shall be eligible to vest based on performance measured over Performance Period [ ], provided that the Participant continues to be employed by, or provide service to, the Employer from the Date of Grant until the last day of Performance Period [ ] (the "[ ] Vesting Date" and together with the First Vesting Date, the "Vesting Dates"), except as provided in Sections G and H below.

2. The number of PSUs that vest on each Vesting Date shall be determined based on the calculation of the Company's TSR relative to the median TSR of the Peer Group, in accordance with Sections E and F below, and the terms provided in this Schedule I.

3. If any PSUs eligible to vest in Performance Period One do not become vested for Performance Period One under the terms of this Schedule I, then such PSUs shall be forfeited and shall not be eligible to vest in Performance Period [ ].

E. **TSR Calculation**:

TSR = ((Average closing stock price of the Company or Peer Group Company, as applicable, for the last 30 trading days of the applicable Performance Period /Average closing stock price of the Company or Peer Group Company, as applicable, for the last 30 trading days prior to the commencement of the Performance Period) - 1) (rounded to the nearest one decimal point)

Median TSR = The median TSR of the TSR of the Peer Group Companies over the applicable Performance Period. In the event there are an even number of Peer Group Companies, the Median TSR shall equal the TSR of the two Peer Group Companies closest to the median, divided by 2. For the avoidance of doubt, the Peer Group as determined at the beginning of the Performance Period shall continue to apply throughout the Performance Period, regardless of whether any merger, acquisition, business combination transaction or liquidation of a Peer Group Company occurs during the Performance Period.

F. **Performance Metric Details**:

The following shall apply:

- Formula:
    - 100% + (((Company TSR – Median TSR) / Median TSR) X 2) = Payout Factor (rounded to the nearest one decimal point)
    - [ ]% of the Performance One Target PSUs are earned when the Company's TSR is equal to Median TSR for Performance Period One.
    - The number of PSUs earned for Performance Period One is increased (not to exceed [ ]%) (or decreased to not less than [ ]%) by 2% of the Performance Period One Target PSUs multiplied by the relative percentage by which the Company's TSR exceeds (or trails) the Median TSR for Performance Period One.
    - [ ]% of the Performance [ ] Target PSUs are earned when the Company's TSR is equal to Median TSR for Performance Period [ ].
    - The number of PSUs earned for Performance Period [ ] is increased (not to exceed [ ]%) (or decreased to not less than [ ]%) by 2% of the Performance Period [ ] Target PSUs multiplied by the relative percentage by which the Company's TSR exceeds (or trails) the Median TSR for Performance Period [ ].
    - The earned PSUs will be rounded to the nearest whole share.
- Implied payout range / performance requirement:

	Performance v. Peer Group	Payout (% of Target PSUs for the applicable Performance Period)
Max	Company TSR = [ ]% of Median TSR	[ ]%
Target	Company TSR = [ ]% of Median TSR	[ ]%
Threshold	Company TSR = [ ]% of Median TSR	[ ]%

G. Termination without Cause or for Good Reason:

1. In the event that the Participant ceases to be employed by, or provide service to, the Employer before the end of the applicable Performance Period, and such termination of employment or service is by the Employer without Cause or by the Participant for Good Reason (as such terms are defined below), and in either case prior to a Change of Control (in either case, a "Qualifying Termination"), then, subject to Section H below:

(i) The Performance Period shall end on the date of the Qualifying Termination (for purposes of this Section G, the "Adjusted Termination Performance Period"), for purposes of determining whether the performance goals set forth in this Schedule I have been achieved as of the Qualifying Termination, and the Committee shall determine the number of PSUs that would have become vested if the Performance Period ended on the date of the Qualifying Termination (the "Adjusted Termination PSUs").

(ii) The Adjusted Termination PSUs that would have vested as of the Qualifying Termination, assuming daily pro rata vesting over this period (determined based on the numerator being the number of days during the period commencing on the first day of the Performance Period through the date of the Qualifying Termination, and the denominator being the number of days during the Performance Period), shall accelerate and vest and those PSUs shall settle within 60 days following the Qualifying Termination.

2. Any PSUs that do not vest under this Section G (*i.e.* the positive difference, if any, between Target PSUs and PSUs for which vesting is accelerated pursuant to Section G(1) above) shall, with no further action, be forfeited and cease to be outstanding as of the Qualifying Termination.

H. Change of Control:

1. If there occurs a Change of Control prior to the last day of the Performance Period, and the Participant continues to be employed by, or provide service to, the Employer through the consummation of the closing of the Change of Control, then, upon such Change of Control:

(i) The Performance Period shall end on the closing date of the Change of Control (for purposes of this Section H, the "Adjusted Performance Period"), for

purposes of determining whether the performance goals set forth in this Schedule I have been achieved as of the Change of Control, and the Committee shall determine the number of PSUs that would have become vested if the Performance Period ended on the date of the Change of Control (the "Adjusted Performance Period PSUs").

(ii) The Adjusted Performance Period PSUs that would have vested through the date of the Change of Control, assuming daily pro rata vesting (determined based on the numerator being the number of days during the period commencing on the first day of the Performance Period through the date of such Change of Control, and the denominator being the total number of days in the Performance Period), shall accelerate and vest and those PSUs shall settle within 30 days following the date of the Change of Control.

(iii) Any remaining Adjusted Performance Period PSUs (*i.e.* the positive difference, if any, between the Adjusted Performance Period PSUs calculated pursuant to Section H(1)(i) above and those for which vesting was accelerated pursuant to Section H(1)(ii) above) shall vest and no longer be subject to any restriction in substantially equal installments on each quarterly anniversary of the Change of Control through the quarterly anniversary ending on or prior to the last day of the applicable Performance Period, provided that the Participant continues to be employed by, or provide service to, the Employer through such vesting date, except as provided in subsection (iv) below. Each Adjusted Performance Period PSU that becomes vested under this subsection (iii) shall be settled within 60 days following the applicable vesting date, subject to subsections (iv) and (v) below.

(iv) Notwithstanding subsection (iii), if the Company is not the surviving corporation (or survives only as a subsidiary of another corporation) as a result of the Change of Control and the PSUs are assumed by, or replaced with an award with comparable terms by, the surviving corporation (or parent or subsidiary of the surviving corporation) and the Participant's employment is terminated by the Employer without Cause or by the Participant for Good Reason upon or within 12 months following a Change of Control and before the Adjusted Performance Period PSUs are vested under subsection (iii) above, any such unvested Adjusted Performance Period PSUs under subsection (iii) shall become fully vested upon such termination of employment and shall be paid within 60 days following such termination of employment.

(v) Notwithstanding the foregoing, to the extent required by section 409A of the Code, if the Change of Control does not constitute a "change in control event" for purposes of section 409A of the Code, or to the extent otherwise required to avoid a penalty under section 409A of the Code, then any vested Adjusted Performance Period PSUs shall not be settled at the time described in subsection (iii), and shall instead be settled within 60 days following the end of the applicable Performance Period (or such earlier date as permitted by section 409A of the Code).

(vi) Any PSUs that do not vest as of the Change of Control under this Section H shall, with no further action, be forfeited and cease to be outstanding as of the Change of Control.

2. The determinations of the Committee under this Section H shall be final and conclusive.

I. Definitions:

1. "Cause" shall have the meaning given to that term in any written employment agreement, offer letter or severance agreement between the Company and the Participant, or if no such agreement exists or if such term is not defined therein, Cause shall mean a finding by the Committee that the Participant has (i) materially breached his or her employment agreement or offer letter with Company, which breach has not been remedied by the Participant within 30 days after written notice has been provided to him or her of such breach, (ii) engaged in disloyalty to the Company, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty, (iii) disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information, (iv) breached any written non-competition, non-solicitation, invention assignment or confidentiality agreement between the Participant and the Company or (v) engaged in such other behavior detrimental to the interests of the Company as the Committee reasonably determines.

2. "Good Reason" means the Participant has complied with the Good Reason Process (as defined below) following the occurrence of any of the following events, without the Participant's consent: (i) a material diminution in the Participant's title, responsibilities, authority or duties; (ii) a material diminution the Participant's base salary or target bonus, except for across-the-board reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; (iii) a material change in the principal geographic location at which the Participant provides services to the Company (with the exception of travel related to the Participant's duties to the Company); or (iv) the material breach by the Company of the Participant's written employment agreement, offer letter or severance agreement between the Company and the Participant.

3. "Good Reason Process" means (i) the Participant reasonably determines in good faith that a "Good Reason" condition has occurred; (ii) the Participant notifies the Company in writing of the first occurrence of the Good Reason condition within 30 days of the first occurrence of such condition; (iii) the Participant cooperates in good faith with the Company's efforts, for a period not less than 30 days following such notice (the "Cure Period"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) the Participant terminates his or her employment within 30 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

4. "TSR" means the change in fair market value over the specified period of time, expressed as a percentage, of an initial investment in the specified security, including the effect of any dividends actually paid as if the dividends were reinvested in the Class A common stock of the Company or the shares of a Peer Group Company, as the case may be, and proportionately adjusted for stock splits, reorganizations or similar transactions occurring during the Performance Period, as provided herein or as determined utilizing such methodology as the Committee, or its delegate, shall have approved. Notwithstanding the foregoing, the Committee, or its delegate, shall have the discretion to make appropriate and equitable adjustments of the

TSR of any company (including the Company) whose shares trade ex-dividend as of the last day of Performance Period One or Performance Period [ ], as applicable.

Exhibit 10.10

CARGURUS, INC.

Two Canal Park
Cambridge, MA
02141

November 30, 2015

Scot Fredo
[ADDRESS]

Dear Scot:

We are pleased to extend you this offer of full-time employment to become a VP, Financial Planning and Analysis at CarGurus, Inc., a Delaware corporation (the "Company"). This offer is contingent upon you providing and CarGurus successfully completing at least two professional references and your successful completion of the Company's background screening process, which will require you to sign the Electronic Disclosure and Authorization Form with our provider: Talentwise. This offer, which will remain in effect until Friday, December 4, 2015, can be accepted by countersigning the enclosed copy of this letter where indicated at the end of this letter and returning the countersigned copy to me.

We are excited about the contributions that we expect you will make to the success of the Company, and would like your employment to begin as soon as possible. Accordingly, we and you mutually agree to a start date of [to be discussed] (the "Start Date").

Duties and Extent of Service

As VP, Financial Planning and Analysis you will be a member of the Finance Team. You will have responsibility for performing those duties as are customary for, and are consistent with, such position, as well as those duties as the Chief Financial Officer may from time to time designate. Except for vacations and absences due to temporary illness, you will be expected to devote your full time and effort to the business and affairs of the Company.

Compensation

a. Base Salary

In consideration of your employment with the Company, the Company will pay you a base salary of Two Hundred Thousand Dollars ($200,000) per year, such payments to be made as customarily disbursed by the Company to its employees. Along with other employees of the Company, your base salary will be reviewed for readjustment on an annual basis.

b. Annual Discretionary Bonus

As long as the Company remains profitable (defined as being cash flow positive for a full annual fiscal year), you will become eligible for an annual discretionary bonus. Your target annual bonus will be $50,000, but the actual amount will be subject to both the performance of the company as well as your individual contributions.

C. Fringe Benefits.

You will be entitled to participate from time to time in all fringe benefits made available to employees of the Company. No representation is made, however, that any specific fringe benefits now available will continue or that any other fringe benefits will be made available. Notwithstanding the foregoing, the following benefits will, in any event, be available to you.

(i) Health Insurance. If elected by you, you may participate in the Company's health insurance program, and the Company will pay that portion of the premium for you, on a basis and pursuant to a program, substantially the same as that offered to other employees of the Company.

(ii) Vacations. You will be entitled to three weeks' paid vacation annually at such reasonable times as

you and the Company may determine.

(iii) Expense Reimbursement. The Company will reimburse you for all ordinary and necessary expenses incurred on behalf of the Company and in accordance with its reimbursement policy.

Equity

As VP, Financial Planning and Analysis, the Company is prepared to offer to you the opportunity to acquire an equity interest in the Company upon the terms and conditions set forth below. Subject to the approval of the Company's board, the Company will grant you an option to purchase 8,000 shares of common stock of the Company Common at a price per share to be determined at the Company's next Board of Directors meeting subsequent to the date of this offer letter (the "Optioned Shares") pursuant to the terms of the Company's 2015 Unit Equity Incentive Plan (the "Plan"). The Optioned Shares shall be subject to four-year vesting during (and only during) your employment by the Company, with the first twenty-five percent (25%) vesting on the first anniversary of the Start Date and an additional 6.25% vesting at the end of each three months thereafter until all of the options to acquire Optioned Shares are fully vested. Any Optioned Shares that are unvested on the termination of your employment shall be void and of no force or effect. Vested options for Optioned Shares may be exercised up to the first to occur of the date which is the earlier of the expiration of ten years from the Grant Date, as defined in the Plan, or thirty days after termination of your employment by the Company, in each case in accordance with the terms of the Plan.

Promptly following the Start Date, the Company will prepare any and all documentation necessary to implement your options for Optioned Shares and the vesting thereof as provided above. You understand that the Optioned Shares purchased by you will be subject to the same risks as those facing other members of the Company, including, without limitation, the possibility of dilution in the event that the Company issues additional shares of Preferred Stock or Common Stock of the Company.

Proprietary Information and Inventions

Prior to commencing your employment with the Company, you agree to sign a copy of the Company's standard Nondisclosure, Developments and Non-Competition Agreement, a copy of which is attached as Exhibit A hereto. By signing below, you represent that you are free to enter into this agreement and the Nondisclosure, Developments and Non-Competition Agreement and carry out the obligations hereunder and thereunder without any conflict with any prior agreements to which you are a party.

Termination

You acknowledge that the employment relationship between the Company and you are at-will, meaning that the employment relationship may be terminated by the Company or you for any reason or for no reason. However, the Company and you agree to make reasonable efforts to provide the other party at least thirty (30) days' written notice prior to termination of the employment relationship. You acknowledge that, in connection with any termination of your employment with the Company, you will assist the Company in its efforts to find a new VP, Financial Planning and Analysis and will provide such transitional assistance as the Company may reasonably require. In connection with the foregoing, the Company agrees that should your employment be terminated, you will receive as your sole and only

payments on account of such termination (and subject to execution of appropriate documentation to this effect) accrued compensation through the date of termination. In addition, COBRA rights will be available to you.

Governing Law and Jurisdiction

This agreement shall be governed by and construed in accordance with the internal substantive laws of the Commonwealth of Massachusetts. The Company and you hereby expressly consent and agree that any dispute, controversy, legal action or other proceeding that arises from, concerns or touches this agreement shall be brought in either the Superior Court of Massachusetts or the United States District Court for the District of Massachusetts. The Company and you hereby acknowledge that said courts have sole and exclusive jurisdiction over any such dispute or controversy, and that the Company and you hereby waive any objection to personal jurisdiction or venue in these courts, and waive any right to jury trial.

Entire Agreement: Amendment

This agreement (together with the Nondisclosure, Developments and Non-Competition Agreement) and the Plan set forth the sole and entire agreement and understanding between the Company and you with respect to the specific matters contemplated and addressed hereby and thereby. No prior agreement, whether written or oral, shall be construed to

change or affect the operation of this agreement or the other agreements contemplated hereby in accordance with their terms, and any provision of any such prior agreement which conflicts with or contradicts any provision of this agreement or the other agreements contemplated hereby is hereby revoked and superseded.

This agreement may be amended or terminated only by a written instrument executed both by you and the Company, acting through its Board of Directors.

We are excited to have you on board as a VP, Financial Planning and Analysis. Please acknowledge your acceptance of this offer and the terms of this agreement by signing below and returning a copy to me.

Sincerely,

CARGURUS, INC.

By: /s/ Jason Trevisan

I hereby acknowledge that I have had a full and adequate opportunity to read, understand and discuss the terms and conditions contained in this agreement prior to signing hereunder.

Agreed to and Accepted:

By: /s/ Scot Fredo

Date: 12/4/2015

Exhibit 21.1

Subsidiaries of CarGurus, Inc.

Auto List, Inc., a Delaware corporation

CarGurus Canada, Inc., a company incorporated under the laws of the Province of British Columbia

CarGurus Ireland Limited, an Irish Private Company Limited by Shares

CarGurus Securities Corp., a Massachusetts corporation

CarGurus UK Limited, a U.K. Private Limited Company

CarOffer, LLC, a Texas limited liability company

Pistonheads Holdco Limited, a U.K. Private Limited Company

WPLE, Inc., a Delaware corporation

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-221090) pertaining to the Omnibus Incentive Compensation Plan and the Amended and Restated 2015 Equity Incentive Plan of CarGurus, Inc. of our reports dated February 11, 2021, with respect to the consolidated financial statements of CarGurus, Inc., and the effectiveness of internal control over financial reporting of CarGurus, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 11, 2021

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jason Trevisan, certify that:

1. I have reviewed this Annual Report on Form 10-K of CarGurus, 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: February 11, 2021

By: /s/ Jason Trevisan
Jason Trevisan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scot Fredo, certify that:

1. I have reviewed this Annual Report on Form 10-K of CarGurus, 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: February 11, 2021

By: /s/ Scot Fredo
Scot Fredo
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION 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 Annual Report on Form 10-K of CarGurus, Inc. (the "Company") for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jason Trevisan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my 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: February 11, 2021

By: /s/ Jason Trevisan
Jason Trevisan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION 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 Annual Report on Form 10-K of CarGurus, Inc. (the "Company") for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scot Fredo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my 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: February 11, 2021

By: /s/ Scot Fredo
Scot Fredo
Chief Financial Officer
(Principal Financial Officer)